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CHAPTER 316

An act to add Chapter 3.25 (commencing with Section 44695) to Part 25 of the Education Code, relating to mathematics instruction.

[Approved by Governor August 19, 1998. Filed with Secretary of State August 19, 1998.]

The people of the State of California do enact as follows:

SECTION 1. This act shall be known and may be cited as the "Standards-based Mathematics Staff Development Act of 1998."

SEC. 2. The Legislature finds and declares all of the following:

(a) In December 1997, the State Board of Education adopted content standards for mathematics instruction in the California public schools.

(b) In order that pupils may attain the highest levels of mathematical skills and understanding, it is essential that teachers in the public schools be knowledgeable about the new standards and have a thorough, in-depth understanding of the underlying mathematics.

(c) Many teachers in the public schools lack the in-depth understanding of mathematics that is necessary for effective teaching at the level of the new standards, and this is particularly true for high school mathematics.

(d) A mathematics staff development program is therefore essential for implementation of the new, rigorous mathematics standards in the California public schools.

SEC. 3. Chapter 3.25 (commencing with Section 44695) is added to Part 25 of the Education Code, to read:

CHAPTER 3.25. MATHEMATICS STAFF DEVELOPMENT

Article 1. Coursework in Mathematics for Teachers of Mathematics for Pupils in Grades 4 to 12, Inclusive

44695. The State Department of Education shall administer a program of staff development grants to reimburse school districts and county offices of education for fees and materials costs for teachers to take mathematics courses offered by the mathematics departments at accredited institutions of higher education in California. The purpose of the staff development coursework is to increase the content knowledge of teachers who teach mathematics to pupils in grades 4 to 12, inclusive, in order to increase the teacher's capability to impart knowledge of mathematics content consistent with the academically rigorous content standards adopted by the State Board of Education in the subject of mathematics. The department shall do all of the following:

(a) Develop criteria, guidelines, and procedures as necessary and submit these to the State Board of Education for amendments, if any, and approval.

(b) Identify school districts that meet eligibility requirements for grant awards.

(c) Calculate an allotment for eligible school districts pursuant to Section 44695.5.

(d) Allocate funds to eligible school districts pursuant to Section 44695.5 based on the actual cost of fees and materials.

44695.3. A school district shall do all of the following to be eligible for receiving grants pursuant to this article:

(a) Meet either of the following criteria:

(1) Have employed teachers who are assigned to teach mathematics outside the authorization of their credential.

(2) Have employed teachers who hold a credential for teaching in a self-contained classroom, who are assigned to teach pupils in any of grades 4 to 6, inclusive, and who have not completed more than three college-level courses in mathematics.

(b) Inform all district teachers who teach mathematics to pupils in grades 4 to 12, inclusive, of the availability of payments for fees and materials in courses in mathematics.

(c) From the funds allotted to the school district pursuant to Section 44695.5, pay for the fees and materials costs of teachers based on their need for mathematics training. Highest priority shall be given to teachers with the least college-level mathematics training. Consideration shall be given to the needs of a school in extending its course offerings.

(d) Ensure that each teacher who receives the staff development training in mathematics, as authorized in this chapter, meets all of the following conditions:

(1) Has designed a professional development plan that specifies the sequence of courses that the teacher will take in order to fulfill the course requirements for a mathematics minor, major, teaching credential, or advanced degree, as appropriate.

(2) Obtains a grade of C or better in the course.

(3) For a teacher described in paragraph (2) of subdivision (a), the teacher has a professional development plan that specifies the course or sequence of courses that the teacher will need to complete in order for the teacher to have the appropriate knowledge of mathematics necessary to teach the subject.

(e) Apply to the State Department of Education for a staff development grant pursuant to this chapter and certify the number of teachers employed by the district meeting the criteria in subdivision (a).

44695.5. The State Department of Education shall calculate an allotment of funding that each school district is eligible to receive in reimbursement of fees and materials costs of coursework completed by teachers for the purpose of increasing mathematics teachers'

content knowledge in the subject of mathematics. The amount of the funding that each district is eligible to receive shall be equal to the amount of funding provided for the purpose of this chapter in the Budget Act of 1998, divided by the number of teachers reported in subdivision (e) of Section 44695.3 for the school year in which the application is made. The amount shall not exceed two thousand five hundred dollars ($2,500) per eligible teacher.

44695.7. Funds received pursuant to this article may be expended only for fees and required course materials for courses in mathematics offered by the department of mathematics at an accredited institution of higher education in California.

44695.9. A teacher may be eligible to receive payment for fees and materials costs of more than one course during a fiscal year, provided that the priorities established pursuant to subdivision (c) of Section 44695.3 are being addressed and the courses taken are consistent with the teacher's professional development plan developed pursuant to paragraph (1) or (3) of subdivision (d) of Section 44695.3.

44696. For the purposes of this chapter, "school district" includes a county office of education.

44697. Any funds appropriated for the purposes of this chapter in the 1997–98 Regular Session shall be available for expenditure for three years.

SEC. 4. For the purpose of making the computations required by Section 8 of Article XVI of the California Constitution, any appropriation made for the purposes of this act shall be deemed to be "General Fund revenues appropriated to school districts," as defined in subdivision (c) of Section 41202, for the fiscal year for which the appropriation is made, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as defined in subdivision (e) of Section 41202, for the fiscal year for which the appropriation is made.

SEC. 5. Sections 1 to 4, inclusive, of this act shall become operative only if Assembly Bill 1331 of the 1997–98 Regular Session is enacted and becomes operative.

CHAPTER 317

An act to add Article 6 (commencing with Section 32296) to Chapter 2.5 of Part 19 of the Education Code, relating to school community policing.

[Approved by Governor August 19, 1998. Filed with Secretary of State August 19, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Article 6 (commencing with Section 32296) is added to Chapter 2.5 of Part 19 of the Education Code, to read:

Article 6. School Community Policing

32296. The Legislature finds and declares all of the following:

(a) Many of California's public schools and their surrounding communities are experiencing crime and violence to a degree that makes it difficult for pupils and staff to feel safe.

(b) During the 1996–97 school year, school districts and county offices of education reported a total of 21,947 crimes against persons, 19,876 drug and alcohol offenses, 25,718 property crimes costing schools over twenty-two million six hundred thousand dollars ($22,600,000), and 8,787 other crimes .

(c) Schools need assistance in carrying out their constitutional mandate to provide safe environments to educate our children.

(d) Schools also need assistance in ensuring safe passage for pupils to and from school and in securing the school campus from outside criminal activity and disturbances.

(e) A school community policing approach to school safety, modeled after community policing principles, offers an effective strategy for using proactive problem solving and school law enforcement partnerships to address the causes of crime and fear as well as other safe school issues in the school and its surrounding community.

(f) Partnerships among schools, law enforcement, and their communities provide a positive support system for schools in addressing safe school issues.

(g) Collaboration by school-law enforcement-community partnerships results in strategic approaches to meet the unique needs of the school community.

32296.1. (a) This article may be known and cited as the School Community Policing Partnership Act of 1998. The purpose of this article is to provide financial assistance to school districts and county offices of education to ensure safe, secure, and peaceful school campuses as guaranteed by the California Constitution through the use of a community policing approach to school crime and safety issues.

(b) The School Community Policing Partnership Grant Program, which is hereby established, shall be administered by the State Department of Education through the School/Law Enforcement Partnership established pursuant to Section 32262. With respect to this program, the partnership shall do all of the following:

(1) Develop application criteria and procedures for local education agencies pursuant to the provisions of this article.

(2) Award grants to school districts, county offices of education, or a consortium of school districts and county offices of education.

(3) Evaluate the effectiveness of the funded projects.

(4) Report biennially to the Legislature and Governor on the results of the program.

32296.3. "School community policing" means an approach to safe schools that is founded on developing positive relationships between law enforcement and the school community in which (1) schools, law enforcement, community agencies, and the members of the surrounding school community collaboratively develop long-term, proactive approaches and systems to address the underlying conditions that affect the level of school safety; and (2) law enforcement becomes an integral facet of the school community with highly trained law enforcement officers having a visible and active presence on and around school campuses. "School community policing" also involves highly trained law enforcement officers working with pupils during and after school, providing opportunities for pupils' active involvement in positive activities. It also involves teaching pupils skills and providing them with a consistent system of recognition and reinforcement of positive behavior.

32296.4. Grants under the School Community Policing Partnership Grant Program shall be awarded on a competitive basis to school districts, county offices of education, or a consortium of school districts and county offices of education to develop and implement a plan that demonstrates a collaborative and integrated approach between the grant recipients and local law enforcement agencies for implementing a system of providing safe and secure environments. Local education agencies applying for grants under this article shall demonstrate that their proposed program adheres to the definition and principles of school community policing as set forth in this article.

32296.5. Applicants for funds under the School Community Policing Partnership Grant Program shall demonstrate how their program's overall design addresses the definition of school community policing by describing how their programs will do all of the following:

(a) Form school-law enforcement-community partnerships to prevent and respond to crime and violence in the school environment.

(b) Employ a proactive problem-solving process to accomplish all of the following:

(1) Identify problems through coordinated needs assessments, including the use of the results of the California Safe Schools Assessment pursuant to Section 628.2 of the Penal Code.

(2) Analyze in a thorough manner information concerning the problems.

(3) Develop responses that are innovative and tailormade with the best potential for eliminating or reducing the problems.

(4) Evaluate the responses to determine their effectiveness and modify them as necessary.

32296.6. (a) School community policing partnerships funded pursuant to this article shall demonstrate how their program will address the following:

(1) Identify the school communities that face a significant public safety risk of crime including, but not limited to, gang activity, daylight burglary, late-night robbery, vandalism, truancy, controlled substance sales, firearm related violence, and juvenile alcohol use.

(2) Develop information and intelligence sharing systems to ensure that actions by school districts and county offices of education are fully coordinated with local law enforcement agencies.

(3) Identify outcome measures to evaluate the effectiveness of the program that shall include, but not necessarily be limited to, each of the following:

(A) The rate of drug and alcohol-related offenses on the school campus.

(B) The rate of crimes against persons on the school campus.

(C) The rate of crimes against property on the school campus.

(D) Incidence of pupils in possession of firearms or other weapons on the school campus.

(E) The rates of school attendance and truancy.

(4) Increase understanding and trust between police, the school, and community members.

(5) Include an ongoing commitment to developing long-term and proactive programs and strategies to address the underlying conditions that cause school and community problems.

(6) Include knowledge of available school and community resources and how to access and mobilize them, as well as the ability to develop new resources within the school and community.

(7) Include sustained personal commitment of the top management of law enforcement and other local government agencies, as well as from all other levels of management and key personnel.

(b) Applicants for grants under the School Community Policing Partnership Grant Program shall demonstrate how the plan will be sustained after the grant period has expired.

32296.7. The School/Law Enforcement Partnership shall award grants to a school district, county office of education, or a consortium to pay the costs of establishing and operating, on behalf of one or more qualifying schools within the school district, county office of education, or consortium, programs that apply a community policing approach to school crime and safety, as follows:

(a) Grants may be awarded to school districts, county offices of education, or consortia that have demonstrated readiness to begin operation of a program or to expand existing programs. Grants shall supplement, not supplant, existing programs.

(b) Grants shall be awarded for no more than three hundred thousand dollars ($300,000) for the three-year grant period.

(c) Recipients of grants may also receive one-time startup grants, in addition to the base grant, that may be used, among other things, for purchasing equipment, hiring staff, designing a program evaluation, or hiring a program or evaluation consultant. Startup grants shall be awarded for not more than one hundred thousand dollars ($100,000).

(d) All grants awarded under this article shall be matched by the participating local educational agency or consortium and its cooperating agencies with one dollar ($1) for each four dollars ($4) awarded. The match shall be contributed in cash or as services or resources of comparable value. It is the intent of the Legislature that participants seek and utilize funds or resources for this purpose. The School/Law Enforcement Partnership may waive the match requirement upon verifying that the local educational agency or consortium made a substantial effort to secure a match but was unable to secure the required match.

(e) Pursuant to this article, the School/Law Enforcement Partnership shall award competitive grants to school districts and county offices of education or consortia in urban, suburban, and rural areas of northern, central, and southern California.

(f) Grants shall be awarded for programs that demonstrate the greatest need and meet the criteria for the program pursuant to Section 32296.5 for a school safety grant under this article. The School/Law Enforcement Partnership shall consider the latest school crime data for the school or schools in which the program will operate when determining that need.

(g) Commencing in the 1998–99 fiscal year, and each subsequent year for which funding is available, grants shall be awarded according to the following schedule:

(1) The School/Law Enforcement Partnership shall issue requests for applications on or before November 1.

(2) Grant applications shall be submitted to the School/Law Enforcement Partnership on or before March 1.

(3) The School/Law Enforcement Partnership shall award grants on or before May 15.

32296.8. Nothing in this article shall be construed to require a school district or county office of education to hire police officers as a condition of receiving a grant under the School Community Policing Partnership Grant Program. Grant funds may not be used to provide funding for school resource officers.

32296.9. It is the intent of the Legislature that funding for the School Community Policing Partnership Grant Program established pursuant to this article shall be provided through the annual Budget Act and that grants shall be for a period of three years.

CHAPTER 318

An act to amend and repeal Section 8481 of, and to add Article 22.5 (commencing with Section 8482) to Chapter 2 of Part 6 of, the Education Code, relating to after school programs, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 19, 1998. Filed with Secretary of State August 19, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 8481 of the Education Code is amended to read:

8481. (a) Subject to appropriation in the annual Budget Act, for the purpose of the program in this article, the Superintendent of Public Instruction may allocate funds for the establishment of school-based schoolage before and after school programs that include homework and tutoring assistance, improve literacy skills, and provide recreational activities, as well as facilitate the transition from welfare to work by providing child care for schoolage children and potential employment for welfare recipients who are parents of children enrolled in schoolage child care programs.

(b) A before and after school program, whether public, private, or school district operated, in collaboration with other local governmental agencies, may apply to the State Department of Education for funding under this article. A before and after school program that receives funding pursuant to this article may participate in any other grant programs that fund literacy and technology activities.

(c) In order to achieve the goals of assisting children in learning, providing parents with employment and parenting skills, providing a safe environment for children, and helping prevent crime in neighborhoods, a program funded under this article shall be a collaborative effort with a school district, and may also include collaboration with any combination of the following: other school districts, community college districts, counties, cities, community-based organizations, not-for-profit organizations, the local agency that provides the Even Start Family and Head Start literacy programs or their equivalent programs, and the private sector.

(d) In selecting programs for funding under this article, the department shall use the standards set forth in Section 8463 and all of the following criteria:

(1) Programs shall have demonstrated experience in implementing quality before or after school child development programs.

(2) Programs shall demonstrate the inclusion of a strong literacy component.

(3) Programs shall demonstrate a working collaboration with entities listed in subdivision (c), including Even Start Family and Head Start literacy program providers, to the extent that these programs exist in the service area.

(e) Notwithstanding Section 8468, in allocating funds pursuant to this article, preference shall be given to programs that currently employ recipients of aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, who are parents of children enrolled in the applicant programs or that have a demonstrated commitment to providing employment opportunities for those recipients of aid, or both.

(f) Funding received by a before and after school program pursuant to this article may be renewed and is contingent upon the following:

(1) Compliance with the requirement of subdivision (c), the criteria set forth in subdivision (d), and the priorities set forth in subdivision (e).

(2) A favorable evaluation completed by the State Department of Education pursuant to Section 8498.8 or an evaluation that meets the standards of the department. Outcomes shall include academic achievement determined by measurements such as test scores, grades, school attendance, and number of disciplinary actions.

(3) Programs shall demonstrate that they are receiving locally generated resources from other than federal and state sources, which may include in-kind contributions.

(g) (1) A program established under this section may employ parents of schoolage children who are participating in the program established pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, and may employ those parents in the schools attended by their own children. Parents employed pursuant to this subdivision may also participate in training programs at least six hours per week, in order to help them understand child development, learn parenting skills, and obtain skills for employment in either an educational or child care setting. Employment in the program may fulfill a participant's employment requirements under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code.

(2) A program shall also be encouraged to hire older siblings of children in the program whose families receive aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, to work in either the program's literacy or recreation components. It is the intent of this subdivision that hiring teenagers from families that receive aid under this Chapter 2 (commencing with Section 11200)

of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, will provide an additional source of income for these families.

(3) All program participants shall be assessed before they work with children to determine their skills and literacy development and a criminal background check on each participant shall be completed before that participant begins to work with children. Participants shall be supervised by qualified staff.

(4) (A) Notwithstanding any other provision of law, but subject to subparagraph (B), programs operating under this article that use recipients of aid under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, may count those recipients as staff members for purposes of determining compliance with staffing ratio requirements.

(B) Teenage siblings used by programs operating under this article may not be included in computing compliance with staffing ratio requirements.

(5) Notwithstanding any other provision of law, programs operating under this section may extend their hours of operation beyond 20 hours per week.

(h) A program established pursuant to this section shall assist the children of recipients of aid under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, and other children to complete homework, improve literacy skills, that shall include, but not be limited to, reading, writing, mathematics, and computer skills, and participate in recreational activities.

(i) Programs funded under this section shall provide training on how to work with children on reading, writing, listening, and speaking. This training shall be provided in collaboration with an Even Start Family or Head Start literacy program, or their equivalent programs.

(j) (1) Notwithstanding any other provision of law, commencing with the 1997–98 fiscal year, schoolsites shall be eligible for the funding of programs established pursuant to this section where a minimum of 70 percent of the children are eligible for free or reduced-cost meals through the school lunch program of the United States Department of Agriculture. Presumptive eligibility for a program established pursuant to this section shall apply to individual families of pupils attending an eligible schoolsite.

(2) Notwithstanding any other provision of law, parent fees may not be assessed to parents or guardians whose children attend a program established pursuant to this section.

(k) Programs funded under this section shall be encouraged to take advantage of free snack programs administered by the United States Department of Agriculture.

(*l*) It is the intent of this article, by providing a safe, supervised after school environment for children, including those teens employed by a program, to reduce criminal activity among juveniles, and to strengthen parent-child relationships and communities by involving parents in their children's schoolwork and schools.

(m) Notwithstanding Section 8360.1 or any other provision of law, college courses in recreation, art, mathematics, and physical and social development that would enhance the education of schoolage children may be considered to meet course requirements in child development.

(n) This section shall become inoperative on July 1, 1999, and, as of January 1, 2000, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Article 22.5 (commencing with Section 8482) is added to Chapter 2 of Part 6 of the Education Code, to read:

Article 22.5. After School Learning and Safe Neighborhoods Partnerships Program

8482. There is hereby established the After School Learning and Safe Neighborhoods Partnerships Program. The purpose of this program is to create incentives for establishing locally driven after school enrichment programs that partner schools and communities to provide academic and literacy support and safe, constructive alternatives for youth.

8482.3. (a) The After School Learning and Safe Neighborhoods Partnerships Program shall be established to serve pupils in kindergarten and grades 1 to 9, inclusive, at participating elementary, middle, and junior high schoolsites.

(b) A program may operate on one or multiple schoolsites. If a program operates at multiple schoolsites, only one application shall be required for its establishment.

(c) An after school program established pursuant to this article shall consist of the following two components:

(1) An educational and literacy component whereby tutoring or homework assistance is provided in one or more of the following areas: language arts, mathematics, history and social science, or science.

(2) A component whereby educational enrichment, which may include, but need not be limited to, recreation and prevention activities, is provided.

(d) Applicants for programs established pursuant to this article may include any of the following:

(1) A local education agency.

(2) A city, county, or nonprofit organization in partnership with, and with the approval of, a local education agency or agencies.

(e) Applicants for grants pursuant to this article shall ensure that each of the following requirements is fulfilled, if applicable:

(1) The application documents the commitments of each partner to operate a program on that schoolsite or schoolsites.

(2) The application has been approved by the school district and the principal of each schoolsite.

(3) Each partner in the application agrees to share responsibility for the quality of the program.

(4) The application designates the public agency or local education agency partner to act as the fiscal agent. For purposes of this section, "public agency" means only a county board of supervisors or, where the city is incorporated or has a charter, a city council.

(5) Applicants agree to follow all fiscal reporting and auditing standards required by the State Department of Education.

8482.5. (a) Priority for funding programs established pursuant to this article shall be given to schools where a minimum of 70 percent of the pupils in elementary schools and 50 percent of the pupils in middle and junior high schools are eligible for free or reduced-cost meals through the school lunch program of the United States Department of Agriculture.

(b) Every program established pursuant to this article shall be planned through a collaborative process that includes parents, youth, and representatives of participating schoolsites, governmental agencies, such as city and county parks and recreation departments, community organizations, and the private sector.

8482.6. Every pupil attending a school operating an after school program pursuant to this article is eligible to participate in the program, subject to program capacity. An after school program established pursuant to this article is not required to charge family fees or conduct individual eligibility determination based on need or income.

8483. (a) (1) Every after school program established pursuant to this article shall operate a minimum of three hours a day and at least until 6:00 p.m. on every regular school day. Every program shall establish a policy regarding reasonable early daily release of pupils from the program.

(2) It is the intent of the Legislature that pupils participate in the full day of the program every day during which pupils participate, except when released early in accordance with the early release policy described in paragraph (1) or as reasonably necessary.

(b) The administrators of a program established pursuant to this article shall have the option of operating during any combination of summer, intersession, or vacation periods for a minimum of three hours per day at the approved rate for the regular school year pursuant to Section 8483.7.

8483.3. (a) The State Department of Education shall select applicants to participate in the program established pursuant to this

article from among applicants that apply on forms and in a manner prescribed by the department. To the extent possible, the selection of applicants by the State Department of Education shall result in an equitable distribution of grant awards pursuant to Section 8483.7 to applicants in northern, southern, and central California, and in urban, suburban, and rural areas of California.

(b) The State Department of Education shall consider the following in selecting schools to participate in the program established pursuant to this article, with primary emphasis given to items (1) through (4):

(1) Strength of the educational component.

(2) Quality of the educational enrichment component.

(3) Strength of staff training and development component.

(4) Scope and strength of collaboration, including demonstrated support of the schoolsite principal and staff.

(5) Inclusion of a nutritional snack.

(6) Employment of CalWORKs recipients.

(7) Level and type of local matching funds.

(8) Capacity to respond to program evaluation requirements.

(9) Demonstrated fiscal accountability.

(c) The State Department of Education shall develop reporting requirements and allocation procedures, including procedures to reimburse startup costs for programs established pursuant to this article.

8483.4. The administrator of every program established pursuant to this article shall establish minimum qualifications for each staff position that, at a minimum, ensure that all staff members who directly supervise pupils meet the minimum qualifications for an instructional aide, pursuant to the policies of the school district. Selection of the after school program site supervisors shall be subject to the approval of the schoolsite principal. The administrator shall also ensure that the program maintains a pupil-to-staff member ratio of no more than 20 to 1. All program staff and volunteers shall be subject to the health screening and fingerprint clearance requirements in current law and district policy for school personnel and volunteers in the school district.

8483.7. (a) It is the intent of the Legislature that a minimum of fifty million dollars ($50,000,000) be appropriated for the program established pursuant to this article, through the annual Budget Act. Of the funds appropriated for the program, 50 percent shall be reserved for programs that operate at elementary schools and 50 percent shall be reserved for programs that operate at middle and junior high schools. If there are not a sufficient number of qualified applicants to use all of the funding in one category, the remaining funds may be used for qualified applicants in the other category.

(b) (1) Every school that establishes a program pursuant to this article is eligible to receive a three year renewable incentive grant, subject to annual reporting and recertification as required by the

State Department of Education, for up to five dollars ($5) per day per pupil, with a maximum total grant amount of seventy-five thousand dollars ($75,000) for each regular school year for each elementary school and one hundred thousand dollars ($100,000) for each regular school year for each middle or junior high school.

(2) For large schools, the maximum total grant amounts described in paragraph (1) may be increased based on the following formulas, up to a maximum amount of twice the respective limits specified in paragraph (1):

(A) For elementary schools, multiply seventy-five dollars ($75) by the number of pupils enrolled at the schoolsite for the normal schoolday program that exceeds 600.

(B) For middle schools, multiply seventy-five dollars ($75) by the number of pupils enrolled at the schoolsite for the normal schoolday program that exceeds 900.

(3) A school that establishes a program pursuant to this article is eligible to receive a supplemental grant to operate the program during any combination of summer, intersession, or vacation periods for a maximum of the lesser of the following amounts:

(A) Five dollars ($5) per day per pupil.

(B) Thirty percent of the total grant amount awarded to the school per school year pursuant to this subdivision.

(4) Each program shall provide at least 50 percent cash or in-kind local matching funds from the school district, governmental agencies, community organizations, or the private sector for each dollar received in grant funds. Neither facilities nor space usage may fulfill the match requirement.

(c) The administrator of a program established pursuant to this article may supplement, but not supplant existing funding for after school programs with grant funds awarded pursuant to this article. State categorical funds for remedial education activities shall not be eligible as matching funds for those after school programs.

(d) Up to 15 percent of the initial year's grant amount for each grant recipient may be utilized for startup costs. Under no circumstance shall funding for startup costs result in an increase in the grant recipient's total funding above the approved grant amount.

8483.8. In any fiscal year, if a program participant receives state funds to operate an after school program pursuant to this article that are in an amount in excess of the amount warranted, due to the program serving fewer pupils than planned, to raising an inadequate amount of matching funds, or for any other reason, the State Department of Education shall reduce any subsequent allocations by an amount equal to that overpayment. If the program participant discontinues participation in the program and no allocations are made after the determination that an overpayment has been made, the State Department of Education shall take the following action:

(a) In the case of local education agencies, the State Department of Education shall bill the agencies for the amount of the

overpayment. If payment is not received within three months of the billing invoice date, an amount equal to the amount of the overpayment shall be withheld from the next principal apportionment to the agency.

(b) In the case of entities other than local education agencies, the State Department of Education shall bill the entities for the amount of the overpayment, and pursue appropriate legal remedies if not paid.

8483.9. (a) A program participant receiving funding pursuant to this article may expend on indirect costs no more than the lesser of the following:

(1) The school district's indirect cost rate, as approved by the State Department of Education for the appropriate fiscal year.

(2) Five percent of the state program funding received pursuant to this article.

(b) A program participant receiving state funding pursuant to this article may expend no more than 15 percent of that funding on administrative costs. For purposes of this section, administrative costs shall include indirect costs, as described in subdivision (a).

(c) A program participant receiving state funding pursuant to this program shall ensure that no less than 85 percent of that funding is allocated to schoolsites for direct services to pupils.

8484. As required by the State Department of Education, after school programs established pursuant to this article shall submit annual outcome based data for evaluation, including measures for academic performance, attendance, and positive behavioral changes. The State Department of Education may consider these outcomes when determining eligibility for grant renewal.

8484.3. (a) Programs established pursuant to this article shall not be required to comply with the requirements of other provisions of this chapter or requirements set forth in Chapter 19 of Division 1 of Title 5 of the California Code of Regulations.

(b) Notwithstanding any other provision of law or regulation, a program operated by a city, county, or nonprofit organization pursuant to this article may operate for up to 20 hours per week without obtaining a license or special permit under Chapter 3.4 (commencing with Section 1596.70) or Chapter 3.5 (commencing with Section 1596.90) of Division 2 of the Health and Safety Code.

8484.5. (a) All school-based before and after school programs established pursuant to Section 8481 that are in operation on the date of the enactment of the act adding this section shall elect one of the following options on or before July 1, 1999:

(1) Continuing operation as a schoolage community child care services program pursuant to the remaining operative provisions of Article 22 (commencing with Section 8460).

(2) Operating as an After School Learning and Safe Neighborhoods Partnerships Program pursuant to this article.

(b) It is the intent of the Legislature that any appropriation for programs established pursuant to Section 8481 be redirected to the appropriation made for programs established pursuant to Article 22 (commencing with Section 8460) or to the appropriation made for programs established pursuant to this article. The State Department of Education shall report the amounts that shall be redirected pursuant to this subdivision to the Department of Finance for approval and adjustment of the budget. The Controller shall adjust the appropriation amounts in accordance with budget revisions approved for this purpose by the Department of Finance.

SEC. 3. (a) If local assistance funding for programs established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of the Education Code is appropriated in the Budget Act of 1998, those funds shall be available for transfer to and in augmentation of Item 6110-196-0001, upon approval by the Department of Finance.

(b) Up to five hundred fifty thousand dollars ($550,000) of the local assistance funding shall be allocated to local educational agencies to provide for technical assistance and training.

(c) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, any appropriation made by this section shall be deemed to be "General Fund revenues appropriated to school districts," as defined in subdivision (c) of Section 41202, for the 1998–99 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as defined in subdivision (e) of Section 41202, for the 1998–99 fiscal year.

SEC. 4. The amount of five hundred thousand dollars ($500,000) is hereby appropriated from the General Fund to the State Department of Education for state operations, in augmentation of Item 6110-001-0001 of the Budget Act of 1998, for the purpose of implementing Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of the Education Code. It is intended that this amount support permanent positions and necessary temporary staff, overtime, and operating expenses. This funding shall not be available for expenditure until the Department of Finance has first approved an expenditure and implementation plan.

SEC. 5. This act shall become operative only if both Assembly Bill 1428 and Senate Bill 1756 of the 1997–98 Regular Session are chaptered.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that the After School Learning and Safe Neighborhoods Partnerships Program may take effect at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 319

An act to amend and repeal Section 8481 of, and to add Article 22.5 (commencing with Section 8482) to Chapter 2 of Part 6 of, the Education Code, relating to after school programs, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 19, 1998. Filed with Secretary of State August 19, 1998.]

On this date I am signing Assembly Bill 1428. However, I am reducing the $500,000 appropriation in Section 4 of this bill. This appropriation would be duplicative of that made by Assembly Bill 2284 and thus would over fund state operation activities for this program.

PETE WILSON, Governor

The people of the State of California do enact as follows:

SECTION 1. Section 8481 of the Education Code is amended to read:

8481. (a) Subject to appropriation in the annual Budget Act, for the purpose of the program in this article, the Superintendent of Public Instruction may allocate funds for the establishment of school-based schoolage before and after school programs that include homework and tutoring assistance, improve literacy skills, and provide recreational activities, as well as facilitate the transition from welfare to work by providing child care for schoolage children and potential employment for welfare recipients who are parents of children enrolled in schoolage child care programs.

(b) A before and after school program, whether public, private, or school district operated, in collaboration with other local governmental agencies, may apply to the State Department of Education for funding under this article. A before and after school program that receives funding pursuant to this article may participate in any other grant programs that fund literacy and technology activities.

(c) In order to achieve the goals of assisting children in learning, providing parents with employment and parenting skills, providing a safe environment for children, and helping prevent crime in neighborhoods, a program funded under this article shall be a collaborative effort with a school district, and may also include collaboration with any combination of the following: other school districts, community college districts, counties, cities,

community-based organizations, not-for-profit organizations, the local agency that provides the Even Start Family and Head Start literacy programs or their equivalent programs, and the private sector.

(d) In selecting programs for funding under this article, the department shall use the standards set forth in Section 8463 and all of the following criteria:

(1) Programs shall have demonstrated experience in implementing quality before or after school child development programs.

(2) Programs shall demonstrate the inclusion of a strong literacy component.

(3) Programs shall demonstrate a working collaboration with entities listed in subdivision (c), including Even Start Family and Head Start literacy program providers, to the extent that these programs exist in the service area.

(e) Notwithstanding Section 8468, in allocating funds pursuant to this article, preference shall be given to programs that currently employ recipients of aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, who are parents of children enrolled in the applicant programs or that have a demonstrated commitment to providing employment opportunities for those recipients of aid, or both.

(f) Funding received by a before and after school program pursuant to this article may be renewed and is contingent upon the following:

(1) Compliance with the requirement of subdivision (c), the criteria set forth in subdivision (d), and the priorities set forth in subdivision (e).

(2) A favorable evaluation completed by the State Department of Education pursuant to Section 8498.8 or an evaluation that meets the standards of the department. Outcomes shall include academic achievement determined by measurements such as test scores, grades, school attendance, and number of disciplinary actions.

(3) Programs shall demonstrate that they are receiving locally generated resources from other than federal and state sources, which may include in-kind contributions.

(g) (1) A program established under this section may employ parents of schoolage children who are participating in the program established pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, and may employ those parents in the schools attended by their own children. Parents employed pursuant to this subdivision may also participate in training programs at least six hours per week, in order to help them understand child development, learn parenting skills, and obtain skills for employment in either an educational or child care setting. Employment in the

program may fulfill a participant's employment requirements under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code.

(2) A program shall also be encouraged to hire older siblings of children in the program whose families receive aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, to work in either the program's literacy or recreation components. It is the intent of this subdivision that hiring teenagers from families that receive aid under this Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, will provide an additional source of income for these families.

(3) All program participants shall be assessed before they work with children to determine their skills and literacy development and a criminal background check on each participant shall be completed before that participant begins to work with children. Participants shall be supervised by qualified staff.

(4) (A) Notwithstanding any other provision of law, but subject to subparagraph (B), programs operating under this article that use recipients of aid under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, may count those recipients as staff members for purposes of determining compliance with staffing ratio requirements.

(B) Teenage siblings used by programs operating under this article may not be included in computing compliance with staffing ratio requirements.

(5) Notwithstanding any other provision of law, programs operating under this section may extend their hours of operation beyond 20 hours per week.

(h) A program established pursuant to this section shall assist the children of recipients of aid under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, and other children to complete homework, improve literacy skills, that shall include, but not be limited to, reading, writing, mathematics, and computer skills, and participate in recreational activities.

(i) Programs funded under this section shall provide training on how to work with children on reading, writing, listening, and speaking. This training shall be provided in collaboration with an Even Start Family or Head Start literacy program, or their equivalent programs.

(j) (1) Notwithstanding any other provision of law, commencing with the 1997–98 fiscal year, schoolsites shall be eligible for the funding of programs established pursuant to this section where a minimum of 70 percent of the children are eligible for free or reduced-cost meals through the school lunch program of the United

States Department of Agriculture. Presumptive eligibility for a program established pursuant to this section shall apply to individual families of pupils attending an eligible schoolsite.

(2) Notwithstanding any other provision of law, parent fees may not be assessed to parents or guardians whose children attend a program established pursuant to this section.

(k) Programs funded under this section shall be encouraged to take advantage of free snack programs administered by the United States Department of Agriculture.

(*l*) It is the intent of this article, by providing a safe, supervised after school environment for children, including those teens employed by a program, to reduce criminal activity among juveniles, and to strengthen parent-child relationships and communities by involving parents in their children's schoolwork and schools.

(m) Notwithstanding Section 8360.1 or any other provision of law, college courses in recreation, art, mathematics, and physical and social development that would enhance the education of schoolage children may be considered to meet course requirements in child development.

(n) This section shall become inoperative on July 1, 1999, and, as of January 1, 2000, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Article 22.5 (commencing with Section 8482) is added to Chapter 2 of Part 6 of the Education Code, to read:

Article 22.5. After School Learning and Safe Neighborhoods Partnerships Program

8482. There is hereby established the After School Learning and Safe Neighborhoods Partnerships Program. The purpose of this program is to create incentives for establishing locally driven after school enrichment programs that partner schools and communities to provide academic and literacy support and safe, constructive alternatives for youth.

8482.3. (a) The After School Learning and Safe Neighborhoods Partnerships Program shall be established to serve pupils in kindergarten and grades 1 to 9, inclusive, at participating elementary, middle, and junior high schoolsites.

(b) A program may operate on one or multiple schoolsites. If a program operates at multiple schoolsites, only one application shall be required for its establishment.

(c) An after school program established pursuant to this article shall consist of the following two components:

(1) An educational and literacy component whereby tutoring or homework assistance is provided in one or more of the following areas: language arts, mathematics, history and social science, or science.

(2) A component whereby educational enrichment, which may include, but need not be limited to, recreation and prevention activities, is provided.

(d) Applicants for programs established pursuant to this article may include any of the following:

(1) A local education agency.

(2) A city, county, or nonprofit organization in partnership with, and with the approval of, a local education agency or agencies.

(e) Applicants for grants pursuant to this article shall ensure that each of the following requirements is fulfilled, if applicable:

(1) The application documents the commitments of each partner to operate a program on that schoolsite or schoolsites.

(2) The application has been approved by the school district and the principal of each schoolsite.

(3) Each partner in the application agrees to share responsibility for the quality of the program.

(4) The application designates the public agency or local education agency partner to act as the fiscal agent. For purposes of this section, "public agency" means only a county board of supervisors or, where the city is incorporated or has a charter, a city council.

(5) Applicants agree to follow all fiscal reporting and auditing standards required by the State Department of Education.

8482.5. (a) Priority for funding programs established pursuant to this article shall be given to schools where a minimum of 70 percent of the pupils in elementary schools and 50 percent of the pupils in middle and junior high schools are eligible for free or reduced-cost meals through the school lunch program of the United States Department of Agriculture.

(b) Every program established pursuant to this article shall be planned through a collaborative process that includes parents, youth, and representatives of participating schoolsites, governmental agencies, such as city and county parks and recreation departments, community organizations, and the private sector.

8482.6. Every pupil attending a school operating an after school program pursuant to this article is eligible to participate in the program, subject to program capacity. An after school program established pursuant to this article is not required to charge family fees or conduct individual eligibility determination based on need or income.

8483. (a) (1) Every after school program established pursuant to this article shall operate a minimum of three hours a day and at least until 6:00 p.m. on every regular schoolday. Every program shall establish a policy regarding reasonable early daily release of pupils from the program.

(2) It is the intent of the Legislature that pupils participate in the full day of the program every day during which pupils participate,

except when released early in accordance with the early release policy described in paragraph (1) or as reasonably necessary.

(b) The administrators of a program established pursuant to this article shall have the option of operating during any combination of summer, intersession, or vacation periods for a minimum of three hours per day at the approved rate for the regular school year pursuant to Section 8483.7.

8483.3. (a) The State Department of Education shall select applicants to participate in the program established pursuant to this article from among applicants that apply on forms and in a manner prescribed by the department. To the extent possible, the selection of applicants by the State Department of Education shall result in an equitable distribution of grant awards pursuant to Section 8483.7 to applicants in northern, southern, and central California, and in urban, suburban, and rural areas of California.

(b) The State Department of Education shall consider the following in selecting schools to participate in the program established pursuant to this article, with primary emphasis given to items (1) through (4):

(1) Strength of the educational component.

(2) Quality of the educational enrichment component.

(3) Strength of staff training and development component.

(4) Scope and strength of collaboration, including demonstrated support of the schoolsite principal and staff.

(5) Inclusion of a nutritional snack.

(6) Employment of CalWORKs recipients.

(7) Level and type of local matching funds.

(8) Capacity to respond to program evaluation requirements.

(9) Demonstrated fiscal accountability.

(c) The State Department of Education shall develop reporting requirements and allocation procedures, including procedures to reimburse startup costs for programs established pursuant to this article.

8483.4. The administrator of every program established pursuant to this article shall establish minimum qualifications for each staff position that, at a minimum, ensure that all staff members who directly supervise pupils meet the minimum qualifications for an instructional aide, pursuant to the policies of the school district. Selection of the after school program site supervisors shall be subject to the approval of the schoolsite principal. The administrator shall also ensure that the program maintains a pupil-to-staff member ratio of no more than 20 to 1. All program staff and volunteers shall be subject to the health screening and fingerprint clearance requirements in current law and district policy for school personnel and volunteers in the school district.

8483.7. (a) It is the intent of the Legislature that a minimum of fifty million dollars ($50,000,000) be appropriated for the program established pursuant to this article, through the annual Budget Act.

Of the funds appropriated for the program, 50 percent shall be reserved for programs that operate at elementary schools and 50 percent shall be reserved for programs that operate at middle and junior high schools. If there are not a sufficient number of qualified applicants to use all of the funding in one category, the remaining funds may be used for qualified applicants in the other category.

(b) (1) Every school that establishes a program pursuant to this article is eligible to receive a three-year renewable incentive grant, subject to annual reporting and recertification as required by the State Department of Education, for up to five dollars ($5) per day per pupil, with a maximum total grant amount of seventy-five thousand dollars ($75,000) for each regular school year for each elementary school and one hundred thousand dollars ($100,000) for each regular school year for each middle or junior high school.

(2) For large schools, the maximum total grant amounts described in paragraph (1) may be increased based on the following formulas, up to a maximum amount of twice the respective limits specified in paragraph (1):

(A) For elementary schools, multiply seventy-five dollars ($75) by the number of pupils enrolled at the schoolsite for the normal schoolday program that exceeds 600.

(B) For middle schools, multiply seventy-five dollars ($75) by the number of pupils enrolled at the schoolsite for the normal schoolday program that exceeds 900.

(3) A school that establishes a program pursuant to this article is eligible to receive a supplemental grant to operate the program during any combination of summer, intersession, or vacation periods for a maximum of the lesser of the following amounts:

(A) Five dollars ($5) per day per pupil.

(B) Thirty percent of the total grant amount awarded to the school per school year pursuant to this subdivision.

(4) Each program shall provide at least 50 percent cash or in-kind local matching funds from the school district, governmental agencies, community organizations, or the private sector for each dollar received in grant funds. Neither facilities nor space usage may fulfill the match requirement.

(c) The administrator of a program established pursuant to this article may supplement, but not supplant existing funding for after school programs with grant funds awarded pursuant to this article. State categorical funds for remedial education activities shall not be eligible as matching funds for those after school programs.

(d) Up to 15 percent of the initial year's grant amount for each grant recipient may be utilized for startup costs. Under no circumstance shall funding for startup costs result in an increase in the grant recipient's total funding above the approved grant amount.

8483.8. In any fiscal year, if a program participant receives state funds to operate an after school program pursuant to this article that are in an amount in excess of the amount warranted, due to the

program serving fewer pupils than planned, to raising an inadequate amount of matching funds, or for any other reason, the State Department of Education shall reduce any subsequent allocations by an amount equal to that overpayment. If the program participant discontinues participation in the program and no allocations are made after the determination that an overpayment has been made, the State Department of Education shall take the following action:

(a) In the case of local education agencies, the State Department of Education shall bill the agencies for the amount of the overpayment. If payment is not received within three months of the billing invoice date, an amount equal to the amount of the overpayment shall be withheld from the next principal apportionment to the agency.

(b) In the case of entities other than local education agencies, the State Department of Education shall bill the entities for the amount of the overpayment, and pursue appropriate legal remedies if not paid.

8483.9. (a) A program participant receiving funding pursuant to this article may expend on indirect costs no more than the lesser of the following:

(1) The school district's indirect cost rate, as approved by the State Department of Education for the appropriate fiscal year.

(2) Five percent of the state program funding received pursuant to this article.

(b) A program participant receiving state funding pursuant to this article may expend no more than 15 percent of that funding on administrative costs. For purposes of this section, administrative costs shall include indirect costs, as described in subdivision (a).

(c) A program participant receiving state funding pursuant to this program shall ensure that no less than 85 percent of that funding is allocated to schoolsites for direct services to pupils.

8484. As required by the State Department of Education, after school programs established pursuant to this article shall submit annual outcome based data for evaluation, including measures for academic performance, attendance, and positive behavioral changes. The State Department of Education may consider these outcomes when determining eligibility for grant renewal.

8484.3. (a) Programs established pursuant to this article shall not be required to comply with the requirements of other provisions of this chapter or requirements set forth in Chapter 19 of Division 1 of Title 5 of the California Code of Regulations.

(b) Notwithstanding any other provision of law or regulation, a program operated by a city, county, or nonprofit organization pursuant to this article may operate for up to 20 hours per week without obtaining a license or special permit under Chapter 3.4 (commencing with Section 1596.70) or Chapter 3.5 (commencing with Section 1596.90) of Division 2 of the Health and Safety Code.

8484.5. (a) All school-based before and after school programs established pursuant to Section 8481 that are in operation on the date of the enactment of the act adding this section shall elect one of the following options on or before July 1, 1999:

(1) Continuing operation as a schoolage community child care services program pursuant to the remaining operative provisions of Article 22 (commencing with Section 8460).

(2) Operating as an After School Learning and Safe Neighborhoods Partnerships Program pursuant to this article.

(b) It is the intent of the Legislature that any appropriation for programs established pursuant to Section 8481 be redirected to the appropriation made for programs established pursuant to Article 22 (commencing with Section 8460) or to the appropriation made for programs established pursuant to this article. The State Department of Education shall report the amounts that shall be redirected pursuant to this subdivision to the Department of Finance for approval and adjustment of the budget. The Controller shall adjust the appropriation amounts in accordance with budget revisions approved for this purpose by the Department of Finance.

SEC. 3. (a) If local assistance funding for programs established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of the Education Code is appropriated in the Budget Act of 1998, those funds shall be available for transfer to and in augmentation of Item 6110-196-0001, upon approval by the Department of Finance.

(b) Up to five hundred fifty thousand dollars ($550,000) of the local assistance funding shall be allocated to local educational agencies to provide for technical assistance and training.

(c) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, any appropriation made by this section shall be deemed to be "General Fund revenues appropriated to school districts," as defined in subdivision (c) of Section 41202, for the 1998–99 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as defined in subdivision (e) of Section 41202, for the 1998–99 fiscal year.

SEC. 4. The amount of five hundred thousand dollars ($500,000) is hereby appropriated from the General Fund to the State Department of Education for state operations, in augmentation of Item 6110-001-0001 of the Budget Act of 1998, for the purpose of implementing Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of the Education Code. It is intended that this amount support permanent positions and necessary temporary staff, overtime, and operating expenses. This funding shall not be available for expenditure until the Department of Finance has first approved an expenditure and implementation plan.

SEC. 5. This act shall become operative only if both Assembly Bill 2284 and Senate Bill 1756 of the 1997–98 Regular Session are chaptered.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that the After School Learning and Safe Neighborhoods Partnerships Program may take effect at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 320

An act to amend Section 8482.5 of, to amend and repeal Section 8481 of, and to add Article 22.5 (commencing with Section 8482) to Chapter 2 of Part 6 of the Education Code, relating to after school programs, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 19, 1998. Filed with Secretary of State August 19, 1998.]

I am signing Senate Bill 1756, however, I am reducing the $500,000 appropriation in Section 4 of this bill. This appropriation would be duplicative of that made by Assembly Bill 2284 and thus would over fund state operation activities for this program.

PETE WILSON, Governor

The people of the State of California do enact as follows:

SECTION 1. Section 8481 of the Education Code is amended to read:

8481. (a) Subject to appropriation in the annual Budget Act, for the purpose of the program in this article, the Superintendent of Public Instruction may allocate funds for the establishment of school-based schoolage before and after school programs that include homework and tutoring assistance, improve literacy skills, and provide recreational activities, as well as facilitate the transition from welfare to work by providing child care for schoolage children and potential employment for welfare recipients who are parents of children enrolled in schoolage child care programs.

(b) A before and after school program, whether public, private, or school district operated, in collaboration with other local governmental agencies, may apply to the State Department of Education for funding under this article. A before and after school program that receives funding pursuant to this article may participate in any other grant programs that fund literacy and technology activities.

(c) In order to achieve the goals of assisting children in learning, providing parents with employment and parenting skills, providing a safe environment for children, and helping prevent crime in neighborhoods, a program funded under this article shall be a collaborative effort with a school district, and may also include collaboration with any combination of the following: other school districts, community college districts, counties, cities, community-based organizations, not-for-profit organizations, the local agency that provides the Even Start Family and Head Start literacy programs or their equivalent programs, and the private sector.

(d) In selecting programs for funding under this article, the department shall use the standards set forth in Section 8463 and all of the following criteria:

(1) Programs shall have demonstrated experience in implementing quality before or after school child development programs.

(2) Programs shall demonstrate the inclusion of a strong literacy component.

(3) Programs shall demonstrate a working collaboration with entities listed in subdivision (c), including Even Start Family and Head Start literacy program providers, to the extent that these programs exist in the service area.

(e) Notwithstanding Section 8468, in allocating funds pursuant to this article, preference shall be given to programs that currently employ recipients of aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, who are parents of children enrolled in the applicant programs or that have a demonstrated commitment to providing employment opportunities for those recipients of aid, or both.

(f) Funding received by a before and after school program pursuant to this article may be renewed and is contingent upon the following:

(1) Compliance with the requirement of subdivision (c), the criteria set forth in subdivision (d), and the priorities set forth in subdivision (e).

(2) A favorable evaluation completed by the State Department of Education pursuant to Section 8498.8 or an evaluation that meets the standards of the department. Outcomes shall include academic achievement determined by measurements such as test scores, grades, school attendance, and number of disciplinary actions.

(3) Programs shall demonstrate that they are receiving locally generated resources from other than federal and state sources, which may include in-kind contributions.

(g) (1) A program established under this section may employ parents of schoolage children who are participating in the program established pursuant to Article 3.2 (commencing with Section 11320)

of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, and may employ those parents in the schools attended by their own children. Parents employed pursuant to this subdivision may also participate in training programs at least six hours per week, in order to help them understand child development, learn parenting skills, and obtain skills for employment in either an educational or child care setting. Employment in the program may fulfill a participant's employment requirements under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code.

(2) A program shall also be encouraged to hire older siblings of children in the program whose families receive aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, to work in either the program's literacy or recreation components. It is the intent of this subdivision that hiring teenagers from families that receive aid under this Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, will provide an additional source of income for these families.

(3) All program participants shall be assessed before they work with children to determine their skills and literacy development and a criminal background check on each participant shall be completed before that participant begins to work with children. Participants shall be supervised by qualified staff.

(4) (A) Notwithstanding any other provision of law, but subject to subparagraph (B), programs operating under this article that use recipients of aid under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, may count those recipients as staff members for purposes of determining compliance with staffing ratio requirements.

(B) Teenage siblings used by programs operating under this article may not be included in computing compliance with staffing ratio requirements.

(5) Notwithstanding any other provision of law, programs operating under this section may extend their hours of operation beyond 20 hours per week.

(h) A program established pursuant to this section shall assist the children of recipients of aid under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, and other children to complete homework, improve literacy skills, that shall include, but not be limited to, reading, writing, mathematics, and computer skills, and participate in recreational activities.

(i) Programs funded under this section shall provide training on how to work with children on reading, writing, listening, and speaking. This training shall be provided in collaboration with an

Even Start Family or Head Start literacy program, or their equivalent programs.

(j) (1) Notwithstanding any other provision of law, commencing with the 1997–98 fiscal year, schoolsites shall be eligible for the funding of programs established pursuant to this section where a minimum of 70 percent of the children are eligible for free or reduced-cost meals through the school lunch program of the United States Department of Agriculture. Presumptive eligibility for a program established pursuant to this section shall apply to individual families of pupils attending an eligible schoolsite.

(2) Notwithstanding any other provision of law, parent fees may not be assessed to parents or guardians whose children attend a program established pursuant to this section.

(k) Programs funded under this section shall be encouraged to take advantage of free snack programs administered by the United States Department of Agriculture.

(*l*) It is the intent of this article, by providing a safe, supervised after school environment for children, including those teens employed by a program, to reduce criminal activity among juveniles, and to strengthen parent-child relationships and communities by involving parents in their children's schoolwork and schools.

(m) Notwithstanding Section 8360.1 or any other provision of law, college courses in recreation, art, mathematics, and physical and social development that would enhance the education of schoolage children may be considered to meet course requirements in child development.

(n) This section shall become inoperative on July 1, 1999, and, as of January 1, 2000, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Article 22.5 (commencing with Section 8482) is added to Chapter 2 of Part 6 of the Education Code, to read:

Article 22.5. After School Learning and Safe Neighborhoods Partnerships Program

8482. There is hereby established the After School Learning and Safe Neighborhoods Partnerships Program. The purpose of this program is to create incentives for establishing locally driven after school enrichment programs that partner schools and communities to provide academic and literacy support and safe, constructive alternatives for youth.

8482.3. (a) The After School Learning and Safe Neighborhoods Partnerships Program shall be established to serve pupils in kindergarten and grades 1 to 9, inclusive, at participating elementary, middle, and junior high schoolsites.

(b) A program may operate on one or multiple schoolsites. If a program operates at multiple schoolsites, only one application shall be required for its establishment.

(c) An after school program established pursuant to this article shall consist of the following two components:

(1) An educational and literacy component whereby tutoring or homework assistance is provided in one or more of the following areas: language arts, mathematics, history and social science, or science.

(2) A component whereby educational enrichment, which may include, but need not be limited to, recreation and prevention activities, is provided.

(d) Applicants for programs established pursuant to this article may include any of the following:

(1) A local education agency.

(2) A city, county, or nonprofit organization in partnership with, and with the approval of, a local education agency or agencies.

(e) Applicants for grants pursuant to this article shall ensure that each of the following requirements is fulfilled, if applicable:

(1) The application documents the commitments of each partner to operate a program on that schoolsite or schoolsites.

(2) The application has been approved by the school district and the principal of each schoolsite.

(3) Each partner in the application agrees to share responsibility for the quality of the program.

(4) The application designates the public agency or local education agency partner to act as the fiscal agent. For purposes of this section, "public agency" means only a county board of supervisors or, where the city is incorporated or has a charter, a city council.

(5) Applicants agree to follow all fiscal reporting and auditing standards required by the State Department of Education.

8482.5. (a) Priority for funding programs established pursuant to this article shall be given to schools where a minimum of 50 percent of the pupils in elementary schools and 50 percent of the pupils in middle and junior high schools are eligible for free or reduced-cost meals through the school lunch program of the United States Department of Agriculture.

(b) Every program established pursuant to this article shall be planned through a collaborative process that includes parents, youth, and representatives of participating schoolsites, governmental agencies, such as city and county parks and recreation departments, community organizations, and the private sector.

8482.6. Every pupil attending a school operating an after school program pursuant to this article is eligible to participate in the program, subject to program capacity. An after school program established pursuant to this article is not required to charge family

fees or conduct individual eligibility determination based on need or income.

8483. (a) (1) Every after school program established pursuant to this article shall operate a minimum of three hours a day and at least until 6:00 p.m. on every regular school day. Every program shall establish a policy regarding reasonable early daily release of pupils from the program.

(2) It is the intent of the Legislature that pupils participate in the full day of the program every day during which pupils participate, except when released early in accordance with the early release policy described in paragraph (1) or as reasonably necessary.

(b) The administrators of a program established pursuant to this article shall have the option of operating during any combination of summer, intersession, or vacation periods for a minimum of three hours per day at the approved rate for the regular school year pursuant to Section 8483.7.

8483.3. (a) The State Department of Education shall select applicants to participate in the program established pursuant to this article from among applicants that apply on forms and in a manner prescribed by the department. To the extent possible, the selection of applicants by the State Department of Education shall result in an equitable distribution of grant awards pursuant to Section 8483.7 to applicants in northern, southern, and central California, and in urban, suburban, and rural areas of California.

(b) The State Department of Education shall consider the following in selecting schools to participate in the program established pursuant to this article, with primary emphasis given to items (1) through (4):

(1) Strength of the educational component.

(2) Quality of the educational enrichment component.

(3) Strength of staff training and development component.

(4) Scope and strength of collaboration, including demonstrated support of the schoolsite principal and staff.

(5) Inclusion of a nutritional snack.

(6) Employment of CalWORKs recipients.

(7) Level and type of local matching funds.

(8) Capacity to respond to program evaluation requirements.

(9) Demonstrated fiscal accountability.

(c) The State Department of Education shall develop reporting requirements and allocation procedures, including procedures to reimburse startup costs for programs established pursuant to this article.

8483.4. The administrator of every program established pursuant to this article shall establish minimum qualifications for each staff position that, at a minimum, ensure that all staff members who directly supervise pupils meet the minimum qualifications for an instructional aide, pursuant to the policies of the school district. Selection of the after school program site supervisors shall be subject

to the approval of the schoolsite principal. The administrator shall also ensure that the program maintains a pupil-to-staff member ratio of no more than 20 to 1. All program staff and volunteers shall be subject to the health screening and fingerprint clearance requirements in current law and district policy for school personnel and volunteers in the school district.

8483.7. (a) It is the intent of the Legislature that a minimum of fifty million dollars ($50,000,000) be appropriated for the program established pursuant to this article, through the annual Budget Act. Of the funds appropriated for the program, 50 percent shall be reserved for programs that operate at elementary schools and 50 percent shall be reserved for programs that operate at middle and junior high schools. If there are not a sufficient number of qualified applicants to use all of the funding in one category, the remaining funds may be used for qualified applicants in the other category.

(b) (1) Every school that establishes a program pursuant to this article is eligible to receive a three year renewable incentive grant, subject to annual reporting and recertification as required by the State Department of Education, for up to five dollars ($5) per day per pupil, with a maximum total grant amount of seventy-five thousand dollars ($75,000) for each regular school year for each elementary school and one hundred thousand dollars ($100,000) for each regular school year for each middle or junior high school.

(2) For large schools, the maximum total grant amounts described in paragraph (1) may be increased based on the following formulas, up to a maximum amount of twice the respective limits specified in paragraph (1):

(A) For elementary schools, multiply seventy-five dollars ($75) by the number of pupils enrolled at the schoolsite for the normal schoolday program that exceeds 600.

(B) For middle schools, multiply seventy-five dollars ($75) by the number of pupils enrolled at the schoolsite for the normal schoolday program that exceeds 900.

(3) A school that establishes a program pursuant to this article is eligible to receive a supplemental grant to operate the program during any combination of summer, intersession, or vacation periods for a maximum of the lesser of the following amounts:

(A) Five dollars ($5) per day per pupil.

(B) Thirty percent of the total grant amount awarded to the school per school year pursuant to this subdivision.

(4) Each program shall provide at least 50 percent cash or in-kind local matching funds from the school district, governmental agencies, community organizations, or the private sector for each dollar received in grant funds. Neither facilities nor space usage may fulfill the match requirement.

(c) The administrator of a program established pursuant to this article may supplement, but not supplant existing funding for after school programs with grant funds awarded pursuant to this article.

State categorical funds for remedial education activities shall not be eligible as matching funds for those after school programs.

(d) Up to 15 percent of the initial year's grant amount for each grant recipient may be utilized for startup costs. Under no circumstance shall funding for startup costs result in an increase in the grant recipient's total funding above the approved grant amount.

8483.8. In any fiscal year, if a program participant receives state funds to operate an after school program pursuant to this article that are in an amount in excess of the amount warranted, due to the program serving fewer pupils than planned, to raising an inadequate amount of matching funds, or for any other reason, the State Department of Education shall reduce any subsequent allocations by an amount equal to that overpayment. If the program participant discontinues participation in the program and no allocations are made after the determination that an overpayment has been made, the State Department of Education shall take the following action:

(a) In the case of local education agencies, the State Department of Education shall bill the agencies for the amount of the overpayment. If payment is not received within three months of the billing invoice date, an amount equal to the amount of the overpayment shall be withheld from the next principal apportionment to the agency.

(b) In the case of entities other than local education agencies, the State Department of Education shall bill the entities for the amount of the overpayment, and pursue appropriate legal remedies if not paid.

8483.9. (a) A program participant receiving funding pursuant to this article may expend on indirect costs no more than the lesser of the following:

(1) The school district's indirect cost rate, as approved by the State Department of Education for the appropriate fiscal year.

(2) Five percent of the state program funding received pursuant to this article.

(b) A program participant receiving state funding pursuant to this article may expend no more than 15 percent of that funding on administrative costs. For purposes of this section, administrative costs shall include indirect costs, as described in subdivision (a).

(c) A program participant receiving state funding pursuant to this program shall ensure that no less than 85 percent of that funding is allocated to schoolsites for direct services to pupils.

8484. As required by the State Department of Education, after school programs established pursuant to this article shall submit annual outcome based data for evaluation, including measures for academic performance, attendance, and positive behavioral changes. The State Department of Education may consider these outcomes when determining eligibility for grant renewal.

8484.3. (a) Programs established pursuant to this article shall not be required to comply with the requirements of other provisions of

this chapter or requirements set forth in Chapter 19 of Division 1 of Title 5 of the California Code of Regulations.

(b) Notwithstanding any other provision of law or regulation, a program operated by a city, county, or nonprofit organization pursuant to this article may operate for up to 20 hours per week without obtaining a license or special permit under Chapter 3.4 (commencing with Section 1596.70) or Chapter 3.5 (commencing with Section 1596.90) of Division 2 of the Health and Safety Code.

8484.5. (a) All school-based before and after school programs established pursuant to Section 8481 that are in operation on the date of the enactment of the act adding this section shall elect one of the following options on or before July 1, 1999:

(1) Continuing operation as a schoolage community child care services program pursuant to the remaining operative provisions of Article 22 (commencing with Section 8460).

(2) Operating as an After School Learning and Safe Neighborhoods Partnerships Program pursuant to this article.

(b) It is the intent of the Legislature that any appropriation for programs established pursuant to Section 8481 be redirected to the appropriation made for programs established pursuant to Article 22 (commencing with Section 8460) or to the appropriation made for programs established pursuant to this article. The State Department of Education shall report the amounts that shall be redirected pursuant to this subdivision to the Department of Finance for approval and adjustment of the budget. The Controller shall adjust the appropriation amounts in accordance with budget revisions approved for this purpose by the Department of Finance.

SEC. 2.5. Section 8482.5 of the Education Code, as added by Assembly Bill 1428 of the 1997–98 Regular Session, is amended to read:

8482.5. (a) Priority for funding programs established pursuant to this article shall be given to schools where a minimum of 50 percent of the pupils in elementary schools and 50 percent of the pupils in middle and junior high schools are eligible for free or reduced-cost meals through the school lunch program of the United States Department of Agriculture.

(b) Every program established pursuant to this article shall be planned through a collaborative process that includes parents, youth, and representatives of participating schoolsites, governmental agencies, such as city and county parks and recreation departments, community organizations, and the private sector.

SEC. 2.6. Section 8482.5 of the Education Code, as added by Assembly Bill 2284 of the 1997–98 Regular Session, is amended to read:

8482.5. (a) Priority for funding programs established pursuant to this article shall be given to schools where a minimum of 50 percent of the pupils in elementary schools and 50 percent of the pupils in middle and junior high schools are eligible for free or reduced-cost

meals through the school lunch program of the United States Department of Agriculture.

(b) Every program established pursuant to this article shall be planned through a collaborative process that includes parents, youth, and representatives of participating schoolsites, governmental agencies, such as city and county parks and recreation departments, community organizations, and the private sector.

SEC. 3. (a) If local assistance funding for programs established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of the Education Code is appropriated in the Budget Act of 1998, those funds shall be available for transfer to and in augmentation of Item 6110-196-0001, upon approval by the Department of Finance.

(b) Up to five hundred fifty thousand dollars ($550,000) of the local assistance funding shall be allocated to local educational agencies to provide for technical assistance and training.

(c) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, any appropriation made by this section shall be deemed to be "General Fund revenues appropriated to school districts," as defined in subdivision (c) of Section 41202, for the 1998–99 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as defined in subdivision (e) of Section 41202, for the 1998–99 fiscal year.

SEC. 4. The amount of five hundred thousand dollars ($500,000) is hereby appropriated from the General Fund to the State Department of Education for state operations, in augmentation of Item 6110-001-0001 of the Budget Act of 1998, for the purpose of implementing Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of the Education Code. It is intended that this amount support permanent positions and necessary temporary staff, overtime, and operating expenses. This funding shall not be available for expenditure until the Department of Finance has first approved an expenditure and implementation plan.

SEC. 5. This act shall become operative only if both Assembly Bill 1428 and Assembly Bill 2284 of the 1997–98 Regular Session are chaptered.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that the After School Learning and Safe Neighborhoods Partnerships Program may take effect at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 321

An act relating to local government finance, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 20, 1998. Filed with Secretary of State August 20, 1998.]

The people of the State of California do enact as follows:

SECTION 1. As a clarification of Section 11005.3 of the Revenue and Taxation Code, as amended by Chapter 583 of the Statutes of 1997, the population of a city incorporated on or after January 1, 1987, shall be determined in accordance with Section 11005.3 of the Revenue and Taxation Code for a full seven or 10 fiscal years, if in compliance with subdivision (e) of that section and notwithstanding subdivision (d) of that section. After the effective date of this act, the Controller shall commence making allocations in accordance herewith until eligible cities have received the equivalent of seven or 10 full fiscal years of allocations based on populations determined in accordance with Section 11005.3 of the Revenue and Taxation Code.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to effectuate the necessary statutory changes to implement the Budget Act of 1998, it is necessary that this act take effect immediately.

CHAPTER 322

An act to amend Section 13340 of the Government Code, to amend Sections 10759, 10901, 10902, 17024.5, 17052.25, 17053.5, 17054, 17062, 17073.5, 17088.5, 17088.6, 17132.6, 17152, 17276, 17279.5, 17507.6, 17559, 17564, 17570, 17760.5, 17856, 18037.3, 18042, 18178, 18505, 18510, 18572, 18641, 18645, 19057, 19132, 19133.5, 19136, 19141.2, 19141.5, 19182, 19184, 19521, 19524, 20514, 20543, 20544, 23456, 23701t, 23704, 23712, 23771, 23800.5, 23801, 24349, 24357.7, 24357.8, 24402, 24416, 24424, 24611, 24652.5, 24661.5, 24673.2, 24710, 24871.5, 24872.4, 24872.5, 24872.7, 24875.5, 24949.1, and 24994 of, to amend and renumber Section 19721.6 of, to add Sections 10754, 11000, 17062.5, 17140.3, 17279.4, 17751, 17752, 17865, 18038.4, 19066.5, 19136.6, 23455.5, 23704.3, 23711, 24309.5, 24355.4, 24357.9, 24369.4, and 24954.1 to, to add and repeal Sections 11000.1, 17053.36, 17053.37, 17273.1, 23636, and 23637 of, to repeal Sections 17085.8, 17210.6, 17507.4, and 18037.6 of, to repeal and amend Section 24954 of, and to repeal and add Section

23806 of, the Revenue and Taxation Code, and to add Sections 9551.2 and 9554.1 to, and to add and repeal Section 9551.1 of, the Vehicle Code, relating to taxation, and making an appropriation therefor, to take effect immediately, tax levy.

[Approved by Governor August 20, 1998. Filed with Secretary of State August 20, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 13340 of the Government Code is amended to read:

13340. (a) Except as provided in subdivision (b), on and after July 1, 1998, no moneys in that fund that, by any statute other than a Budget Act, is continuously appropriated without regard to fiscal years, may be encumbered unless the Legislature, by statute, specifies that the moneys in the fund are appropriated for encumbrance.

(b) Subdivision (a) does not apply to any of the following:

(1) The scheduled disbursement of any local sales and use tax proceeds to an entity of local government pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code.

(2) The scheduled disbursement of any transactions and use tax proceeds to an entity of local government pursuant to Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code.

(3) The scheduled disbursement of any funds by a state or local agency or department that issues bonds and administers related programs for which funds are continuously appropriated as of June 30, 1998.

(4) Moneys that are deposited in proprietary or fiduciary funds of the California State University and that are continuously appropriated without regard to fiscal years.

(5) The scheduled disbursement of any motor vehicle license fee revenues, including the General Fund appropriations made pursuant to Sections 11000 and 11000.1 of the Revenue and Taxation Code, to an entity of local government pursuant to the Vehicle License Fee Law (Part 5 (commencing with Section 10701) of Division 2 of the Revenue and Taxation Code).

SEC. 2. Section 10754 is added to the Revenue and Taxation Code, to read:

10754. (a) Notwithstanding any other provision of law, the total amount of the vehicle license fee otherwise required with respect to a vehicle shall be offset in accordance with those provisions set forth below that are operative pursuant to subdivision (b):

(1) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for

the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 25 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(2) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 35 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(3) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with

an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to $46^1/_2$ percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(4) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total amount of fees otherwise due at the time of registration of that vehicle by an amount equal to 55 percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction of funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(5) (A) For any initial or original registration of any vehicle, never before registered in this state, for which the final due date for the license fee is on or after January 1 of any calendar year for which this paragraph is operative, and for any renewal of registration with an expiration date on or after January 1 of any calendar year for which this paragraph is operative, the department shall offset the total

amount of fees otherwise due at the time of registration of that vehicle by an amount equal to $67^1/_2$ percent of the amount computed pursuant to Section 10752 or 10752.1, or Section 18115 of the Health and Safety Code.

(B) Upon proper payment of license fees to the Department of Motor Vehicles, the amount of the offset for each vehicle shall be transferred into the Motor Vehicle License Fee Account in the Transportation Tax Fund, and into the Local Revenue Fund, pursuant to Section 11000 or Section 11000.1, as applicable.

(C) During any period in which insufficient moneys are available to be transferred from the General Fund to fully fund the offsets required by subparagraph (A), within 90 days of a reduction in funding, the department shall reduce the amount of each offset computed pursuant to that subparagraph by multiplying that amount by the ratio of the amount of moneys actually available to be transferred from the General Fund to pay for those offsets to the amount of moneys that is necessary to fully fund those offsets.

(b) The offset provisions set forth in subdivision (a) shall be operative as provided by the following:

(1) Paragraph (1) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 1999, unless paragraph (2), (3), (4), or (5) of subdivision (a) becomes operative. In that event, paragraph (1) of subdivision (a) will be inoperative only for that period during which one of those paragraphs is operative.

(2) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 2001, if the forecast of General Fund revenue, excluding transfers, for the 2000–01 fiscal year, is at least sixty-five billion five hundred twenty-six million dollars ($65,526,000,000). On September 1, 2000, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(3) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2002, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2001–02 fiscal year, is at least sixty-eight billion six hundred forty million dollars ($68,640,000,000). On September 1, 2001, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (2) of subdivision (a) became operative pursuant to paragraph (2) of this subdivision.

If paragraph (3), (4), or (5) of subdivision (a) becomes operative for any calendar year beginning on or after January 1, 2002, paragraph (2) of subdivision (a) shall be inoperative during the period in which any of those paragraphs is so operative.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(4) If paragraph (2) of subdivision (a) does not become operative pursuant to paragraph (2) of this subdivision, paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 2002, if the forecast of General Fund revenue, excluding transfers, for the 2001–02 fiscal year, is at least sixty-eight billion six hundred forty million dollars ($68,640,000,000), but is less than sixty-nine billion one hundred forty million dollars ($69,140,000,000). If paragraph (2) of subdivision (a) does not become operative pursuant to paragraph (2) of this subdivision, the Director of Finance shall, on September 1, 2001, certify to the Governor, the Legislature, and the department whether the condition set forth in the preceding sentence has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(5) Paragraph (3) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 2002, if the forecast of General Fund revenue, excluding transfers, for the 2001–02 fiscal year, is at least sixty-nine billion one hundred forty million dollars ($69,140,000,000). On September 1, 2001, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(6) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2003, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2002–03 fiscal year, is at least seventy-two billion one hundred sixty million dollars ($72,160,000,000). On September 1, 2002, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (2) of subdivision (a) became operative pursuant to paragraph (4) of this subdivision, or paragraph (3) of subdivision (a) became operative pursuant to paragraph (5) of this subdivision.

If paragraph (3), (4), or (5) of subdivision (a) becomes operative for any calendar year beginning on or after January 1, 2003, paragraph (2) of subdivision (a) shall be inoperative during the period in which any of those paragraphs is so operative.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(7) If paragraph (2) of subdivision (a) does not become operative pursuant to paragraph (6) of this subdivision, paragraph (2) of subdivision (a) shall be operative for vehicle license fees with final due date in the calendar year beginning on January 1, 2003, if the forecast of General Fund revenue, excluding transfers, for the 2002–03 fiscal year, is at least seventy-two billion one hundred sixty million dollars ($72,160,000,000), but is less than seventy-two billion six hundred sixty million dollars ($72,660,000,000). If paragraph (2) of subdivision (a) does not become operative pursuant to paragraph (6) of this subdivision, the Director of Finance shall, on September 1, 2002, certify to the Governor, the Legislature, and the department whether the condition set forth in the preceding sentence has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(8) Paragraph (3) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2003, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2002–03 fiscal year, is at least seventy-two billion one hundred sixty million dollars ($72,160,000,000). On September 1, 2002, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (3) of subdivision (a) became operative pursuant to paragraph (5) of this subdivision.

If paragraph (4) or (5) of subdivision (a) becomes operative for any calendar year beginning on or after January 1, 2003, paragraph (3) of subdivision (a) shall be inoperative during the period in which either of those paragraphs is so operative.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(9) If paragraph (3) of subdivision (a) does not become operative pursuant to paragraph (8) of this subdivision, paragraph (3) of subdivision (a) shall be operative for vehicle license fees with final due date in the calendar year beginning on January 1, 2003, if the forecast of General Fund revenue, excluding transfers, for the

2002–03 fiscal year, is at least seventy-two billion six hundred sixty million dollars ($72,660,000,000), but is less than seventy-three billion one hundred sixty million dollars ($73,160,000,000). If paragraph (3) of subdivision (a) does not become operative pursuant to paragraph (8) of this subdivision, the Director of Finance shall, on September 1, 2002, certify to the Governor, the Legislature, and the department whether the condition set forth in the preceding sentence has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(10) Paragraph (4) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 2003, if the forecast of General Fund revenue, excluding transfers, for the 2002–03 fiscal year, is at least seventy-three billion one hundred sixty million dollars ($73,160,000,000) but is less than seventy-four billion three hundred sixty million dollars ($74,360,000,000). On September 1, 2002, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(11) Paragraph (5) of subdivision (a) shall be operative for vehicle license fees with a final due date in the calendar year beginning on January 1, 2003, if the forecast of General Fund revenue, excluding transfers, for the 2002–03 fiscal year, is at least seventy-four billion three hundred sixty million dollars ($74,360,000,000). On September 1, 2002, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(12) Paragraph (2) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2004, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2003–04 fiscal year, is at least seventy-six billion one hundred eight million dollars ($76,108,000,000). On September 1, 2003, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (2) of subdivision (a) became operative pursuant to paragraph (7) of this subdivision, paragraph (3) of subdivision (a) became operative pursuant to paragraph (9) of this subdivision,

paragraph (4) of subdivision (a) became operative pursuant to paragraph (10) of this subdivision, or paragraph (5) of subdivision (a) became operative pursuant to paragraph (11) of this subdivision.

If paragraph (3), (4), or (5) of subdivision (a) becomes operative for any calendar year beginning on or after January 1, 2004, paragraph (2) of subdivision (a) shall become inoperative.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(13) Paragraph (3) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2004, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2003–04 fiscal year, is at least seventy-six billion one hundred eight million dollars ($76,108,000,000). On September 1, 2003, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (3) of subdivision (a) became operative pursuant to paragraph (9) of this subdivision, paragraph (4) of subdivision (a) became operative pursuant to paragraph (10) of this subdivision, or paragraph (5) of subdivision (a) became operative pursuant to paragraph (11) of this subdivision.

If paragraph (4) or (5) of subdivision (a) becomes operative for the calendar year beginning on or after January 1, 2004, paragraph (3) of subdivision (a) shall become inoperative.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(14) Paragraph (4) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2004, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2003–04 fiscal year, is at least seventy-seven billion one hundred eight million dollars ($77,108,000,000). On September 1, 2003, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (4) of subdivision (a) became operative pursuant to paragraph (10) of this subdivision, or paragraph (5) of subdivision (a) became operative pursuant to paragraph (11) of this subdivision.

If paragraph (5) of subdivision (a) becomes operative for the calendar year beginning on or after January 1, 2004, paragraph (4) of subdivision (a) shall become inoperative.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of

General Fund revenues with sufficient detail to document the basis of the certification.

(15) Paragraph (5) of subdivision (a) shall be operative for vehicle license fees with a final due date in each calendar year beginning on or after January 1, 2004, if both of the following occur:

(A) The forecast of General Fund revenue, excluding transfers, for the 2003–04 fiscal year, is at least seventy-eight billion three hundred eight million dollars ($78,308,000,000). On September 1, 2003, the Director of Finance shall certify to the Governor, the Legislature, and the department whether this condition has been met.

(B) Paragraph (5) of subdivision (a) became operative pursuant to paragraph (11) of this subdivision.

Five days before certification, the Director of Finance shall submit to the Chair of the Joint Legislative Budget Committee a forecast of General Fund revenues with sufficient detail to document the basis of the certification.

(c) (1) For purposes of this section, "department" means the Department of Motor Vehicles and the Department of Housing and Community Development.

(2) For purposes of this section, the "final due date" for a license fee is the last date upon which that fee may be paid without being delinquent.

(3) For purposes of certifications specified in paragraphs (2) to (15), inclusive, of subdivision (b), the General Fund revenue forecast, excluding transfers, that is used for the enactment of the relevant budget act shall be calculated in a manner that is consistent with the definition of General Fund revenues, excluding transfers, that was used by the Department of Finance in the 1998 May Revision revenue forecast as reflected on Schedule 8 of that revision.

(4) For purposes of making the certifications specified in paragraphs (2) to (15), inclusive, of subdivision (b), the Department of Finance shall, for each of the 2000–01 to 2003–04 fiscal years, inclusive, estimate the combined fiscal impact of all state tax law changes, including any changes with respect to interest or penalties, that were enacted by the Legislature and signed by the Governor on or after January 1, 1999. If for any fiscal year, the Department of Finance estimates a cumulative reduction in General Fund revenues in excess of one hundred million dollars ($100,000,000), the Department of Finance shall subtract the amount of that estimated reduction from each of the General Fund revenue target amounts, specified in paragraphs (2) to (15), inclusive, of subdivision (b), and shall apply each resulting difference in lieu of each corresponding target amount. For each fiscal year for which the preceding sentence applies, the Department of Finance shall also do all of the following:

(A) Subtract the amount of the estimated General Fund revenue loss from the estimated amount of the fiscal impact of each offset specified in paragraphs (2) to (5), inclusive, of subdivision (a).

(B) Divide each annual amount calculated pursuant to subparagraph (A) by the corresponding estimate by the Department of Finance of annual vehicle license fee revenues.

(C) Calculate percentages by multiplying each quotient determined pursuant to subparagraph (B) by 100 and rounding each result to the nearest 10th.

(D) Provide the percentages calculated in subparagraph (C) to the department, which shall apply those percentages in lieu of those corresponding offsets set forth in paragraphs (2) to (5), inclusive, of subdivision (a).

(5) For purposes of making the certifications specified in paragraphs (2) to (15), inclusive, of subdivision (b), the Department of Finance shall do all of the following:

(A) Estimate for each of the 2000–01 to 2003–04 fiscal years, inclusive, the total fiscal impact of all settlements that result in an annual revenue increase of more than one hundred million dollars ($100,000,000) per year for five fiscal years or less.

(B) Subtract each total fiscal impact estimated pursuant to subparagraph (A) from the amounts of the revenue forecasts referred to in paragraphs (2) to (15), inclusive, of subdivision (b).

(C) Use each difference calculated pursuant to subparagraph (B) in lieu of each corresponding revenue forecast.

SEC. 3. Section 10759 of the Revenue and Taxation Code is amended to read:

10759. In computing any fee, offset, or penalty imposed by this chapter, whether on a proration or otherwise, a fraction of a dollar is disregarded, unless it equals or exceeds fifty cents ($0.50), in which case it is treated as one full dollar ($1). Computation of any penalty shall be made from the fee after the same has been computed as provided in this section.

Any fee, offset, or penalty in an amount of forty-nine cents ($0.49) or less shall be deemed to be one dollar ($1).

SEC. 4. Section 10901 of the Revenue and Taxation Code is amended to read:

10901. Whenever the department or the Department of Housing and Community Development erroneously collects any license fee or portion of a fee not required to be paid under this part, or erroneously applies any offset provided under this part, the erroneously collected amount shall be refunded to the person paying it upon application therefor made within three years after the date of the payment. If the department or the Department of Housing and Community Development discovers an error, it may make a refund in the absence of an application therefor.

SEC. 5. Section 10902 of the Revenue and Taxation Code is amended to read:

10902. (a) In the event of a constructive total loss, in which the repair value exceeds the market value of the vehicle less the anticipated salvage value, or a nonrepairable vehicle, or an

unrecovered total loss, due to a theft, of a vehicle, the in-lieu fee portion of the vehicle license fee that has been paid, less any offset provided in Section 10754, shall be refunded to the current registered owner (the owner of the salvage value of the vehicle), or credited against the vehicle license fee owed on the owner's replacement vehicle. The amount refunded or credited shall be based upon one-twelfth of the annual in-lieu fee, less any offset provided by Section 10754, for each full month that remains until the registration expires.

(b) No refund or credit shall be made pursuant to this section unless the vehicle owner has signed a declaration under penalty of perjury that he or she has not been cited or convicted of violating Section 23152 or 23153 of the Vehicle Code (relating to driving under the influence of alcohol or drugs) or Section 23103 as specified in Section 23103.5 of that code (which involves a substitute for an original citation of driving under the influence) in connection with the owner's vehicle loss. If the owner has been cited under any of these code sections, the owner shall be entitled to the refund or credit upon presentation of either proof of dismissal of the citation or a finding of not guilty.

(c) The Department of Motor Vehicles may charge to vehicle owners requesting a refund or credit pursuant to this section a fee in an amount sufficient to cover the administrative costs of processing the request.

(d) In the case of a request for refund or credit with respect to a stolen vehicle, the vehicle owner shall not be entitled to a refund or credit prior to 60 days from the date the theft of the vehicle is reported to the police. If a refund is received or a credit is applied to another vehicle and the stolen vehicle is subsequently recovered, the owner shall return the amount refunded or credited. If the owner receives a refund or credit, and the destroyed or stolen vehicle is scrapped and subsequently repaired by another person, the new owner shall pay the full vehicle license fee.

(e) The Department of Motor Vehicles shall adopt regulations for the administration of the refunds and credits provided by this section.

SEC. 6. Section 11000 is added to the Revenue and Taxation Code, immediately following the heading of Chapter 5 (commencing with Section 11001) of Part 5 of Division 2, to read:

11000. (a) Beginning on the operative date of Section 9551.2 of the Vehicle Code, the Controller shall do both of the following:

(1) Transfer from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund an amount equal to 75.67 percent of the amount of offsets that are applied by the department pursuant to Sections 9551.2 and 9554.1 of the Vehicle Code.

(2) Transfer from the General Fund to the Local Revenue Fund, established pursuant to Section 17600 of the Welfare and Institutions Code, in the Transportation Tax Fund an amount equal to 24.33

percent of the amount of offsets that are applied by the department pursuant to Sections 9551.2 and 9554.1 of the Vehicle Code.

(b) The department shall notify the Controller of the total amount of the offsets applied by the department pursuant to Section 9551.2 of the Vehicle Code concurrently with the department's transfer for deposit of vehicle license fee revenues as required by law.

(c) For purposes of Section 15 of Article XI of the California Constitution, the General Fund revenues that are transferred as required by paragraph (1) of subdivision (a) shall constitute successor tax revenues to the vehicle license fees offset in this part and shall be allocated in the same manner as revenue derived from taxes imposed pursuant to this part.

(d) For purposes of Article 1 (commencing with Section 25350) of Chapter 5 of Part 2 of Division 2 of Title 3 of the Government Code, Section 11003, and Chapter 6 (commencing with Section 17600) of Part 5 of Division 9 of the Welfare and Institutions Code, the General Fund transfer amounts specified in paragraphs (1) and (2) of subdivision (a) are hereby deemed to be vehicle license fee proceeds and vehicle license fee revenues. These General Fund transfer amounts are subject to the same pledges, liens and encumbrances, and priorities set forth in Section 25350 and following of, Section 53584 and following of, and Section 5450 and following of, the Government Code.

(e) Nothing in this section amends or intends to amend or impair Section 25350 and following of, Section 53584 and following of, the Government Code, or any other statute dealing with the interception of funds.

SEC. 7. Section 11000.1 is added to the Revenue and Taxation Code, to read:

11000.1. (a) The Controller shall do both of the following:

(1) Transfer from the General Fund to the Motor Vehicle License Fee Account in the Transportation Tax Fund, in accordance with the information received from the department pursuant to subdivision (b), an amount that is equal to 75.67 percent of the offsets that are determined by the department to be subject to Sections 9551.1 and 9554.1 of the Vehicle Code.

(2) Transfer from the General Fund to the Local Revenue Fund, in accordance with the information received from the department pursuant to subdivision (b), an amount that is equal to 24.33 percent of the offsets that are determined by the department to be subject to Sections 9551.1 and 9554.1 of the Vehicle Code.

(b) For purposes of transfers by the Controller pursuant to paragraphs (1) and (2) of subdivision (a), the department shall provide the Controller with daily estimates of the amounts required to be transferred pursuant to each of those paragraphs, and shall, no less frequently than monthly, notify the Controller of amounts of adjustments to those estimates that reflect completed registrations. On or before June 30, 1999, the department shall notify the Controller

of the amounts of any additional adjustments to General Fund transfers required by each of those paragraphs that are required to accurately reflect the total amount of offsets that are subject to Section 9551.1 of the Vehicle Code.

(c) For purposes of Section 15 of Article XI of the California Constitution, the General Fund revenues that are transferred as required by paragraph (1) of subdivision (a) shall be allocated in the same manner as revenue derived from taxes imposed pursuant to this part.

(d) For purposes of Article 1 (commencing with Section 25350) of Chapter 5 of Part 2 of Division 2 of Title 3 of the Government Code, Section 11003, and Chapter 6 (commencing with Section 17600) of Part 5 of Division 9 of the Welfare and Institutions Code, the General Fund transfer amounts specified in paragraphs (1) and (2) of subdivision (a) are hereby deemed to be vehicle license fee proceeds and vehicle license fee revenues. These General Fund transfer amounts are subject to the same pledges, liens and encumbrances, and priorities set forth in Section 25350 and following of, Section 53584 and following of, and Section 5450 and following of, the Government Code.

(e) (1) This section does not apply to transfers from the General Fund with respect to any offsets that are subject to Section 9551.2 of the Vehicle Code.

(2) Nothing in the act adding this section amends or intends to amend or impair Section 25350 and following of, or Section 53584 and following of, the Government Code, or any other statute dealing with the interception of funds.

(f) This section is repealed on January 1, 2000.

SEC. 8. Section 17024.5 of the Revenue and Taxation Code is amended to read:

17024.5. (a) (1) Unless otherwise specifically provided, the terms "Internal Revenue Code," "Internal Revenue Code of 1954," or "Internal Revenue Code of 1986," for purposes of this part, mean Title 26 of the United States Code, including all amendments thereto as enacted on the specified date for the applicable taxable year as follows:

Taxable Year	Specified Date of Internal Revenue Code Sections
(A) For taxable years beginning on or after January 1, 1983, and on or before December 31, 1983	January 15, 1983
(B) For taxable years beginning on or after January 1, 1984, and on or before December 31, 1984	January 1, 1984

(C) For taxable years beginning on or after January 1, 1985, and on or before December 31, 1985	January 1, 1985
(D) For taxable years beginning on or after January 1, 1986, and on or before December 31, 1986	January 1, 1986
(E) For taxable years beginning on or after January 1, 1987, and on or before December 31, 1988	January 1, 1987
(F) For taxable years beginning on or after January 1, 1989, and on or before December 31, 1989	January 1, 1989
(G) For taxable years beginning on or after January 1, 1990, and on or before December 31, 1990	January 1, 1990
(H) For taxable years beginning on or after January 1, 1991, and on or before December 31, 1991	January 1, 1991
(I) For taxable years beginning on or after January 1, 1992, and on or before December 31, 1992	January 1, 1992
(J) For taxable years beginning on or after January 1, 1993, and on or before December 31, 1996	January 1, 1993
(K) For taxable years beginning on or after January 1, 1997, and on or before December 31, 1997	January 1, 1997
(L) For taxable years beginning on or after January 1, 1998	January 1, 1998

(2) Unless otherwise specifically provided, for federal laws enacted on or after January 1, 1987, and on or before the specified date for the taxable year, uncodified provisions that relate to provisions of the Internal Revenue Code that are incorporated for purposes of this part shall be applicable to the same taxable years as the incorporated provisions.

(3) Subtitle G (Tax Technical Corrections) and Part I of Subtitle H (Repeal of Expired or Obsolete Provisions) of the Revenue Reconciliation Act of 1990 (Public Law 101-508) modified numerous provisions of the Internal Revenue Code and provisions of prior federal acts, some of which are incorporated by reference into this part. Unless otherwise provided, the provisions described in the preceding sentence, to the extent that they modify provisions that are incorporated into this part, are declaratory of existing law and shall be applied in the same manner and for the same periods as specified in the Revenue Reconciliation Act of 1990.

(b) Unless otherwise specifically provided, when applying any provision of the Internal Revenue Code for purposes of this part, a reference to any of the following shall not be applicable for purposes of this part:

(1) Except as provided in Chapter 4.5 (commencing with Section 23800) of Part 11 of Division 2, an electing small business corporation, as defined in Section 1361(b) of the Internal Revenue Code.

(2) Domestic international sales corporations (DISC), as defined in Section 992(a) of the Internal Revenue Code.

(3) A personal holding company, as defined in Section 542 of the Internal Revenue Code.

(4) A foreign personal holding company, as defined in Section 552 of the Internal Revenue Code.

(5) A foreign investment company, as defined in Section 1246(b) of the Internal Revenue Code.

(6) A foreign trust, as defined in Section 679 of the Internal Revenue Code.

(7) Foreign income taxes and foreign income tax credits.

(8) Section 911 of the Internal Revenue Code, relating to United States citizens living abroad.

(9) A foreign corporation, except that Section 367 of the Internal Revenue Code shall be applicable.

(10) Federal tax credits and carryovers of federal tax credits.

(11) Nonresident aliens.

(12) Deduction for personal exemptions, as provided in Section 151 of the Internal Revenue Code.

(13) The tax on generation-skipping transfers imposed by Section 2601 of the Internal Revenue Code.

(14) The tax, relating to estates, imposed by Section 2001 or 2101 of the Internal Revenue Code.

(c) (1) The provisions contained in Sections 41 to 44, inclusive, and 172 of the Tax Reform Act of 1984 (Public Law 98-369), relating to treatment of debt instruments, shall not be applicable for taxable years beginning before January 1, 1987.

(2) The provisions contained in Public Law 99-121, relating to the treatment of debt instruments, shall not be applicable for taxable years beginning before January 1, 1987.

(3) For each taxable year beginning on or after January 1, 1987, the provisions referred to by paragraphs (1) and (2) shall be applicable for purposes of this part in the same manner and with respect to the same obligations as the federal provisions, except as otherwise provided in this part.

(d) When applying the Internal Revenue Code for purposes of this part, regulations promulgated in final form or issued as temporary regulations by "the secretary" shall be applicable as regulations under this part to the extent that they do not conflict with this part or with regulations issued by the Franchise Tax Board.

(e) Whenever this part allows a taxpayer to make an election, the following rules shall apply:

(1) A proper election filed with the Internal Revenue Service in accordance with the Internal Revenue Code or regulations issued by "the secretary" shall be deemed to be a proper election for purposes of this part, unless otherwise provided in this part or in regulations issued by the Franchise Tax Board.

(2) A copy of that election shall be furnished to the Franchise Tax Board upon request.

(3) To obtain treatment other than that elected for federal purposes, a separate election shall be filed at the time and in the manner required by the Franchise Tax Board.

(f) Whenever this part allows or requires a taxpayer to file an application or seek consent, the rules set forth in subdivision (e) shall be applicable with respect to that application or consent.

(g) When applying the Internal Revenue Code for purposes of determining the statute of limitations under this part, any reference to a period of three years shall be modified to read four years for purposes of this part.

(h) When applying, for purposes of this part, any section of the Internal Revenue Code or any applicable regulation thereunder, all of the following shall apply:

(1) References to "adjusted gross income" shall mean the amount computed in accordance with Section 17072, except as provided in paragraph (2).

(2) References to "adjusted gross income" for purposes of computing limitations based upon adjusted gross income, shall mean the amount required to be shown as adjusted gross income on the federal tax return for the same taxable year.

(3) Any reference to "subtitle" or "chapter" shall mean this part.

(4) The provisions of Section 7806 of the Internal Revenue Code, relating to construction of title, shall apply.

(5) Any provision of the Internal Revenue Code that becomes operative on or after the specified date for that taxable year shall become operative on the same date for purposes of this part.

(6) Any provision of the Internal Revenue Code that becomes inoperative on or after the specified date for that taxable year shall become inoperative on the same date for purposes of this part.

(7) Due account shall be made for differences in federal and state terminology, effective dates, substitution of "Franchise Tax Board" for "secretary" when appropriate, and other obvious differences.

(i) Any reference to a specific provision of the Internal Revenue Code shall include modifications of that provision, if any, in this part.

SEC. 9. Section 17052.25 of the Revenue and Taxation Code is amended to read:

17052.25. (a) For each taxable year beginning on or after January 1, 1994, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to 50 percent of the costs

paid or incurred by a taxpayer for the adoption of any minor child who is a citizen or legal resident of the United States and was in the custody of a public agency of either this state or a political subdivision of this state. The credit shall not exceed two thousand five hundred dollars ($2,500) per minor child.

(b) "Costs" eligible for the credit pursuant to subdivision (a) shall include the following:

(1) Fees for required services of either the Department of Social Services or a licensed adoption agency.

(2) Travel and related expenses for the adoptive family that are directly related to the adoption process.

(3) Medical fees and expenses that are not reimbursed by insurance and are directly related to the adoption process.

(c) The credit authorized by this section shall be claimed for the taxable year in which the decree or order of adoption is entered pursuant to Section 8612 of the Family Code. However, the allowable credit claimed may include any costs of that adoption paid or incurred in any prior taxable year.

(d) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding years if necessary, until the total credit of two thousand five hundred dollars ($2,500) per minor child is exhausted.

(e) Any deduction otherwise allowed under this part for any amount paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit allowed under this section.

SEC. 10. Section 17053.36 is added to the Revenue and Taxation Code, to read:

17053.36. (a) For each taxable year beginning on or after January 1, 2001, and before January 1, 2006, a qualified taxpayer shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to the following:

(1) Fifty percent of qualified wages paid or incurred during any taxable year beginning on or after January 1, 2001, and before January 1, 2002.

(2) Forty percent of qualified wages paid or incurred during any taxable year beginning on or after January 1, 2002, and before January 1, 2003.

(3) Thirty percent of the qualified wages paid or incurred during any taxable year beginning on or after January 1, 2003, and before January 1, 2004.

(4) Twenty percent of the qualified wages paid or incurred during any taxable year beginning on or after January 1, 2004, and before January 1, 2005.

(5) Ten percent of the qualified wages paid or incurred during any taxable year beginning on or after January 1, 2005, and before January 1, 2006.

(b) For purposes of this section:

(1) (A) "Qualified taxpayer" means any taxpayer under an initial contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter.

(B) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 23636 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of this part or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-through entity" means any partnership or S corporation.

(2) "Qualified wages" means that portion of wages paid or incurred by the qualified taxpayer during the taxable year with respect to qualified employees that are direct costs as defined in Section 263A of the Internal Revenue Code allocable to property manufactured in this state by the qualified taxpayer for ultimate use in a Joint Strike Fighter.

(3) "Qualified employee" means an individual whose services for the qualified taxpayer are performed in this state and are at least 90 percent directly related to the qualified taxpayer's contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter.

(4) "Joint Strike Fighter" means the next generation air combat strike aircraft developed and produced under the Joint Strike Fighter program.

(5) "Joint Strike Fighter program" means the multiservice, multinational project conducted by the United States government to develop and produce the next generation of air combat strike aircraft.

(c) The credit allowed by this section shall not exceed ten thousand dollars ($10,000) per year, per qualified employee. For employees that are qualified employees for part of a taxable year, the credit shall not exceed ten thousand dollars ($10,000) multiplied by a fraction, the numerator of which is the number of months of the taxable year that the employee is a qualified employee and the denominator of which is 12.

(d) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and the seven succeeding years if necessary, until the credit is exhausted.

(e) No credit shall be allowed unless the credit is reflected within the bid upon which the qualified taxpayer's contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter is based by reducing the amount of the bid by the amount of the credit allowable.

(f) All references to the credit and ultimate cost reductions incorporated into any successful bid that was awarded a contract or

subcontract and for which a qualified taxpayer is making a claim shall be made available to the Franchise Tax Board upon request.

(g) This section shall remain in effect only until December 1, 2006, and as of that date is repealed.

SEC. 11. Section 17053.37 is added to the Revenue and Taxation Code, to read:

17053.37. (a) For each taxable year beginning on or after January 1, 2001, and before January 1, 2006, a qualified taxpayer shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to 10 percent of the qualified cost of qualified property that is placed in service in this state.

(b) (1) For purposes of this section, "qualified cost" means any costs that satisfy each of the following conditions:

(A) Except as otherwise provided in this subparagraph, is a cost paid or incurred by the qualified taxpayer for the construction, reconstruction, or acquisition of qualified property on or after January 1, 2001, and before January 1, 2006. In the case of any qualified property constructed, reconstructed, or acquired by the qualified taxpayer (or any person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) pursuant to a binding contract in existence on or before January 1, 2001, costs paid pursuant to that contract shall be subject to allocation as follows. Contract costs shall be allocated to qualified property based on a ratio of costs actually paid prior to January 1, 2001, and total contract costs actually paid. "Cost paid" shall include, without limitation, contractual deposits and option payments. To the extent of costs allocated, whether or not currently deductible or depreciable for tax purposes, to a period prior to January 1, 2001, the cost shall be deemed allocated to property acquired before January 1, 2001, and is thus not a "qualified cost."

(B) Except as provided in paragraph (2) of subdivision (d), is an amount upon which the qualified taxpayer has paid, directly or indirectly, as a separately stated contract amount or as determined from the records of the qualified taxpayer, sales or use tax under Part 1 (commencing with Section 6001).

(C) Is an amount properly chargeable to the capital account of the qualified taxpayer.

(2) (A) For purposes of this subdivision, any contract entered into on or after January 1, 2001, that is a successor or replacement contract to a contract that was binding before January 1, 2001, shall be treated as a binding contract in existence before January 1, 2001.

(B) If a successor or replacement contract is entered into on or after January 1, 2001, and the subject of the successor or replacement contract relates both to amounts for the construction, reconstruction, or acquisition of qualified property described in the original binding contract and to costs for the construction, reconstruction, or acquisition of qualified property not described in the original binding contract, then the portion of those amounts described in the

successor or replacement contract that were not described in the original binding contract shall not be treated as costs paid or incurred pursuant to a binding contract in existence on or prior to January 1, 2001, under subparagraph (A) of paragraph (1).

(3) (A) For purposes of this section, an option contract in existence before January 1, 2001, under which a qualified taxpayer (or any other person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) had an option to acquire qualified property, shall be treated as a binding contract under the rules in paragraph (2). For purposes of this subparagraph, an option contract shall not include an option under which the optionholder will forfeit an amount less than 10 percent of the fixed option price in the event the option is not exercised.

(B) For purposes of this section, a contract shall be treated as binding even if the contract is subject to a condition.

(c) (1) For purposes of this section, "qualified taxpayer" means any taxpayer under an initial contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter.

(2) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 23637 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, the term "pass-through entity" means any partnership or S corporation.

(3) The Franchise Tax Board may prescribe regulations to carry out the purposes of this section, including any regulations necessary to prevent the avoidance of the effect of this section through splitups, shell corporations, partnerships, tiered ownership structures, sale-leaseback transactions, or otherwise.

(d) (1) For purposes of this section, "qualified property" means property that is described as either of the following:

(A) Tangible personal property that is defined in Section 1245(a)(3)(A) of the Internal Revenue Code for use by a qualified taxpayer primarily in qualified activities to manufacture a product for ultimate use in a Joint Strike Fighter.

(B) The value of any capitalized labor costs that are direct costs as defined in Section 263A of the Internal Revenue Code allocable to the construction or modification of property described in subparagraph (A).

(2) Qualified property does not include any of the following:

(A) Furniture.

(B) Inventory.

(C) Equipment used to store finished products that have completed the manufacturing process.

(D) Any tangible personal property that is used in administration, general management, or marketing.

(e) For purposes of this section:

(1) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(2) "Joint Strike Fighter" means the next generation air combat strike aircraft developed and produced under the Joint Strike Fighter program.

(3) "Joint Strike Fighter program" means the multiservice, multinational project conducted by the United States government to develop and produce the next generation of air combat strike aircraft.

(4) "Manufacturing" means the activity of converting or conditioning property by changing the form, composition, quality, or character of the property for ultimate use in a Joint Strike Fighter. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.

(5) "Primarily" means tangible personal property used 50 percent or more of the time in an activity described in subparagraph (A) of paragraph (1) of subdivision (d).

(6) "Process" means the period beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the manufacturing, processing, or fabricating activity of the qualified taxpayer and ending at the point at which the manufacturing, processing, or fabricating activity of the qualified taxpayer has altered tangible personal property to its completed form, including packaging, if required. Raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified taxpayer's manufacturing, processing, or fabricating activity is conducted. Raw materials that are stored on premises other than where the qualified taxpayer's manufacturing, processing, or fabricating activity is conducted, shall not be considered to have been introduced into the manufacturing, processing, or fabricating process.

(7) "Processing" means the physical application of the materials and labor necessary to modify or change the characteristics of property.

(8) "Qualified activities" means manufacturing, processing, or fabricating of property, beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the process and ending at the point at which the manufacturing, processing, or fabricating has altered tangible personal property to its completed form, including packaging, if required.

(f) The credit allowed under subdivision (a) shall apply to qualified property that is acquired by or subject to lease by a qualified taxpayer, subject to the following special rules:

(1) A lessor of qualified property, irrespective of whether the lessor is a qualified taxpayer, shall not be allowed the credit provided under subdivision (a) with respect to any qualified property leased to another qualified taxpayer.

(2) For purposes of paragraphs (2) and (3) of subdivision (b), "binding contract" includes any lease agreement with respect to the qualified property.

(3) (A) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is not treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(i) Except as provided by subparagraph (C) of this paragraph, subparagraphs (A) and (C) of paragraph (1) of subdivision (b) shall not apply.

(ii) Except as provided in subparagraph (B) and clause (iii), the "qualified cost" upon which the lessee shall compute the credit provided under this section shall be equal to the original cost to the lessor (within the meaning of Section 18031) of the qualified property that is the subject of the lease.

(iii) The requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied only if the lessor has made a timely election under either Section 6094.1 or subdivision (d) of Section 6244 and has paid sales tax reimbursement or use tax measured by the purchase price of the qualified property (within the meaning of paragraph (5) of subdivision (g) of Section 6006). For purposes of this subdivision, the amount of original cost to the lessor which may be taken into account under clause (ii) shall not exceed the purchase price upon which sales tax reimbursement or use tax has been paid under the preceding sentence.

(B) For purposes of applying subparagraph (A) only, the following special rules shall apply:

(i) The original cost to the lessor of the qualified property shall be reduced by the amount of any original cost of that property that was taken into account by a predecessor lessee in computing the credit allowable under this section.

(ii) Clause (i) shall not apply in any case where the predecessor lessee was required to recapture the credit provided under this section pursuant to the provisions of subdivision (g).

(iii) For purposes of this section only, in any case where a successor lessor has acquired qualified property from a predecessor lessor in a transaction not treated as a sale under Part 1 (commencing with Section 6001), the original cost to the successor lessor of the qualified property shall be reduced by the amount of the original cost of the qualified property that was taken into account by any lessee

of the predecessor lessor in computing the credit allowable under this section.

(C) In determining the original cost of any qualified property under this paragraph, only amounts paid or incurred by the lessor on or after January 1, 2001, and before January 1, 2006, shall be taken into account. In the case of any qualified property constructed, reconstructed, or acquired by a lessor pursuant to a binding contract in existence on or prior to January 1, 2001, the allocation rule specified in subparagraph (A) of paragraph (1) of subdivision (b) shall apply in determining the original cost to the lessor of qualified property.

(D) Notwithstanding subparagraph (A), in the case of any leasing transaction for which the lessee is allowed the credit under this section and thereafter the lessee (or any party related to the lessee within the meaning of Section 267 or 318 of the Internal Revenue Code) acquires the qualified property from the lessor (or any successor lessor) within one year from the date the qualified property is first used by the lessee under the terms of the lease, the lessee's (or related party's) acquisition of the qualified property from the lessor (or successor lessor) shall be treated as a disposition by the lessee of the qualified property that was subject to the lease under subdivision (g).

(4) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(A) Subparagraph (A) of paragraph (1) of subdivision (b) shall be applied by substituting the term "purchase" for the term "construction, reconstruction, or acquisition."

(B) Subparagraph (C) of paragraph (1) of subdivision (b) shall apply.

(C) The requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied at the time that either the lessor or the qualified taxpayer pays sales or use tax under Part 1 (commencing with Section 6001).

(5) (A) In the case of any leasing transaction described in paragraph (3), the lessor shall provide a statement to the lessee specifying the amount of the lessor's original cost of the qualified property and the amount of that cost upon which a sales or use tax was paid within 45 days after the close of the lessee's taxable year in which the credit is allowable to the lessee under this section.

(B) The statement required under subparagraph (A) shall be made available to the Franchise Tax Board upon request.

(g) No credit shall be allowed if the qualified property is removed from the state, is disposed of to an unrelated party, or is used for any purpose not qualifying for the credit provided in this section in the same taxable year in which the taxpayer first places the qualified property in service in this state. If any qualified property for which a credit is allowed pursuant to this section is thereafter removed from

this state, disposed of to an unrelated party, or used for any purpose not qualifying for the credit provided in this section within one year from the date the taxpayer first places the qualified property in service in this state, the amount of the credit allowed by this section for that qualified property shall be recaptured by adding that credit amount to the net tax of the qualified taxpayer for the taxable year in which the qualified property is disposed of, removed, or put to an ineligible use.

(h) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and the seven succeeding years if necessary, until the credit is exhausted.

(i) (1) No credit shall be allowed under this section if a credit is claimed under Section 17053.49 in connection with the same property.

(2) No credit shall be allowed unless the credit is reflected within the bid upon which the qualified taxpayer's contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter is based by reducing the amount of the bid by the amount of the credit allowable.

(j) All references to the credit and ultimate cost reductions incorporated into any successful bid that was awarded a contract or subcontract and for which a qualified taxpayer is making a claim shall be made available to the Franchise Tax Board upon request.

(k) This section shall remain in effect only until December 1, 2006, and as of that date is repealed.

SEC. 12. Section 17053.5 of the Revenue and Taxation Code is amended to read:

17053.5. (a) (1) For a qualified renter, there shall be allowed a credit against his or her "net tax" (as defined in Section 17039). The amount of the credit shall be as follows:

(A) For married couples filing joint returns, heads of household and surviving spouses (as defined in Section 17046) the credit shall be equal to one hundred twenty dollars ($120) if adjusted gross income is fifty thousand dollars ($50,000) or less.

(B) For other individuals, the credit shall be equal to sixty dollars ($60) if adjusted gross income is twenty-five thousand dollars ($25,000) or less.

(2) Except as provided in subdivision (b), a husband and wife shall receive but one credit under this section. If the husband and wife file separate returns, the credit may be taken by either or equally divided between them, except as follows:

(A) If one spouse was a resident for the entire taxable year and the other spouse was a nonresident for part or all of the taxable year, the resident spouse shall be allowed one-half the credit allowed to married persons and the nonresident spouse shall be permitted one-half the credit allowed to married persons, prorated as provided in subdivision (e).

(B) If both spouses were nonresidents for part of the taxable year, the credit allowed to married persons shall be divided equally between them subject to the proration provided in subdivision (e).

(b) For a husband and wife, if each spouse maintained a separate place of residence and resided in this state during the entire taxable year, each spouse will be allowed one-half the full credit allowed to married persons provided in subdivision (a).

(c) For purposes of this section, a "qualified renter" means an individual who:

(1) Was a resident of this state, as defined in Section 17014, and

(2) Rented and occupied premises in this state which constituted his or her principal place of residence during at least 50 percent of the taxable year.

(d) The term "qualified renter" does not include any of the following:

(1) An individual who for more than 50 percent of the taxable year rented and occupied premises that were exempt from property taxes, except that an individual, otherwise qualified, is deemed a qualified renter if he or she or his or her landlord pays possessory interest taxes, or the owner of those premises makes payments in lieu of property taxes that are substantially equivalent to property taxes paid on properties of comparable market value.

(2) An individual whose principal place of residence for more than 50 percent of the taxable year is with any other person who claimed such individual as a dependent for income tax purposes.

(3) An individual who has been granted or whose spouse has been granted the homeowners' property tax exemption during the taxable year. This paragraph does not apply to an individual whose spouse has been granted the homeowners' property tax exemption if each spouse maintained a separate residence for the entire taxable year.

(e) Any otherwise qualified renter who is a nonresident for any portion of the taxable year shall claim the credits set forth in subdivision (a) at the rate of one-twelfth of those credits for each full month that individual resided within this state during the taxable year.

(f) Every person claiming the credit provided in this section shall, as part of that claim, and under penalty of perjury, furnish that information as the Franchise Tax Board prescribes on a form supplied by the board.

(g) The credit provided in this section shall be claimed on returns in the form as the Franchise Tax Board may from time to time prescribe.

(h) For the purposes of this section, the term "premises" means a house or a dwelling unit used to provide living accommodations in a building or structure and the land incidental thereto, but does not include land only, unless the dwelling unit is a mobilehome. The credit is not allowed for any taxable year for the rental of land upon

which a mobilehome is located if the mobilehome has been granted a homeowners' exemption under Section 218 in that year.

(i) For qualified renters whose credits provided in this section exceed their tax liability computed under this part the excess shall be credited against other amounts due, if any, from the qualified renter .

(j) This section shall become operative on January 1, 1998, and applies to any taxable year beginning on or after January 1, 1998.

(k) For each taxable year beginning on or after January 1, 1999, the Franchise Tax Board shall recompute the adjusted gross income amounts set forth in subdivision (a). That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current year, no later than August 1 of the current calendar year.

(2) The Franchise Tax Board shall compute an inflation adjustment factor by adding 100 percent to that portion of the percentage change figure which is furnished pursuant to paragraph (1) and dividing the result by 100.

(3) The Franchise Tax Board shall multiply the amount in subparagraph (B) of paragraph (1) of subdivision (d) for the preceding taxable year by the inflation adjustment factor determined in paragraph (2), and round off the resulting products to the nearest one dollar ($1).

(4) In computing the amounts pursuant to this subdivision, the amounts provided in subparagraph (A) of paragraph (1) of subdivision (a) shall be twice the amount provided in subparagraph (B) of paragraph (1) of subdivision (a).

SEC. 13. Section 17054 of the Revenue and Taxation Code is amended to read:

17054. In the case of individuals, the following credits for personal exemption may be deducted from the tax imposed under Section 17041 or 17048, less any increases imposed under paragraph (1) of subdivision (d) or paragraph (1) of subdivision (e), or both, of Section 17560.

(a) In the case of a single individual, a head of household, or a married individual making a separate return, a credit of fifty-one dollars ($51) for taxable years beginning on or after January 1, 1987, and before January 1, 1988, and fifty-two dollars ($52) for taxable years beginning on or after January 1, 1988.

(b) In the case of a surviving spouse (as defined in Section 17046), or a husband and wife making a joint return, a credit of one hundred two dollars ($102) for taxable years beginning on or after January 1, 1987, and before January 1, 1988, and one hundred four dollars ($104) for taxable years beginning on or after January 1, 1988. If one spouse was a resident for the entire taxable year and the other spouse was

a nonresident for all or any portion of the taxable year, the personal exemption shall be divided equally.

(c) In addition to any other credit provided in this section, in the case of an individual who is 65 years of age or over by the end of the taxable year, a credit of fifty-one dollars ($51) for taxable years beginning on or after January 1, 1987, and before January 1, 1988, and fifty-two dollars ($52) for taxable years beginning on or after January 1, 1988.

(d) (1) A credit of fifty-one dollars ($51) for taxable years beginning on or after January 1, 1987, and before January 1, 1988, fifty-two dollars ($52) for taxable years beginning on or after January 1, 1988, and before January 1, 1998, two hundred fifty-three dollars ($253) for taxable years beginning on or after January 1, 1998, and before January 1, 1999, and two hundred twenty-seven dollars ($227) for taxable years beginning on or after January 1, 1999, for each dependent (as defined in Section 17056) for whom an exemption is allowable under Section 151(c) of the Internal Revenue Code, relating to additional exemption for dependents. The credit allowed under this subdivision for taxable years beginning on or after January 1, 1999, shall not be adjusted pursuant to subdivision (i) for any taxable year beginning before January 1, 2000.

(2) The credit allowed under paragraph (1) shall not be denied on the basis that the identification number of the dependent, as defined in Section 17056, for whom an exemption is allowable under Section 151(c) of the Internal Revenue Code, relating to additional exemption for dependents, is not included on the return claiming the credit.

(e) A credit for personal exemption of fifty-one dollars ($51) for taxable years beginning on or after January 1, 1987, and before January 1, 1988, and fifty-two dollars ($52) for taxable years beginning on or after January 1, 1988, for the taxpayer if he or she is blind at the end of his or her taxable year.

(f) A credit for personal exemption of fifty-one dollars ($51) for taxable years beginning on or after January 1, 1987, and before January 1, 1988, and fifty-two dollars ($52) for taxable years beginning on or after January 1, 1988, for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(g) For the purposes of this section, an individual is blind only if either: his or her central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or his or her visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(h) In the case of an individual with respect to whom a credit under this section is allowable to another taxpayer for a taxable year

beginning in the calendar year in which the individual's taxable year begins, the credit amount applicable to that individual for that individual's taxable year shall be zero.

(i) For each taxable year beginning on or after January 1, 1989, the Franchise Tax Board shall compute the credits prescribed in this section. That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index as modified for rental equivalent homeownership for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(2) The Franchise Tax Board shall add 100 percent to the percentage change figure which is furnished to them pursuant to paragraph (1), and divide the result by 100.

(3) The Franchise Tax Board shall multiply the immediately preceding taxable year credits by the inflation adjustment factor determined in paragraph (2), and round off the resulting products to the nearest one dollar ($1).

(4) In computing the credits pursuant to this subdivision, the credit provided in subdivision (b) shall be twice the credit provided in subdivision (a).

(j) The amendments made to this section by the act adding this subdivision shall be applied only in the computation of taxes for taxable years beginning on or after January 1, 1990.

SEC. 14. Section 17062 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

17062. (a) In addition to the other taxes imposed by this part, there is hereby imposed for each taxable year, a tax equal to the excess, if any, of—

(1) The tentative minimum tax for the taxable year, over

(2) The regular tax for the taxable year.

(b) For purposes of this chapter, each of the following shall apply:

(1) The tentative minimum tax shall be computed in accordance with Sections 55 to 59, inclusive, of the Internal Revenue Code, except as otherwise provided in this part.

(2) The regular tax shall be the amount of tax imposed by Section 17041 or 17048, before reduction for any credits against the tax, less any amount imposed under paragraph (1) of subdivision (d) and paragraph (1) of subdivision (e) of Section 17560.

(3) (A) The provisions of Section 55(b)(1) of the Internal Revenue Code shall be modified to provide that the tentative minimum tax for the taxable year shall be equal to the following percent of so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount, before reduction for any credits against the tax:

(i) For any taxable year beginning on or after January 1, 1991, and before January 1, 1996, 8.5 percent.

(ii) For any taxable year beginning on or after January 1, 1996, 7 percent.

(B) In the case of a nonresident or part-year resident, the tentative minimum tax shall be computed as if the nonresident or part-year resident were a resident for the entire year multiplied by the ratio of California adjusted gross income (as modified for purposes of this chapter) to total adjusted gross income from all sources (as modified for purposes of this chapter). For purposes of computing the tax under subparagraph (A) and gross income from all sources, the net operating loss deduction provided in Section 56(d) of the Internal Revenue Code shall be computed as if the taxpayer were a resident for all prior years.

(C) For purposes of this section, the term "California adjusted gross income" includes each of the following:

(i) For any period during which the taxpayer was a resident of this state (as defined by Section 17014), all items of adjusted gross income (as modified for purposes of this chapter), regardless of source.

(ii) For any period during which the taxpayer was not a resident of this state, only those items of adjusted gross income (as modified for purposes of this chapter) which were derived from sources within this state, determined in accordance with Chapter 11 (commencing with Section 17951).

(4) The provisions of Section 55(b)(2) of the Internal Revenue Code, relating to alternative minimum taxable income, shall be modified to provide that alternative minimum taxable income shall not include the income, adjustments, and items of tax preference attributable to any trade or business of a qualified taxpayer.

(A) For purposes of this paragraph, "qualified taxpayer" means a taxpayer who meets both of the following:

(i) Is the owner of, or has an ownership interest in, a trade or business.

(ii) Has aggregate gross receipts, less returns and allowances, of less than one million dollars ($1,000,000) during the taxable year from all trades or businesses of which the taxpayer is the owner or has an ownership interest, in the amount of that taxpayer's proportionate interest in each trade or business.

(B) For purposes of this paragraph, "aggregate gross receipts, less returns and allowances" means the sum of the gross receipts of the trades or businesses which the taxpayer owns and the proportionate interest of the gross receipts of the trades or businesses which the taxpayer owns and of passthrough entities in which the taxpayer holds an interest.

(C) For purposes of this paragraph, "gross receipts, less returns and allowances" means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(D) For purposes of this paragraph, "proportionate interest" means:

(i) In the case of a passthrough entity which reports a profit for the taxable or income year, the taxpayer's profit interest in the entity at the end of the taxpayer's taxable year.

(ii) In the case of a passthrough entity which reports a loss for the taxable or income year, the taxpayer's loss interest in the entity at the end of the taxpayer's taxable year.

(iii) In the case of a passthrough entity which is sold or liquidates during the taxable or income year, the taxpayer's capital account interest in the entity at the time of the sale or liquidation.

(E) (i) For purposes of this paragraph, "proportionate interest" includes an interest in a passthrough entity.

(ii) For purposes of this paragraph, "passthrough entity" means any of the following:

(I) A partnership, as defined by Section 17008.

(II) An S corporation, as provided in Chapter 4.5 (commencing with Section 23800) of Part 11.

(III) A regulated investment company, as provided in Section 24871.

(IV) A real estate investment trust, as provided in Section 24872.

(V) A real estate mortgage investment conduit, as provided in Section 24874.

(5) For taxable years beginning on or after January 1, 1998, Section 55(d)(1) of the Internal Revenue Code, relating to exemption amount for taxpayers other than corporations is modified, for purposes of this part, to provide the following exemption amounts in lieu of those contained therein:

(A) Fifty-seven thousand two hundred sixty dollars ($57,260) in the case of either of the following:

(i) A joint return.

(ii) A surviving spouse.

(B) Forty-two thousand nine hundred forty-five dollars ($42,945) in the case of an individual who is both of the following:

(i) Not a married individual.

(ii) Not a surviving spouse.

(C) Twenty-eight thousand six hundred thirty dollars ($28,630) in the case of either of the following:

(i) A married individual who files a separate return.

(ii) An estate or trust.

(6) For taxable years beginning on or after January 1, 1998, Section 55(d)(3) of the Internal Revenue Code, relating to the phaseout of exemption amount for taxpayers other than corporations is modified, for purposes of this part, to provide the following phaseout of exemption amounts in lieu of those contained therein:

(A) Two hundred fourteen thousand seven hundred twenty-five dollars ($214,725) in the case of a taxpayer described in subparagraph (A) of paragraph (5).

(B) One hundred sixty-one thousand forty-four dollars ($161,044) in the case of a taxpayer described in subparagraph (B) of paragraph (5).

(C) One hundred seven thousand three hundred sixty-two dollars ($107,362) in the case of a taxpayer described in subparagraph (C) of paragraph (5).

(7) For each taxable year beginning on or after January 1, 1999, the Franchise Tax Board shall recompute the exemption amounts prescribed in paragraph (5) and the phaseout of exemption amounts prescribed in paragraph (6). Those computations shall be made as follows:

(A) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(B) The Franchise Tax Board shall do both of the following:

(i) Compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to subparagraph (A) and dividing the result by 100.

(ii) Multiply the preceding taxable year exemption amounts and the phaseout of exemption amounts by the inflation adjustment factor determined in clause (i) and round off the resulting products to the nearest one dollar ($1).

(c) (1) (A) Section 56(a)(6) of the Internal Revenue Code as in effect on January 1, 1997, relating to installment sales of certain property, shall not apply to payments received in taxable years beginning on or after January 1, 1997, with respect to dispositions occurring in taxable years beginning after December 31, 1987.

(B) This paragraph shall not apply to taxable years beginning on or after January 1, 1998.

(2) Section 56(b)(1)(E) of the Internal Revenue Code, relating to standard deduction and deduction for personal exemptions not allowed, is modified, for purposes of this part, to deny the standard deduction allowed by Section 17073.5.

(3) Section 56(b)(3) of the Internal Revenue Code, relating to treatment of incentive stock options, shall be modified to additionally provide the following:

(A) Section 421 of the Internal Revenue Code shall not apply to the transfer of stock acquired pursuant to the exercise of a California qualified stock option under Section 17502.

(B) Section 422(c)(2) of the Internal Revenue Code shall apply in any case where the disposition and inclusion of a California qualified stock option for purposes of this chapter are within the same taxable year and that section shall not apply in any other case.

(C) The adjusted basis of any stock acquired by the exercise of a California qualified stock option shall be determined on the basis of the treatment prescribed by this paragraph.

(d) The provisions of Section 57(a)(5) of the Internal Revenue Code, relating to tax-exempt interest shall not apply.

(e) (1) Section 57(a) of the Internal Revenue Code, relating to items of tax preference, is modified to include as an item of tax preference the amount by which the deduction allowable under Section 170 of the Internal Revenue Code, relating to charitable contributions or gifts, or Section 642(c) of the Internal Revenue Code, relating to deduction for amounts paid or permanently set aside for a charitable purpose, would be reduced if all capital gain property were taken into account at its adjusted basis.

(2) For purposes of paragraph (1), the term "capital gain property" has the meaning given to that term by Section 170(b)(1)(C)(iv) of the Internal Revenue Code. That term shall not include any property to which an election under Section 170(b)(1)(C)(iii) of the Internal Revenue Code applies.

(f) Section 57(a) of the Internal Revenue Code, relating to items of tax preference, is modified to include as an item of tax preference an amount equal to one-half of the amount excluded from gross income for the taxable year under Section 18152.5.

(g) The provisions of Section 59(a) of the Internal Revenue Code, relating to the alternative minimum tax foreign tax credit, shall not apply.

SEC. 15. Section 17062.5 is added to the Revenue and Taxation Code, to read:

17062.5. Section 55(b)(3) of the Internal Revenue Code, relating to maximum rate of tax on net capital gain of noncorporate taxpayers, shall not apply.

SEC. 16. Section 17073.5 of the Revenue and Taxation Code is amended to read:

17073.5. (a) A taxpayer may elect to take a standard deduction as follows:

(1) In the case of a taxpayer, other than a head of a household or a surviving spouse (as defined in Section 17046) or a married couple filing a joint return, the standard deduction shall be one thousand eight hundred eighty dollars ($1,880).

(2) In the case of a head of household or a surviving spouse (as defined in Section 17046) or a married couple filing a joint return, the standard deduction shall be three thousand seven hundred sixty dollars ($3,760).

(b) The standard deduction provided for in subdivision (a) shall be in lieu of all deductions other than those which are to be subtracted from gross income in computing adjusted gross income under Section 17072.

(c) (1) The provisions of this section shall be applied in lieu of the provisions of Sections 63(c) and 63(f) of the Internal Revenue Code, relating to standard deductions.

(2) Notwithstanding paragraph (1), Section 63(c)(5) of the Internal Revenue Code, relating to limitations on the standard

deduction of certain dependents, and Section 63(c)(6)of the Internal Revenue Code, relating to certain individuals not eligible for the standard deduction, shall apply, except as otherwise provided. For purposes of this paragraph, the amount specified in Section 63(c)(5) of the Internal Revenue Code shall be adjusted for inflation in accordance with the provisions of Section 63(c)(4) of the Internal Revenue Code.

(d) For each taxable year beginning on or after January 1, 1988, the Franchise Tax Board shall recompute the standard deduction amounts prescribed in subdivision (a). That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(2) The Franchise Tax Board shall compute an inflation adjustment factor by adding 100 percent to that portion of the percentage change figure which is furnished pursuant to paragraph (1) and dividing the result by 100.

(3) The Franchise Tax Board shall multiply the standard deduction amounts in the preceding taxable year by the inflation adjustment factor determined in paragraph (2), and round off the resulting products to the nearest one dollar ($1).

(4) In computing the standard deduction amounts pursuant to this subdivision, the amount provided in paragraph (2) of subdivision (a) shall be twice the amount provided in paragraph (1) of subdivision (a).

SEC. 17. Section 17085.8 of the Revenue and Taxation Code is repealed.

SEC. 18. Section 17088.5 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

17088.5. (a) Section 851(b)(3) of the Internal Revenue Code shall not apply.

(b) This section shall apply in determining whether an entity qualifies as a regulated investment company for income years of that entity beginning after August 5, 1997.

(c) This section shall not apply to taxable years beginning on or after January 1, 1998.

SEC. 19. Section 17088.6 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

17088.6. (a) Section 856(c)(4) of the Internal Revenue Code shall not apply.

(b) (1) Section 856(c)(6)(G) of the Internal Revenue Code shall not apply and in lieu thereof paragraph (2) shall apply.

(2) Except to the extent provided by regulations of the Secretary of the Treasury under Section 856(c)(5)(G) of the Internal Revenue Code (as redesignated and amended by Public Law 105-34), both of

the following shall be treated as income qualifying under Section 856(c)(2) of the Internal Revenue Code:

(A) Any payment to a real estate investment trust under an interest rate swap or cap agreement, option, futures contract, forward rate agreement, or any similar financial instrument, entered into by the trust in a transaction to reduce the interest rate risks with respect to any indebtedness incurred or to be incurred by the trust to acquire or carry real estate assets.

(B) Any gain from the sale or other disposition of any such investment.

(c) This section shall apply in determining whether an entity qualifies as a real estate investment trust for income years of that entity beginning after August 5, 1997.

(d) This section shall not apply to taxable years beginning on or after January 1, 1998.

SEC. 20. Section 17132.6 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

17132.6. Section 101 of the Internal Revenue Code, relating to certain death benefits, is modified as follows:

(a) Section 101(h) of the Internal Revenue Code, relating to survivor benefits attributable to service by a public safety officer who is killed in the line of duty, is modified to apply to amounts received in taxable years beginning after December 31, 1996, with respect to individuals dying after December 31, 1996.

(b) The amendments made by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 21. Section 17140.3 is added to the Revenue and Taxation Code, to read:

17140.3. Section 529 of the Internal Revenue Code, relating to qualified state tuition programs, shall apply, except as otherwise provided.

(a) Section 529 (a) of the Internal Revenue Code is modified as follows:

(1) By substituting the phrase "under Part 11 (commencing with Section 23001) in lieu of the phrase "under this subtitle."

(2) By substituting "Article 2 (commencing with Section 23731)" in lieu of "Section 511."

(b) A copy of the report required to be filed with the Secretary of the Treasury under Section 529(d) of the Internal Revenue Code shall be filed with the Franchise Tax Board at the same time and in the same manner as specified in that section.

SEC. 22. Section 17152 of the Revenue and Taxation Code is amended to read:

17152. Section 121 of the Internal Revenue Code, relating to exclusion of gain from sale of principal residence, is modified as follows:

(a) The two-year period in Section 121(a) of the Internal Revenue Code shall be reduced by the period of the taxpayer's service, not to

exceed 18 months, in the Peace Corps during the five-year period ending on the date of the sale or exchange.

(b) If the taxpayer is prohibited from filing a joint return pursuant to Section 18521, Section 121(b)(2)(A) of the Internal Revenue Code shall nevertheless be treated as being satisfied if the taxpayer files a joint return for federal income tax purposes for the same taxable year. However, in no instance shall the total amount excludable from gross income under Section 121(a) of the Internal Revenue Code with respect to any sale or exchange exceed the maximum amount allowed by Section 121(b) of the Internal Revenue Code.

(c) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 121(f) of the Internal Revenue Code not to have Section 121 of the Internal Revenue Code apply to a sale or exchange, Section 121 of the Internal Revenue Code shall not apply to that sale or exchange for state purposes, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5, the federal election shall be binding for purposes of this part, and that election shall be treated as an election to include in gross income for purposes of this part all the gain from the sale or exchange of that property, including that amount which, but for that election, would have been excluded from income under Section 121(a) of the Internal Revenue Code for state purposes.

(2) If a taxpayer fails to make an election for federal purposes under Section 121(f) of the Internal Revenue Code to not have Section 121 of the Internal Revenue Code apply to a sale or exchange, no election under Section 121(f) of the Internal Revenue Code shall be allowed for state purposes, Section 121 of the Internal Revenue Code shall apply to that sale or exchange for state purposes, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

(d) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 312(d)(2) of the Taxpayer Relief Act of 1997 (Public Law 105-34), relating to sales before date of enactment, or Section 312(d)(4) of that act, relating to binding contracts, to not have the amendments made by Section 312 of the Taxpayer Relief Act of 1997 (Public Law 105-34) apply to a sale or exchange, the amendments made by the act adding this subdivision shall not apply to that sale or exchange, Sections 1, 4, and 6 of Chapter 610 of the Statutes of 1997 shall not apply to that sale or exchange, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make an election for federal purposes under Section 312(d)(2) of the Taxpayer Relief Act of 1997 (Public Law 105-34), relating to sales before date of enactment, or Section 312(d)(4) of that act, relating to binding contracts, to not have the amendments made by Section 312 of the Taxpayer Relief Act of 1997

(Public Law 105-34) apply to a sale or exchange, an election under Section 312(d)(2) of the Taxpayer Relief Act of 1997 (Public Law 105-34), relating to sales before date of enactment, or Section 312(d)(4) of that act, relating to binding contracts, shall not be allowed for state purposes, the amendments made by the act adding this subdivision shall apply to that sale or exchange, Sections 1, 4, and 6 of Chapter 610 of the Statutes of 1997 shall apply to that sale or exchange, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

SEC. 23. Section 17210.6 of the Revenue and Taxation Code is repealed.

SEC. 24. Section 17273.1 is added to the Revenue and Taxation Code, to read:

17273.1. (a) Notwithstanding Section 17273, for each taxable year beginning on or after January 1, 1998, and before January 1, 1999, Section 162(*l*)(1) of the Internal Revenue Code, relating to applicable percentage, is modified by substituting "40 percent" for the percentages specified in that section.

(b) This section shall remain in effect only until January 1, 1999, and as of that date is repealed.

SEC. 25. Section 17276 of the Revenue and Taxation Code is amended to read:

17276. Except as provided in Sections 17276.1 and 17276.2, the deduction provided by Section 172 of the Internal Revenue Code, relating to a net operating loss deduction, shall be modified as follows:

(a) (1) Net operating losses attributable to taxable years beginning before January 1, 1987, shall not be allowed.

(2) A net operating loss shall not be carried forward to any taxable year beginning before January 1, 1987.

(b) (1) Except as provided in paragraphs (2) and (3), the provisions of Section 172(b)(2) of the Internal Revenue Code, relating to the amount of carryovers, shall be modified so that 50 percent of the entire amount of the net operating loss for any taxable year shall not be eligible for carryover to any subsequent taxable year.

(2) In the case of a taxpayer who has a net operating loss in a taxable year beginning on or after January 1, 1994, and who operates a new business during that taxable year, each of the following shall apply to each loss incurred during the first three taxable years of operating the new business:

(A) If the net operating loss is equal to or less than the net loss from the new business, 100 percent of the net operating loss shall be carried forward as provided in paragraph (2) of subdivision (d).

(B) If the net operating loss is greater than the net loss from the new business, the net operating loss shall be carried over as follows:

(i) With respect to an amount equal to the net loss from the new business, 100 percent of that amount shall be carried forward as provided in paragraph (2) of subdivision (d).

(ii) With respect to the portion of the net operating loss which exceeds the net loss from the new business, 50 percent of that amount shall be a net operating loss carryover to each of the five taxable years following the taxable year of the loss.

(C) For purposes of Section 172(b)(2) of the Internal Revenue Code, the amount described in clause (ii) of subparagraph (B) shall be absorbed before the amount described in clause (i) of subparagraph (B).

(3) In the case of a taxpayer who has a net operating loss in a taxable year beginning on or after January 1, 1994, and who operates an eligible small business during that taxable year, each of the following shall apply:

(A) If the net operating loss is equal to or less than the net loss from the eligible small business, 100 percent of the net operating loss shall be carried forward to the taxable years specified in paragraph (1) of subdivision (d).

(B) If the net operating loss is greater than the net loss from the eligible small business, the net operating loss shall be carried over as follows:

(i) With respect to an amount equal to the net loss from the eligible small business, 100 percent of that amount shall be carried forward to each of the five taxable years following the taxable year of the loss.

(ii) With respect to the portion of the net operating loss that exceeds the net loss from the eligible small business, 50 percent of that amount shall be a net operating loss carryover to each of the five taxable years following the taxable year of the loss.

(C) For purposes of Section 172(b)(2) of the Internal Revenue Code, the amount described in clause (ii) of subparagraph (B) shall be absorbed before the amount described in clause (i) of subparagraph (B).

(4) In the case of a taxpayer who has a net operating loss in a taxable year beginning on or after January 1, 1994, and who operates a business that qualifies as both a new business and an eligible small business under this section, that business shall be treated as a new business for the first three taxable years of the new business.

(5) In the case of a taxpayer who has a net operating loss in a taxable year beginning on or after January 1, 1994, and who operates more than one business, and more than one of those businesses qualifies as either a new business or an eligible small business under this section, paragraph (2) shall be applied first, except that if there is any remaining portion of the net operating loss after application of clause (i) of subparagraph (B) of that paragraph, paragraph (3) shall be applied to the remaining portion of the net operating loss as though that remaining portion of the net operating loss constituted the entire net operating loss.

(6) For purposes of this section, the term "net loss" means the amount of net loss after application of Sections 465 and 469 of the Internal Revenue Code.

(c) Net operating loss carrybacks shall not be allowed.

(d) (1) Except as provided in paragraphs (2) and (3), for each taxable year beginning on or after January 1, 1987, Section 172(b)(1)(A)(ii) of the Internal Revenue Code, relating to years to which net operating losses may be carried, is modified to substitute "five taxable years" in lieu of"20 taxable years."

(2) In the case of a "new business," the "five taxable years" in paragraph (1) shall be modified to read as follows:

(A) "Eight taxable years" for a net operating loss attributable to the first taxable year of that new business.

(B) "Seven taxable years" for a net operating loss attributable to the second taxable year of that new business.

(C) "Six taxable years" for a net operating loss attributable to the third taxable year of that new business.

(3) For any carryover of a net operating loss for which a deduction is denied by Section 17276.3, the carryover period specified in this subdivision shall be extended as follows:

(A) By one year for a net operating loss attributable to taxable years beginning in 1991.

(B) By two years for a net operating loss attributable to taxable years beginning prior to January 1, 1991.

(4) The net operating loss attributable to taxable years beginning on or after January 1, 1987, and before January 1, 1994, shall be a net operating loss carryover to each of the 10 taxable years following the year of the loss if it is incurred by a taxpayer that is under the jurisdiction of the court in a Title 11 or similar case at any time during the income year. The loss carryover provided in the preceding sentence shall not apply to any loss incurred after the date the taxpayer is no longer under the jurisdiction of the court in a Title 11 or similar case.

(e) For purposes of this section:

(1) "Eligible small business" means any trade or business that has gross receipts, less returns and allowances, of less than one million dollars ($1,000,000) during the taxable year.

(2) Except as provided in subdivision (f), "new business" means any trade or business activity that is first commenced in this state on or after January 1, 1994.

(3) "Title 11 or similar case" shall have the same meaning as in Section 368(a)(3) of the Internal Revenue Code.

(4) In the case of any trade or business activity conducted by a partnership or S corporation, paragraphs (1) and (2) shall be applied to the partnership or S corporation.

(f) For purposes of this section, in determining whether a trade or business activity qualifies as a new business under paragraph (2) of subdivision (e), the following rules shall apply:

(1) In any case where a taxpayer purchases or otherwise acquires all or any portion of the assets of an existing trade or business (irrespective of the form of entity) that is doing business in this state (within the meaning of Section 23101), the trade or business thereafter conducted by the taxpayer (or any related person) shall not be treated as a new business if the aggregate fair market value of the acquired assets (including real, personal, tangible, and intangible property) used by the taxpayer (or any related person) in the conduct of its trade or business exceeds 20 percent of the aggregate fair market value of the total assets of the trade or business being conducted by the taxpayer (or any related person). For purposes of this paragraph only, the following rules shall apply:

(A) The determination of the relative fair market values of the acquired assets and the total assets shall be made as of the last day of the first taxable year in which the taxpayer (or any related person) first uses any of the acquired trade or business assets in its business activity.

(B) Any acquired assets that constituted property described in Section 1221(1) of the Internal Revenue Code in the hands of the transferor shall not be treated as assets acquired from an existing trade or business, unless those assets also constitute property described in Section 1221(1) of the Internal Revenue Code in the hands of the acquiring taxpayer (or related person).

(2) In any case where a taxpayer (or any related person) is engaged in one or more trade or business activities in this state, or has been engaged in one or more trade or business activities in this state within the preceding 36 months ("prior trade or business activity"), and thereafter commences an additional trade or business activity in this state, the additional trade or business activity shall only be treated as a new business if the additional trade or business activity is classified under a different division of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, than are any of the taxpayer's (or any related person's) current or prior trade or business activities.

(3) In any case where a taxpayer, including all related persons, is engaged in trade or business activities wholly outside of this state and the taxpayer first commences doing business in this state (within the meaning of Section 23101) after December 31, 1993 (other than by purchase or other acquisition described in paragraph (1)), the trade or business activity shall be treated as a new business under paragraph (2) of subdivision (e).

(4) In any case where the legal form under which a trade or business activity is being conducted is changed, the change in form shall be disregarded and the determination of whether the trade or business activity is a new business shall be made by treating the taxpayer or partnership as having purchased or otherwise acquired all or any portion of the assets of an existing trade or business under the rules of paragraph (1) of this subdivision.

(5) "Related person" shall mean any person that is related to either the taxpayer under either Section 267 or 318 of the Internal Revenue Code.

(6) "Acquire" shall include any gift, inheritance, transfer incident to divorce, or any other transfer, whether or not for consideration.

(7) (A) For taxable years beginning on or after January 1, 1997, the term "new business" shall include any taxpayer that is engaged in biopharmaceutical activities or other biotechnology activities that are described in Codes 2833 to 2836, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, and as further amended, and that has not received regulatory approval for any product from the United States Food and Drug Administration.

(B) For purposes of this paragraph:

(i) "Biopharmaceutical activities" means those activities which use organisms or materials derived from organisms, and their cellular, subcellular, or molecular components, in order to provide pharmaceutical products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living organisms to make commercial products, as opposed to pharmaceutical activities which make use of chemical compounds to produce commercial products.

(ii) "Other biotechnology activities" means activities consisting of the application of recombinant DNA technology to produce commercial products, as well as activities regarding pharmaceutical delivery systems designed to provide a measure of control over the rate, duration, and site of pharmaceutical delivery.

(g) In computing the modifications under Section 172(d)(2) of the Internal Revenue Code, relating to capital gains and losses of taxpayers other than corporations, the exclusion provided by Section 18152.5 shall not be allowed.

(h) Notwithstanding any provisions of this section, a deduction shall be allowed to a "qualified taxpayer" as provided in Sections 17276.1 and 17276.2.

(i) The Franchise Tax Board may prescribe appropriate regulations to carry out the purposes of this section, including any regulations necessary to prevent the avoidance of the purposes of this section through splitups, shell corporations, partnerships, tiered ownership structures, or otherwise.

(j) The Franchise Tax Board may reclassify any net operating loss carryover determined under either paragraph (2) or (3) of subdivision (b) as a net operating loss carryover under paragraph (1) of subdivision (b) upon a showing that the reclassification is necessary to prevent evasion of the purposes of this section.

(k) The amendments made by the act adding this subdivision shall be operative for taxable years beginning on or after January 1, 1997.

SEC. 26. Section 17279.4 is added to the Revenue and Taxation Code, to read:

17279.4. Section 198 of the Internal Revenue Code, relating to expensing of environmental remediation costs, is modified as follows:

(a) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 198(a) of the Internal Revenue Code to have Section 198 of the Internal Revenue Code apply to a qualified environmental remediation expenditure, Section 198 of the Internal Revenue Code shall apply to that qualified environmental remediation expenditure for state purposes, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make an election for federal purposes under Section 198(a) of the Internal Revenue Code to have Section 198 of the Internal Revenue Code apply to a qualified environmental remediation expenditure, an election under Section 198(a) of the Internal Revenue Code shall not be allowed for state purposes, Section 198 of the Internal Revenue Code shall not apply to that qualified environmental remediation expenditure for state purposes, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

(b) No inference as to the proper treatment for purposes of this part of qualified environmental remediation expenditures for periods before the enactment of this section shall be made.

SEC. 27. Section 17279.5 of the Revenue and Taxation Code is amended to read:

17279.5. Section 264 of the Internal Revenue Code, relating to certain amounts paid in connection with insurance contracts, is modified to read as follows:

(a) No deduction shall be allowed for—

(1) Premiums on any life insurance policy, or endowment or annuity contract, if the taxpayer is directly or indirectly a beneficiary under the policy or contract.

(2) Any amount paid or accrued on indebtedness incurred to purchase or carry a single premium life insurance, endowment, or annuity contract. This paragraph shall apply with respect to annuity contracts only as to contracts purchased after December 31, 1954.

(3) Except as provided in subdivision (c), any amount paid or accrued on indebtedness incurred or continued to purchase or carry a life insurance, endowment, or annuity contract (other than a single premium contract or a contract treated as a single premium contract) pursuant to a plan of purchase which contemplates the systematic direct or indirect borrowing of part or all of the increases in the cash value of that contract (either from the insurer or otherwise). This paragraph shall apply only with respect to contracts purchased after August 6, 1963.

(4) Except as provided in subdivision (d), any interest paid or accrued on any indebtedness with respect to one or more insurance policies owned by the taxpayer covering the life of any individual, or

any endowment or annuity contracts owned by the taxpayer covering the life of any individual, or any endowment or annuity contracts owned by the taxpayer covering any individual.

This paragraph shall apply with respect to contracts purchased after June 20, 1986.

(b) Paragraph (1) of subdivision (a) shall not apply to either of the following:

(1) Any annuity contract described in Section 72(s)(5) of the Internal Revenue Code.

(2) Any annuity contract to which Section 72(u) of the Internal Revenue Code applies.

(c) For purposes of paragraph (2) of subdivision (a), a contract shall be treated as a single premium contract if either of the following conditions exist:

(1) Substantially all the premiums on the contract are paid within a period of four years from the date on which the contract is purchased.

(2) An amount is deposited after December 31, 1954, with the insurer for payment of a substantial number of future premiums on the contract.

(d) Paragraph (3) of subdivision (a) shall not apply to any amount paid or accrued by a person during a taxable year on indebtedness incurred or continued as part of a plan referred to in paragraph (3) of subdivision (a) if any of the following are applicable:

(1) No part of four of the annual premiums due during the seven-year period (beginning with the date the first premium on the contract to which that plan relates was paid) is paid under that plan by means of indebtedness.

(2) The total of the amounts paid or accrued by the person during that income year for which (without regard to this paragraph) no deduction would be allowable by reason of paragraph (3) of subdivision (a) does not exceed one hundred dollars ($100).

(3) That amount was paid or accrued on indebtedness incurred because of an unforeseen substantial loss of income or unforeseen substantial increase in its financial obligations.

(4) That indebtedness was incurred in connection with its trade or business.

For purposes of applying paragraph (1), if there is a substantial increase in the premiums on a contract, a new seven-year period described in that paragraph with respect to that contract shall commence on the date the first that increased premium is paid.

(e) (1) Paragraph (4) of subdivision (a) shall not apply to any interest paid or accrued on any indebtedness with respect to policies or contracts covering an individual who is a key person to the extent that the aggregate amount of that indebtedness with respect to policies and contracts covering that individual does not exceed fifty thousand dollars ($50,000).

(2) (A) No deduction shall be allowed by reason of paragraph (1) or the last sentence of subdivision (a) with respect to interest paid or accrued for any month beginning after December 31, 1995, to the extent the amount of that interest exceeds the amount which would have been determined if the applicable rate of interest were used for that month.

(B) For purposes of subparagraph (A):

(i) The applicable rate of interest for any month is the rate of interest described as Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc., or any successor thereto, for that month.

(ii) In the case of indebtedness on a contract purchased on or before June 20, 1986, all of the following shall apply:

(I) If the contract provides a fixed rate of interest, the applicable rate of interest for any month shall be the Moody's rate described in clause (i) for the month in which the contract was purchased.

(II) If the contract provides a variable rate of interest, the applicable rate of interest for any month in an applicable period shall be the Moody's rate described in clause (i) for the third month preceding the first month in that period.

(III) For purposes of subclause (II), the term "applicable period" means the 12-month period beginning on the date the policy is issued (and each successive 12-month period thereafter) unless the taxpayer elects a number of months (not greater than 12) other than that 12-month period to be its applicable period. That election shall be made not later than the 90th day after the date of the enactment of the act adding this sentence and, if made, shall apply to the taxpayer's first taxable year ending on or after December 31, 1995, and all subsequent taxable years unless revoked with the consent of the Franchise Tax Board.

(3) For purposes of paragraph (1), "key person" means an officer or 20-percent owner, except that the number of individuals who may be treated as key persons with respect to any taxpayer shall not exceed the greater of:

(A) Five individuals.

(B) The lesser of 5 percent of the total officers and employees of the taxpayer or 20 individuals.

(4) For purposes of this subdivision, "20-percent owner" means both of the following:

(A) If the taxpayer is a corporation, any person who owns directly 20 percent or more of the outstanding stock of the corporation or stock possessing 20 percent or more of the total combined voting power of all stock of the corporation.

(B) If the taxpayer is not a corporation, any person who owns 20 percent or more of the capital or profits interest in the taxpayer.

(5) (A) For purposes of subparagraph (A) of paragraph (4) and for purposes of applying the fifty thousand dollar ($50,000) limitation in paragraph (1) both of the following shall apply:

(i) All members of a controlled group shall be treated as one taxpayer.

(ii) The limitation shall be allocated among the members of the controlled group in the manner the Franchise Tax Board may prescribe.

(B) For purposes of this paragraph, all persons treated as a single employer under Section 52(a) or 52(b) of the Internal Revenue Code, relating to special rules, or Section 414(m) or 414(o) of the Internal Revenue Code, relating to definitions and special rules, shall be treated as members of a controlled group.

(f) (1) No deduction shall be allowed for that portion of the taxpayer's interest expense which is allocable to unborrowed policy cash values.

(2) For purposes of paragraph (1), the portion of the taxpayer's interest expense which is allocable to unborrowed policy cash values is an amount which bears the same ratio to the interest expense as:

(A) The taxpayer's average unborrowed policy cash values of life insurance policies, and annuity and endowment contracts, issued after June 8, 1997, bears to

(B) The sum of:

(i) In the case of assets of the taxpayer which are life insurance policies or annuity or endowment contracts, the average unborrowed policy cash values of those policies and contracts, and

(ii) In the case of assets of the taxpayer not described in clause (i), the average adjusted bases (within the meaning of Section 1016 of the Internal Revenue Code) of those assets.

(3) For purposes of this subdivision, the term "unborrowed policy cash value" means, with respect to any life insurance policy or annuity or endowment contract, the excess of:

(A) The cash surrender value of the policy or contract determined without regard to any surrender charge, over

(B) The amount of any loan with respect to that policy or contract.

(4) (A) Paragraph (1) shall not apply to any policy or contract owned by an entity engaged in a trade or business if the policy or contract covers only one individual and if that individual is (at the time first covered by the policy or contract):

(i) A 20-percent owner of the entity, or

(ii) An individual (not described in clause (i)) who is an officer, director, or employee of that trade or business.

A policy or contract covering a 20-percent owner of the entity shall not be treated as failing to meet the requirements of the preceding sentence by reason of covering the joint lives of the owner and the owner's spouse.

(B) Paragraph (1) shall not apply to any annuity contract to which Section 72(u) of the Internal Revenue Code applies.

(C) Any policy or contract to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2).

(D) For purposes of subparagraph (A), the term "20-percent owner" has the meaning given that term by paragraph (4) of subdivision (e).

(5) (A) (i) This subdivision shall not apply to any policy or contract held by a natural person.

(ii) If a trade or business is directly or indirectly the beneficiary under any policy or contract, the policy or contract shall be treated as held by that trade or business and not by a natural person.

(iii) (I) Clause (ii) shall not apply to any trade or business carried on as a sole proprietorship and to any trade or business performing services as an employee.

(II) The amount of the unborrowed cash value of any policy or contract which is taken into account by reason of clause (ii) shall not exceed the benefit to which the trade or business is directly or indirectly entitled under the policy or contract.

(iv) A copy of the report required for federal purposes under Section 264(f) of the Internal Revenue Code shall be filed with the Franchise Tax Board at the time and in the manner specified for federal purposes and shall be treated as a statement referred to in Section 6724(d)(1) of the Internal Revenue Code.

(B) In the case of a partnership or S corporation, this subdivision shall be applied at the partnership and corporate levels.

(6) (A) If interest on any indebtedness is disallowed under subdivision (a) or Section 17280, both of the following shall apply:

(i) The disallowed interest shall not be taken into account for purposes of applying this subdivision.

(ii) The amount otherwise taken into account under subparagraph (B) of paragraph (2) shall be reduced (but not below zero) by the amount of the indebtedness.

(B) This subdivision shall be applied before the application of Section 263A of the Internal Revenue Code, relating to capitalization of certain expenses where taxpayer produces property.

(7) The term "interest expense" means the aggregate amount allowable to the taxpayer as a deduction for interest (within the meaning of Section 265(b)(4) of the Internal Revenue Code) for the taxable year (determined without regard to this subdivision, Section 265(b) of the Internal Revenue Code, and Section 291 of the Internal Revenue Code).

(8) All members of a controlled group (within the meaning of subparagraph (B) of paragraph (5) of subdivision (e)) shall be treated as one taxpayer for purposes of this subdivision.

(g) (1) The amendments made to this section by the act adding this subdivision shall apply to interest paid or accrued after December 31, 1995.

(2) (A) The amendments made to this section by the act adding this subdivision shall not apply to qualified interest paid or accrued on that indebtedness after December 31, 1995, and before January 1, 1999, in the case of either of the following:

(i) Indebtedness incurred before January 1, 1996.

(ii) Indebtedness incurred before January 1, 1997, with respect to any contract or policy entered into in 1994 or 1995.

(B) For purposes of subparagraph (A), the qualified interest with respect to any indebtedness for any month is the amount of interest (otherwise deductible) which would be paid or accrued for that month on that indebtedness if—

(i) In the case of any interest paid or accrued after December 31, 1995, indebtedness with respect to no more than 20,000 insured individuals were taken into account, and

(ii) The lesser of the following rates of interest were used for that month:

(I) The rate of interest specified under the terms of the indebtedness as in effect on December 31, 1995 (and without regard to modification of the terms after that date).

(II) The applicable percentage of the rate of interest described as Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc., or any successor thereto, for that month. For purposes of clause (i), all persons treated as a single employer under Section 52(a) or 52(b) of the Internal Revenue Code, relating to special rules, or Section 414(m) or 414(o) of the Internal Revenue Code, relating to definitions and special rules, shall be treated as one person. Subclause (II) of clause (ii) shall not apply to any month before January 1, 1996.

(C) For purposes of subparagraph (B), the applicable percentage is as follows:

For calendar year:	The percentage is:
1996	100 percent
1997	90 percent
1998	80 percent

(3) This subdivision shall not apply to any contract purchased on or before June 20, 1986, except that paragraph (2) of subdivision (d) shall apply to interest paid or accrued after December 31, 1995.

(h) (1) Any amount received under any life insurance policy or endowment or annuity contract described in paragraph (4) of subdivision (a) shall be includable in gross income (in lieu of any other inclusion in gross income) ratably over the four taxable year period beginning with the taxable year that amount would (but for this paragraph) be includable, upon the occurrence of either of the following:

(A) The complete surrender, redemption, or maturity of that policy or contract during the calendar year 1996, 1997, or 1998.

(B) The full discharge during calendar year 1996, 1997, or 1998, of the obligation under the policy or contract which is in the nature of a refund of the consideration paid for the policy or contract.

(2) Paragraph (1) shall only apply to the extent the amount is includable in gross income for the taxable year in which the event described in subparagraph (A) or (B) of paragraph (1) occurs.

(3) Solely by reason of an occurrence described in subparagraph (A) or (B) of paragraph (1) or solely by reason of no additional premiums being received under the contract by reason of a lapse occurring after December 31, 1995, a contract shall not be treated as either of the following:

(A) Failing to meet the requirement of paragraph (1) of subdivision (c).

(B) A single premium contract under paragraph (1) of subdivision (b).

(i) The amendments made by the act adding this subdivision shall apply to contracts issued after June 8, 1997, in taxable years beginning on or after January 1, 1998. For purposes of the preceding sentence, any material increase in the death benefit or other material change in the contract shall be treated as a new contract, except that the addition of covered lives shall be treated as a new contract only with respect to those additional covered lives. For purposes of this subdivision, an increase in the death benefit under a policy or contract issued in connection with a lapse described in Section 501(d)(2) of the Health Insurance Portability and Accountability Act of 1996 shall not be treated as a new contract.

SEC. 28. Section 17507.4 of the Revenue and Taxation Code is repealed.

SEC. 29. Section 17507.6 of the Revenue and Taxation Code is amended to read:

17507.6. Section 408A of the Internal Revenue Code, relating to Roth IRAs, is modified to additionally provide all of the following:

(a) Section 408A(d)(3) of the Internal Revenue Code, relating to rollovers from an IRA other than a Roth IRA, shall not apply if any distribution which is not a qualified distribution under Section 408A(d)(2) of the Internal Revenue Code is made from a Roth IRA within the five-taxable-year period beginning with the taxable year in which a distribution to which Section 408A(d)(3) of the Internal Revenue Code would otherwise apply is made.

(b) In the case of any distribution to which subdivision (a) applies:

(1) There shall be included in gross income in the taxable year in which the disqualifying distribution described in subdivision (a) is made any amount that has not been previously included in gross income under Section 408A(d)(3)(A)(iii) of the Internal Revenue Code and which would be includable in income were it not treated as part of a qualified rollover contribution.

(2) In the taxable year in which the disqualifying distribution described in subdivision (a) is made, Section 72(t) of the Internal Revenue Code shall be applied to the amount which was treated as includable in gross income under Section 408A(d)(3)(A)(i) of the Internal Revenue Code.

SEC. 30. Section 17559 of the Revenue and Taxation Code, as added by Section 8 of Chapter 7 of the Statutes of 1998, is amended to read:

17559. (a) Section 451(e) of the Internal Revenue Code, relating to special rule for proceeds from livestock sold on account of drought, is modified by substituting the phrase "drought, flood, or other weather-related conditions, and that those conditions" in lieu of the phrase "drought conditions, and that these drought conditions" contained therein.

(b) This section shall apply to sales and exchanges after December 31, 1996.

(c) This section shall not apply to taxable years beginning on or after January 1, 1998.

SEC. 31. Section 17564 of the Revenue and Taxation Code is amended to read:

17564. (a) Long-term contracts shall be accounted for in accordance with the special rules set forth in Section 460 of the Internal Revenue Code.

(b) (1) The provisions of Section 804(d) of Public Law 99-514, relating to the effective date of modifications in the method of accounting for long-term contracts, shall be applicable to taxable years beginning on or after January 1, 1987.

(2) In the case of a contract entered into after February 28, 1986, during a taxable year beginning before January 1, 1987, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between state and federal law for the taxable year in which the contract began.

(c) (1) The amendments to Section 460 of the Internal Revenue Code made by Section 10203 of Public Law 100-203, relating to a reduction in the percentage of items taken into account under the completed contract method, shall apply to taxable years beginning on or after January 1, 1990.

(2) In the case of a contract entered into after October 13, 1987, during a taxable year beginning before January 1, 1990, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between California and federal law for taxable years beginning prior to January 1, 1990.

(d) (1) The amendments to Section 460 of the Internal Revenue Code made by Section 5041 of Public Law 100-647, relating to a reduction in the percentage of items taken into account under the completed contract method, shall apply to taxable years beginning on or after January 1, 1990.

(2) In the case of a contract entered into after June 20, 1988, during a taxable year beginning before January 1, 1990, an adjustment to income shall be made upon completion of the contract, if necessary,

to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between California and federal law for taxable years beginning prior to January 1, 1990.

(e) (1) The amendments to Section 460 of the Internal Revenue Code made by Section 7621 of Public Law 101-239, relating to the repeal of the completed contract method of accounting for long-term contracts, shall apply to taxable years beginning on or after January 1, 1990.

(2) In the case of a contract entered into after July 10, 1989, during a taxable year beginning before January 1, 1990, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between California and federal law for taxable years beginning prior to January 1, 1990.

(f) For purposes of applying paragraphs (2) to (6), inclusive, of Section 460(b) of the Internal Revenue Code, relating to the look-back method, any adjustment to income computed under paragraph (2) of subdivision (b), (c), (d), or (e) shall be deemed to have been reported in the taxable year from which the adjustment arose, rather than the taxable year in which the contract was completed.

SEC. 32. Section 17570 of the Revenue and Taxation Code is amended to read:

17570. (a) For each taxable year beginning on or after January 1, 1997, Section 475 of the Internal Revenue Code, relating to mark to market accounting method for securities dealers, shall apply, except as otherwise provided.

(b) Section 13233(c)(2)(C) of the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the effective date for changes in the mark to market accounting method for securities dealers, is modified to provide that the amount taken into account under Section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the five-taxable-year period beginning with the first taxable year beginning on or after January 1, 1997.

(c) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 475(e) of the Internal Revenue Code, relating to election of mark to market for dealers in commodities, to have Section 475 of the Internal Revenue Code apply, Section 475 of the Internal Revenue Code shall apply to that dealer in commodities for state purposes, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make, or has not previously made, an election for federal purposes under Section 475(e) of the Internal Revenue Code, relating to election of mark to market for dealers in commodities, to have Section 475 of the Internal Revenue Code apply, an election under Section 475(e) of the Internal Revenue Code shall not be allowed for state purposes, Section 475 of the

Internal Revenue Code shall not apply to that dealer in commodities for state purposes, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

(d) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 475(f)(1) of the Internal Revenue Code, relating to election of mark to market for traders in securities, to have Section 475 of the Internal Revenue Code apply to a trade or business, Section 475 of the Internal Revenue Code shall apply to that trader in securities for state purposes with respect to that trade or business, a separate election for state purposes with respect to that trade or business shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make, or has not previously made, an election for federal purposes under Section 475(f)(1) of the Internal Revenue Code, relating to election of mark to market for traders in securities, to have Section 475 of the Internal Revenue Code apply to a trade or business, an election under Section 475(f)(1) of the Internal Revenue Code shall not be allowed for state purposes with respect to that trade or business, Section 475 of the Internal Revenue Code shall not apply to that trader in securities for state purposes with respect to that trade or business, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

(e) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 475(f)(2) of the Internal Revenue Code, relating to election of mark to market for traders in commodities, to have Section 475 of the Internal Revenue Code apply to a trade or business, Section 475 of the Internal Revenue Code shall apply to that trader in commodities for state purposes with respect to that trade or business, a separate election for state purposes with respect to that trade or business shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5, and the federal election with respect to that trade or business shall be binding for purposes of this part.

(2) If a taxpayer fails to make, or has not previously made, an election for federal purposes under Section 475(f)(2) of the Internal Revenue Code, relating to election of mark to market for traders in commodities, to have Section 475 of the Internal Revenue Code apply to a trade or business, an election under Section 475(f)(2) of the Internal Revenue Code shall not be allowed for state purposes with respect to that trade or business, Section 475 of the Internal Revenue Code shall not apply to that trader in commodities for state purposes with respect to that trade or business, and a separate election for state purposes with respect to that trade or business shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

(f) (1) An election under Section 475(e) or (f) of the Internal Revenue Code made for federal purposes with respect to a taxable

year beginning before January 1, 1998, shall be treated as having been made for state purposes with respect to the first taxable year beginning on or after January 1, 1998.

(2) Section 1001(d)(4)(B) of the Taxpayer Relief Act of 1997 (P.L. 105-34), relating to the effective date for election of mark to market by securities traders and traders and dealers in commodities, is modified to provide that the requirement for timely identification shall be treated as timely made for state purposes if that identification is treated as timely made for federal purposes, and the amount taken into account under Section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the four-taxable-year period beginning with the first taxable year beginning on or after January 1, 1998.

SEC. 33. Section 17751 is added to the Revenue and Taxation Code, to read:

17751. Section 646 of the Internal Revenue Code, relating to certain revocable trusts treated as part of estate, is modified as follows:

(a) An election under Section 646(a) of the Internal Revenue Code for federal purposes shall be treated for purposes of this part as an election made by the executor, if any, of the estate and the trustee of the qualified revocable trust under Section 646(a) of the Internal Revenue Code for state purposes and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed.

(b) If the executor, if any, of the estate and the trustee of a qualified revocable trust fail to make an election under Section 646(a) of the Internal Revenue Code for federal purposes with respect to that qualified revocable trust, that trust shall be treated and taxed for purposes of this part as a separate trust, an election under Section 646(a) of the Internal Revenue Code for state purposes with respect to that trust shall not be allowed, and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed with respect to that trust.

SEC. 34. Section 17752 is added to the Revenue and Taxation Code, to read:

17752. Section 663 of the Internal Revenue Code, relating to special rules applicable to Sections 661 and 662, is modified as follows:

(a) Section 663(b) of the Internal Revenue Code, relating to distributions in the first 65 days of the taxable year, is modified as follows:

(1) An election under Section 663(b) of the Internal Revenue Code for federal purposes shall be treated for purposes of this part as an election made by the executor of the estate or the fiduciary of the trust, as the case may be, under Section 663(b) of the Internal Revenue Code for state purposes and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed.

(2) If the executor of the estate or the fiduciary of the trust, as the case may be, fails to make an election under Section 663(b) of the Internal Revenue Code for federal purposes with respect to an amount properly paid or credited within 65 days of the taxable year, that amount shall not be considered for purposes of this part as having been paid or credited on the last day of the preceding taxable year, an election under Section 663(b) of the Internal Revenue Code for state purposes with respect to that amount shall not be allowed, and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed with respect to that amount.

(b) Section 663(c) of the Internal Revenue Code, relating to separate shares treated as separate estates or trusts, is modified as follows:

(1) An election under Section 663(c) of the Internal Revenue Code for federal purposes shall be treated for purposes of this part as an election made by the executor of the estate or the fiduciary of the trust, as the case may be, under Section 663(c) of the Internal Revenue Code for state purposes and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed.

(2) If the executor of the estate or the fiduciary of the trust, as the case may be, fails to make an election under Section 663(c) of the Internal Revenue Code for federal purposes with respect to separate shares treated as separate estates or trusts, an election under Section 663(c) of the Internal Revenue Code for state purposes shall not be allowed, and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed.

SEC. 35. Section 17760.5 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

17760.5. Section 685 of the Internal Revenue Code, relating to treatment of funeral trusts, is modified as follows:

(a) Section 685(a) of the Internal Revenue Code is modified to read: In the case of a qualified funeral trust—

(1) Subparts B, C, D, and E of Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code shall not apply.

(2) No credit for personal exemption shall be allowed under Section 17054 or Section 17733.

(b) Section 685(b) of the Internal Revenue Code is modified as follows:

(1) An election under Section 685(b)(5) of the Internal Revenue Code for federal purposes shall be treated for purposes of this part as an election made by the trustee of the qualified funeral trust under Section 685(b)(5) of the Internal Revenue Code for state purposes and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed.

(2) If the trustee of a qualified funeral trust fails to make an election under Section 685(b)(5) of the Internal Revenue Code for federal purposes with respect to a qualified funeral trust, that trust

shall be treated for purposes of this part as owned under Subpart E of the Internal Revenue Code by the purchasers of the contracts described in Section 685(b)(1) of the Internal Revenue Code, an election under Section 685(b)(5) of the Internal Revenue Code for state purposes with respect to that trust shall not be allowed, and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 shall not be allowed with respect to that trust.

(c) Section 685(d) of the Internal Revenue Code is modified to read: Subdivision (e) of Section 17041 shall be applied to each qualified funeral trust by treating each beneficiary's interest in each qualified funeral trust as a separate trust.

(d) The Franchise Tax Board may, by forms and instructions, provide rules for simplified reporting of all trusts having a single trustee consistent with the rules prescribed by the Secretary of the Treasury under Section 685 of the Internal Revenue Code.

(e) This section shall apply to taxable years ending after August 5, 1997.

(f) The amendments made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 36. Section 17856 of the Revenue and Taxation Code is amended to read:

17856. The provisions of Section 751(d)(3) of the Internal Revenue Code, relating to appreciated inventory items subject to tax as a gain on foreign investment company stock, shall not be applicable.

SEC. 37. Section 17865 is added to the Revenue and Taxation Code, to read:

17865. Part IV of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code (commencing with Section 771 of the Internal Revenue Code), shall not apply, except as otherwise provided.

SEC. 38. Section 18037.3 of the Revenue and Taxation Code, as added by Section 12 of Chapter 7 of the Statutes of 1998, is amended to read:

18037.3. (a) Section 1033(e) of the Internal Revenue Code, relating to livestock sold on account of drought, is modified by substituting the phrase "on account of drought, flood, or other weather-related conditions" in lieu of the phrase "on account of drought" contained therein.

(b) This section shall apply to sales and exchanges after December 31, 1996.

(c) This section shall not apply to taxable years beginning on or after January 1, 1998.

SEC. 39. Section 18037.6 of the Revenue and Taxation Code is repealed.

SEC. 40. Section 18038.4 is added to the Revenue and Taxation Code, to read:

18038.4. Section 1045 of the Internal Revenue Code, relating to rollover of gain from qualified small business stock to another qualified small business stock, shall not apply.

SEC. 41. Section 18042 of the Revenue and Taxation Code is amended to read:

18042. (a) Section 1042 of the Internal Revenue Code, relating to sales of stock to employee stock ownership plans or certain cooperatives, shall apply to taxable years beginning on or after January 1, 1995.

(b) For taxable years beginning on or after January 1, 1998, Section 1042 of the Internal Revenue Code, relating to sales of stock to employee stock ownership plans or certain cooperatives, is modified to provide that the term "domestic corporation" shall instead mean "domestic C corporation."

(c) Section 1042(g) of the Internal Revenue Code, relating to application of section to sales of stock in agricultural refiners and processors to eligible farm cooperatives, shall not apply.

SEC. 42. Section 18178 of the Revenue and Taxation Code is amended to read:

18178. Section 1272 of the Internal Revenue Code shall be modified as follows:

(a) For taxable years beginning on or after January 1, 1987, and before the taxable year in which the debt obligation matures or is sold, exchanged, or otherwise disposed, the amount included in gross income under this part shall be the same as the amount included in gross income on the federal tax return.

(b) The difference between the amount included in gross income on the federal return and the amount included in gross income under this part, with respect to obligations issued after December 31, 1984, for taxable years beginning before January 1, 1987, shall be included in gross income in the taxable year in which the debt obligation matures or is sold, exchanged, or otherwise disposed.

(c) Section 1004(b) of the Taxpayer Relief Act of 1997 (P.L. 105-34), relating to the effective date for determination of original issue discount where pooled debt obligations are subject to acceleration, is modified to provide that the changes to Section 1272(a)(6) of the Internal Revenue Code made by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998, and the amount taken into account under Section 481 of the Internal Revenue Code shall be taken into account ratably over the four-taxable-year period beginning with the first taxable year beginning on or after January 1, 1998.

SEC. 43. Section 18505 of the Revenue and Taxation Code is amended to read:

18505. (a) Every fiduciary (except a receiver appointed by authority of law in possession of part only of the property of an individual) taxable under Part 10 (commencing with Section 17001) shall make a return, which shall contain or be verified by a written

declaration that it is made under the penalties of perjury, for any of the following taxpayers for whom he or she acts, stating specifically the items of gross income of the taxpayer and the deductions and credits allowed:

(1) Every individual having an adjusted gross income for the taxable year in excess of six thousand dollars ($6,000), if single.

(2) Every individual having an adjusted gross income for the taxable year in excess of twelve thousand dollars ($12,000), if married.

(3) Every individual having a gross income for the taxable year in excess of eight thousand dollars ($8,000), regardless of the amount of adjusted gross income.

(4) Every estate the net income of which for the taxable year is in excess of one thousand dollars ($1,000).

(5) Every trust (not treated as a corporation under Section 23038) the net income of which for the taxable year is in excess of one hundred dollars ($100).

(6) Every estate or trust (not treated as a corporation under Section 23038) the gross income of which for the taxable year is in excess of eight thousand dollars ($8,000), regardless of the amount of the net income.

(7) Every decedent, for the year in which death occurred, and for prior years, if returns for those years should have been filed but have not been filed by the decedent, under the rules and regulations that the Franchise Tax Board may prescribe.

(b) The fiduciary of any estate or trust required to file a return under subdivision (a), for any taxable year shall, on or before the date on which that return was required to be filed, furnish to each beneficiary (or nominee thereof) a statement in accordance with the provisions of Section 6034A of the Internal Revenue Code.

(c) For taxable or income years beginning on or after January 1, 1998:

(1) A beneficiary of any estate or trust to which subdivision (b) applies shall, on that beneficiary's return, treat any reported item in a manner which is consistent with the treatment of that item on the applicable entity's return.

(2) (A) In the case of any reported item, paragraph (1) shall not apply to that item if:

(i) (I) The applicable entity has filed a return but the beneficiary's treatment on that beneficiary's return is (or may be) inconsistent with the treatment of the item on the applicable entity's return, or

(II) The applicable entity has not filed a return, and

(ii) The beneficiary files with the Franchise Tax Board a statement identifying the inconsistency.

(B) A beneficiary shall be treated as having complied with clause (ii) of subparagraph (A) with respect to a reported item if the beneficiary does both of the following:

(i) Demonstrates to the satisfaction of the Franchise Tax Board that the treatment of the reported item on the beneficiary's return is consistent with the treatment of the item on the statement furnished under subdivision (b) to the beneficiary (or nominee thereof) by the applicable entity.

(ii) Elects to have this paragraph apply with respect to that item.

(3) In any case described in subclause (I) of clause (i) of subparagraph (A) of paragraph (2), in which the beneficiary does not comply with clause (ii) of subparagraph (A) of paragraph (2), any adjustment required to make the treatment of the items by the beneficiary consistent with the treatment of the items on the applicable entity's return shall be treated as arising out of mathematical or clerical errors and assessed and collected under Section 19051.

(4) For purposes of this subdivision:

(A) The term "reported item" means any item for which information is required to be furnished under subdivision (b).

(B) The term "applicable entity" means the estate or trust of which the taxpayer is the beneficiary.

(5) The penalties imposed under Article 7 (commencing with Section 19131) of Chapter 4 shall apply in the case of a beneficiary's negligence in connection with, or disregard of, the requirements of this subdivision.

(d) The amendments made by the act adding this subdivision shall apply to returns of beneficiaries and owners filed on or after January 1, 1998.

SEC. 44. Section 18510 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

18510. For taxable years beginning on or after January 1, 1997, for purposes of Sections 18501, 18505, and 18521, gross income shall be computed without regard to the exclusion provided for in Section 121 of the Internal Revenue Code, relating to exclusion of gains from sale of principal residence.

SEC. 45. Section 18572 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

18572. (a) In the case of an individual taxpayer determined by the Secretary of the Treasury or the Franchise Tax Board to be affected by a presidentially declared disaster (as defined by Section 1033(h)(3) of the Internal Revenue Code), under regulations prescribed by the Secretary of the Treasury, unless the Franchise Tax Board prescribes differently, a period of up to 90 days may be disregarded in determining, in respect of any tax liability (including any penalty, additional amount, or addition to the tax) of the taxpayer:

(1) Whether any of the acts described in paragraph (1) of Section 7508(a)(1) of the Internal Revenue Code were performed within the time prescribed therefor.

(2) The amount of any credit or refund.

(b) Subdivision (a) shall not apply for the purposes of determining interest on any overpayment or underpayment.

(c) This section shall apply with respect to any period for performing an act that has not expired before August 5, 1997.

SEC. 46. Section 18641 of the Revenue and Taxation Code is amended to read:

18641. (a) Every person doing business as a broker shall, when required by the Franchise Tax Board, make a return, in accordance with regulations as the Franchise Tax Board may prescribe, showing the name and address of each customer, with details regarding gross proceeds and any other information which the Franchise Tax Board may by forms or regulations require with respect to that business.

(b) (1) Every person required to make a return under subdivision (a) shall furnish to each customer whose name is required to be set forth in that return a written statement showing all of the following:

(A) The name and address of the person required to make that return.

(B) The information required to be shown on that return with respect to that customer.

(2) The written statement required under paragraph (1) shall be furnished to the customer on or before January 31 of the year following the calendar year for which the return under subdivision (a) was required to be made.

(c) For purposes of this section:

(1) "Broker" includes any of the following:

(A) A dealer.

(B) A barter exchange.

(C) Any other person, who, for a consideration, regularly acts as a middleman with respect to personal property or services. A person shall not be treated as a broker with respect to activities consisting of managing a farm on behalf of another person.

(2) "Customer" means any person for whom the broker has transacted any business.

(3) "Barter exchange" means any organization of members providing personal property or services who jointly contract to trade or barter that personal property or services.

(4) "Person" includes any governmental unit and any agency or instrumentality thereof.

(d) (1) Any person engaged in a trade or business and making a payment (in the course of that trade or business) to which this subdivision applies shall file a return under subdivision (a) and a statement under subdivision (b) with respect to that payment.

(2) (A) This subdivision shall apply to any payment to an attorney in connection with legal services (whether or not those services are performed for the payer).

(B) This subdivision shall not apply to the portion of any payment which is required to be reported under subdivision (a) of Section

18637 (or would be so required but for the dollar limitation contained therein).

(e) (1) Any regulations which apply to payments subject to the reporting requirements imposed under Section 18637 that provide an exception for payments made to corporations shall not apply to payments of attorneys' fees.

(2) The regulations under Section 6041 of the Internal Revenue Code, relating to providing an exception for payments made to corporations, shall not be used to interpret the requirements under Section 18637 with respect to payments of attorneys' fees.

(f) If the taxpayer has complied with the requirements of Section 6045(f) of the Internal Revenue Code for federal purposes, the taxpayer shall be deemed to have complied with the requirements of subdivision (d) for purposes of this part and no penalty shall be imposed under Section 19183.

(g) The amendments made by the act adding this subdivision shall apply to payments made after December 31, 1997.

(h) In lieu of the return required by subdivision (a), a copy of the similar return filed with the Internal Revenue Service pursuant to Section 6045 of the Internal Revenue Code, and the regulations adopted thereto, may be filed with the Franchise Tax Board.

SEC. 47. Section 18645 of the Revenue and Taxation Code is amended to read:

18645. (a) The Franchise Tax Board may require a copy of the federal information return to be filed with the Franchise Tax Board if a federal information return was required under any of the following:

(1) Section 6039C of the Internal Revenue Code, relating to returns with respect to foreign persons holding direct investments in United States real property interests, if that person holds a direct investment in a California real property interest as defined in Section 18662.

(2) Section 6050H of the Internal Revenue Code, relating to mortgage interest received in trade or business from individuals.

(3) Section 6050J of the Internal Revenue Code, relating to foreclosures and abandonments of security.

(4) Section 6050K of the Internal Revenue Code, relating to exchanges of certain partnership interests.

(5) Section 6050L of the Internal Revenue Code, relating to certain dispositions of donated property.

(6) Section 6050N of the Internal Revenue Code, relating to returns regarding payments of royalties.

(7) Section 6050P of the Internal Revenue Code, relating to returns relating to the cancellation of indebtedness by certain financial entities.

(8) Section 6050Q of the Internal Revenue Code, relating to certain long-term care benefits.

(9) Section 6050R of the Internal Revenue Code, relating to returns relating to certain purchases of fish.

(10) Section 6050S of the Internal Revenue Code, relating to returns relating to higher education tuition and related expenses.

(b) Every person required to make a return under subdivision (a) shall also furnish a statement to each person whose name is required to be set forth in the return, as required to do so by the Internal Revenue Code.

(c) A transferor of a partnership interest shall be required to notify the partnership of that exchange in accordance with Section 6050K(c) of the Internal Revenue Code.

(d) The Franchise Tax Board shall require a copy of the federal information return to be filed with the Franchise Tax Board if a federal information return was required under Section 6050I(a) of the Internal Revenue Code, relating to cash received in trade or business. Section 6050I(g) of the Internal Revenue Code, relating to cash received by criminal court clerks, shall not apply.

(e) (1) The Attorney General shall, upon court order following a showing ex parte to a magistrate of an articulable suspicion that an individual or entity has committed a felony offense to which a federal information return is related, be provided a copy of a federal information return filed with the Franchise Tax Board under subdivision (d). The Attorney General may make a return or information therefrom available to a district attorney subject to regulations promulgated by the Attorney General. The regulations shall require the district attorney seeking the return or information to specify in writing the specific reasons for believing that a felony offense has been committed to which the return or information is related.

(2) Any information or return obtained by the Attorney General or a district attorney pursuant to this section shall be confidential and used only for investigative or prosecutorial purposes.

SEC. 48. Section 19057 of the Revenue and Taxation Code is amended to read:

19057. (a) Except in the case of a false or fraudulent return and except as otherwise expressly provided in this part, every notice of a proposed deficiency assessment shall be mailed to the taxpayer within four years after the return was filed. No deficiency shall be assessed or collected with respect to the year for which the return was filed unless the notice is mailed within the four-year period or the period otherwise provided. For purposes of this chapter, the term "return" means the return required to be filed by the taxpayer and does not include a return of any person from whom the taxpayer has received an item of income, gain, loss, deduction, or credit.

(b) The running of the period of limitations provided in subdivision (a) on mailing a notice of proposed deficiency assessment shall, in a case under Title 11 of the United States Code, be suspended for any period during which the Franchise Tax Board is prohibited

by reason of that case from mailing the notice of proposed deficiency assessment and 60 days thereafter.

(c) Where, within the 60-day period ending on the day on which the time prescribed in this section for the assessment of any tax imposed under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001) for any taxable year would otherwise expire, the Franchise Tax Board receives a written document, other than an amended return or a report required by Section 18622, signed by the taxpayer showing that the taxpayer owes an additional amount of that tax for that taxable year, the period for the assessment of an additional amount in excess of the amount shown on either an original or amended return shall not expire before the day 60 days after the day on which the Franchise Tax Board receives that document.

(d) If a taxpayer determines in good faith that it is an exempt organization and files a return as such under Section 23772, and if the taxpayer is thereafter held to be a taxable organization for the taxable year for which the return is filed, that return shall be deemed the return of the organization for the purposes of this section.

SEC. 49. Section 19066.5 is added to the Revenue and Taxation Code, to read:

19066.5. In the case of any information that is required to be reported to the Franchise Tax Board under Section 19141.2 or 19141.5, the time for assessment of any tax imposed by Part 10 (commencing with Section 17001), Part 11 (commencing with Section 23001), or this part with respect to any event or period to which that information relates shall not expire before the date that is four years after the date on which the Franchise Tax Board is furnished the information required to be reported under Section 19141.2 or 19141.5, or within the periods provided in Section 19057, 19058, 19059, 19060, 19065, 24945, 24946, Section 1033(a)(2)(C) of the Internal Revenue Code, or Section 1033(a)(2)(D) of the Internal Revenue Code, whichever period expires later.

SEC. 50. Section 19132 of the Revenue and Taxation Code is amended to read:

19132. (a) (1) Unless it is shown that the failure is due to reasonable cause and not due to willful neglect, a penalty computed in accordance with paragraph (2) is hereby imposed in the case of failure to pay any of the following:

(A) The amount shown as tax on any return on or before the date prescribed for payment of that tax determined with regard to any extension of time for payment.

(B) Any amount in respect of any tax required to be shown on a return which is not so shown including an assessment made pursuant to Section 19051 within 15 days of the date of the notice and demand therefor.

(C) The amount required to be paid by Section 19021, if applicable, that is not paid.

(D) The amount required to be paid by Section 17941 or 23091, if applicable, that is not paid.

(E) The amount required to be paid by Section 17948 or 23097, if applicable, that is not paid.

(2) The penalty imposed under paragraph (1) shall consist of both of the following:

(A) Five percent of the total tax unpaid as defined in subdivision (c).

(B) An amount computed at the rate of 0.5 percent per month of the "remaining tax" as defined in subdivision (d) for each additional month or fraction thereof not to exceed 40 months during which the "remaining tax" is greater than zero.

(3) The aggregate amount of penalty imposed by this subdivision shall not exceed 25 percent of the total unpaid tax and shall be due and payable upon notice and demand by the Franchise Tax Board. The tender of a check or money order does not constitute payment of the tax for purposes of this section unless the check or money order is paid on presentment.

(b) The penalty prescribed by subdivision (a) shall not be assessed if, for the same taxable year, the sum of any penalties imposed under Section 19131 relating to failure to file return and Section 19133 relating to failure to file return after demand is equal to or greater than the subdivision (a) penalty. In the event the penalty imposed under subdivision (a) is greater than the sum of any penalties imposed under Sections 19131 and 19133, the penalty imposed under subdivision (a) shall be the amount which exceeds the sum of any penalties imposed under Sections 19131 and 19133.

(c) For purposes of this section, total tax unpaid means the amount of tax shown on the return reduced by both of the following:

(1) The amount of any part of the tax which is paid on or before the date prescribed for payment of the tax.

(2) The amount of any credit against the tax which may be claimed upon the return.

(d) For purposes of this section, "remaining tax" means total tax unpaid reduced by the amount of any payment of the tax.

(e) If the amount required to be shown as a tax on a return is less than the amount shown as tax on that return, subdivisions (a), (c), and (d) shall be applied by substituting that lower amount.

(f) No interest shall accrue on the portion of the penalty prescribed in subparagraph (B) of paragraph (2) of subdivision (a).

(g) The amendments made by the act adding this subdivision are operative for notices issued on or after January 1, 1998.

SEC. 51. Section 19133.5 of the Revenue and Taxation Code is amended to read:

19133.5. (a) In the case of a failure to make a report required under Section 18152.5 that contains the information required by that section on the date prescribed therefor (determined with regard to any extension of time for filing), there shall be paid (on notice and

demand by the Franchise Tax Board and in the same manner as tax) by the person failing to make the report, an amount equal to fifty dollars ($50) for each report with respect to which there was such a failure. In the case of any failure due to negligence or intentional disregard, the preceding sentence shall be applied by substituting one hundred dollars ($100) for fifty dollars ($50). In the case of a report covering periods in two or more years, the penalty determined under preceding provisions of this section shall be multiplied by the number of those years.

(b) This section shall become operative on January 1, 1994.

(c) No penalty shall be imposed under this section for any failure that is shown to be due to reasonable cause and not willful neglect.

(d) The amendments made by the act adding this subdivision shall become operative on January 1, 1998.

SEC. 52. Section 19136 of the Revenue and Taxation Code is amended to read:

19136. (a) Section 6654 of the Internal Revenue Code, relating to failure by an individual to pay estimated income tax, shall apply, except as otherwise provided.

(b) Section 6654(a)(1) of the Internal Revenue Code is modified to refer to the rate determined under Section 19521 in lieu of Section 6621 of the Internal Revenue Code.

(c) (1) For purposes of Section 6654(d) of the Internal Revenue Code, relating to the amount of required installments, any reference to "90 percent" is modified to read "80 percent."

(2) Section 6654(d)(2)(C)(ii) of the Internal Revenue Code, relating to applicable percentages, is modified as follows:

In the case of the following required installments:	The applicable percentage is:
1st	20
2nd	40
3rd	60
4th	80

(3) The annualized income installment, determined under Section 6654(d)(2) of the Internal Revenue Code, shall not include "alternative minimum taxable income" or "adjusted self-employment income."

(d) (1) Section 6654(e)(1) of the Internal Revenue Code, relating to exceptions where the tax is a small amount, shall not apply.

(2) No addition to the tax shall be imposed under this section if any of the following apply:

(A) The tax imposed under Section 17041 or 17048 for the preceding taxable year, minus the sum of any credits against the tax provided by Part 10 (commencing with Section 17001) or this part, or the tax computed under Section 17041 or 17048 upon the estimated

income for the taxable year, minus the sum of any credits against the tax provided by Part 10 (commencing with Section 17001) or this part, is less than two hundred dollars ($200), except in the case of a separate return filed by a married person the amount shall be less than one hundred dollars ($100).

(B) Eighty percent or more of the tax imposed under Section 17041 or 17048 for the preceding taxable year, less any credits against the tax other than the credit allowed under Section 19002, was paid by withholding pursuant to Section 18662 or 18666 of this code or Section 13020 of the Unemployment Insurance Code.

(C) Eighty percent or more of the estimated tax for the taxable year will be paid by withholding of tax pursuant to Section 18662 or 18666 of this code or Section 13020 of the Unemployment Insurance Code.

(D) Eighty percent or more of the adjusted gross income for the taxable year consists of items subject to withholding pursuant to Section 18662 or 18666 of this code or Section 13020 of the Unemployment Insurance Code.

(3) Paragraph (2) shall not apply if the employee files a false or fraudulent withholding exemption certificate for the taxable year, or the taxpayer provides a false or fraudulent document or documents to obtain reduced withholding at source for the taxable year.

(e) Section 6654(f) of the Internal Revenue Code shall not apply and for purposes of this section the term "tax" means the tax imposed under Section 17041 or 17048, less any credits against the tax provided by Part 10 (commencing with Section 17001) or this part, other than the credit provided by subdivision (a) of Section 19002.

(f) The credit for tax withheld on wages, as specified in Section 6654(g) of the Internal Revenue Code, shall be the credit allowed under subdivision (a) of Section 19002.

(g) This section shall apply to a nonresident individual.

(h) No addition to tax shall be made under this section for any period before April 16, 1999, with respect to any underpayment of an installment for the 1998 taxable year, to the extent that the underpayment was created or increased as the result of a distribution to which Section 408A(d)(3) of the Internal Revenue Code, relating to rollovers from an IRA other than a Roth IRA, applies.

SEC. 53. Section 19136.6 is added to the Revenue and Taxation Code, to read:

19136.6. (a) No addition to tax shall be made under Section 19136 for any period before April 16, 1999, with respect to any underpayment of an installment for the 1998 taxable year, to the extent that the underpayment was created or increased by the act adding this section.

(b) No addition to tax shall be made under Section 19142 for any period before April 16, 1999, with respect to any underpayment of an installment for the 1998 income year, to the extent that the

underpayment was created or increased by the act adding this section.

(c) The Franchise Tax Board shall implement this section in a reasonable manner.

SEC. 54. Section 19141.2 of the Revenue and Taxation Code is amended to read:

19141.2. (a) Section 6038 of the Internal Revenue Code, relating to information with respect to certain foreign corporations, shall apply, except as otherwise provided.

(b) Section 6038(a) is modified as follows:

(1) The information required to be filed with the Franchise Tax Board under this section shall be a copy of the information required to be filed with the Internal Revenue Service.

(2) The term "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code, shall be limited to a domestic corporation, as defined in Section 7701(a) of the Internal Revenue Code, or a bank, as defined in Section 23039, that is subject to the tax imposed under Chapter 2 (commencing with Section 23101), Chapter 2.5 (commencing with Section 23400), or Chapter 3 (commencing with Section 23501), of Part 11.

(c) (1) Unless it is shown that the failure is due to reasonable cause and not due to willful neglect, a penalty shall be imposed under this part for failure to furnish information and that penalty shall be determined in accordance with Section 6038 of the Internal Revenue Code, except as otherwise provided.

(A) Section 6038(b) of the Internal Revenue Code shall be modified by substituting "$1,000" for "$10,000" in each place it appears.

(B) Section 6038(b)(2) of the Internal Revenue Code shall be modified by substituting "$24,000" for "$50,000."

(2) No penalty shall be imposed under paragraph (1) if the copy of the information required to be filed with the Internal Revenue Service was not attached to the taxpayer's return as originally filed but the taxpayer does both of the following:

(A) Furnishes the copy of the information required to be filed with the Internal Revenue Service either upon its own initiative or within 90 days of notification by the Franchise Tax Board of the requirements of this section.

(B) Agrees to attach a copy of the information required to be filed with the Internal Revenue Service to the taxpayer's original return filed for subsequent income years.

(3) All or any portion of the penalty imposed under paragraph (1) may be waived by the Franchise Tax Board when the taxpayer has entered into a voluntary disclosure agreement under Article 8 (commencing with Section 19191) of Chapter 4.

(4) The penalty imposed under this subdivision shall not apply to returns required to be filed for income years beginning before January 1, 1998.

(d) This section shall apply to returns required to be filed for income years beginning on or after January 1, 1997.

SEC. 55. Section 19141.5 of the Revenue and Taxation Code is amended to read:

19141.5. (a) (1) Section 6038A of the Internal Revenue Code, relating to information with respect to certain foreign-owned corporations, shall apply.

(2) A penalty shall be imposed under this part for failure to furnish information or maintain records and that penalty shall be determined in accordance with Section 6038A of the Internal Revenue Code.

(3) Section 11314 of Public Law 101-508, relating to application of amendments made by Section 7403 of the Revenue Reconciliation Act of 1989 to taxable years beginning on or before July 10, 1989, shall apply.

(4) Section 6038A(e) of the Internal Revenue Code, relating to enforcement of requests for certain records, is modified as follows:

(A) Each reference to Section 7602, 7603, or 7604 of the Internal Revenue Code shall instead refer to Section 19504.

(B) Each reference to "summons" shall instead refer to "subpoena duces tecum."

(C) Section 6038A(e)(4)(C) of the Internal Revenue Code shall refer to "superior courts of the State of California for the Counties of Los Angeles, Sacramento, and San Diego, and for the City and County of San Francisco," instead of "United States district court for the district in which the person (to whom the summons is issued) resides or is found."

(b) In the case of a corporation, each of the following shall apply:

(1) Section 6038B of the Internal Revenue Code, relating to notice of certain transfers to foreign persons, shall apply, except as otherwise provided.

(2) The information required to be filed with the Franchise Tax Board under this subdivision shall be a copy of the information required to be filed with the Internal Revenue Service.

(3) (A) A penalty shall be imposed under this part for failure to furnish information and that penalty shall be determined in accordance with Section 6038B of the Internal Revenue Code, except as otherwise provided.

(B) Subparagraph (A) shall not apply to any transfer described in Section 6038B(a)(1)(B) of the Internal Revenue Code.

(c) (1) Section 6038C of the Internal Revenue Code, relating to information with respect to foreign corporations engaged in United States business, shall apply.

(2) A penalty shall be imposed under this part for failure to furnish information or maintain records and that penalty shall be determined in accordance with Section 6038C of the Internal Revenue Code.

(3) Section 6038C(d) of the Internal Revenue Code, relating to enforcement of requests for certain records, is modified as follows:

(A) Each reference to Section 7602, 7603, or 7604 of the Internal Revenue Code shall instead refer to Section 19504.

(B) Each reference to "summons" shall instead refer to "subpoena duces tecum."

(d) For purposes of this part, the information required to be filed with the Franchise Tax Board pursuant to this section shall be a copy of the information filed with the Internal Revenue Service.

(e) For purposes of this section, each of the following shall apply:

(1) Section 7701(a)(4) of the Internal Revenue Code, relating to the term "domestic," shall apply.

(2) Section 7701(a)(5) of the Internal Revenue Code, relating to the term "foreign," shall apply.

(3) Section 7701(a)(30) of the Internal Revenue Code, relating to the term "United States person," shall apply. However, the term "United States person" shall not include any corporation that is not subject to the tax imposed under Chapter 2 (commencing with Section 23101), Chapter 2.5 (commencing with Section 23400), or Chapter 3 (commencing with Section 23501), of Part 11.

SEC. 56. Section 19182 of the Revenue and Taxation Code is amended to read:

19182. (a) A penalty shall be imposed for failure to furnish information pursuant to Section 18547 and the penalty amount shall be determined in accordance with Section 6707 of the Internal Revenue Code.

(b) If the person required to register the tax shelter has complied, for federal purposes, with the requirements of Section 6111(d) of the Internal Revenue Code, relating to certain confidential arrangements treated as tax shelters, the person required to register the tax shelter shall be deemed to have complied with the requirements of Section 18547 for purposes of this part and no penalty shall be imposed under subdivision (a).

(c) Article 3 (commencing with Section 19031) of this chapter (relating to deficiency assessments) shall not apply in respect of the assessment or collection of any penalty imposed under this section.

SEC. 57. Section 19184 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

19184. (a) A penalty of fifty dollars ($50) shall be imposed for each failure, unless it is shown that the failure is due to reasonable cause, by any person required to file who fails to file a report at the time and in the manner required by any of the following provisions:

(1) Subdivision (c) of Section 17507, relating to individual retirement accounts.

(2) Section 220(h) of the Internal Revenue Code, relating to medical savings accounts for taxable years beginning on or after January 1, 1997.

(3) Subdivision (b) of Section 17140.3 or subdivision (b) of Section 23711 relating to qualified tuition programs.

(4) Subdivision (e) of Section 23712, relating to education individual retirement accounts.

(b) (1) Any individual who:

(A) Is required to furnish information under Section 17508 as to the amount designated nondeductible contributions made for any taxable year, and

(B) Overstates the amount of those contributions made for that taxable year, shall pay a penalty of one hundred dollars ($100) for each overstatement unless it is shown that the overstatement is due to reasonable cause.

(2) Any individual who fails to file a form required to be filed by the Franchise Tax Board under Section 17508 shall pay a penalty of fifty dollars ($50) for each failure unless it is shown that the failure is due to reasonable cause.

(c) Article 3 (commencing with Section 19031) of this chapter (relating to deficiency assessments) shall not apply in respect of the assessment or collection of any penalty imposed under this section.

SEC. 58. Section 19521 of the Revenue and Taxation Code is amended to read:

19521. (a) The rate established under this section (referred to in other code sections as "the adjusted annual rate") shall be determined in accordance with Section 6621 of the Internal Revenue Code, except that:

(1) The overpayment rate specified in Section 6621(a)(1) of the Internal Revenue Code shall be modified to be equal to the underpayment rate determined under Section 6621(a)(2) of the Internal Revenue Code; and

(2) The determination specified in Section 6621(b) of the Internal Revenue Code shall be modified to be determined semiannually as follows:

(A) The rate for January shall apply during the following July through December, and

(B) The rate for July shall apply during the following January through June.

(b) (1) For purposes of this part, Part 10 (commencing with Section 17001), Part 11 (commencing with Section 23001), and any other provision of law referencing this method of computation, in computing the amount of any interest required to be paid by the state or by the taxpayer, or any other amount determined by reference to that amount of interest, that interest and that amount shall be compounded daily.

(2) Paragraph (1) shall not apply for purposes of computing the amount of any addition to tax under Section 19136 or 19142.

(c) Section 6621(c) of the Internal Revenue Code, relating to increase in underpayment rate for large corporate underpayments, is modified as follows:

(1) The applicable date shall be the 30th day after the earlier of either of the following:

(A) The date on which the proposed deficiency assessment is issued.

(B) The date on which the notice and demand is sent.

(2) This subdivision shall apply for purposes of determining interest for periods after December 31, 1991.

(3) Section 6621(c)(2)(B)(iii) of the Internal Revenue Code shall apply for purposes of determining interest for periods after December 31, 1998.

SEC. 59. Section 19524 of the Revenue and Taxation Code is amended to read:

19524. (a) The Franchise Tax Board shall prescribe regulations providing standards for determining which returns shall be filed on magnetic media or in other machine-readable form. The Franchise Tax Board shall not require returns of any tax imposed by Part 10 (commencing with Section 17001) on individuals, estates, and trusts to be other than on paper forms supplied by the Franchise Tax Board. In prescribing those regulations, the Franchise Tax Board shall take into account, among other relevant factors, the ability of the taxpayer to comply at a reasonable cost with that filing requirement.

(b) (1) Subdivision (a) is applicable only to taxpayers required to file returns on magnetic media or in other machine-readable form pursuant to Section 6011(e) of the Internal Revenue Code and the regulations adopted thereto.

(2) For purposes of paragraph (1), the last sentence of Section 6011(e)(2) of the Internal Revenue Code, shall not apply.

(3) In addition, the regulations under subdivision (a) shall not require that returns filed on magnetic media or in other machine-readable form contain more information than is required to be included in similar returns filed with the Internal Revenue Service under Section 6011(e) of the United States Internal Revenue Code and the regulations adopted thereto.

(c) In lieu of the magnetic media or other machine-readable form returns required by this section, a copy of the similar magnetic media or other machine-readable form returns filed with the Internal Revenue Service pursuant to Section 6011(e) of the Internal Revenue Code, and the regulations adopted thereto, may be filed with the Franchise Tax Board.

SEC. 60. Section 19721.6 of the Revenue and Taxation Code is amended and renumbered to read:

19271.6. (a) The Franchise Tax Board, through a cooperative agreement with the State Department of Social Services, and in coordination with financial institutions doing business in this state, shall operate a Financial Institution Match System utilizing automated data exchanges to the maximum extent feasible. The Financial Institution Match System shall be implemented pursuant to guidelines prescribed by the State Department of Social Services

and the Franchise Tax Board. These guidelines shall include a structure by which financial institutions, or their designated data processing agents, shall receive from the Franchise Tax Board the entire list of past-due support obligors, which the institution shall match with its own list of accountholders to identify past-due support obligor accountholders at the institution. To the extent allowed by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the guidelines shall include an option by which financial institutions without the technical ability to process the data exchange, or without the ability to employ a third-party data processor to process the data exchange, may forward to the Franchise Tax Board a list of all accountholders and their social security numbers, so that the Franchise Tax Board shall match that list with the entire list of past-due support obligors.

(b) The Financial Institution Match System shall not be subject to any limitation set forth in Chapter 20 (commencing with Section 7460) of Division 7 of Title 1 of the Government Code. However, any use of the information provided pursuant to this section for any purpose other than the enforcement and collection of a child support delinquency, as set forth in Section 19271, shall be a violation of Section 19542.

(c) Each county shall compile a file of support obligors with judgments and orders that are being enforced by district attorneys pursuant to Section 11475.1 of the Welfare and Institutions Code, and who are past due in the payment of their support obligations. The file shall be compiled, updated, and forwarded to the Franchise Tax Board, in accordance with the guidelines prescribed by the State Department of Social Services and the Franchise Tax Board.

(d) To effectuate the Financial Institution Match System, financial institutions subject to this section shall do all of the following:

(1) Provide to the Franchise Tax Board on a quarterly basis the name, record address and other addresses, social security number or other taxpayer identification number, and other identifying information for each noncustodial parent who maintains an account at the institution and who owes past-due support, as identified by the Franchise Tax Board by name and social security number or other taxpayer identification number.

(2) In response to a notice or order to withhold issued by the Franchise Tax Board, withhold from any accounts of the obligor the amount of any past-due support stated on the notice or order and transmit the amount to the Franchise Tax Board in accordance with Section 18670 or 18670.5.

(e) Unless otherwise required by applicable law, a financial institution furnishing a report or providing information to the Franchise Tax Board pursuant to this section shall not disclose to a depositor or an accountholder, or a codepositor or coaccountholder, that the name, address, social security number, or other taxpayer

identification number or other identifying information of that person has been received from or furnished to the Franchise Tax Board.

(f) A financial institution shall incur no obligation or liability to any person arising from any of the following:

(1) Furnishing information to the Franchise Tax Board as required by this section.

(2) Failing to disclose to a depositor or accountholder that the name, address, social security number, or other taxpayer identification number or other identifying information of that person was included in the data exchange with the Franchise Tax Board required by this section.

(3) Withholding or transmitting any assets in response to a notice or order to withhold issued by the Franchise Tax Board as a result of the data exchange. This paragraph shall not preclude any liability that may result if the financial institution does not comply with subdivision (b) of Section 18674.

(4) Any other action taken in good faith to comply with the requirements of this section.

(g) Information required to be submitted to the Franchise Tax Board pursuant to this section shall only be used by the Franchise Tax Board to collect past-due support pursuant to Section 19271. If the Franchise Tax Board has issued an earnings withholding order and the condition described in subparagraph (C) of paragraph (1) of subdivision (i) exists with respect to the obligor, the Franchise Tax Board shall not use the information it receives under this section to collect the past-due support from that obligor. The Franchise Tax Board shall forward to the counties, in accordance with guidelines prescribed by the State Department of Social Services and the Franchise Tax Board, information obtained from the financial institutions pursuant to this section. No county shall use this information for directly levying on any account. Each county shall keep the information confidential as provided by Section 11478.1 of the Welfare and Institutions Code.

(h) For those noncustodial parents owing past-due support for which there is a match under paragraph (1) of subdivision (d), the past-due support at the time of the match shall be a delinquency under this article for the purposes of the Franchise Tax Board taking any collection action pursuant to Section 18670 or 18670.5.

(i) (1) Each county shall notify the Franchise Tax Board upon the occurrence of the circumstances described in the following subparagraphs with respect to an obligor of past-due support:

(A) All of the following apply:

(i) A court has ordered an obligor to make scheduled payments on a child support arrearages obligation.

(ii) The obligor is in compliance with that order.

(B) An earnings assignment order or a notice of assignment that includes an amount for past-due support has been served on the

obligated parent's employer and earnings are being withheld pursuant to the earnings assignment order or a notice of assignment.

(C) At least 50 percent of the obligated parent's earnings are being withheld for support.

(D) The obligor is less than 90 days delinquent in the payment of any amount of support. For purposes of this subparagraph, any delinquency existing at the time a case is received by a district attorney shall not be considered until 90 days have passed.

(E) A child support delinquency need not be referred to the Franchise Tax Board for collection if a jurisdiction outside this state is enforcing the support order.

(2) Upon notification, the Franchise Tax Board shall not use the information it receives under this section to collect any past-due support from that obligor.

(j) Notwithstanding subdivision (i), the Franchise Tax Board may use the information it receives under this section to collect any past-due support at any time if a county requests action be taken.

(k) The Franchise Tax Board may not use the information it receives under this section to collect any past-due support if a county has applied for and received an exemption from the State Department of Social Services as provided by subdivision (k) of Section 19271, unless that county specifically requests collection against that obligor. The Franchise Tax Board may not use the information it receives under this section to collect any past-due support if a county requests that action not be taken.

(*l*) For purposes of this section:

(1) "Account" means any demand deposit account, share or share draft account, checking or negotiable withdrawal order account, savings account, time deposit account, or a money market mutual fund account, whether or not the account bears interest.

(2) "Financial institution" has the same meaning as defined in Section 669A(d)(1) of Title 42 of the United States Code.

(3) "Past-due support" means any child support obligation that is unpaid on the due date for payment.

(m) Out of any money received from the federal government for the purpose of reimbursing financial institutions for their actual and reasonable costs incurred in complying with this section, the state shall reimburse those institutions. To the extent that money is not provided by the federal government for that purpose, the state shall not reimburse financial institutions for their costs in complying with this section.

(n) By March 1, 1998, the Franchise Tax Board and the Department of Social Services, in consultation with counties and financial institutions, shall jointly propose an implementation plan for inclusion in the annual Budget Act, or in other legislation that would fund this program. The implementation plan shall take into account the program's financial benefits, including the costs of all participating private and public agencies. It is the intent of the

Legislature that this program shall result in a net savings to the state and the counties.

SEC. 61. Section 20514 of the Revenue and Taxation Code is amended to read:

20514. (a) Assistance shall not be allowed under this chapter if gross household income, after allowance for actual cash expenditures that are reasonable, ordinary, and necessary to realize income, exceeds twenty-four thousand dollars ($24,000).

(b) With respect to assistance that is provided by the Franchise Tax Board pursuant to this chapter for the 1999 calendar year, the gross household income figure set forth in subdivision (a) shall be multiplied by a factor of 2.51.

(c) With respect to assistance that is provided by the Franchise Tax Board pursuant to this chapter for the 2000 calendar year and each calendar year thereafter, the gross household income figure that applies to assistance provided by the Franchise Tax Board during that period shall be the gross household income figure that applied to assistance provided by the Franchise Tax Board in the same period in the immediately preceding year, multiplied by an inflation adjustment factor calculated as follows:

(1) On or before February 1 of each year, the Department of Industrial Relations shall transmit to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the second preceding calendar year to June of the immediately preceding calendar year.

(2) The Franchise Tax Board shall add 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and divide the result by 100.

(3) The Franchise Tax Board shall multiply the gross household income figure that applies in the immediately preceding year by the inflation adjustment factor determined in paragraph (2), and round off the resulting product to the nearest one dollar ($1).

SEC. 62. Section 20543 of the Revenue and Taxation Code is amended to read:

20543. (a) (1) The amount of assistance for a claimant owning his or her residential dwelling shall be based on claimant's household income for the period set forth in Section 20503.

(2) The percentage of assistance for which each claimant owning his or her residential dwelling shall be eligible shall be based on the following scale:

If the total household income (as defined in this part) is not more than:	The percentage of tax on the first $34,000 of full value (as determined for tax purposes) used to provide assistance is:
$3,300	96%
3,520	94

3,740	92
3,960	90
4,180	88
4,400	86
4,620	84
4,840	82
5,060	80
5,280	78
5,500	76
5,720	73
5,940	69
6,160	65
6,380	61
6,600	57
6,820	53
7,040	49
7,260	45
7,480	41
7,700	37
7,920	34
8,140	31
8,360	28
8,580	25
8,800	22
9,020	20
9,240	18
9,460	16
9,680	14
9,900	12
10,450	10
11,000	8
11,550	7
12,100	6
12,650	5
13,200	4

(b) With respect to assistance that is provided by the Franchise Tax Board pursuant to this chapter for the 1999 calendar year, the household income figures set forth in paragraph (2) of subdivision (a) shall be multiplied by a factor of 2.51.

(c) With respect to assistance that is provided by the Franchise Tax Board pursuant to this chapter for the 2000 calendar year and

each year thereafter, the household income figures that apply to assistance provided by the Franchise Tax Board during that period shall be the household income figures that applied to assistance provided by the Franchise Tax Board in the same period in the immediately preceding year, multiplied by an inflation factor calculated as follows:

(1) On or before February 1 of each year, the Department of Industrial Relations shall transmit to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the second preceding calendar year to June of the immediately preceding calendar year.

(2) The Franchise Tax Board shall add 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and divide the result by 100.

(3) The Franchise Tax Board shall multiply the immediately preceding household income figure by the inflation adjustment factor determined in paragraph (2), and round off the resulting product to the nearest one dollar ($1).

SEC. 63. Section 20544 of the Revenue and Taxation Code is amended to read:

20544. (a) (1) The amount of assistance for a claimant renting his or her residence shall be based on the claimant's household income for the time period set forth in Section 20503.

(2) The percentage of assistance for which each claimant renting his or her residence shall be eligible shall be based on the following scale:

If the total household income (as defined in this part) is not more than:	The statutory property tax equivalent is:	The percentage of the statutory property tax equivalent used to provide assistance is:
$3,300	$250	96%
3,520	250	94
3,740	250	92
3,960	250	90
4,180	250	88
4,400	250	86
4,620	250	84
4,840	250	82
5,060	250	80
5,280	250	78
5,500	250	76
5,720	250	73
5,940	250	69
6,160	250	65

6,380	250	61
6,600	250	57
6,820	250	53
7,040	250	49
7,260	250	45
7,480	250	41
7,700	250	37
7,920	250	34
8,140	250	31
8,360	250	28
8,580	250	25
8,800	250	22
9,020	250	20
9,240	250	18
9,460	250	16
9,680	250	14
9,900	250	12
10,450	250	10
11,000	250	8
11,550	250	7
12,100	250	6
12,600	250	5
13,200	250	4

(b) With respect to assistance that is provided by the Franchise Tax Board pursuant to this chapter for the 1999 calendar year, the household income figures set forth in paragraph (2) of subdivision (a) shall be multiplied by a factor of 2.51.

(c) With respect to assistance that is provided by the Franchise Tax Board pursuant to this chapter for the 2000 calendar year and each year thereafter, the household income figures that apply to assistance provided by the Franchise Tax Board during that period shall be the household income figures that applied to assistance provided by the Franchise Tax Board in the same period in the immediately preceding year, multiplied by an inflation factor calculated as follows:

(1) On or before February 1 of each year, the Department of Industrial Relations shall transmit to the Franchise Tax Board the percentage change in the California Consumer Price Index for all items from June of the second preceding calendar year to June of the immediately preceding calendar year.

(2) The Franchise Tax Board shall add 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and divide the result by 100.

(3) The Franchise Tax Board shall multiply the immediately preceding household income figure by the inflation adjustment factor determined in paragraph (2), and round off the resulting product to the nearest one dollar ($1).

SEC. 64. Section 23455.5 is added to the Revenue and Taxation Code, to read:

23455.5. Section 55(e) of the Internal Revenue Code, relating to exemption for small corporations, shall not apply.

SEC. 65. Section 23456 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

23456. For purposes of this part, Section 56 of the Internal Revenue Code is modified as follows:

(a) (1) Section 56(a)(2) of the Internal Revenue Code, relating to mining exploration and development costs, shall apply only to expenses incurred during income years beginning on or after January 1, 1988.

(2) Section 56(a)(5) of the Internal Revenue Code, relating to pollution control facilities, shall apply only to amounts allowable as a deduction under Section 24372.3.

(3) (A) Section 56(a)(6) of the Internal Revenue Code, as in effect on January 1, 1997, relating to installment sales of certain property, shall not apply to payments received in income years beginning on or after January 1, 1997, with respect to dispositions occurring in income years beginning after December 31, 1987.

(B) This paragraph shall not apply to any income year beginning on or after January 1, 1998.

(b) For purposes of applying Section 56(d) of the Internal Revenue Code, all references to "December 31, 1986," are modified to read "December 31, 1987," and all references to "January 1, 1987," are modified to read "January 1, 1988."

(c) Section 56(d)(1) of the Internal Revenue Code, relating to the alternative tax net operating loss deduction, is modified to include the provisions of Section 25108.

(d) For each income year beginning on or after January 1, 1988, and before January 1, 1990, Section 56(f)(2)(E) of the Internal Revenue Code, as it read during that period, is modified to refer to both of the following:

(1) Cooperatives under Section 24404 in lieu of the deduction allowed under Section 1382(b) of the Internal Revenue Code.

(2) Credit unions under Section 24405 as though the deduction allowed under Section 1382(b) of the Internal Revenue Code applied to credit unions.

(e) Section 56(g) of the Internal Revenue Code, relating to adjustments based on adjusted current earnings, is modified to provide that for corporations whose income is determined under Chapter 17 (commencing with Section 25101), adjusted current earnings shall be allocated and apportioned in the same manner as

net income is allocated and apportioned for purposes of the regular tax. In addition, each of the following shall apply:

(1) Sections 56(g)(1)(A) and 56(g)(3) of the Internal Revenue Code are modified to provide that the term "adjusted current earnings" means the sum of the adjusted current earnings of that corporation apportionable to this state and the adjusted current earnings allocable to this state.

(2) Section 56(g)(1)(B) of the Internal Revenue Code is modified to provide that the term "alternative minimum taxable income" means the sum of the alternative minimum taxable income of that corporation apportionable to this state and the alternative minimum taxable income allocable to this state.

(f) Section 56(g)(4)(A) of the Internal Revenue Code is modified to provide the following:

(1) In the case of any property placed in service on or after January 1, 1981, and prior to January 1, 1987, other than residential rental property for which an election was made under former Section 24349.5, the amount allowable as depreciation or amortization with respect to that property shall be the same amount that would have been allowable for the income year had the taxpayer depreciated the property under the straight line method for each income year of the useful life (determined without regard to Section 24354.2) for which the taxpayer has held the property.

(2) In the case of any property placed in service on or after January 1, 1987, and prior to January 1, 1990, other than residential rental property for which an election was made under former Section 24349.5, the amount allowable as depreciation or amortization with respect to that property shall be determined by each of the following:

(A) Taking into account the adjusted basis of that property (as determined for purposes of computing alternative minimum taxable income) as of the close of the last income year beginning before January 1, 1990.

(B) Using the straight line method over the remainder of the recovery period applicable to that property under the alternative system of Section 168(g) of the Internal Revenue Code.

(3) The amendments made to paragraph (2) by the act adding this paragraph shall apply to income years beginning on or after January 1, 1990.

(4) The last sentence of Section 56(g)(4)(A)(i) of the Internal Revenue Code, shall not apply to income years beginning before January 1, 1998.

(g) (1) Section 56(g)(4)(C) of the Internal Revenue Code, relating to disallowance of items not deductible in computing earnings and profits, shall be modified as follows:

(A) (i) A deduction shall be allowed for amounts allowable as a deduction for purposes of the regular tax under Sections 24402, 24410, 24411, and 25106.

(ii) For each income year beginning on or after January 1, 1990, a deduction shall be allowed for amounts allowable as a deduction to a credit union for purposes of the regular tax under Section 24405.

(B) Section 56(g)(4)(C)(ii) of the Internal Revenue Code, relating to special rule for 100-percent dividends, shall not be applicable.

(C) Section 56(g)(4)(C)(iii) of the Internal Revenue Code, relating to special rule for dividends from Section 936 companies, shall not be applicable.

(D) Section 56(g)(4)(C)(iv) of the Internal Revenue Code, relating to special rule for certain dividends received by certain cooperatives, shall not be applicable.

(2) Section 56(g)(4)(D)(ii) of the Internal Revenue Code is modified to specify that Sections 24364 and 24407 shall not apply to expenditures paid or incurred in income years beginning on or after January 1, 1990.

(3) With respect to corporations which are not subject to the tax imposed under Chapter 2 (commencing with Section 23101), the amount of interest income included in the adjusted current earnings shall not exceed the amount of interest income included for purposes of the regular tax.

(4) Appropriate adjustments shall be made to limit deductions from adjusted current earnings for interest expense in accordance with the provisions of Sections 24344 and 24425.

(h) Section 56(g)(4)(I) of the Internal Revenue Code, relating to treatment of charitable contributions, shall not apply.

SEC. 66. Section 23636 is added to the Revenue and Taxation Code, to read:

23636. (a) For each income year beginning on or after January 1, 2001, and before January 1, 2006, a qualified taxpayer shall be allowed as a credit against the "tax," as defined in Section 23036, an amount equal to the following:

(1) Fifty percent of qualified wages paid or incurred during any income year beginning on or after January 1, 2001, and before January 1, 2002.

(2) Forty percent of qualified wages paid or incurred during any income year beginning on or after January 1, 2002, and before January 1, 2003.

(3) Thirty percent of the qualified wages paid or incurred during any income year beginning on or after January 1, 2003, and before January 1, 2004.

(4) Twenty percent of the qualified wages paid or incurred during any income year beginning on or after January 1, 2004, and before January 1, 2005.

(5) Ten percent of the qualified wages paid or incurred during any income year beginning on or after January 1, 2005, and before January 1, 2006.

(b) For purposes of this section:

(1) (A) "Qualified taxpayer" means any taxpayer under an initial contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter.

(B) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 17053.36 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or this part. For purposes of this paragraph, "pass-through entity" means any partnership or S corporation.

(2) "Qualified wages" means that portion of wages paid or incurred by the qualified taxpayer during the income year with respect to qualified employees that are direct costs as defined in Section 263A of the Internal Revenue Code allocable to property manufactured in this state by the qualified taxpayer for ultimate use in a Joint Strike Fighter.

(3) "Qualified employee" means an individual whose services for the qualified taxpayer are performed in this state and are at least 90 percent directly related to the qualified taxpayer's contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter.

(4) "Joint Strike Fighter" means the next generation air combat strike aircraft developed and produced under the Joint Strike Fighter program.

(5) "Joint Strike Fighter program" means the multiservice, multinational project conducted by the United States government to develop and produce the next generation of air combat strike aircraft.

(c) The credit allowed by this section shall not exceed ten thousand dollars ($10,000) per year, per qualified employee. For employees that are qualified employees for part of an income year, the credit shall not exceed ten thousand dollars ($10,000) multiplied by a fraction, the numerator of which is the number of months of the income year that the employee is a qualified employee and the denominator of which is 12.

(d) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and the seven succeeding years if necessary, until the credit is exhausted.

(e) No credit shall be allowed unless the credit is reflected within the bid upon which the qualified taxpayer's contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter is based by reducing the amount of the bid by the amount of the credit allowable.

(f) All references to the credit and ultimate cost reductions incorporated into any successful bid that was awarded a contract or

subcontract and for which a qualified taxpayer is making a claim shall be made available to the Franchise Tax Board upon request.

(g) This section shall remain in effect only until December 1, 2006, and as of that date is repealed.

SEC. 67. Section 23637 is added to the Revenue and Taxation Code, to read:

23637. (a) For each income year beginning on or after January 1, 2001, and before January 1, 2006, a qualified taxpayer shall be allowed as a credit against the "tax," as defined in Section 23036, an amount equal to 10 percent of the qualified cost of qualified property that is placed in service in this state.

(b) (1) For purposes of this section, "qualified cost" means any costs that satisfy each of the following conditions:

(A) Except as otherwise provided in this subparagraph, is a cost paid or incurred by the qualified taxpayer for the construction, reconstruction, or acquisition of qualified property on or after January 1, 2001, and before January 1, 2006. In the case of any qualified property constructed, reconstructed, or acquired by the qualified taxpayer (or any person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) pursuant to a binding contract in existence on or before January 1, 2001, costs paid pursuant to that contract shall be subject to allocation as follows. Contract costs shall be allocated to qualified property based on a ratio of costs actually paid prior to January 1, 2001, and total contract costs actually paid. "Cost paid" shall include, without limitation, contractual deposits and option payments. To the extent of costs allocated, whether or not currently deductible or depreciable for tax purposes, to a period prior to January 1, 2001, the cost shall be deemed allocated to property acquired before January 1, 2001, and is thus not a "qualified cost."

(B) Except as provided in paragraph (2) of subdivision (d), is an amount upon which the qualified taxpayer has paid, directly or indirectly, as a separately stated contract amount or as determined from the records of the qualified taxpayer, sales or use tax under Part 1 (commencing with Section 6001).

(C) Is an amount properly chargeable to the capital account of the qualified taxpayer.

(2) (A) For purposes of this subdivision, any contract entered into on or after January 1, 2001, that is a successor or replacement contract to a contract that was binding before January 1, 2001, shall be treated as a binding contract in existence before January 1, 2001.

(B) If a successor or replacement contract is entered into on or after January 1, 2001, and the subject of the successor or replacement contract relates both to amounts for the construction, reconstruction, or acquisition of qualified property described in the original binding contract and to costs for the construction, reconstruction, or acquisition of qualified property not described in the original binding contract, then the portion of those amounts described in the

successor or replacement contract that were not described in the original binding contract shall not be treated as costs paid or incurred pursuant to a binding contract in existence on or prior to January 1, 2001, under subparagraph (A) of paragraph (1).

(3) (A) For purposes of this section, an option contract in existence before January 1, 2001, under which a qualified taxpayer (or any other person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) had an option to acquire qualified property, shall be treated as a binding contract under the rules in paragraph (2). For purposes of this subparagraph, an option contract shall not include an option under which the optionholder will forfeit an amount less than 10 percent of the fixed option price in the event the option is not exercised.

(B) For purposes of this section, a contract shall be treated as binding even if the contract is subject to a condition.

(c) (1) For purposes of this section, "qualified taxpayer" means any taxpayer under an initial contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter.

(2) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 17053.37 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, the term "pass-through entity" means any partnership or S corporation.

(3) The Franchise Tax Board may prescribe regulations to carry out the purposes of this section, including any regulations necessary to prevent the avoidance of the effect of this section through splitups, shell corporations, partnerships, tiered ownership structures, sale-leaseback transactions, or otherwise.

(d) (1) For purposes of this section, "qualified property" means property that is described as either of the following:

(A) Tangible personal property that is defined in Section 1245(a)(3)(A) of the Internal Revenue Code for use by a qualified taxpayer primarily in qualified activities to manufacture a product for ultimate use in a Joint Strike Fighter.

(B) The value of any capitalized labor costs that are direct costs as defined in Section 263A of the Internal Revenue Code allocable to the construction or modification of property described in subparagraph (A).

(2) Qualified property does not include any of the following:

(A) Furniture.

(B) Inventory.

(C) Equipment used to store finished products that have completed the manufacturing process.

(D) Any tangible personal property that is used in administration, general management, or marketing.

(e) For purposes of this section:

(1) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(2) "Joint Strike Fighter" means the next generation air combat strike aircraft developed and produced under the Joint Strike Fighter program.

(3) "Joint Strike Fighter program" means the multiservice, multinational project conducted by the United States government to develop and produce the next generation of air combat strike aircraft.

(4) "Manufacturing" means the activity of converting or conditioning property by changing the form, composition, quality, or character of the property for ultimate use in a Joint Strike Fighter. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.

(5) "Primarily" means tangible personal property used 50 percent or more of the time in an activity described in subparagraph (A) of paragraph (1) of subdivision (d).

(6) "Process" means the period beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the manufacturing, processing, or fabricating activity of the qualified taxpayer and ending at the point at which the manufacturing, processing, or fabricating activity of the qualified taxpayer has altered tangible personal property to its completed form, including packaging, if required. Raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified taxpayer's manufacturing, processing, or fabricating activity is conducted. Raw materials that are stored on premises other than where the qualified taxpayer's manufacturing, processing, or fabricating activity is conducted, shall not be considered to have been introduced into the manufacturing, processing, or fabricating process.

(7) "Processing" means the physical application of the materials and labor necessary to modify or change the characteristics of property.

(8) "Qualified activities" means manufacturing, processing, or fabricating of property, beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the process and ending at the point at which the manufacturing, processing, or fabricating has altered tangible personal property to its completed form, including packaging, if required.

(f) The credit allowed under subdivision (a) shall apply to qualified property that is acquired by or subject to lease by a qualified taxpayer, subject to the following special rules:

(1) A lessor of qualified property, irrespective of whether the lessor is a qualified taxpayer, shall not be allowed the credit provided under subdivision (a) with respect to any qualified property leased to another qualified taxpayer.

(2) For purposes of paragraphs (2) and (3) of subdivision (b), "binding contract" includes any lease agreement with respect to the qualified property.

(3) (A) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is not treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(i) Except as provided by subparagraph (C) of this paragraph, subparagraphs (A) and (C) of paragraph (1) of subdivision (b) shall not apply.

(ii) Except as provided in subparagraph (B) and clause (iii), the "qualified cost" upon which the lessee shall compute the credit provided under this section shall be equal to the original cost to the lessor (within the meaning of Section 18031) of the qualified property that is the subject of the lease.

(iii) The requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied only if the lessor has made a timely election under either Section 6094.1 or subdivision (d) of Section 6244 and has paid sales tax reimbursement or use tax measured by the purchase price of the qualified property (within the meaning of paragraph (5) of subdivision (g) of Section 6006). For purposes of this subdivision, the amount of original cost to the lessor which may be taken into account under clause (ii) shall not exceed the purchase price upon which sales tax reimbursement or use tax has been paid under the preceding sentence.

(B) For purposes of applying subparagraph (A) only, the following special rules shall apply:

(i) The original cost to the lessor of the qualified property shall be reduced by the amount of any original cost of that property that was taken into account by a predecessor lessee in computing the credit allowable under this section.

(ii) Clause (i) shall not apply in any case where the predecessor lessee was required to recapture the credit provided under this section pursuant to the provisions of subdivision (g).

(iii) For purposes of this section only, in any case where a successor lessor has acquired qualified property from a predecessor lessor in a transaction not treated as a sale under Part 1 (commencing with Section 6001), the original cost to the successor lessor of the qualified property shall be reduced by the amount of the original cost of the qualified property that was taken into account by any lessee

of the predecessor lessor in computing the credit allowable under this section.

(C) In determining the original cost of any qualified property under this paragraph, only amounts paid or incurred by the lessor on or after January 1, 2001, and before January 1, 2006, shall be taken into account. In the case of any qualified property constructed, reconstructed, or acquired by a lessor pursuant to a binding contract in existence on or prior to January 1, 2001, the allocation rule specified in subparagraph (A) of paragraph (1) of subdivision (b) shall apply in determining the original cost to the lessor of qualified property.

(D) Notwithstanding subparagraph (A), in the case of any leasing transaction for which the lessee is allowed the credit under this section and thereafter the lessee (or any party related to the lessee within the meaning of Section 267 or 318 of the Internal Revenue Code) acquires the qualified property from the lessor (or any successor lessor) within one year from the date the qualified property is first used by the lessee under the terms of the lease, the lessee's (or related party's) acquisition of the qualified property from the lessor (or successor lessor) shall be treated as a disposition by the lessee of the qualified property that was subject to the lease under subdivision (g).

(4) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(A) Subparagraph (A) of paragraph (1) of subdivision (b) shall be applied by substituting the term "purchase" for the term "construction, reconstruction, or acquisition."

(B) Subparagraph (C) of paragraph (1) of subdivision (b) shall apply.

(C) The requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied at the time that either the lessor or the qualified taxpayer pays sales or use tax under Part 1 (commencing with Section 6001).

(5) (A) In the case of any leasing transaction described in paragraph (3), the lessor shall provide a statement to the lessee specifying the amount of the lessor's original cost of the qualified property and the amount of that cost upon which a sales or use tax was paid within 45 days after the close of the lessee's income year in which the credit is allowable to the lessee under this section.

(B) The statement required under subparagraph (A) shall be made available to the Franchise Tax Board upon request.

(g) No credit shall be allowed if the qualified property is removed from the state, is disposed of to an unrelated party, or is used for any purpose not qualifying for the credit provided in this section in the same income year in which the taxpayer first places the qualified property in service in this state. If any qualified property for which a credit is allowed pursuant to this section is thereafter removed from

this state, disposed of to an unrelated party, or used for any purpose not qualifying for the credit provided in this section within one year from the date the taxpayer first places the qualified property in service in this state, the amount of the credit allowed by this section for that qualified property shall be recaptured by adding that credit amount to the tax of the qualified taxpayer for the income year in which the qualified property is disposed of, removed, or put to an ineligible use.

(h) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and the seven succeeding years if necessary, until the credit is exhausted.

(i) (1) No credit shall be allowed under this section if a credit is claimed under Section 23649 in connection with the same property.

(2) No credit shall be allowed unless the credit is reflected within the bid upon which the qualified taxpayer's contract or subcontract to manufacture property for ultimate use in a Joint Strike Fighter is based by reducing the amount of the bid by the amount of the credit allowable.

(j) All references to the credit and ultimate cost reductions incorporated into any successful bid that was awarded a contract or subcontract and for which a qualified taxpayer is making a claim shall be made available to the Franchise Tax Board upon request.

(k) This section shall remain in effect only until December 1, 2006, and as of that date is repealed.

SEC. 68. Section 23701t of the Revenue and Taxation Code is amended to read:

23701t. (a) A homeowners' association organized and operated to provide for the acquisition, construction, management, maintenance, and care of residential association property if all of the following apply:

(1) Sixty percent or more of the gross income of such organization for the taxable year consists solely of amounts received as membership dues, fees and assessments from either of the following:

(A) Tenant-stockholders or owners of residential units, residences or lots.

(B) Owners of timeshare rights to use, or timeshare ownership interests in, association property in the case of a timeshare association.

(2) Ninety percent or more of the expenditures of the organization for the taxable year are expenditures for the acquisition, construction, management, maintenance, and care of association property and, in the case of a timeshare association, for activities provided to or on behalf of members of the association.

(3) No part of the net earnings inures (other than by providing management, maintenance and care of association property or by a rebate of excess membership dues, fees or assessments) to the benefit of any private shareholder or individual.

(4) Amounts received as membership dues, fees and assessments not expended for association purposes during the taxable year are transferred to and held in trust to provide for the management, maintenance, and care of association property and common areas.

(b) The term "association property" means—

(1) Property held by the organization,

(2) Property held in common by the members of the organization, and

(3) Property within the organization privately held by the members of the organization.

In the case of a timeshare association, "association property" includes property in which the timeshare association, or members of the association, have rights arising out of recorded easements, covenants, or other recorded instruments to use property related to the timeshare project.

(c) A homeowners' association shall be subject to tax under this part with respect to its "homeowners' association taxable income," and such income shall be subject to tax as provided by Chapter 3 (commencing with Section 23501) of this part.

(1) For purposes of this section, the term "homeowners' association taxable income" of any organization for any taxable year means an amount equal to the excess over one hundred dollars ($100) (if any) of—

(A) The gross income for the taxable year (excluding any exempt function income), over

(B) The deductions allowed by this part which are directly connected with the production of the gross income (excluding exempt function income).

(2) For purposes of this section, the term "exempt function income" means any amount received as membership fees, dues and assessments from tenant-shareholders or owners of residential units, residences or lots, or owners of timeshare rights to use, or timeshare ownership interests in, association property in the case of a timeshare association.

(d) The term "homeowners' association" includes a condominium management association, a residential real estate management association, a timeshare association, and a cooperative housing corporation.

(e) "Cooperative housing corporation" includes, but is not limited to, a limited-equity housing cooperative, as defined in Section 33007.5 of the Health and Safety Code, organized either as a nonprofit public benefit corporation pursuant to Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the Corporations Code, or a nonprofit mutual benefit corporation pursuant to Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code.

(f) The term "timeshare association" means any organization (other than a condominium management association) organized and operated to provide for the acquisition, construction, management,

maintenance, and care of association property if any member thereof holds a timeshare right to use, or a timeshare ownership interest in, real property constituting association property.

(g) The amendments made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 69. Section 23704 of the Revenue and Taxation Code is amended to read:

23704. For purposes of this part, an organization shall be treated as an organization organized and operated exclusively for charitable purposes, if:

(a) The organization is organized and operated solely:

(1) To perform, on a centralized basis, one or more of the following services which, if performed on its own behalf by a hospital which is an organization described in Section 23701d and exempt from taxation under Section 23701, would constitute activities in exercising or performing the purpose or function constituting the basis for its exemption: data processing, purchasing (including the purchasing of insurance on a group basis), warehousing, billing and collection (including the purchase of patron accounts receivable on a recourse basis), food, clinical, industrial engineering, laboratory, laundry, printing, communications, record center, and personnel (including selection, testing, training, and education of personnel) services; and

(2) To perform such services solely for two or more hospitals, and for no other individuals or organizations, each of which is:

(A) An organization described in Section 23701d which is exempt from taxation under Section 23701;

(B) A constituent part of an organization described in Section 23701d which is exempt from taxation under Section 23701 and which, if organized and operated as a separate entity, would constitute an organization described in Section 23701d; or

(C) Owned and operated by the United States, the state, a county, or political subdivision, or an agency or instrumentality of any of the foregoing;

(b) The organization is organized and operated on a cooperative basis and allocates or pays, within $8^1/_2$ months after the close of its income year, all net earnings to members on the basis of services performed for them; and

(c) If the organization has capital stock, all of that stock outstanding is owned by its members.

For purposes of this part, any organization which, by reason of the preceding sentence, is an organization described in Section 23701d and exempt from taxation under Section 23701, shall be treated as a hospital and as an organization referred to in Section 23736(e).

SEC. 70. Section 23704.3 is added to the Revenue and Taxation Code, to read:

23704.3. An organization shall not fail to be treated as organized and operated exclusively for a charitable purpose for purposes of Section 23701d solely because a hospital that is owned and operated by the organization participates in a provider-sponsored organization, as defined in Section 1853(e) of the Social Security Act, whether or not the provider-sponsored organization is exempt from tax. For purposes of Section 23701d, any person with a material financial interest in such a provider-sponsored organization shall be treated as a private shareholder or individual with respect to the hospital.

SEC. 71. Section 23711 is added to the Revenue and Taxation Code, to read:

23711. Section 529 of the Internal Revenue Code, relating to qualified state tuition programs, shall apply, except as otherwise provided.

(a) Section 529(a) of the Internal Revenue Code is modified as follows:

(1) By substituting the phrase "under Part 10 (commencing with Section 17001) and this part" in lieu of the phrase "under this subtitle."

(2) By substituting "Article 2 (commencing with Section 23731)" in lieu of "section 511."

(b) A copy of the report required to be filed with the Secretary of the Treasury under Section 529(d) of the Internal Revenue Code shall be filed with the Franchise Tax Board at the same time and in the same manner as specified in that section.

SEC. 72. Section 23712 of the Revenue and Taxation Code is amended to read:

23712. Section 530 of the Internal Revenue Code, relating to education individual retirement accounts, shall apply, except as otherwise provided.

(a) Section 530(a) of the Internal Revenue Code is modified as follows:

(1) By substituting the phrase "under Part 10 (commencing with Section 17001) and this part" in lieu of the phrase "under this subtitle."

(2) By substituting "Article 2 (commencing with Section 23731)" in lieu of "section 511."

(b) Section 530(b)(1) of the Internal Revenue Code, relating to the definition of education individual retirement account, is modified to additionally require that upon the date that the designated beneficiary becomes 30 years of age, any balance to the credit of the beneficiary shall be distributed within 30 days after the date the beneficiary becomes 30 years of age to that beneficiary.

(c) Section 530(d) of the Internal Revenue Code is modified as follows:

(1) By substituting the phrase "under Part 10 (commencing with Section 17001) in the manner as provided in Section 72(b) of the

Internal Revenue Code, as modified by Part 10" in lieu of the phrase "in the manner as provided in Section 72(b)" in Section 530(d)(1) of the Internal Revenue Code.

(2) (A) A taxpayer that has elected to waive the application of Section 530(d)(2) of the Internal Revenue Code for federal purposes shall be treated as having waived the application of that paragraph for state purposes, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5 or paragraph (3) of subdivision (e) of Section 23051.5, and the federal election shall be binding for purposes of Part 10 (commencing with Section 17001) and this part.

(B) If a taxpayer fails to make an election under Section 530(d)(2)(C) of the Internal Revenue Code for federal purposes to waive the application of Section 530(d)(2) of the Internal Revenue Code, an election under Section 530(d)(2)(C) of the Internal Revenue Code shall not be allowed for state purposes, Section 530(d)(2)(A) and (B) of the Internal Revenue Code shall apply for state purposes, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 17024.5.

(3) (A) By substituting the phrase "tax imposed by Part 10 (commencing with Section 17001)" in lieu of the phrase "tax imposed by this chapter" in Section 530(d)(4)(A) of the Internal Revenue Code.

(B) By substituting the phrase "increased by $2^1/_2$ percent" in lieu of the phrase "increased by 10 percent" in Section 530(d)(4)(A) of the Internal Revenue Code.

(C) By substituting the phrase "shall be included in the contributor's gross income under Part 10 (commencing with Section 17001) or this part" in lieu of the phrase "shall be included in gross income" in Section 530(d)(4)(C) of the Internal Revenue Code.

(d) For purposes of Part 10 (commencing with Section 17001) and this part, in the case of a custodial account treated as a trust by reason of Section 530(g) of the Internal Revenue Code, the custodian of that account shall be treated as the trustee thereof.

(e) A copy of the report, which is required to be filed with the Secretary of the Treasury under Section 530(h) of the Internal Revenue Code, shall be filed with the Franchise Tax Board at the same time and in the same manner as specified in that section.

SEC. 73. Section 23771 of the Revenue and Taxation Code is amended to read:

23771. (a) Except as provided in subdivision (b), every organization, otherwise exempt under Article 1 (commencing with Section 23701), but having income of the character described in Article 2 (commencing with Section 23731), shall file a return, verified by an executive officer under penalty of perjury in the form prescribed by the Franchise Tax Board, on or before the 15th day of the fifth month following the close of the income year, reporting its income from those activities and shall pay a tax as required by Section

23731 on its unrelated business taxable income as defined in Section 23732.

(b) An education IRA described in Section 23712 shall file a return described in subdivision (a) on or before the 15th day of the fourth month following the close of the income year.

SEC. 74. Section 23800.5 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

23800.5. (a) Section 1361(b)(2)(A) of the Internal Revenue Code, relating to ineligible corporation defined, shall not apply and in lieu thereof, for purposes of Section 1361(b)(1) of the Internal Revenue Code, Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), and this part, "ineligible corporation" shall include a savings and loan association, bank, or financial corporation which uses the reserve method of accounting for bad debts described in Section 24348.

(b) Section 1361(b)(3) of the Internal Revenue Code, relating to treatment of certain wholly owned subsidiaries, is modified as follows:

(1) For purposes of Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), and this part:

(A) Section 1361(b)(3)(A)(i) of the Internal Revenue Code shall apply, except as provided in subparagraph (B).

(B) There is hereby imposed a tax annually in an amount equal to the applicable amount specified in paragraph (1) of subdivision (d) of Section 23153 on a qualified Subchapter S subsidiary that is incorporated under the laws of this state, qualified to transact intrastate business in this state pursuant to Chapter 21 (commencing with Section 2100) of Division 1 of Title 1 of the Corporations Code, or doing business in this state.

(C) Every qualified Subchapter S subsidiary described in subparagraph (B) shall be subject to the tax imposed under subparagraph (B) from the earlier of the date of incorporation, qualification, or commencement of business in this state, until the effective date of dissolution or withdrawal as provided in Section 23331, or, if later, the date the corporation ceases to do business in this state.

(2) For purposes of Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), and this part:

(A) Section 1361(b)(3)(A)(ii) of the Internal Revenue Code shall not apply and, in lieu thereof, subparagraph (B) shall apply and all references to Section 1361(b)(3)(A)(ii) of the Internal Revenue Code shall be treated as a reference to subparagraph (B).

(B) All activities, assets, liabilities, including liability for the tax imposed under this subdivision, and items of income, deduction, and credit of a qualified Subchapter S subsidiary shall be treated as activities (including activities for purposes of Section 23101), assets, liabilities, and those items, as the case may be, of the "S corporation."

(3) Section 1361(b)(3)(B) of the Internal Revenue Code is modified to include the following requirements in addition to the requirements contained therein:

(A) The "S corporation" has in effect a valid election to treat the corporation as a qualified Subchapter S subsidiary for federal purposes.

(B) An election made by the "S corporation" under Section 1361(b)(3)(B)(ii) of the Internal Revenue Code to treat the corporation as a qualified Subchapter S subsidiary for federal purposes shall be treated for purposes of this part as an election made by the "S corporation" under this subdivision and a separate election under paragraph (3) of subdivision (e) of Section 23051.5 shall not be allowed.

(C) No election under this subdivision shall be allowed unless the "S corporation" has made the election under Section 1361(b)(3)(B)(ii) of the Internal Revenue Code to treat the corporation as a qualified Subchapter S subsidiary for federal purposes.

(c) Section 1361(c)(6) of the Internal Revenue Code, relating to certain exempt organizations permitted as shareholders, is modified by substituting a reference to Section 17631 or Section 23701d in lieu of the reference to Section 501(c)(3) of the Internal Revenue Code and by substituting a reference to Section 17631 or Section 23701 in lieu of the reference to Section 501(a) of the Internal Revenue Code.

(d) Section 1361(e)(1)(B)(ii) of the Internal Revenue Code, relating to certain trusts not eligible, is modified by substituting "under Part 10 (commencing with Section 17001) or this part" in lieu of "under this subtitle."

(e) Section 1361(e)(3) of the Internal Revenue Code, relating to election, is modified to include the following provisions:

(1) An election made by the trustee under Section 1361(e) of the Internal Revenue Code to be an electing small business trust for federal purposes shall be treated for purposes of this part as an election made by the trustee under this subdivision and a separate election under paragraph (3) of subdivision (e) of Section 23051.5 shall not be allowed. Any election made shall apply to the taxable year of the trust for which made and to all subsequent taxable years of the trust, unless revoked with the consent of the Franchise Tax Board.

(2) No election under this subdivision shall be allowed unless the trustee has made the election under Section 1361(e) of the Internal Revenue Code to be an electing small business trust for federal purposes.

SEC. 75. Section 23801 of the Revenue and Taxation Code is amended to read:

23801. (a) (1) A corporation may not elect to be treated as an "S corporation" unless it has in effect for federal purposes a valid election under Section 1362(a) of the Internal Revenue Code for the same year.

(2) For income years beginning in 1987, the following shall apply:

(A) A corporation that has in effect a valid federal election for the income year beginning in 1987, shall be deemed to have elected to be treated as an "S corporation" for purposes of this part, unless that corporation elects on its return to continue to be treated as a "C corporation" for purposes of this part.

(B) A corporation to which subparagraph (A) applies, but is not required to file a return under this part, may elect to be treated as a "C corporation" for purposes of this part in the form and in the manner as the Franchise Tax Board may prescribe.

(C) A corporation that is deemed to have elected to be treated as an "S corporation" under subparagraph (A) shall, for purposes of applying the provisions of Section 1374 of the Internal Revenue Code, relating to tax imposed on certain built-in gains, and Section 1375 of the Internal Revenue Code, relating to tax imposed on passive investment income, be deemed to have made the election to be treated as an "S corporation" on the same date as the date of its federal election under Section 1362(a) of the Internal Revenue Code.

(3) For income years beginning in 1988 or 1989, the following shall apply:

(A) A corporation that had in effect a valid federal election for the preceding year, but was a "C corporation" for purposes of this part for that preceding year, may elect to be treated as an "S corporation" for purposes of this part by making an election in accordance with the provisions of Section 1362 of the Internal Revenue Code in the form and in the manner as the Franchise Tax Board may prescribe.

(B) A corporation that did not have in effect a valid federal election for the preceding year and that makes a federal election for the income year under Section 1362(a) of the Internal Revenue Code shall be deemed to have made an election to be treated as an "S corporation" for purposes of this part on the same date as the date of its federal election, unless that corporation elects on its return to continue to be treated as a "C corporation" for purposes of this part.

(C) A corporation to which subparagraph (B) applies, but is not required to file a return under this part, may elect to be treated as a "C corporation" for purposes of this part in a form and manner as the Franchise Tax Board may prescribe.

(D) A corporation that elects to be treated as an "S corporation" under subparagraph (A) for an income year beginning in 1988 shall, for purposes of applying the provisions of Section 1374 of the Internal Revenue Code, relating to tax imposed on certain built-in gains, and Section 1375 of the Internal Revenue Code, relating to tax imposed on passive investment income, be deemed to have made the election to be treated as an "S corporation" on the same date as the date of its federal election under Section 1362(a) of the Internal Revenue Code.

(4) For income years beginning on or after January 1, 1990, the following shall apply:

(A) An election under Section 1362(a) of the Internal Revenue Code, that is first effective for an income year beginning on or after January 1, 1990, shall be an election to which subdivision (e) of Section 23051.5 applies and shall be deemed to have been made for purposes of this part on the same date as the date of the federal election, unless the corporation files a California election under clause (ii) to be treated as a "C corporation" for purposes of this part.

(i) The federal "S" election shall be reported for purposes of this part in the form and manner as prescribed by the Franchise Tax Board no later than the last date allowed for filing the federal election under Section 1362(a) of the Internal Revenue Code for that income year.

(ii) The California election to be a "C corporation" may only be made by a corporation incorporated in California or qualified to do business in California and shall be made in the form and manner prescribed by the Franchise Tax Board no later than the last date allowed for filing the federal "S" election under Section 1362(a) of the Internal Revenue Code for that income year.

(B) A corporation that has in effect a valid election under Section 1362(a) of the Internal Revenue Code, but is a "C corporation" for purposes of this part, may elect to be treated as an "S corporation" by making an election in the form and manner as prescribed by the Franchise Tax Board at the time required for making an "S" election under Section 1362(a) of the Internal Revenue Code for that income year, unless prohibited from doing so by Section 1362(g) of the Internal Revenue Code, relating to election after termination.

(C) In the event a corporation which has in effect a valid election under Section 1362(a) of the Internal Revenue Code and is not doing business in California becomes subject to this part by qualifying to do business in California, the corporation is deemed to have made an election to be treated as an "S corporation" for the income year during which the corporation qualifies to do business in California, unless the corporation files a California election in accordance with clause (ii) to be treated as a "C corporation" for that income year.

(i) The federal "S" election shall be reported for purposes of this part within two and one-half months after qualifying to do business in California in the form and manner as prescribed by the Franchise Tax Board.

(ii) The California election to be a "C corporation" shall be made in the form and manner as prescribed by the Franchise Tax Board no later than the following:

(I) For an income year beginning in 1990, two and one-half months after qualifying to do business in California.

(II) For an income year beginning on or after January 1, 1991, the last date allowed for filing a federal "S" election under Section 1362(a) of the Internal Revenue Code for that income year.

(D) (i) A corporation that is not qualified to do business in California, but is treated as an "S corporation" for federal purposes,

shall be treated as an "S corporation" for purposes of this part, and its shareholders shall be treated as shareholders of an "S corporation."

(ii) If a corporation described in clause (i) elected to be treated as a "C corporation" under this section prior to its amendment by the act adding this paragraph during the 1989–90 Regular Session, that election shall be revoked for income years beginning on or after January 1, 1990. The corporation shall be treated as an "S corporation" for purposes of this part, and its shareholders shall be treated as shareholders of an "S corporation."

(E) For purposes of this section, "qualified to do business in California" or "qualifying to do business in California" means incorporating or obtaining a certificate of qualification pursuant to the Corporations Code.

(F) For purposes of this section:

(i) A timely election to be treated as a "C corporation" shall be treated as a revocation and Section 1362(g) of the Internal Revenue Code, relating to election after termination, shall apply.

(ii) An untimely election to be treated as a "C corporation" shall be null and void and shall not be applied to either the current or any subsequent income year.

(5) For income years beginning on or after January 1, 1997, the provisions of paragraph (4) shall apply, subject to the following modifications:

(A) A corporation that elects "S corporation" status under Section 1362 of the Internal Revenue Code for federal purposes but which is not qualified to be an "S corporation" under subdivision (a) of Section 23800.5, shall not be an "S corporation" for purposes of Part 10 (commencing with Section 17001) and this part.

(B) (i) A corporation that becomes an "S corporation" for an income year beginning before January 1, 1997, under the provisions of Section 1305 of the Small Business Job Protection Act of 1996 (P.L. 104-188) for federal purposes, shall become an "S corporation" for purposes of Part 10 (commencing with Section 17001) and this part, for its first income year beginning on or after January 1, 1997, unless a timely election to continue as a "C corporation" is made.

(ii) For purposes of clause (i), an election shall be considered timely if made no later than the earlier of the date that is 180 days after the date of enactment of the act adding this paragraph or the due date, without regard to extensions, of the return for its first income year beginning on or after January 1, 1997.

(C) (i) A corporation that makes a valid federal election to be an "S corporation" during the period in 1997 before the date of enactment of the act adding this paragraph and which would not qualify to be an "S corporation" under this part on the date of the federal election shall become an "S corporation" for purposes of Part 10 (commencing with Section 17001) and this part, for its first income year beginning on or after January 1, 1997, unless a timely election to continue as a "C corporation" is made.

(ii) For purposes of clause (i), an election shall be considered timely if made no later than the earlier of the date that is 180 days after the date of enactment of the act adding this paragraph or the due date, without regard to extensions, of the return for its first income year beginning on or after January 1, 1997.

(b) If a corporation subject to tax under this part elects to be treated as an "S corporation" and has one or more shareholders who are nonresidents of this state or is a trust with a nonresident fiduciary, each of the following shall be required:

(1) Each nonresident shareholder or fiduciary shall file with the return a statement of consent by that shareholder or fiduciary to be subject to the jurisdiction of the State of California to tax the shareholder's pro rata share of the income attributable to California sources.

(2) An "S corporation" shall include in its return for each income year a list of shareholders in the form and in the manner prescribed by the Franchise Tax Board.

(3) Failure to meet the requirements of this subdivision shall be grounds for retroactive revocation by the Franchise Tax Board of the election pursuant to this chapter.

(c) Except as provided in subdivision (d), a corporation that makes a valid election to be treated as an "S corporation" for purposes of this part shall not be included in a combined report pursuant to Chapter 17 (commencing with Section 25101).

(d) (1) In cases where the Franchise Tax Board determines that the reported income or loss of a group of commonly owned or controlled corporations (within the meaning of Section 25105), which includes one or more corporations electing to be treated as an "S corporation" under Chapter 4.5 (commencing with Section 23800), does not clearly reflect income (or loss) of a member of that group or represents an evasion of tax by one or more members of that group, and the Franchise Tax Board determines that the comparable uncontrolled price method prescribed by regulations pursuant to Section 482 of the Internal Revenue Code cannot practically be applied, the Franchise Tax Board may, in lieu of other methods prescribed by regulations pursuant to Section 482 of the Internal Revenue Code, apply methods of unitary combination, pursuant to Article 1 (commencing with Section 25101) of Chapter 17, to properly reflect the income or loss of the members of the group.

(2) The application of the provisions of this subdivision shall not affect the election of any corporation to be treated as an "S corporation."

(e) The tax for a "C corporation" for a short year shall be determined in accordance with Chapter 13 (commencing with Section 24631), in lieu of Section 1362(e)(5) of the Internal Revenue Code.

(f) (1) A termination of a federal election pursuant to Section 1362(d) of the Internal Revenue Code, that is not an inadvertent

termination pursuant to Section 1362(f) of the Internal Revenue Code, shall simultaneously terminate the "S corporation" election for purposes of Part 10 (commencing with Section 17001) and this part.

(2) A federal termination by revocation shall be effective for purposes of this part and shall be reported to the Franchise Tax Board in the form and manner prescribed by the Franchise Tax Board no later than the last date allowed for filing federal termination for that year under Section 1362(d) of the Internal Revenue Code.

(3) A corporation which is qualified to do business in California and has in effect a valid "S" election under Section 1362(a) of the Internal Revenue Code, may revoke its "S" election for purposes of this part without revoking its federal election. The revocation for purposes of this part shall be made by providing a written notification to the Franchise Tax Board in the form and manner prescribed by the Franchise Tax Board which includes the California corporation number and meets the requirements of Section 1362(d)(1) of the Internal Revenue Code.

(g) For income years beginning on or after January 1, 1990, if a corporation, which has in effect a valid "S" election under Section 1362(a) of the Internal Revenue Code, fails to make a "C corporation" election under clause (ii) of subparagraphs (A) and (C) of paragraph (4) of subdivision (a) or to terminate by revocation under paragraph (3) of subdivision (f), the corporation shall be treated as an "S corporation" pursuant to subparagraph (A) of paragraph (4) of subdivision (a).

(h) For income years beginning on or after January 1, 1997, for purposes of subparagraph (F) of paragraph (4) of subdivision (a) of this section and Section 1362(g) of the Internal Revenue Code, relating to election after termination, any termination under Section 1362(d) of the Internal Revenue Code or election to be treated as a "C corporation" under subparagraph (A) or (C) of paragraph (4) of subdivision (a), or to terminate by revocation under paragraph (3) of subdivision (f) in an income year beginning before January 1, 1997, shall not be taken into account.

(i) (1) The provisions of Section 1362(b)(5) of the Internal Revenue Code, relating to authority to treat late elections, etc., as timely, shall apply only for income years beginning on or after January 1, 1997, with respect to elections under Section 1362(a) of the Internal Revenue Code for income years beginning on or after January 1, 1997.

(2) Notwithstanding the provisions of paragraph (1), if for any income year beginning on or after January 1, 1987, a corporation fails to qualify as an "S corporation" for federal income tax purposes solely because the federal Form 2553 (Election by a Small Business Corporation) was not filed timely, the corporation shall be treated for purposes of this part as an "S corporation" for the income year the "S corporation" election should have been made, and for each

subsequent year until terminated, if both of the following conditions are met:

(A) The corporation and all of its shareholders reported their income for California tax purposes on original returns consistent with "S corporation" status for the year the "S corporation" election should have been made, and for each subsequent income year (if any) until terminated.

(B) The corporation and its shareholders have filed with the Internal Revenue Service a federal Form 2553 requesting automatic relief with respect to the late "S corporation" election, in full compliance with the federal Revenue Procedure 1997-48, I.R.B. 1997-43, and have received notification of the acceptance of the untimely filed "S corporation" election from the Internal Revenue Service. A copy of the notification shall be provided to the Franchise Tax Board upon request.

(j) The provisions of Section 1362(f) of the Internal Revenue Code, relating to inadvertent invalid elections or terminations, shall apply only for income years beginning on or after January 1, 1997, with respect to elections under Section 1362(a) of the Internal Revenue Code for income years beginning on or after January 1, 1997.

SEC. 76. Section 23806 of the Revenue and Taxation Code is repealed.

SEC. 77. Section 23806 is added to the Revenue and Taxation Code, to read:

23806. (a) Section 1371(a) of the Internal Revenue Code, relating to application of Subchapter C rules, is modified to provide that, notwithstanding subdivisions (a) and (e) of Sections 17024.5 and 23051.5, any election by an "S corporation" or its shareholders under Section 338 of the Internal Revenue Code, relating to certain stock purchases treated as asset acquisitions, for federal purposes shall be treated as an election for purposes of this part and a separate election under paragraph (3) of subdivision (e) of Section 17024.5 or 23051.5 shall not be allowed.

(b) No election under Section 338 of the Internal Revenue Code, relating to certain stock purchases treated as asset acquisitions, shall be allowed for state purposes unless the "S corporation" or its shareholders made a valid election for federal purposes under Section 338 of the Internal Revenue Code.

(c) Section 1371 (d) of the Internal Revenue Code shall not apply.

(d) (1) Subdivisions (a) and (b) shall apply to any transaction occurring on or after January 1, 1998, in an income year beginning on or after January 1, 1997.

(2) Subdivision (c) shall apply to income years beginning on or after January 1, 1997.

SEC. 78. Section 24309.5 is added to the Revenue and Taxation Code, to read:

24309.5. Section 110 of the Internal Revenue Code, relating to qualified lessee construction allowances for short-term leases, shall apply, except as otherwise provided.

(a) Section 110(b) of the Internal Revenue Code is modified by substituting the phrase "(including for purposes of paragraph (2) of subdivision (e) of Section 24349)" for the phrase "(including for purposes of Section 168(i)(8)(B)."

(b) Section 110(c)(2) of the Internal Revenue Code is modified by substituting the phrase "(as determined under the rules of paragraph (3) of subdivision (e) of Section 24349)" for the phrase "(as determined under the rules of Section 168(i)(3))."

SEC. 79. Section 24349 of the Revenue and Taxation Code is amended to read:

24349. (a) There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear, and tear (including a reasonable allowance for obsolescence)—

(1) Of property used in the trade or business; or

(2) Of property held for the production of income.

(b) Except as otherwise provided in subdivision (c), for income years ending after December 31, 1958, the term "reasonable allowance" as used in subdivision (a) shall include, but shall not be limited to, an allowance computed in accordance with regulations prescribed by the Franchise Tax Board, under any of the following methods:

(1) The straight-line method.

(2) The declining balance method, using a rate not exceeding twice the rate that would have been used had the annual allowance been computed under the method described in paragraph (1).

(3) The sum of the years-digits method.

(4) Any other consistent method productive of an annual allowance that, when added to all allowances for the period commencing with the taxpayer's use of the property and including the income year, does not, during the first two-thirds of the useful life of the property, exceed the total of those allowances that would have been used had those allowances been computed under the method described in paragraph (2).

Nothing in this subdivision shall be construed to limit or reduce an allowance otherwise allowable under subdivision (a).

(c) Any grapevine replaced in a vineyard in California in an income year beginning on or after January 1, 1992, as a direct result of a phylloxera infestation in that vineyard, and any grapevine replaced in a vineyard in California in an income year beginning on or after January 1, 1997, as a direct result of Pierce's Disease in that vineyard, shall have a useful life of five years, except that it shall have a class life of 10 years for purposes of depreciation under Section 168(g)(2) of the Internal Revenue Code where the taxpayer has made an election under Section 263A(d)(3) of the Internal Revenue Code not to capitalize costs of the infested vineyard. Every taxpayer

claiming a deduction under this section with respect to a grapevine as described in this subdivision shall obtain a written certification from an independent state-certified integrated pest management adviser, or a state agricultural commissioner or adviser, that specifies that the replanting was necessary to restore a vineyard infested with phylloxera or Pierce's Disease. The taxpayer shall retain the certification for future audit purposes.

(d) For purposes of this part, the deduction for property leased to governments and other tax-exempt entities, as defined in Section 168(h) of the Internal Revenue Code, shall be limited to the amount determined under Section 168(g) of the Internal Revenue Code, relating to alternative depreciation system for certain property.

(e) (1) In the case of any building erected or improvements made on leased property, if the building or improvement is property to which this section applies, the depreciation deduction shall be determined under the provisions of this section.

(2) An improvement shall be treated for purposes of determining gain or loss under this part as disposed of by the lessor when so disposed of or abandoned if both of the following occur:

(A) The improvement is made by the lessor of leased property for the lessee of that property.

(B) The improvement is irrevocably disposed of or abandoned by the lessor at the termination of the lease by the lessee.

This subdivision shall not apply to any property to which Section 168 of the Internal Revenue Code does not apply for federal purposes by reason of Section 168(f) of the Internal Revenue Code. Any election made under Section 168(f)(1) of the Internal Revenue Code for federal purposes with respect to that property shall be treated as a binding election for state purposes under this subdivision with respect to that same property and no separate election under subdivision (e) of Section 23051.5 with respect to that property shall be allowed.

(3) (A) In determining a lease term, both of the following shall apply:

(i) There shall be taken into account options to renew.

(ii) Two or more successive leases which are part of the same transaction (or a series of related transactions) with respect to the same or substantially similar property shall be treated as one lease.

(B) For purposes of clause (i) of subparagraph (A), in the case of nonresidential real property or residential rental property, there shall not be taken into account any option to renew at fair market value determined at the time of renewal.

(f) (1) Section 167(g) of the Internal Revenue Code, relating to depreciation under income forecast method, shall apply except as otherwise provided.

(2) Section 167(g)(2)(C) of the Internal Revenue Code is modified by substituting "Section 19521" in lieu of "Section 460(b)(7)" of the Internal Revenue Code.

(3) Section 167(g)(5)(D) of the Internal Revenue Code is modified by substituting "Part 10.2 (commencing with Section 18401) (other than Article 2 (commencing with Section 19021) and Sections 19142 to 19150, inclusive)" in lieu of "Subtitle F (other than Sections 6654 and 6655)."

SEC. 80. Section 24355.4 is added to the Revenue and Taxation Code, to read:

24355.4. For purposes of computing the depreciation deduction under Section 24349, a class life of four years shall be used for any qualified rent-to-own property as defined in Section 168(i)(14) of the Internal Revenue Code.

SEC. 81. Section 24357.7 of the Revenue and Taxation Code is amended to read:

24357.7. (a) (1) For purposes of paragraph (3) of subdivision (b) of Section 24357.2, the term "qualified conservation contribution" means a contribution—

(A) Of a qualified real property interest,

(B) To a qualified organization,

(C) Exclusively for conservation purposes.

(2) For purposes of this subdivision, the term "qualified real property interest" means any of the following interests in real property:

(i) The entire interest of the donor other than a qualified mineral interest.

(ii) A remainder interest.

(iii) A restriction (granted in perpetuity) on the use which may be made of the real property.

(b) For purposes of subdivision (a), the term "qualified organization" means an organization which:

(1) Is described in subdivision (a) or (b) of Section 24359, or

(2) Is described in Section 23701(d), and—

(A) Meets the requirements of Section 509(a)(2) of the Internal Revenue Code, or

(B) Meets the requirements of Section 509(a)(3) of the Internal Revenue Code and is controlled by an organization described in paragraph (1) or in subparagraph (A).

(c) For purposes of this section, the term "conservation purpose" means any of the following:

(1) The preservation of land areas for outdoor recreation by, or the education of, the general public.

(2) The protection of a relatively natural habitat of fish, wildlife, or plants, or similar ecosystem.

(3) The preservation of open space (including farm land and forest land) where that preservation is for any of the following:

(A) For the scenic enjoyment of the general public.

(B) Pursuant to a clearly delineated federal, state, or local governmental conservation policy, and will yield a significant public benefit.

(C) The preservation of a historically important land area or a certified historic structure.

(d) The term "certified historic structure" means any building, structure, or land area which:

(1) Is listed in the National Register, or

(2) Is located in a registered historic district (as defined in Section 47(c)(3)(B)) of the Internal Revenue Code and is certified by the Secretary of the Interior to the secretary as being of historic significance to the district.

A building, structure, or land area satisfies the preceding sentence if it satisfies that sentence either at the time of the transfer or on the due date (including extensions) for filing the transferor's return under this part for the income year in which the transfer is made.

(e) For purposes of this section:

(1) A contribution shall not be treated as exclusively for conservation purposes unless the conservation purpose is protected in perpetuity.

(2) (A) Except as provided in subparagraph (B), in the case of a contribution of any interest where there is a retention of a qualified mineral interest, this subdivision shall not be treated as met if at any time there may be extraction or removal of minerals by any surface mining method.

(B) With respect to any contribution of property in which the ownership of the surface estate and mineral interests has been and remains separated, paragraph (1) shall be treated as met if the probability of surface mining occurring on that property is so remote as to be negligible.

(f) For purposes of this section, the term "qualified mineral interest" means—

(1) Subsurface oil, gas, or other minerals; and

(2) The right to access to those minerals.

SEC. 82. Section 24357.8 of the Revenue and Taxation Code is amended to read:

24357.8. (a) In the case of a qualified research contribution, the amount otherwise allowed as a deduction under Section 24357, shall be reduced by that amount of the reduction provided by Section 24357.1 which is no greater than the sum of the following:

(1) One-half of the amount computed pursuant to Section 24357.1 (computed without regard to this paragraph).

(2) The amount (if any) by which the charitable contribution deduction under this section for any qualified research contribution (computed by taking into account the amount determined by paragraph (1), but without regard to this paragraph) exceeds twice the basis of the property.

(b) For purposes of this section, "qualified research contribution" means a charitable contribution by a taxpayer of tangible personal property described in paragraph (1) of Section 1221 of the Internal Revenue Code, but only if all of the following conditions are met:

(1) The contribution is to an educational organization which is described in subsection (b)(1)(A)(ii) of Section 170 of the Internal Revenue Code and which is an institution of higher education (as defined in Section 3304(f) of the Internal Revenue Code of 1954) in California.

(2) The contribution is made not later than two years after the date the construction of the property is substantially completed.

(3) The original use of the property is by the donee.

(4) The property is scientific equipment or apparatus substantially all of the use of which by the donee is for research or experimentation (within the meaning of Section 24365), or for research training, in physical, applied, or biological sciences, or for instructional purposes.

(5) The property is not transferred by the donee in exchange for money, other property, or services.

(6) The taxpayer receives from the donee a written statement representing that its use and disposition of the property will be in accordance with this section, and with respect to property substantially all of the use of which is for instructional purposes, the taxpayer receives from the donee a written statement representing that the property will be used as an integral part of the instructional program. In the case of a computer, the statement shall also represent that the donee has acquired or will acquire, necessary basic operational software and the means to provide trained staff to utilize the property.

(7) The contribution is made on or after July 1, 1983, and on or before December 31, 1993.

(8) The taxpayer shall report to the Franchise Tax Board, on forms prescribed by the board, the name and address of the recipient educational organization, a description of the qualified charitable contribution, the fair market value of the contribution, and the date the contribution was made. The taxpayer shall forward a copy of the forms, along with the written statements prescribed in paragraph (6), to the following:

(A) The President of the University of California, in the case of contributions to institutions within the University of California system.

(B) California Postsecondary Education Commission, in the case of contributions to private institutions.

(C) The Chancellor of the California State University, in the case of contributions to institutions within the California State University system.

(D) The Chancellor of the California Community Colleges, in the case of contributions to institutions within the California Community College system.

(c) For purposes of this section, the term "taxpayer" shall not include a service organization (as defined in Section 414(m)(3) of the Internal Revenue Code).

SEC. 83. Section 24357.9 is added to the Revenue and Taxation Code, to read:

24357.9. (a) In the case of a qualified elementary or secondary educational contribution, the amount otherwise allowed as a deduction under Section 24357 shall be reduced by that amount of the reduction provided by Section 24357.1 which is no greater than the sum of the following:

(1) One-half of the amount computed pursuant to Section 24357.1 (computed without regard to this paragraph).

(2) The amount (if any) by which the charitable contribution deduction under this section for any qualified elementary or secondary educational contribution (computed by taking into account the amount determined by paragraph (1), but without regard to this paragraph) exceeds twice the basis of the property.

(b) For purposes of this section, the term "qualified elementary or secondary educational contribution" means a charitable contribution by a corporation of any computer technology or equipment, but only if all of the following apply:

(1) The contribution is to either of the following:

(A) An educational organization described in Section 170(b)(1)(A)(ii) of the Internal Revenue Code.

(B) An entity described in Section 23701d and exempt from tax under Section 23701 (other than an entity described in subparagraph (A)) that is organized primarily for purposes of supporting elementary and secondary education in California.

(2) The contribution is made not later than two years after the date the taxpayer acquired the property (or in the case of property constructed by the taxpayer, the date the construction of the property is substantially completed).

(3) The original use of the property is by the donor or the donee.

(4) Substantially all of the use of the property by the donee is for use within California for educational purposes in any of the grades K through 12 that are related to the purpose or function of the organization or entity.

(5) The property is not transferred by the donee in exchange for money, other property, or services, except for shipping, installation, and transfer of costs.

(6) The property will fit productively into the entity's educational plan.

(7) The entity's use and disposition of the property will be in accordance with paragraphs (4) and (5).

(c) A contribution by a corporation of any computer technology or equipment to a private foundation (as defined in Section 509 of the Internal Revenue Code) shall be treated as a qualified elementary or secondary educational contribution for purposes of this section if both of the following apply:

(1) The contribution to the private foundation satisfies the requirements of paragraphs (2) and (5) of subdivision (b).

(2) Within 30 days after that contribution, the private foundation does both of the following:

(A) Contributes the property to an entity described in paragraph (1) of subdivision (b) that satisfies the requirements of paragraphs (4) to (7), inclusive, of subdivision (b).

(B) Notifies the donor of that contribution.

(d) For purposes of this section, property shall be treated as constructed by the taxpayer only if the cost of the parts used in the construction of that property (other than parts manufactured by the taxpayer or a related person) do not exceed 50 percent of the taxpayer's basis in that property.

(e) For purposes of this section:

(1) "Computer technology or equipment" means computer software (as defined by Section 197(e)(3)(B) of the Internal Revenue Code), computer or peripheral equipment (as defined by Section 168(i)(2)(B) of the Internal Revenue Code), and fiber-optic cable related to computer use.

(2) "Corporation" shall not include any of the following:

(A) An "S corporation."

(B) A personal holding company (as defined in Section 542 of the Internal Revenue Code).

(C) A service organization (as defined in Section 414(m)(3) of the Internal Revenue Code).

(f) This section shall not apply to any contribution made during any income year beginning on or after January 1, 2000.

SEC. 84. Section 24369.4 is added to the Revenue and Taxation Code, to read:

24369.4. (a) Section 198 of the Internal Revenue Code, relating to expensing of environmental remediation costs, shall apply, except as otherwise provided.

(b) Section 198(b)(2) is modified to refer to Sections 24349 to 24355, inclusive, in lieu of Section 167 of the Internal Revenue Code.

(c) Section 198(f) is modified to refer to Section 24442 in lieu of Section 280B of the Internal Revenue Code.

(d) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 198(a) of the Internal Revenue Code to have Section 198 of the Internal Revenue Code apply to a qualified environmental remediation expenditure, Section 198 of the Internal Revenue Code shall apply to that qualified environmental remediation expenditure for state purposes, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make an election for federal purposes under Section 198(a) of the Internal Revenue Code to have Section 198 of the Internal Revenue Code apply to a qualified environmental remediation expenditure, an election under Section 198(a) of the Internal Revenue Code shall not be allowed for state purposes,

Section 198 of the Internal Revenue Code shall not apply to that qualified environmental remediation expenditure for state purposes, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5.

(e) No inference as to the proper treatment for purposes of this part of qualified environmental remediation expenditures for periods before the enactment of this section shall be made.

SEC. 85. Section 24402 of the Revenue and Taxation Code is amended to read:

24402. (a) A portion of the dividends received during the income year declared from income which has been included in the measure of the taxes imposed under Chapter 2 (commencing with Section 23101), Chapter 2.5 (commencing with Section 23400), or Chapter 3 (commencing with Section 23501) upon the taxpayer declaring the dividends.

(b) The portion of dividends which may be deducted under this section shall be as follows:

(1) In the case of any dividend described in subdivision (a), received from a "more than 50 percent owned corporation," 100 percent.

(2) In the case of any dividend described in subdivision (a), received from a "20 percent owned corporation," 80 percent.

(3) In the case of any dividend described in subdivision (a), received from a corporation that is less than 20 percent owned, 70 percent.

(c) For purposes of this section:

(1) The term "more than 50 percent owned corporation" means any corporation if more than 50 percent of the stock of that corporation (by vote and value) is owned by the taxpayer. For purposes of the preceding sentence, stock described in Section 1504(a)(4) of the Internal Revenue Code shall not be taken into account.

(2) The term "20 percent owned corporation" means any corporation if 20 percent or more of the stock of that corporation (by vote and value) is owned by the taxpayer. For purposes of the preceding sentence, stock described in Section 1504(a)(4) of the Internal Revenue Code shall not be taken into account.

(d) (1) No deduction shall be allowed under this section in respect of any dividend on any share of stock:

(A) which is held by the taxpayer for 45 days or less during the 90-day period beginning on the date which is 45 days before the date on which the share becomes ex-dividend with respect to that dividend, or

(B) to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

(2) In the case of stock having preference in dividends, if the taxpayer receives dividends with respect to that stock which are attributable to a period or periods aggregating in excess of 366 days, subparagraph (A) of paragraph (1) shall be applied as follows:

(A) By substituting "90 days" for "45 days" in each place it appears.

(B) By substituting "180-day period" for "90-day period."

(3) For purposes of this subdivision, in determining the period for which the taxpayer has held any share of stock:

(A) the day of disposition, but not the day of acquisition, shall be taken into account, and

(B) Section 1223(4) of the Internal Revenue Code shall not apply.

(4) Section 246(c)(4) of the Internal Revenue Code, relating to the holding period reduced for periods where risk of loss diminished, shall apply, except as otherwise provided.

(e) (1) The amendments made by the act adding this subdivision shall apply to dividends received or accrued after the 30th day after the date of the enactment of the act adding this subdivision.

(2) The amendments made by the act adding this subdivision shall not apply to dividends received or accrued during the two-year period beginning on the date of the enactment of the act adding this subdivision if:

(A) the dividend is paid with respect to stock held by the taxpayer on January 1, 1998 and all times thereafter until the dividend is received,

(B) that stock is continuously subject to a position described in Section 246(c)(4) of the Internal Revenue Code on January 1, 1998, and all times thereafter until the dividend is received, and

(C) that stock and position are clearly identified in the taxpayer's records within 30 days after the date of the enactment of the act adding this subdivision.

(3) Stock shall not be treated as meeting the requirement of subparagraph (B) of paragraph (2) if the position is sold, closed, or otherwise terminated and reestablished.

SEC. 86. Section 24416 of the Revenue and Taxation Code is amended to read:

24416. Except as provided in Sections 24416.1 and 24416.2, a net operating loss deduction shall be allowed in computing net income under Section 24341 and shall be determined in accordance with Section 172 of the Internal Revenue Code, except as otherwise provided.

(a) (1) Net operating losses attributable to income years beginning before January 1, 1987, shall not be allowed.

(2) A net operating loss shall not be carried forward to any income year beginning before January 1, 1987.

(b) (1) Except as provided in paragraphs (2) and (3), the provisions of Section 172(b)(2) of the Internal Revenue Code, relating to the amount of carryovers, shall be modified so that 50

percent of the entire amount of the net operating loss for any income year shall not be eligible for carryover to any subsequent income year.

(2) In the case of a taxpayer who has a net operating loss in an income year beginning on or after January 1, 1994, and who operates a new business during that income year, each of the following shall apply to each loss incurred during the first three income years of operating the new business:

(A) If the net operating loss is equal to or less than the net loss from the new business, 100 percent of the net operating loss shall be carried forward as provided in paragraph (2) of subdivision (e).

(B) If the net operating loss is greater than the net loss from the new business, the net operating loss shall be carried over as follows:

(i) With respect to an amount equal to the net loss from the new business, 100 percent of that amount shall be carried forward as provided in paragraph (2) of subdivision (e).

(ii) With respect to the portion of the net operating loss that exceeds the net loss from the new business, 50 percent of that amount shall be a net operating loss carryover to each of the five taxable years following the taxable year of the loss.

(C) For purposes of Section 172(b)(2) of the Internal Revenue Code, the amount described in clause (ii) of subparagraph (B) shall be absorbed before the amount described in clause (i) of subparagraph (B).

(3) In the case of a taxpayer who has a net operating loss in an income year beginning on or after January 1, 1994, and who operates an eligible small business during that income year, each of the following shall apply:

(A) If the net operating loss is equal to or less than the net loss from the eligible small business, 100 percent of the net operating loss shall be carried forward to the income years specified in paragraph (1) of subdivision (e).

(B) If the net operating loss is greater than the net loss from the eligible small business, the net operating loss shall be carried over as follows:

(i) With respect to an amount equal to the net loss from the eligible small business, 100 percent of that amount shall be carried forward to each of the five income years following the income year of the loss.

(ii) With respect to the portion of the net operating loss that exceeds the net loss from the eligible small business, 50 percent of that amount shall be a net operating loss carryover to each of the five income years following the income year of the loss.

(C) For purposes of Section 172(b)(2) of the Internal Revenue Code, the amount described in clause (ii) of subparagraph (B) shall be absorbed before the amount described in clause (i) of subparagraph (B).

(4) In the case of a taxpayer who has a net operating loss in an income year beginning on or after January 1, 1994, and who operates a business that qualifies as both a new business and an eligible small business under this section, that business shall be treated as a new business for the first three income years of the new business.

(5) In the case of a taxpayer who has a net operating loss in an income year beginning on or after January 1, 1994, and who operates more than one business, and more than one of those businesses qualifies as either a new business or an eligible small business under this section, paragraph (2) shall be applied first, except that if there is any remaining portion of the net operating loss after application of clause (i) of subparagraph (B) of paragraph (2), paragraph (3) shall be applied to the remaining portion of the net operating loss as though that remaining portion of the net operating loss constituted the entire net operating loss.

(6) For purposes of this section, "net loss" means the amount of net loss after application of Sections 465 and 469 of the Internal Revenue Code.

(c) For any income year in which the taxpayer has in effect a water's-edge election under Section 25110, the deduction of a net operating loss carryover shall be denied to the extent that the net operating loss carryover was determined by taking into account the income and factors of an affiliated corporation in a combined report whose income and apportionment factors would not have been taken into account if a water's-edge election under Section 25110 had been in effect for the income year in which the loss was incurred.

(d) Net operating loss carrybacks shall not be allowed.

(e) (1) Except as provided in paragraphs (2), (3), and (4), for each income year beginning on or after January 1, 1987, Section 172(b)(1)(A)(ii) of the Internal Revenue Code, relating to years to which net operating losses may be carried, is modified to substitute "five income years" in lieu of "20 taxable years."

(2) In the case of a "new business," the "five income years" referred to in paragraph (1) shall be modified to read as follows:

(A) "Eight income years" for a net operating loss attributable to the first income year of that new business.

(B) "Seven income years" for a net operating loss attributable to the second income year of that new business.

(C) "Six income years" for a net operating loss attributable to the third income year of that new business.

(3) For any carryover of a net operating loss for which a deduction is denied by Section 24416.3, the carryover period specified in this subdivision shall be extended as follows:

(A) By one year for a net operating loss attributable to income years beginning in 1991.

(B) By two years for a net operating loss attributable to income years beginning prior to January 1, 1991.

(4) The net operating loss attributable to income years beginning on or after January 1, 1987, and before January 1, 1994, shall be a net operating loss carryover to each of the 10 income years following the year of the loss if it is incurred by a corporation that was either of the following:

(A) Under the jurisdiction of the court in a Title 11 or similar case at any time prior to January 1, 1994. The loss carryover provided in the preceding sentence shall not apply to any loss incurred in an income year after the income year during which the corporation is no longer under the jurisdiction of the court in a Title 11 or similar case.

(B) In receipt of assets acquired in a transaction that qualifies as a tax-free reorganization under Section 368(a)(1)(G) of the Internal Revenue Code.

(f) For purposes of this section:

(1) "Eligible small business" means any trade or business that has gross receipts, less returns and allowances, of less than one million dollars ($1,000,000) during the income year.

(2) Except as provided in subdivision (g), "new business" means any trade or business activity that is first commenced in this state on or after January 1, 1994.

(3) "Title 11 or similar case" shall have the same meaning as in Section 368(a)(3) of the Internal Revenue Code.

(4) In the case of any trade or business activity conducted by a partnership or an S corporation, paragraphs (1) and (2) shall be applied to the partnership or S corporation.

(g) For purposes of this section, in determining whether a trade or business activity qualifies as a new business under paragraph (2) of subdivision (e), the following rules shall apply:

(1) In any case where a taxpayer purchases or otherwise acquires all or any portion of the assets of an existing trade or business (irrespective of the form of entity) that is doing business in this state (within the meaning of Section 23101), the trade or business thereafter conducted by the taxpayer (or any related person) shall not be treated as a new business if the aggregate fair market value of the acquired assets (including real, personal, tangible, and intangible property) used by the taxpayer (or any related person) in the conduct of its trade or business exceeds 20 percent of the aggregate fair market value of the total assets of the trade or business being conducted by the taxpayer (or any related person). For purposes of this paragraph only, the following rules shall apply:

(A) The determination of the relative fair market values of the acquired assets and the total assets shall be made as of the last day of the first income year in which the taxpayer (or any related person) first uses any of the acquired trade or business assets in its business activity.

(B) Any acquired assets that constituted property described in Section 1221(1) of the Internal Revenue Code in the hands of the

transferor shall not be treated as assets acquired from an existing trade or business, unless those assets also constitute property described in Section 1221(1) of the Internal Revenue Code in the hands of the acquiring taxpayer (or related person).

(2) In any case where a taxpayer (or any related person) is engaged in one or more trade or business activities in this state, or has been engaged in one or more trade or business activities in this state within the preceding 36 months ("prior trade or business activity"), and thereafter commences an additional trade or business activity in this state, the additional trade or business activity shall only be treated as a new business if the additional trade or business activity is classified under a different division of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, than are any of the taxpayer's (or any related person's) current or prior trade or business activities.

(3) In any case where a taxpayer, including all related persons, is engaged in trade or business activities wholly outside of this state and the taxpayer first commences doing business in this state (within the meaning of Section 23101) after December 31, 1993 (other than by purchase or other acquisition described in paragraph (1)), the trade or business activity shall be treated as a new business under paragraph (2) of subdivision (e).

(4) In any case where the legal form under which a trade or business activity is being conducted is changed, the change in form shall be disregarded and the determination of whether the trade or business activity is a new business shall be made by treating the taxpayer as having purchased or otherwise acquired all or any portion of the assets of an existing trade or business under the rules of paragraph (1) of this subdivision.

(5) "Related person" shall mean any person that is related to the taxpayer under either Section 267 or 318 of the Internal Revenue Code.

(6) "Acquire" shall include any transfer, whether or not for consideration.

(7) (A) For income years beginning on or after January 1, 1997, the term "new business" shall include any taxpayer that is engaged in biopharmaceutical activities or other biotechnology activities that are described in Codes 2833 to 2836, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, and as further amended, and that has not received regulatory approval for any product from the United States Food and Drug Administration.

(B) For purposes of this paragraph:

(i) "Biopharmaceutical activities" means those activities which use organisms or materials derived from organisms, and their cellular, subcellular, or molecular components, in order to provide pharmaceutical products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living

organisms to make commercial products, as opposed to pharmaceutical activities which make use of chemical compounds to produce commercial products.

(ii) "Other biotechnology activities" means activities consisting of the application of recombinant DNA technology to produce commercial products, as well as activities regarding pharmaceutical delivery systems designed to provide a measure of control over the rate, duration, and site of pharmaceutical delivery.

(h) For purposes of corporations whose net income is determined under Chapter 17 (commencing with Section 25101), Section 25108 shall apply to each of the following:

(1) The amount of net operating loss incurred in any income year which may be carried forward to another income year.

(2) The amount of any loss carry forward which may be deducted in any income year.

(i) The provisions of Section 172(b)(1)(D) of the Internal Revenue Code, relating to bad debt losses of commercial banks, shall not be applicable.

(j) The Franchise Tax Board may prescribe appropriate regulations to carry out the purposes of this section, including any regulations necessary to prevent the avoidance of the purposes of this section through splitups, shell corporations, partnerships, tiered ownership structures, or otherwise.

(k) The Franchise Tax Board may reclassify any net operating loss carryover determined under either paragraph (2) or (3) of subdivision (b) as a net operating loss carryover under paragraph (1) of subdivision (b) upon a showing that the reclassification is necessary to prevent evasion of the purposes of this section.

(*l*) The amendments made by the act adding this subdivision shall be operative for income years beginning on or after January 1, 1997.

SEC. 87. Section 24424 of the Revenue and Taxation Code is amended to read:

24424. (a) No deduction shall be allowed for—

(1) Premiums paid on any life insurance policy, or endowment or annuity contract, if the taxpayer is directly or indirectly a beneficiary under that policy or contract.

(2) Any amount paid or accrued on indebtedness incurred to purchase or carry a single premium life insurance, endowment, or annuity contract. This paragraph shall apply with respect to annuity contracts only as to contracts purchased after December 31, 1954.

(3) Except as provided in subdivision (c), any amount paid or accrued on indebtedness incurred or continued to purchase or carry a life insurance, endowment, or annuity contract (other than a single premium contract or a contract treated as a single premium contract) pursuant to a plan of purchase which contemplates the systematic direct or indirect borrowing of part or all of the increases in the cash value of that contract (either from the insurer or

otherwise). This paragraph shall apply only with respect to contracts purchased after August 6, 1963.

(4) Except as provided in subdivision (d), any interest paid or accrued on any indebtedness with respect to one or more insurance policies owned by the taxpayer covering the life of any individual, or any endowment or annuity contracts owned by the taxpayer covering any individual.

This paragraph shall apply with respect to contracts purchased after June 20, 1986.

(b) Paragraph (1) of subdivision (a) shall not apply to either of the following:

(1) Any annuity contract described in Section 72(s)(5) of the Internal Revenue Code.

(2) Any annuity contract to which Section 72(u) of the Internal Revenue Code applies.

(c) For purposes of paragraph (2) of subdivision (a), a contract shall be treated as a single premium contract if either of the following conditions exist:

(1) Substantially all the premiums on the contract are paid within a period of four years from the date on which the contract is purchased.

(2) An amount is deposited after December 31, 1954, with the insurer for payment of a substantial number of future premiums on the contract.

(d) Paragraph (3) of subdivision (a) shall not apply to any amount paid or accrued by a person during an income year on indebtedness incurred or continued as part of a plan referred to in paragraph (3) of subdivision (a) if any of the following is applicable:

(1) No part of four of the annual premiums due during the seven-year period (beginning with the date the first premium on the contract to which that plan relates was paid) is paid under that plan by means of indebtedness.

(2) The total of the amounts paid or accrued by that person during that income year for which (without regard to this paragraph) no deduction would be allowable by reason of paragraph (3) of subdivision (a) does not exceed one hundred dollars ($100).

(3) That amount was paid or accrued on indebtedness incurred because of an unforeseen substantial loss of income or unforeseen substantial increase in its financial obligations.

(4) That indebtedness was incurred in connection with its trade or business.

For purposes of applying paragraph (1), if there is a substantial increase in the premiums on a contract, a new seven-year period described in that paragraph with respect to that contract shall commence on the date the first increased premium is paid.

(e) (1) Paragraph (4) of subdivision (a) shall not apply to any interest paid or accrued on any indebtedness with respect to policies or contracts covering an individual who is a key person to the extent

that the aggregate amount of that indebtedness with respect to policies and contracts covering that individual does not exceed fifty thousand dollars ($50,000).

(2) (A) No deduction shall be allowed by reason of paragraph (1) or the last sentence of subdivision (a) with respect to interest paid or accrued for any month beginning after December 31, 1995, to the extent the amount of that interest exceeds the amount which would have been determined if the applicable rate of interest were used for that month.

(B) For purposes of subparagraph (A):

(i) The applicable rate of interest for any month is the rate of interest described as Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc., or any successor thereto, for that month.

(ii) In the case of indebtedness on a contract purchased on or before June 20, 1986, all of the following shall apply:

(I) If the contract provides a fixed rate of interest, the applicable rate of interest for any month shall be the Moody's rate described in clause (i) for the month in which the contract was purchased.

(II) If the contract provides a variable rate of interest, the applicable rate of interest for any month in an applicable period shall be the Moody's rate described in clause (i) for the third month preceding the first month in that period.

(III) For purposes of subclause (II), the term "applicable period" means the 12-month period beginning on the date the policy is issued (and each successive 12-month period thereafter) unless the taxpayer elects a number of months (not greater than 12) other than that 12-month period to be its applicable period. That election shall be made not later than the 90th day after the date of the enactment of the act adding this sentence and, if made, shall apply to the taxpayer's first income year ending on or after December 31, 1995, and all subsequent income years, unless revoked with the consent of the Franchise Tax Board.

(3) For purposes of paragraph (1), "key person" means an officer or 20-percent owner, except that the number of individuals who may be treated as key persons with respect to any taxpayer shall not exceed the greater of:

(A) Five individuals.

(B) The lesser of 5 percent of the total officers and employees of the taxpayer or 20 individuals.

(4) For purposes of this subdivision, "20-percent owner" means both of the following:

(A) If the taxpayer is a corporation, any person who directly owns 20 percent or more of the outstanding stock of the corporation or stock possessing 20 percent or more of the total combined voting power of all stock of the corporation.

(B) If the taxpayer is not a corporation, any person who owns 20 percent or more of the capital or profits interest in the taxpayer.

(5) (A) For purposes of subparagraph (A) of paragraph (4) and for purposes of applying the fifty thousand dollars ($50,000) limitation in paragraph (1) both of the following shall apply:

(i) All members of a controlled group shall be treated as one taxpayer.

(ii) The limitation shall be allocated among the members of the controlled group in the manner the Franchise Tax Board may prescribe.

(B) For purposes of this paragraph, all persons treated as a single employer under Section 52(a) or 52(b) of the Internal Revenue Code, relating to special rules, or Section 414(m) or 414(o) of the Internal Revenue Code, relating to definitions and special rules, shall be treated as members of a controlled group.

(f)(1) No deduction shall be allowed for that portion of the taxpayer's interest expense which is allocable to unborrowed policy cash values.

(2) For purposes of paragraph (1), the portion of the taxpayer's interest expense which is allocable to unborrowed policy cash values is an amount which bears the same ratio to the interest expense as:

(A) The taxpayer's average unborrowed policy cash values of life insurance policies, and annuity and endowment contracts, issued after June 8, 1997, bears to

(B) The sum of:

(i) In the case of assets of the taxpayer which are life insurance policies or annuity or endowment contracts, the average unborrowed policy cash values of those policies and contracts, and

(ii) In the case of assets of the taxpayer not described in clause (i), the average adjusted bases (within the meaning of Section 24916) of those assets.

(3) For purposes of this subdivision, the term "unborrowed policy cash value" means, with respect to any life insurance policy or annuity or endowment contract, the excess of:

(A) The cash surrender value of the policy or contract determined without regard to any surrender charge, over

(B) The amount of any loan with respect to that policy or contract.

(4) (A) Paragraph (1) shall not apply to any policy or contract owned by an entity engaged in a trade or business if the policy or contract covers only one individual and if that individual is (at the time first covered by the policy or contract):

(i) A 20-percent owner of the entity, or

(ii) An individual (not described in clause (i)) who is an officer, director, or employee of that trade or business.

A policy or contract covering a 20-percent owner of the entity shall not be treated as failing to meet the requirements of the preceding sentence by reason of covering the joint lives of the owner and the owner's spouse.

(B) Paragraph (1) shall not apply to any annuity contract to which Section 72(u) of the Internal Revenue Code applies.

(C) Any policy or contract to which paragraph (1) does not apply by reason of this paragraph shall not be taken into account under paragraph (2).

(D) For purposes of subparagraph (A), the term "20-percent owner" has the meaning given such term by paragraph (4) of subdivision (e).

(5)(A)(i) This subdivision shall not apply to any policy or contract held by a natural person.

(ii) If a trade or business is directly or indirectly the beneficiary under any policy or contract, the policy or contract shall be treated as held by that trade or business and not by a natural person.

(iii)(I) Clause (ii) shall not apply to any trade or business carried on as a sole proprietorship and to any trade or business performing services as an employee.

(II) The amount of the unborrowed cash value of any policy or contract which is taken into account by reason of clause (ii) shall not exceed the benefit to which the trade or business is directly or indirectly entitled under the policy or contract.

(iv) A copy of the report required for federal purposes under Section 264(f) of the Internal Revenue Code shall be filed with the Franchise Tax Board at a time and in the manner specified for federal purposes and shall be treated as a statement referred to in Section 6724(d)(1) of the Internal Revenue Code.

(B) In the case of a partnership or S corporation, this subdivision shall be applied at the partnership and corporate levels.

(6)(A) If interest on any indebtedness is disallowed under subdivision (a) or Section 24425, both of the following shall apply:

(i) The disallowed interest shall not be taken into account for purposes of applying this subdivision.

(ii) The amount otherwise taken into account under subparagraph (B) of paragraph (2) shall be reduced (but not below zero) by the amount of the indebtedness.

(B) This subdivision shall be applied before the application of Section 263A of the Internal Revenue Code, relating to capitalization of certain expenses where taxpayer produces property.

(7) The term "interest expense" means the aggregate amount allowable to the taxpayer as a deduction for interest (within the meaning of Section 24344) for the income year (determined without regard to this subdivision, Section 24425, and Section 291 of the Internal Revenue Code).

(8) All members of a controlled group (within the meaning of subparagraph (B) of paragraph (5) of subdivision (e)) shall be treated as one taxpayer for purposes of this subdivision.

(g) (1) The amendments made to this section by the act adding this subdivision shall apply to interest paid or accrued after December 31, 1995.

(2) (A) The amendments made to this section by the act adding this subdivision shall not apply to qualified interest paid or accrued

on that indebtedness after December 31, 1995, and before January 1, 1999, in the case of either of the following:

(i) Indebtedness incurred before January 1, 1996.

(ii) Indebtedness incurred before January 1, 1997, with respect to any contract or policy entered into in 1994 or 1995.

(B) For purposes of subparagraph (A), the qualified interest with respect to any indebtedness for any month is the amount of interest (otherwise deductible) which would be paid or accrued for that month on that indebtedness if—

(i) In the case of any interest paid or accrued after December 31, 1995, indebtedness with respect to no more than 20,000 insured individuals were taken into account, and

(ii) The lesser of the following rates of interest were used for that month:

(I) The rate of interest specified under the terms of the indebtedness as in effect on December 31, 1995 (and without regard to modification of the terms after that date).

(II) The applicable percentage of the rate of interest described as Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investors Service, Inc., or any successor thereto, for that month. For purposes of clause (i), all persons treated as a single employer under Section 52(a) or 52(b) of the Internal Revenue Code, relating to special rules, or Section 414(m) or 414(o) of the Internal Revenue Code, relating to definitions and special rules, shall be treated as one person. Subclause (II) of clause (ii) shall not apply to any month before January 1, 1996.

(C) For purposes of subparagraph (B), the applicable percentage is as follows:

For calendar year:	The percentage is:
1996	100 percent
1997	90 percent
1998	80 percent

(3) This subdivision shall not apply to any contract purchased on or before June 20, 1986, except that paragraph (2) of subdivision (d) shall apply to interest paid or accrued after December 31, 1995.

(h) (1) Any amount received under any life insurance policy or endowment or annuity contract described in paragraph (4) of subdivision (a) shall be includable in gross income (in lieu of any other inclusion in gross income) ratably over the four-income-year period beginning with the income year that amount would (but for this paragraph) be includable, upon the occurrence of either of the following:

(A) The complete surrender, redemption, or maturity of that policy or contract during calendar year 1996, 1997, or 1998.

(B) The full discharge during calendar year 1996, 1997, or 1998 of the obligation under the policy or contract which is in the nature of a refund of the consideration paid for the policy or contract.

(2) Paragraph (1) shall only apply to the extent the amount is includable in gross income for the income year in which the event described in subparagraph (A) or (B) of paragraph (1) occurs.

(3) Solely by reason of an occurrence described in subparagraph (A) or (B) of paragraph (1) or solely by reason of no additional premiums being received under the contract by reason of a lapse occurring after December 31, 1995, a contract shall not be treated as either of the following:

(A) Failing to meet the requirement of paragraph (1) of subdivision (c).

(B) A single premium contract under paragraph (1) of subdivision (b).

(i) The amendments made by the act adding this subdivision shall apply to contracts issued after June 8, 1997, in income years beginning on or after January 1, 1998. For purposes of the preceding sentence, any material increase in the death benefit or other material change in the contract shall be treated as a new contract, except that the addition of covered lives shall be treated as a new contract only with respect to those additional covered lives. For purposes of this subdivision, an increase in the death benefit under a policy of contract issued in connection with a lapse described in Section 501(d)(2) of the Health Insurance Portability and Accountability Act of 1996 shall not be treated as a new contract.

SEC. 88. Section 24611 of the Revenue and Taxation Code is amended to read:

24611. (a) Section 404(k) of the Internal Revenue Code, relating to dividends paid deduction, shall apply to income years beginning on or after January 1, 1995.

(b) For income years beginning on or after January 1, 1998, Section 404(a)(9) of the Internal Revenue Code, relating to certain contributions to employee ownership plans, is modified to provide that Section 404(a)(9) of the Internal Revenue Code shall not apply to an "S corporation."

(c) For income years beginning on or after January l, 1998, Section 404(k)(1) of the Internal Revenue Code, relating to deduction for dividends on certain employer securities, is modified to provide that the phrase "a corporation" shall read "a C corporation."

SEC. 89. Section 24652.5 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

24652.5. (a) (1) Section 447(i)(3) of the Internal Revenue Code, relating to reduction in account if farming business contracts, shall not apply.

(2) Section 447(i)(4) of the Internal Revenue Code, relating to income inclusions, shall not apply.

(3) (A) No suspense account may be established under Section 447(i) of the Internal Revenue Code, relating to suspense account for family corporations, by any corporation required by Section 447 of the Internal Revenue Code, relating to method of accounting for corporations engaged in farming, to change its method of accounting for any income year ending after June 8, 1997.

(B) (i) Each suspense account under Section 447(i) of the Internal Revenue Code shall be reduced (but not below zero) for each income year beginning after June 8, 1997, by an amount equal to the lesser of:

(I) The applicable portion of the account.

(II) Fifty percent of the net income of the corporation for the income year, or, if the corporation has no net income for that year, the amount of any net operating loss (as defined in Section 172 of the Internal Revenue Code and as modified for purposes of this part) for that income year.

For purposes of the preceding sentence, the amount of net income and net operating loss shall be determined without regard to this paragraph.

(ii) The amount of the applicable portion for any income year shall be reduced (but not below zero) by the amount of any reduction required for the income year under any other provision of Section 447(i) of the Internal Revenue Code.

(iii) Any reduction in a suspense account under this paragraph shall be included in gross income for the income year of the reduction.

(C) For purposes of subparagraph (B), the term "applicable portion" means, for any income year, the amount which would ratably reduce the amount in the account (after taking into account prior reductions) to zero over the period consisting of that income year and the remaining income years in those first 20 income years.

(D) Any amount in the account as of the close of that 20th year referred to in subparagraph (C) shall be treated as the applicable portion for each succeeding year thereafter to the extent not reduced under this paragraph for any prior income year after the 20th year.

(b) This section shall apply to income years ending on or after December 31, 1997.

(c) This section shall not apply to income years beginning on or after January 1, 1998.

SEC. 90. Section 24661.5 of the Revenue and Taxation Code, as added by Section 35 of Chapter 7 of the Statutes of 1998, is amended to read:

24661.5. (a) Section 451(e) of the Internal Revenue Code, relating to special rule for proceeds from livestock sold on account of drought, is modified by substituting the phrase "drought, flood, or other weather-related conditions, and that those conditions" in lieu of the phrase "drought conditions, and that these drought conditions" contained therein.

(b) This section shall apply to sales and exchanges after December 31, 1996.

(c) This section shall not apply to income years beginning on or after January 1, 1998.

SEC. 91. Section 24673.2 of the Revenue and Taxation Code is amended to read:

24673.2. (a) Section 460 of the Internal Revenue Code, relating to special rules for long-term contracts, shall apply, except as otherwise provided.

(b) (1) Section 804(d) of Public Law 99-514, relating to the effective date of modifications in the method of accounting for long-term contracts, shall apply to income years beginning on or after January 1, 1987.

(2) In the case of a contract entered into after February 28, 1986, during an income year beginning before January 1, 1987, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between state and federal law for the income year in which the contract began.

(c) (1) The amendments to Section 460 of the Internal Revenue Code made by Section 10203 of Public Law 100-203, relating to a reduction in the percentage of items taken into account under the completed contract method, shall apply to each income year beginning on or after January 1, 1990.

(2) In the case of a contract entered into after October 13, 1987, during an income year beginning before January 1, 1990, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between state and federal law for each income year beginning prior to January 1, 1990.

(d) (1) The amendments to Section 460 of the Internal Revenue Code made by Section 5041 of Public Law 100-647, relating to a reduction in the percentage of items taken into account under the completed contract method, shall apply to each income year beginning on or after January 1, 1990.

(2) In the case of a contract entered into after June 20, 1988, during an income year beginning before January 1, 1990, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between state and federal law for each income year beginning prior to January 1, 1990.

(e) (1) The amendments to Section 460 of the Internal Revenue Code made by Section 7621 of Public Law 101-239, relating to the repeal of the completed contract method of accounting for long-term contracts, shall apply to each income year beginning on or after January 1, 1990.

(2) In the case of a contract entered into after July 10, 1989, during an income year beginning on or before January 1, 1990, an adjustment to income shall be made upon completion of the contract, if necessary, to correct any underreporting or overreporting of income, for purposes of this part, resulting from differences between state and federal law for each income year beginning prior to January 1, 1990.

(f) For purposes of applying paragraphs (2) to (6), inclusive, of Section 460(b) of the Internal Revenue Code, relating to the look-back method, any adjustment to income computed under paragraph (2) of subdivision (b), (c), (d), or (e) shall be deemed to have been reported in the income year from which the adjustment arose, rather than the income year in which the contract was completed.

SEC. 92. Section 24710 of the Revenue and Taxation Code is amended to read:

24710. (a) For each income year beginning on or after January 1, 1997, Section 475 of the Internal Revenue Code, relating to mark to market accounting method for securities dealers, shall apply, except as otherwise provided.

(b) Section 13233(c)(2)(C) of the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to the effective date for changes in the mark to market accounting method for securities dealers, is modified to provide that the amount taken into account under Section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the five-income-year period beginning with the first income year beginning on or after January 1, 1997.

(c) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 475(e) of the Internal Revenue Code, relating to election of mark to market for dealers in commodities, to have Section 475 of the Internal Revenue Code apply, Section 475 of the Internal Revenue Code shall apply to that dealer in commodities for state purposes, a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make, or has not previously made, an election for federal purposes under Section 475(e) of the Internal Revenue Code, relating to election of mark to market for dealers in commodities, to have Section 475 of the Internal Revenue Code apply, an election under Section 475(e) of the Internal Revenue Code shall not be allowed for state purposes, Section 475 of the Internal Revenue Code shall not apply to that dealer in commodities for state purposes, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5.

(d) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 475(f)(1) of the Internal Revenue Code, relating to election of mark to market for traders in securities, to have Section 475 of the Internal Revenue Code apply to a trade or business, Section 475 of the Internal Revenue Code shall apply to that trader

in securities for state purposes with respect to that trade or business, a separate election for state purposes with respect to that trade or business shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5, and the federal election shall be binding for purposes of this part.

(2) If a taxpayer fails to make, or has not previously made, an election for federal purposes under Section 475(f)(1) of the Internal Revenue Code, relating to election of mark to market for traders in securities, to have Section 475 of the Internal Revenue Code apply to a trade or business, an election under Section 475(f)(1) of the Internal Revenue Code shall not be allowed for state purposes with respect to that trade or business, Section 475 of the Internal Revenue Code shall not apply to that trader in securities for state purposes with respect to that trade or business, and a separate election for state purposes shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5.

(e) (1) If a taxpayer has, at any time, made an election for federal purposes under Section 475(f)(2) of the Internal Revenue Code, relating to election of mark to market for traders in commodities, to have Section 475 of the Internal Revenue Code apply to a trade or business, Section 475 of the Internal Revenue Code shall apply to that trader in commodities for state purposes with respect to that trade or business, a separate election for state purposes with respect to that trade or business shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5, and the federal election with respect to that trade or business shall be binding for purposes of this part.

(2) If a taxpayer fails to make, or has not previously made, an election for federal purposes under Section 475(f)(2) of the Internal Revenue Code, relating to election of mark to market for traders in commodities, to have Section 475 of the Internal Revenue Code apply to a trade or business, an election under Section 475(f)(2) of the Internal Revenue Code shall not be allowed for state purposes with respect to that trade or business, Section 475 of the Internal Revenue Code shall not apply to that trader in commodities for state purposes with respect to that trade or business, and a separate election for state purposes with respect to that trade or business shall not be allowed under paragraph (3) of subdivision (e) of Section 23051.5.

(f) (1) An election under Section 475(e) or (f) of the Internal Revenue Code made for federal purposes with respect to an income year beginning before January 1, 1998, shall be treated as having been made for state purposes with respect to the first income year beginning on or after January 1, 1998.

(2) Section 1001(d)(4)(B) of the Taxpayer Relief Act of 1997 (P.L. 105-34), relating to the effective date for election of mark to market by securities traders and traders and dealers in commodities, is modified to provide that the requirement for timely identification shall be treated as timely made for state purposes if that identification

is treated as timely made for federal purposes, and the amount taken into account under Section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the four-income-year period beginning with the first income year beginning on or after January 1, 1998.

SEC. 93. Section 24871.5 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

24871.5. (a) Section 851(b)(3) of the Internal Revenue Code shall not apply.

(b) This section shall apply in determining whether an entity qualifies as a regulated investment company for income years of that entity beginning after August 5, 1997.

(c) This section shall not apply to income years beginning on or after January 1, 1998.

SEC. 94. Section 24872.4 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

24872.4. (a) Section 856(d)(7)(C)(ii) of the Internal Revenue Code is modified by substituting the phrase "if received by an organization described in subdivision (b) of Section 17651 of Part 10 or Section 23731" for the phrase "if received by an organization described in section 511(a)(2)."

(b) (1) An election under Section 856(e)(5) of the Internal Revenue Code for federal purposes shall be treated for purposes of this part as an election made by the real estate investment trust under Section 856 (e)(5) of the Internal Revenue Code for state purposes and a separate election under paragraph (3) of subdivision (e) of Section 23051.5 shall not be allowed.

(2) Any revocation of an election under Section 856(e)(5) of the Internal Revenue Code for federal purposes shall be treated for purposes of this part as a revocation of the election made by the real estate investment trust under Section 856(e)(5) of the Internal Revenue Code for state purposes and a separate election under paragraph (3) of subdivision (e) of Section 23051.5 shall not be allowed with respect to the property for any subsequent income year.

(3) If the real estate investment trust fails to make an election under Section 856(e)(5) of the Internal Revenue Code for federal purposes with respect to any property, that property shall not be treated for purposes of this part as foreclosure property, an election under Section 856(e)(5) of the Internal Revenue Code for state purposes with respect to that property shall not be allowed, and a separate election under paragraph (3) of subdivision (e) of Section 23051.5 shall not be allowed with respect to that property.

(c) This section shall apply to income years beginning after August 5, 1997.

(d) The amendments made to this section by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 95. Section 24872.5 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

24872.5. (a) Section 856(c)(4) of the Internal Revenue Code shall not apply.

(b) (1) Section 856(c)(6)(G) of the Internal Revenue Code shall not apply and in lieu thereof paragraph (2) shall apply.

(2) Except to the extent provided by regulations of the Secretary of the Treasury under Section 856(c)(5)(G) of the Internal Revenue Code (as redesignated and amended by Public Law 105-34), both of the following shall be treated as income qualifying under Section 856(c)(2) of the Internal Revenue Code:

(A) Any payment to a real estate investment trust under an interest rate swap or cap agreement, option, futures contract, forward rate agreement, or any similar financial instrument, entered into by the trust in a transaction to reduce the interest rate risks with respect to any indebtedness incurred or to be incurred by the trust to acquire or carry real estate assets.

(B) Any gain from the sale or other disposition of any such investment.

(c) This section shall apply in determining whether an entity qualifies as a real estate investment trust for income years of that entity beginning after August 5, 1997.

(d) This section shall not apply to income years beginning on or after January 1, 1998.

SEC. 96. Section 24872.7 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

24872.7. (a) (1) (A) Whenever a penalty is imposed for federal purposes under Section 857(f)(2)(A) or (B) of the Internal Revenue Code, whichever is applicable, it shall be deemed that the real estate investment trust has failed to comply with the requirements of Section 857(f)(2)(A) or (B) of the Internal Revenue Code, whichever is applicable, for state purposes for that income year and a penalty equal to the penalty determined for federal purposes under Section 857(f)(2)(A) or (B) of the Internal Revenue Code, whichever is applicable, shall be imposed and shall be paid on notice and demand and in the same manner as tax.

(B) No penalty shall be imposed under this paragraph if the Secretary of the Treasury, under Section 857(f)(2)(D) of the Internal Revenue Code, has determined that the failure to comply is due to reasonable cause and not to willful neglect.

(2) (A) Whenever a penalty is imposed for federal purposes under Section 857(f)(2)(C) of the Internal Revenue Code it shall be deemed that the real estate investment trust has failed to comply with the requirements of Section 857(f)(2)(C) of the Internal Revenue Code for state purposes for that income year and an additional penalty equal to the penalty determined for federal purposes under Section 857(f)(2)(C) of the Internal Revenue Code

shall be imposed and shall be paid on notice and demand and in the same manner as tax.

(B) No penalty shall be imposed under this paragraph if the Secretary of the Treasury, under Section 857(f)(2)(D) of the Internal Revenue Code, has determined that the failure to comply is due to reasonable cause and not to willful neglect.

(b) This section shall apply to income years beginning after August 5, 1997.

(c) The amendments made to this section by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 97. Section 24875.5 of the Revenue and Taxation Code, as added by Chapter 7 of the Statutes of 1998, is amended to read:

24875.5. (a) Section 860L(b)(1)(A) of the Internal Revenue Code is modified by substituting the phrase "on or after the startup date" for the phrase "after the startup date."

(b) Section 860L(d)(2) of the Internal Revenue Code is modified by substituting a reference to Section 860I(b)(2) of the Internal Revenue Code in lieu of the reference to Section 860I(c)(2) of the Internal Revenue Code.

(c) This section shall apply on and after September 1, 1997.

(d) This section shall not apply to income years beginning on or after January 1, 1998.

SEC. 98. Section 24949.1 of the Revenue and Taxation Code, as added by Section 42 of Chapter 7 of the Statutes of 1998, is amended to read:

24949.1. (a) Section 1033(e) of the Internal Revenue Code, relating to livestock sold on account of drought, is modified by substituting the phrase "on account of drought, flood, or other weather-related conditions" in lieu of the phrase "on account of drought" contained therein.

(b) This section shall apply to sales and exchanges after December 31, 1996.

(c) This section shall not apply to income years beginning on or after January 1, 1998.

SEC. 99. Section 24954 of the Revenue and Taxation Code, as added by Chapter 604 of the Statutes of 1997, is repealed.

SEC. 100. Section 24954 of the Revenue and Taxation Code, as added by Chapter 611 of the Statutes of 1997, is amended to read:

24954. For income years beginning on or after January 1, 1995, Section 1042 of the Internal Revenue Code, relating to sales of stock to employee stock ownership plans or certain cooperatives, shall apply, except as otherwise provided.

SEC. 101. Section 24954.1 is added to the Revenue and Taxation Code, to read:

24954.1. Section 1042(g) of the Internal Revenue Code, relating to application of section to sales of stock in agricultural refiners and processors to eligible farm cooperatives, shall not apply.

SEC. 102. Section 24994 of the Revenue and Taxation Code is amended to read:

24994. Section 1272 of the Internal Revenue Code shall be modified as follows:

(a) For income years beginning on or after January 1, 1987, and before the income year in which the debt obligation matures or is sold, exchanged, or otherwise disposed, the amount included in gross income under this part shall be the same as the amount included in gross income on the federal tax return.

(b) The difference between the amount included in gross income on the federal return and the amount included in gross income under this part, with respect to obligations issued after December 31, 1984, for income years beginning before January 1, 1987, shall be included in gross income in the income year in which the debt obligation matures or is sold, exchanged, or otherwise disposed.

(c) A taxpayer may elect, in the form and manner as the Franchise Tax Board may prescribe,

(1) To recognize the difference specified in subdivision (b) ratably in each of the first four income years beginning on or after January 1, 1987, rather than at the time the debt obligation matures, is sold, exchanged, or otherwise disposed, or

(2) To apply the provisions of Section 1272 of the Internal Revenue Code to obligations issued on or after the first day of the taxpayer's income years beginning on or after January 1, 1987.

(d) Section 1004(b) of the Taxpayer Relief Act of 1997 (P.L. 105-34), relating to the effective date for determination of original issue discount where pooled debt obligations are subject to acceleration, is modified to provide that the changes to Section 1272(a)(6) of the Internal Revenue Code made by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998, and the amount taken into account under Section 481 of the Internal Revenue Code shall be taken into account ratably over the four-income-year period beginning with the first income year beginning on or after January 1, 1998.

SEC. 103. Section 9551.1 is added to the Vehicle Code, to read:

9551.1. (a) When an application is made for a renewal or initial registration of a vehicle, the department shall apply the amount of the offset as established by paragraph (1) of subdivision (a) of Section 10754 of the Revenue and Taxation Code. The department shall alter its billing notices for vehicle license fees to indicate a total amount to be paid that reflects the amount of the offset. The Department of Motor Vehicles shall, as required by Section 11000.1 of the Revenue and Taxation Code, provide information to the Controller with respect to the amount of the offsets subject to this subdivision.

(b) (1) For purposes of this section, "department" means the Department of Motor Vehicles and the Department of Housing and Community Development.

(2) This section is inoperative on the date Section 9551.2 becomes operative, and is repealed on July 1, 1999.

SEC. 104. Section 9551.2 is added to the Vehicle Code, to read:

9551.2. (a) When an application is made for a renewal or initial registration of a vehicle, the department shall apply the amount of any operative offset established by subdivision (a) of Section 10754 of the Revenue and Taxation Code. The department shall alter its billing notice for vehicle license fees to indicate the amount of the vehicle license fee for each vehicle as calculated under Section 10752 or 10752.1 of the Revenue and Taxation Code, or under Section 18115 of the Health and Safety Code, and the amount of the applicable offset as required by subdivision (a) of Section 10754 of the Revenue and Taxation Code. The amount of the offset shall be identified on the billing notice as the "VLF Offset." The Department of Motor Vehicles shall, as required by Section 11000 of the Revenue and Taxation Code, provide information to the Controller with respect to the amount of offsets subject to this subdivision.

(b) This section shall become operative on July 1, 1999, or on that earlier date that is determined by both the director of the department, and the Director of the Department of Housing and Community Development, to be feasible for the implementation of this section.

SEC. 105. Section 9554.1 is added to the Vehicle Code, to read:

9554.1. The amount of any penalty calculated pursuant to Section 9554 or subdivision (b) of Section 18116 of the Health and Safety Code shall be reduced by the amount of any offset implemented pursuant to Section 10754 of the Revenue and Taxation Code, or any portion of the amount of that offset.

SEC. 106. (a) The amendments made by this act to subdivision (a) of Section 18042 of, and to Sections 24611 and 24954 of, the Revenue and Taxation Code shall be operative for taxable and income years beginning on or after January 1, 1995.

(b) The Legislature finds and declares that the retroactive changes in taxation made by this act constitute a public purpose of statewide interest and concern because of all of the following:

(1) Employee stock ownership plans have broadened employee ownership of California businesses.

(2) Allowing taxpayers that offer employee stock ownership plan benefits to claim tax benefits in 1995 aids both California workers and businesses.

(3) The lack of conformity to federal tax law would otherwise subject taxpayers to undue recordkeeping burdens and costs of compliance, and because without that conformity employees in this state would be unable to obtain an ownership interest in their company. Moreover, continued conformity will ensure that incentives for the formation and maintenance of employee stock ownership plans in this state are provided.

SEC. 107. (a) It is the intent of the Legislature that in the case of Sections 17088.5, 17088.6, 17760.5, 18510, 19184, 23800.5, 24652.5, 24871.5, 24872.4, 27872.5, 24872.7, and 24875.5 of the Revenue and Taxation Code, which were added or amended by Chapter 7 of the Statutes of 1998 and amended by this act, the following rules shall apply in determining the applicability of these sections:

(1) For taxable and income years beginning before January 1, 1998, the section as contained in Chapter 7 of the Statutes of 1998 shall apply.

(2) For taxable and income years beginning on or after January 1, 1998, the section as contained in this act shall apply.

(b) Except as provided in paragraph (3), Sections 17062, 17132.6, 17559, 18037.3, 18572, 23456, 24661.5, and 24949.1 of the Revenue and Taxation Code which are contained in both this act and Chapter 7 of the Statutes of 1998 shall be applied in the following manner:

(1) For transactions occurring before January 1, 1998, the sections contained in Chapter 7 of the Statutes of 1998 shall apply.

(2) For transactions occurring on or after January 1, 1998, the sections contained in this act shall apply.

(3) This amendment to subparagraph (A) of paragraph (1) of subdivision (c) Section 17062 of the Revenue and Taxation Code made this act consistent with the intent of Chapter 7 of the Statutes of 1998, and as such, shall apply as provided in that act.

SEC. 108. It is the intent of the Legislature in enacting this act to better understand the relationship of directed tax credits to the creation of jobs in California.

SEC. 109. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

CHAPTER 323

An act to amend Sections 7073 and 7074 of, and to add Sections 7076.1 and 7076.2 to, the Government Code, to amend Sections 6358, 6380, 13550, 17052.12, 17052.17, 17052.18, 17053.33, 17053.34, 17053.47, 17053.49, 17053.70, 17053.74, 17273, 17276.2, 23153, 23221, 23609, 23612.2, 23617, 23617.5, 23622.7, 23622.8, 23633, 23634, 23649, and 24416.2 of, and to add Sections 6378 and 13534 to, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 20, 1998. Filed with Secretary of State August 20, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 7073 of the Government Code is amended to read:

7073. (a) Except as provided in subdivision (e), any city, county, or city and county with an eligible area within its jurisdiction may complete a preliminary application for designation as an enterprise zone. The applying entity shall establish definitive boundaries for the proposed enterprise zone and the targeted employment area.

(b) (1) In designating enterprise zones, the agency shall select from the applications submitted those proposed enterprise zones that, upon a comparison of all of the applications submitted, indicate that they propose the most effective, innovative, and comprehensive regulatory, tax, program, and other incentives in attracting private sector investment in the zone proposed.

(2) For purposes of this subdivision, regulatory incentives include, but are not limited to, all of the following:

(A) The suspension or relaxation of locally originated or modified building codes, zoning laws, general development plans, or rent controls.

(B) The elimination or reduction of fees for applications, permits, and local government services.

(C) The establishment of a streamlined permit process.

(3) For purposes of this subdivision, tax incentives include, but are not limited to, the elimination or reduction of construction taxes or business license taxes.

(4) For the purposes of this subdivision, program and other incentives may include, but are not limited to, all of the following:

(A) The provision or expansion of infrastructure.

(B) The targeting of federal block grant moneys, including small cities, education, and health and welfare block grants.

(C) The targeting of economic development grants and loan moneys, including grant and loan moneys provided by the federal Urban Development Action Grant program and the federal Economic Development Administration.

(D) The targeting of state and federal job disadvantaged and vocational education grant moneys, including moneys provided by the federal Job Training Partnership Act of 1982 (P.L. 97-300).

(E) The targeting of federal or state transportation grant moneys.

(F) The targeting of federal or state low-income housing and rental assistance moneys.

(G) The use of tax allocation bonds, special assessment bonds, bonds under the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2), industrial development bonds, revenue bonds, private activity bonds, housing bonds, bonds issued pursuant to the Marks-Ross Local Bond Pooling Act of 1985 Article 4 (commencing with Section 6584) of Chapter 5), certificates of participation, hospital bonds, redevelopment bonds, and school bonds, and including all special provisions provided for under federal tax law for enterprise community or empowerment zone bonds.

(5) In the process of designating new enterprise zones, the agency shall take into consideration the location of existing zones and make every effort to locate new zones in a manner that will not adversely affect any existing zones.

(6) In designating new enterprise zones, the agency shall include in its criteria the fact that jurisdictions have been declared disaster areas by the President of the United States within the last seven years.

(c) In evaluating applications for designation, the agency shall ensure that applications are not disqualified solely because of technical deficiencies, and shall provide applicants with an opportunity to correct the deficiencies. Applications shall be disqualified if the deficiencies are not corrected within two weeks.

(d) (1) Except as provided in paragraph (2), or upon dedesignation pursuant to subdivision (c) of Section 7076.1 or Section 7076.2, designation made by the agency shall be binding for a period of 15 years from the date of the original designation.

(2) The designation period for any zone designated pursuant to either Section 7073 or 7085 prior to 1990 may total 20 years, subject to possible dedesignation pursuant to subdivision (c) of Section 7076.1 or Section 7076.2, if:

(A) The zone receives a superior or passing audit pursuant to subdivision (c) of Section 7076.1.

(B) The local jurisdictions comprising the zone submit an updated economic development plan to the agency justifying the need for an additional five years by defining goals and objectives that still need to be achieved and indicating what actions are to be taken to achieve these goals and objectives.

(e) (1) Notwithstanding any other provision of law, any area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or as a targeted economic development area, neighborhood economic development area, or program area pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, or any program area or part of a program area deemed designated as an enterprise zone pursuant to Section 7085.5 as it read prior to January 1, 1997, shall be deemed to be designated as an enterprise zone pursuant to this chapter. The effective date of designation of the enterprise zone shall be that of the original designation of the enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or of the program area pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, and in no event shall the total designation period exceed 15 years, except as provided in paragraph (2) of subdivision (d).

(2) Notwithstanding any other provision of law, any enterprise zone authorized, but not designated, pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, shall be allowed to complete the application process started pursuant

to that chapter, and to receive final designation as an enterprise zone pursuant to this chapter.

(3) Notwithstanding any other provision of law, any expansion of a designated enterprise zone or program area authorized pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, shall be deemed to be authorized as an expansion for a designated enterprise zone pursuant to this chapter.

(4) No part of this chapter shall be construed to require a new application for designation by an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or a targeted economic development area, neighborhood economic development area, or program area designated pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997.

(f) No more than 39 enterprise zones shall be designated at any one time pursuant to this chapter, including those deemed designated pursuant to subdivision (e). Upon the expiration or termination of a designation, the agency is authorized to designate another enterprise zone to maintain a total of 39 enterprise zones.

SEC. 2. Section 7074 of the Government Code is amended to read:

7074. (a) In the case of any enterprise zone, including an enterprise zone formerly designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) as it read prior to January 1, 1997, or as a program area pursuant to Chapter 12.9 (commencing with Section 7080) as it read prior to January 1, 1997, a city or county, or city and county may propose that the enterprise zone be expanded by 15 percent to include definitive boundaries that are contiguous to the enterprise zone. The agency may approve that expansion based upon the criterion specified in subdivision (b) of Section 7073.

(b) An enterprise zone that is located in the unincorporated area of a county may propose to use eligible expansion allotment to expand into an adjacent city or cities pursuant to this section if, in addition to approving the expansion based on the criterion described in subdivision (b) of Section 7073, the agency finds that all of the following conditions exist:

(1) Each of the cities' governing bodies approves the expansion by adoption of an ordinance or resolution.

(2) Land included within the proposed expansion is zoned for industrial or commercial use.

(3) Basic infrastructure, including, but not limited to, gas, water, electrical service, and sewer systems, is available to the area that would be included in the expansion.

(c) (1) Except as otherwise provided in paragraph (2), in no event shall an enterprise zone be permitted to expand more than 15

percent in size from its size on the date of original designation, including any expansion authorized pursuant to Chapter 12.8 (commencing with Section 7070), or Chapter 12.9 (commencing with Section 7080), as those chapters read prior to January 1, 1997.

(2) If an enterprise zone, on the date of original designation, is no greater than 13 square miles, it may be permitted to expand up to 20 percent in size from its size on the date of original designation.

SEC. 3. Section 7076.1 is added to the Government Code, to read:

7076.1. (a) The agency may audit the program of any jurisdiction in any designated zone at any time during the duration of the designation, as appropriate, or at least every five years from the date of designation or the operative date of this section, whichever is the latest. The matters to be examined in the course of an audit shall include an examination of the progress made by the zone toward meeting the goals, objectives, and commitments set forth in its original application and the agency's memorandum of understanding with the zone.

(b) The agency shall, for each audit, determine a result of superior, pass, or fail in accordance with subdivision (c). The results of each audit shall be based upon the success of the zone in making substantial and sustained efforts since the later of its designation or last audit to meet the standards, criteria, and conditions contained in the application and the memorandum of understanding (MOU) between the agency and the zone, as may be amended pursuant to the agreement of the zone and the agency. In each audit, the agency shall focus upon the zone's use of the marketing plan, local incentives, financing programs, job development, and program management as described in the application and the MOU. The agency shall also evaluate the vouchering plan, zone staff levels, zone budget, and elements unique to each application.

(c) For purposes of subdivision (b), an audit determination of superior, pass, or fail shall be made in accordance with the following:

(1) A zone will be determined to be superior if each jurisdiction comprising the zone does all of the following:

(A) Meets 100 percent of its goals, objectives, and commitments as defined in its application or most recent audit, and as determined by the agency in consultation with the zone. An equivalent or similar commitment may be substituted for an existing commitment of a zone if it is determined by the agency that an original commitment was not realistically practical or is no longer relevant.

(B) Demonstrates that it has reviewed and updated its goals, objectives, and commitments as defined in its original application or most recent audit.

(C) Identifies to the agency's satisfaction that it has incorporated economic development commitments in addition to those commitments previously made in its application.

(2) (A) A zone will be determined to be passing if each jurisdiction comprising the zone meets or exceeds 75 percent of its

goals, objectives, or commitments as defined in its original application or audit, and as determined by the agency in consultation with the zone. An equivalent or similar commitment may be substituted for an existing commitment of a zone if it is determined by the agency that an original commitment was not realistically practical or is no longer relevant.

(B) Any zone that is determined to be passing may appeal in writing to the agency for a determination of superior. Only one appeal may be filed pursuant to this subparagraph with respect to a determination by the agency, and may be filed no later than 30 days after the zone's receipt of the determination to which the appeal pertains. The agency shall respond in writing to any appeal that is properly filed pursuant to this subparagraph within 60 days of the date of that filing.

(3) (A) A zone will be determined to be failing if any jurisdiction comprising the zone fails to meet or exceed 75 percent of its goals, objectives, or commitments as defined in its original application or audit, and as determined by the agency in consultation with the zone. An equivalent or similar commitment may be substituted for an existing commitment of a zone if it is determined by the agency that an original commitment was not realistically practical or is no longer relevant.

(B) Any zone that is determined to be failing shall enter into a written agreement with the agency that specifies those items that the zone is required to remedy or improve. Failure of the zone and the agency to negotiate and enter into a written agreement as so described within 60 days of the last day upon which the agency is required to deliver a response letter pursuant to subparagraph (C) shall result in the dedesignation of the zone on January 1 immediately following the agency's written notice of dedesignation to the zone. A written agreement entered into pursuant to this subparagraph shall be for a six-month period. If, upon the expiration of the agreement, the agency determines that the zone has not met or implemented at least 75 percent of the conditions set forth in the agreement, the agency shall, after immediately providing written notification to each jurisdiction comprising the zone that the zone is to be dedesignated, dedesignate the zone effective on the first day of the month next following the date upon which the agreement expired. If, upon expiration of the agreement, the agency determines that the zone has met or implemented at least 75 percent of the conditions set forth in the agreement, the agency shall do either of the following:

(i) Allow the zone an additional year, or a longer period in the agency's discretion, to meet or implement those conditions in their entirety.

(ii) Pursuant to written notice provided immediately to each jurisdiction that comprises the zone that the zone is to be dedesignated, dedesignate the zone effective on January 1

immediately following the date of the agency's written notification of dedesignation to those jurisdictions.

Any business, located within any jurisdiction that comprises a zone that has been dedesignated, that has elected to avail itself of any state tax incentive specifically applicable to a zone for any taxable or income year beginning prior to the dedesignation of the zone may, to the extent the business is otherwise still eligible for those incentives, continue to avail itself of those incentives for a period equal to the remaining life of the zone. However, any business, located within any jurisdiction that comprises a zone that has been dedesignated, that has not availed itself of any state tax incentive in the manner described in the preceding sentence may not, after dedesignation of the zone, avail itself of any state incentive specifically applicable to a zone.

(d) (1) For purposes of this paragraph, "dedesignation" means that a zone is no longer a zone for purposes of either Section 7073 or 7085.

(2) Upon notification by the agency of the dedesignation of a zone and the end of the appeal period with respect to that dedesignation, the agency shall initiate an application process for a new designation as provided in Section 7073.

SEC. 4. Section 7076.2 is added to the Government Code, to read:

7076.2. (a) The agency shall dedesignate a zone on the first day of the month immediately following the date upon which the agency has received from each jurisdiction comprising the zone a resolution, adopted by the governing body of that jurisdiction, requesting the dedesignation of the zone. Upon the dedesignation of a zone pursuant to this paragraph, the agency shall initiate an application process for a new designation as provided in Section 7073.

(b) The agency shall exclude from a zone that portion of that zone that is located within a jurisdiction on the first day of the month immediately following the date upon which the agency receives from that jurisdiction a resolution, adopted by the governing body of that jurisdiction, requesting that exclusion. Any jurisdiction that provides notice to the agency pursuant to this paragraph shall concurrently provide a copy of that notice to all other jurisdictions that comprise the affected zone.

(c) Any business, located within any jurisdiction that comprises a zone that has been dedesignated or within a jurisdiction that has excluded itself from a zone, that has elected to avail itself of any state tax incentive specifically applicable to a zone for any taxable or income year beginning prior to the dedesignation of the zone or the exclusion of a jurisdiction comprising the zone may, to the extent the business is still otherwise eligible for those incentives, continue to avail itself of those incentives for a period equal to the remaining life of the zone. However, any business, located within any jurisdiction that comprises a zone that has been dedesignated or within a jurisdiction that has excluded itself from a zone, that has not availed

itself of any state tax incentive in the manner described in the preceding sentence may not, after dedesignation of the zone, avail itself of any state incentive specifically applicable to a zone.

(d) For purposes of this section, "dedesignation" is defined as set forth in paragraph (1) of subdivision (d) of Section 7076.1.

SEC. 5. Section 6358 of the Revenue and Taxation Code is amended to read:

6358. There are exempted from the taxes imposed by this part, the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of:

(a) Any form of animal life of a kind the products of which ordinarily constitute food for human consumption.

(b) Feed for any form of animal life of a kind the products of which ordinarily constitute food for human consumption, or are to be sold in the regular course of business.

(c) Seeds and plants the products of which ordinarily constitute food for human consumption or are to be sold in the regular course of business.

(d) Fertilizer to be applied to land the products of which are to be used as food for human consumption or are to be sold in the regular course of business.

(e) On or after January 1, 1997, drugs or medicines, the primary purpose of which is the prevention or control of disease, that are administered to animal life of a kind the products of which ordinarily constitute food for human consumption.

SEC. 6. Section 6378 is added to the Revenue and Taxation Code, to read:

6378. (a) There are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following:

(1) Tangible personal property purchased for use by a qualified person to be used primarily in teleproduction or other postproduction services.

(2) Tangible personal property purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any property described in paragraph (1).

(b) This exemption shall not apply to any tangible personal property that is used primarily in administration, general management, or marketing.

(c) For purposes of this section:

(1) "Primarily" means tangible personal property used 50 percent or more of the time in an activity described in subdivision (a).

(2) "Qualified person" means any person that is primarily engaged in teleproduction or other postproduction activities that are described in Code 512191 of the North American Industry Classification System Manual published by the United States Office of Management and Budget, 1997 edition.

(3) "Teleproduction or other postproduction services" means services for film or video that include editing, film and video transfers, transcoding, dubbing, subtitling, credits, close captioning, audio production, special effects (visual or sound), graphics, or animation.

(4) "Tangible personal property" includes, but is not limited to, all of the following:

(A) Machinery and equipment, including component parts.

(B) All equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, without limitation, computers, data processing equipment, and computer software, together with all repair and replacement parts with a useful life of one or more years, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the taxpayers or another party.

(5) "Tangible personal property" does not include furniture, inventory, or equipment used to store products.

(d) No exemption shall be allowed under this section unless the purchaser furnishes the retailer with an exemption certificate, completed in accordance with any instructions or regulations as the board may prescribe, and the retailer subsequently furnishes the board with a copy of the exemption certificate. The exemption certificate shall contain the sales price of the machinery and equipment that is exempt pursuant to subdivision (a).

(e) (1) Notwithstanding any provision of the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200)) or the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)), the exemption established by the section shall not apply with respect to any tax levied by a county, city, or district pursuant to, or in accordance with, either of these laws.

(2) The exemption established by this section shall not apply with respect to any tax levied pursuant to Sections 6051.2 and 6201.2, or pursuant to Section 35 of Article XIII of the California Constitution.

(3) The exemption established by this section shall not apply to any sale or use of property that, within one year from the date of purchase, is either removed from California or converted from an exempt use under subdivision (a) to some other use not qualifying for the exemption.

(f) If a purchaser certifies in writing to the seller that the property purchased without payment of the tax will be used in a manner entitling the seller to regard the gross receipts from the sale as exempt from the sales tax, and within one year from the date of purchase, the purchaser (1) removes that property outside California, (2) converts that property for use in a manner not qualifying for the exemption, or (3) uses that property in a manner not qualifying for the exemption, the purchaser shall be liable for payment of sales tax, with applicable interest, as if the purchaser were a retailer making a retail sale of the property at the time the property

is so removed, converted, or used, and the sales price of the property to the purchaser shall be deemed the gross receipts from that retail sale.

SEC. 7. Section 6380 of the Revenue and Taxation Code is amended to read:

6380. (a) There are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of, qualified property for use in space flight.

(b) For purposes of this section:

(1) "Qualified property" means any of the following:

(A) Tangible personal property that has space flight capability, including, but not limited to, an orbital space facility, space propulsion system, space vehicle, satellite, or space station of any kind, and any component thereof.

(B) Tangible personal property to be placed or used aboard any facility, system, vehicle, satellite, or station described in subparagraph (A), regardless of whether that property is to be ultimately returned to this state for subsequent use, storage, or other consumption.

(C) Fuel of a quality that is not adaptable for use in ordinary motor vehicles, but is produced, sold, and used exclusively for space flight.

(2) "Space flight" means any flight designed for suborbital, orbital, or interplanetary travel by a space vehicle, satellite, space facility, or space station of any kind.

(c) The exemption established by this section shall not be denied by reason of a failure, postponement, or cancellation of a launch of a space vehicle, satellite, space facility, or space station of any kind, or the destruction of any launch vehicle or any component thereof, but the exemption shall not apply to any material that is not intended to be launched into space.

SEC. 8. Section 13534 is added to the Revenue and Taxation Code, to read:

13534. In the case of any decedent dying on or after January 1, 1999, Section 6166 of the Internal Revenue Code, enacted as of January 1, 1998, shall apply to any tax due, and the interest rate on amounts due, as provided in Section 6601(j) of the Internal Revenue Code, enacted as of January 1, 1998, shall apply in lieu of the rate provided in Section 13550.

SEC. 9. Section 13550 of the Revenue and Taxation Code is amended to read:

13550. (a) The tax imposed by this part does not bear interest if it is paid prior to the date on which it otherwise becomes delinquent. However, if that tax is paid after that date, that tax bears interest at the rate for underpayment of tax provided in Section 6621(a)(2) of the Internal Revenue Code enacted as of January 1, 1998, from the date it became delinquent and until it is paid.

(b) The amendments made by the act adding this subdivision shall apply to delinquent amounts unpaid on or after January 1, 1999.

SEC. 10. Section 17052.12 of the Revenue and Taxation Code is amended to read:

17052.12. For each taxable year beginning on or after January 1, 1987, there shall be allowed as a credit against the "net tax" (as defined by Section 17039) for the taxable year an amount determined in accordance with Section 41 of the Internal Revenue Code, except as follows:

(a) For each taxable year beginning before January 1, 1997, the reference to "20 percent" in Section 41(a)(1) of the Internal Revenue Code is modified to read "8 percent."

(b) For each taxable year beginning on or after January 1, 1997, the reference to "20 percent" in Section 41(a)(1) of the Internal Revenue Code is modified to read "11 percent."

(c) Section 41(a)(2) of the Internal Revenue Code, relating to basic research payments, shall not apply.

(d) "Qualified research" shall include only research conducted in California.

(e) In the case where the credit allowed under this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding years if necessary, until the credit has been exhausted.

(f) (1) With respect to any expense paid or incurred after the operative date of Section 6378, Section 41(b)(1) of the Internal Revenue Code is modified to exclude from the definition of "qualified research expense" any amount paid or incurred for tangible personal property that is eligible for the exemption from sales or use tax provided by Section 6378.

(2) For each taxable year beginning on or after January 1, 1998, the reference to "Section 501(a)" in Section 41(b)(3)(C) of the Internal Revenue Code, relating to contract research expenses, is modified to read "this part or Part 11 (commencing with Section 23001)."

(g) (1) For each taxable year beginning on or after January 1, 1998:

(A) The reference to "1.65 percent" in Section 41(c)(4)(A)(i) of the Internal Revenue Code is modified to read "one and thirty-two hundredths of one percent."

(B) The reference to "2.2 percent" in Section 41(c)(4)(A)(ii) of the Internal Revenue Code is modified to read "one and seventy-six hundredths of one percent."

(C) The reference to "2.75 percent" in Section 41(c)(4)(A)(iii) of the Internal Revenue Code is modified to read 'two and two-tenths of one percent."

(2) Section 41(c)(4)(B) shall not apply and in lieu thereof an election under Section 41(c)(4)(A) of the Internal Revenue Code may be made for any taxable year of the taxpayer beginning on or after January 1, 1998. That election shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Franchise Tax Board.

(3) Section 41(c)(6) of the Internal Revenue Code, relating to gross receipts, is modified to take into account only those gross receipts from the sale of property held primarily for sale to customers in the ordinary course of the taxpayer's trade or business that is delivered or shipped to a purchaser within this state, regardless of f.o.b. point or any other condition of the sale.

(h) Section 41(h) of the Internal Revenue Code, relating to termination, shall not apply.

(i) Section 41(g) of the Internal Revenue Code, relating to special rule for passthrough of credit, is modified by each of the following:

(1) The last sentence shall not apply.

(2) If the amount determined under Section 41(a) of the Internal Revenue Code for any taxable year exceeds the limitation of Section 41(g) of the Internal Revenue Code, that amount may be carried over to other taxable years under the rules of subdivision (e); except that the limitation of Section 41(g) of the Internal Revenue Code shall be taken into account in each subsequent taxable year.

SEC. 11. Section 17052.17 of the Revenue and Taxation Code is amended to read:

17052.17. (a) For each taxable year beginning on or after January 1, 1988, and before January 1, 2003, there shall be allowed as a credit against the "net tax" (as defined by Section 17039) an amount equal to the amount determined in subdivision (b).

(b) (1) The amount of the credit allowed by this section shall be 30 percent of any of the following:

(A) The cost paid or incurred by the taxpayer on or after September 23, 1988, for the startup expenses of establishing a child care program or constructing a child care facility in California, to be used primarily by the children of the taxpayer's employees.

(B) For each taxable year beginning on or after January 1, 1993, the cost paid or incurred by the taxpayer for the startup expenses of establishing a child care program or constructing a child care facility in California, to be used primarily by the children of employees of tenants leasing commercial or office space in a building owned by the taxpayer.

(C) The cost paid or incurred by the taxpayer on or after September 23, 1988, for contributions to California child care information and referral services, including, but not limited to, those that identify local child care services, offer information describing these resources to the taxpayer's employees, and make referrals of the taxpayer's employees to child care services where there are vacancies.

In the case of a child care facility established by two or more taxpayers, the credit shall be allowed to each taxpayer if the facility is to be used primarily by the children of the employees of each of the taxpayers or the children of the employees of the tenants of each of the taxpayers.

(2) The amount of the credit allowed by this section shall not exceed fifty thousand dollars ($50,000) for any taxable year.

(c) For purposes of this section, "startup expenses" include, but are not limited to, feasibility studies, site preparation, and construction, renovation or acquisition of facilities for purposes of establishing or expanding onsite or nearsite centers by one or more employers or one or more building owners leasing space to employers.

(d) If two or more taxpayers share in the costs eligible for the credit provided by this section, each taxpayer shall be eligible to receive a tax credit with respect to his, her, or its respective share of the costs paid or incurred.

(e) (1) In the case where the credit allowed and limited under subdivision (b) exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding years if necessary, until the credit has been exhausted. However, the excess from any one year shall not exceed fifty thousand dollars ($50,000).

(2) If the credit carryovers from preceding taxable years allowed under paragraph (1) plus the credit allowed for the taxable year under subdivision (b) would exceed an aggregate total of fifty thousand dollars ($50,000), then the credit allowed to reduce the "net tax" under this section for the taxable year shall be limited to fifty thousand dollars ($50,000) and the amount in excess of the fifty thousand dollar ($50,000) limit may be carried over and applied against the "net tax" in the following year, and succeeding years if necessary, in an amount which, when added to the credit allowed under subdivision (b) for that succeeding taxable year, does not exceed fifty thousand dollars ($50,000).

(f) No deduction shall be allowed as otherwise provided in this part for that portion of expenses paid or incurred for the taxable year which is equal to the amount of the credit allowed under this section attributable to those expenses.

(g) In lieu of claiming the tax credit provided by this section, the taxpayer may elect to take depreciation pursuant to Section 17250. In addition, the taxpayer may take depreciation pursuant to that section for the cost of a facility in excess of the amount of the tax credit claimed under this section.

(h) The basis for any child care facility for which a credit is allowed shall be reduced by the amount of the credit attributable to the facility. The basis adjustment shall be made for the taxable year for which the credit is allowed.

(i) No credit shall be allowed under subparagraph (B) of paragraph (1) of subdivision (b) in the case of any taxpayer that is required by any local ordinance or regulation to provide a child care facility.

(j) (1) In order to be eligible for the credit allowed under subparagraph (A) or (B) of paragraph (1) of subdivision (b), the taxpayer shall submit to the Franchise Tax Board upon request a

statement certifying that the costs for which the credit is claimed are incurred with respect to the startup expenses of establishing a child care program or constructing a child care facility in California to be used primarily by the children of the taxpayer's employees or the children of the employees of tenants leasing commercial or office space in a building owned by the taxpayer and which will be in operation for at least 60 consecutive months after completion.

(2) If the child care center for which a credit is claimed pursuant to this section is disposed of or ceases to operate within 60 months after completion, that portion of the credit claimed which represents the remaining portion of the 60-month period shall be added to the taxpayer's tax liability in the taxable year of that disposition or nonuse.

(k) In order to be allowed the credit under subparagraph (A) or (B) of paragraph (1) of subdivision (b), the taxpayer shall indicate, in the form and manner prescribed by the Franchise Tax Board, the number of children that the child care program or facility will be able to legally accommodate.

(*l*) This section shall remain in effect only until December 1, 2003, and as of that date is repealed.

SEC. 12. Section 17052.18 of the Revenue and Taxation Code is amended to read:

17052.18. (a) For each taxable year beginning on or after January 1, 1995, and before January 1, 2003, there shall be allowed as a credit against the "net tax" (as defined by Section 17039) an amount equal to the amount determined in subdivision (b).

(b) (1) The amount of the credit allowed by this section shall be 30 percent of the cost paid or incurred by the taxpayer for contributions to a qualified care plan made on behalf of any qualified dependent of the taxpayer's qualified employee.

(2) The amount of the credit allowed by this section in any taxable year shall not exceed three hundred sixty dollars ($360) for each qualified dependent.

(c) For purposes of this section:

(1) "Qualified care plan" means a plan providing qualified care.

(2) "Qualified care" includes, but is not limited to, onsite service, center-based service, in-home care or home-provider care, and a dependent care center as defined by Section 21(b)(2)(D) of the Internal Revenue Code that is a specialized center with respect to short-term illnesses of an employee's dependents. "Qualified care" must be provided in this state under the authority of a license when required by California law.

(3) "Specialized center" means a facility that provides care to mildly ill children and that may do all of the following:

(A) Be staffed by pediatric nurses and day care workers.

(B) Admit children suffering from common childhood ailments (including colds, flu, and chickenpox).

(C) Make special arrangements for well children with minor problems associated with diabetes, asthma, breaks or sprains, and recuperation from surgery.

(D) Separate children according to their illness and symptoms in order to protect them from cross-infection.

(4) "Contributions" include direct payments to child care programs or providers.

(5) "Qualified employee" means any employee of the taxpayer who is performing services for the taxpayer in this state, within the meaning of Section 25133, during the period in which the qualified care is performed.

(6) "Employee" includes an individual who is an employee within the meaning of Section 401(c)(1) of the Internal Revenue Code (relating to self-employed individuals).

(7) "Qualified dependent" means any dependent of a qualified employee who is under the age of 12 years.

(d) If an employer makes contributions to a qualified care plan and also collects fees from parents to support a child care facility owned and operated by the employer, no credit shall be allowed under this section for contributions in the amount, if any, by which the sum of the contributions and fees exceed the total cost of providing care. The Franchise Tax Board may require information about fees collected from parents of children.

(e) If the duration of the child care received is less than 42 weeks, the employer shall claim a prorated portion of the allowable credit. The employer shall prorate the credit using the ratio of the number of weeks of care received divided by 42 weeks.

(f) If the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding years if necessary until the credit has been exhausted.

(g) The credit shall not be available to an employer if the care provided on behalf of an employee is provided by an individual who:

(1) Qualifies as a dependent of that employee or that employee's spouse under subdivision (d) of Section 17054.

(2) Is (within the meaning of Section 17056) a son, stepson, daughter, or stepdaughter of that employee and is under the age of 19 at the close of that taxable year.

(h) The contributions to a qualified care plan shall not discriminate in favor of employees who are officers, owners, or highly compensated, or their dependents.

(i) No deduction shall be allowed as otherwise provided in this part for that portion of expenses paid or incurred for the taxable year that is equal to the amount of the credit allowed under this section.

(j) If the credit is taken by an employer for contributions to a qualified care plan that is used at a facility owned by the employer, the basis of that facility shall be reduced by the amount of the credit.

The basis adjustment shall be made for the taxable year for which the credit is allowed.

(k) This section shall remain in effect only until December 1, 2003, and as of that date is repealed.

SEC. 13. Section 17053.33 of the Revenue and Taxation Code is amended to read:

17053.33. (a) For each taxable year beginning on or after January 1, 1998, there shall be allowed as a credit against the "net tax" (as defined in Section 17039) for the taxable year an amount equal to the sales or use tax paid or incurred during the taxable year by the qualified taxpayer in connection with the qualified taxpayer's purchase of qualified property.

(b) For purposes of this section:

(1) "Qualified property" means property that meets all of the following requirements:

(A) Is any of the following:

(i) Machinery and machinery parts used for fabricating, processing, assembling, and manufacturing.

(ii) Machinery and machinery parts used for the production of renewable energy resources.

(iii) Machinery and machinery parts used for either of the following:

(I) Air pollution control mechanisms.

(II) Water pollution control mechanisms.

(iv) Data processing and communications equipment, such as computers, computer-automated drafting systems, copy machines, telephone systems, and faxes.

(v) Motion picture manufacturing equipment central to production and post production, such as cameras, audio recorders, and digital image and sound processing equipment.

(B) The total cost of qualified property purchased and placed in service in any taxable year that may be taken into account by any qualified taxpayer for purposes of claiming this credit shall not exceed one million dollars ($1,000,000).

(C) The qualified property is used by the qualified taxpayer exclusively in a targeted tax area.

(D) The qualified property is purchased and placed in service before the date the targeted tax area designation expires, is revoked, is no longer binding, or becomes inoperative.

(2) (A) "Qualified taxpayer" means a person or entity that meets both of the following:

(i) Is engaged in a trade or business within a targeted tax area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(ii) Is engaged in those lines of business described in Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard

Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(B) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 23633 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of this part or Part 11 (commencing with Section 23001). For purposes of this subparagraph, the term "pass-through entity" means any partnership or S corporation.

(3) "Targeted tax area" means the area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(c) If the qualified taxpayer is allowed a credit for qualified property pursuant to this section, only one credit shall be allowed to the taxpayer under this part with respect to that qualified property.

(d) If the qualified taxpayer has purchased property upon which a use tax has been paid or incurred, the credit provided by this section shall be allowed only if qualified property of a comparable quality and price is not timely available for purchase in this state.

(e) In the case where the credit otherwise allowed under this section exceeds the "net tax" for the taxable year, that portion of the credit that exceeds the "net tax" may be carried over and added to the credit, if any, in the following year, and succeeding years if necessary, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(f) Any qualified taxpayer who elects to be subject to this section shall not be entitled to increase the basis of the qualified property as otherwise required by Section 164(a) of the Internal Revenue Code with respect to sales or use tax paid or incurred in connection with the qualified taxpayer's purchase of qualified property.

(g) (1) The amount of the credit otherwise allowed under this section and Section 17053.34, including any credit carryover from prior years, that may reduce the "net tax" for the taxable year shall not exceed the amount of tax that would be imposed on the qualified taxpayer's business income attributable to the targeted tax area determined as if that attributable income represented all of the income of the qualified taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the targeted tax area . For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the targeted tax area in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the targeted tax area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the targeted tax area during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the targeted tax area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "net tax" for the taxable year, as provided in subdivision (e).

(5) In the event that a credit carryover is allowable under subdivision (e) for any taxable year after the targeted tax area designation has expired, has been revoked, is no longer binding, or has become inoperative, the targeted tax area shall be deemed to remain in existence for purposes of computing the limitation specified in this subdivision.

(h) The amendments made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 14. Section 17053.34 of the Revenue and Taxation Code is amended to read:

17053.34. (a) For each taxable year beginning on or after January 1, 1998, there shall be allowed a credit against the "net tax" (as defined in Section 17039) to a qualified taxpayer who employs a qualified employee in a targeted tax area during the taxable year. The credit shall be equal to the sum of each of the following:

(1) Fifty percent of qualified wages in the first year of employment.

(2) Forty percent of qualified wages in the second year of employment.

(3) Thirty percent of qualified wages in the third year of employment.

(4) Twenty percent of qualified wages in the fourth year of employment.

(5) Ten percent of qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A) That portion of wages paid or incurred by the qualified taxpayer during the taxable year to qualified employees that does not exceed 150 percent of the minimum wage.

(B) Wages received during the 60-month period beginning with the day the employee commences employment with the qualified taxpayer.

(C) Qualified wages do not include any wages paid or incurred by the qualified taxpayer on or after the targeted tax area expiration date. However, wages paid or incurred with respect to qualified employees who are employed by the qualified taxpayer within the targeted tax area within the 60-month period prior to the targeted tax area expiration date shall continue to qualify for the credit under this section after the targeted tax area expiration date, in accordance with all provisions of this section applied as if the targeted tax area designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Targeted tax area expiration date" means the date the targeted tax area designation expires, is revoked, is no longer binding, or becomes inoperative.

(4) (A) "Qualified employee" means an individual who meets all of the following requirements:

(i) At least 90 percent of his or her services for the qualified taxpayer during the taxable year are directly related to the conduct of the qualified taxpayer's trade or business located in a targeted tax area.

(ii) Performs at least 50 percent of his or her services for the qualified taxpayer during the taxable year in a targeted tax area.

(iii) Is hired by the qualified taxpayer after the date of original designation of the area in which services were performed as a targeted tax area.

(iv) Is any of the following:

(I) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a person eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving, or is eligible to receive, subsidized employment, training, or services funded by the federal Job Training Partnership Act, or its successor.

(II) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or its successor.

(III) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was an economically disadvantaged individual 14 years of age or older.

(IV) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a dislocated worker who meets any of the following:

(aa) Has been terminated or laid off or who has received a notice of termination or layoff from employment, is eligible for or has exhausted entitlement to unemployment insurance benefits, and is unlikely to return to his or her previous industry or occupation.

(bb) Has been terminated or has received a notice of termination of employment as a result of any permanent closure or any substantial layoff at a plant, facility, or enterprise, including an individual who has not received written notification but whose employer has made a public announcement of the closure or layoff.

(cc) Is long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual resides, including an individual 55 years of age or older who may have substantial barriers to employment by reason of age.

(dd) Was self-employed (including farmers and ranchers) and is unemployed as a result of general economic conditions in the community in which he or she resides or because of natural disasters.

(ee) Was a civilian employee of the Department of Defense employed at a military installation being closed or realigned under the Defense Base Closure and Realignment Act of 1990.

(ff) Was an active member of the armed forces or National Guard as of September 30, 1990, and was either involuntarily separated or separated pursuant to a special benefits program.

(gg) Is a seasonal or migrant worker who experiences chronic seasonal unemployment and underemployment in the agriculture industry, aggravated by continual advancements in technology and mechanization.

(hh) Has been terminated or laid off, or has received a notice of termination or layoff, as a consequence of compliance with the Clean Air Act.

(V) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a disabled individual who is eligible for or enrolled in, or has completed a state rehabilitation plan or is a service-connected disabled veteran, veteran of the Vietnam era, or veteran who is recently separated from military service.

(VI) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was an ex-offender. An individual shall be treated as convicted if he or she was placed on probation by a state court without a finding of guilty.

(VII) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a person eligible for or a recipient of any of the following:

(aa) Federal Supplemental Security Income benefits.

(bb) Aid to Families with Dependent Children.

(cc) Food stamps.

(dd) State and local general assistance.

(VIII) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a member of a federally recognized Indian tribe, band, or other group of Native American descent.

(IX) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a resident of a targeted tax area.

(X) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a targeted group as defined in Section 51(d) of the Internal Revenue Code, or its successor.

(B) Priority for employment shall be provided to an individual who is enrolled in a qualified program under the federal Job Training Partnership Act or the Greater Avenues for Independence Act of 1985 or who is eligible as a member of a targeted group under the Work Opportunity Tax Credit (Section 51 of the Internal Revenue Code), or its successor.

(5) (A) "Qualified taxpayer" means a person or entity that meets both of the following:

(i) Is engaged in a trade or business within a targeted tax area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(ii) Is engaged in those lines of business described in Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(B) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 23634 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of this part or Part 11 (commencing with Section 23001). For purposes of this subdivision, the term "pass-through entity" means any partnership or S corporation.

(c) If the qualified taxpayer is allowed a credit for qualified wages pursuant to this section, only one credit shall be allowed to the taxpayer under this part with respect to those qualified wages.

(d) The qualified taxpayer shall do both of the following:

(1) Obtain from either the Employment Development Department, as permitted by federal law, or the local county or city

Job Training Partnership Act administrative entity or the local county GAIN office or social services agency, as appropriate, a certification that provides that a qualified employee meets the eligibility requirements specified in clause (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The Employment Development Department may provide preliminary screening and referral to a certifying agency. The Employment Development Department shall develop a form for this purpose.

(2) Retain a copy of the certification and provide it upon request to the Franchise Tax Board.

(e) (1) For purposes of this section:

(A) All employees of trades or businesses, which are not incorporated, that are under common control shall be treated as employed by a single taxpayer.

(B) The credit, if any, allowable by this section with respect to each trade or business shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(C) Principles that apply in the case of controlled groups of corporations, as specified in subdivision (d) of Section 23634, shall apply with respect to determining employment.

(2) If an employer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (f)) for any calendar year ending after that acquisition, the employment relationship between a qualified employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(f) (1) If the employment of any qualified employee, with respect to whom qualified wages are taken into account under subdivision (a) is terminated by the qualified taxpayer at any time during the first 270 days of that employment (whether or not consecutive) or before the close of the 270th calendar day after the day in which that employee completes 90 days of employment with the qualified taxpayer, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(2) (A) Paragraph (1) shall not apply to any of the following:

(i) A termination of employment of a qualified employee who voluntarily leaves the employment of the qualified taxpayer.

(ii) A termination of employment of a qualified employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment,

unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that employee.

(iii) A termination of employment of a qualified employee, if it is determined under the applicable employment compensation provisions that the termination was due to the misconduct of that employee.

(iv) A termination of employment of a qualified employee due to a substantial reduction in the trade or business operations of the qualified taxpayer.

(v) A termination of employment of a qualified employee, if that employee is replaced by other qualified employees so as to create a net increase in both the number of employees and the hours of employment.

(B) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified employee shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified employee continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(g) In the case of an estate or trust, both of the following apply:

(1) The qualified wages for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(2) Any beneficiary to whom any qualified wages have been apportioned under paragraph (1) shall be treated, for purposes of this part, as the employer with respect to those wages.

(h) For purposes of this section, "targeted tax area" means an area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(i) In the case where the credit otherwise allowed under this section exceeds the "net tax" for the taxable year, that portion of the credit that exceeds the "net tax" may be carried over and added to the credit, if any, in succeeding taxable years, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(j) (1) The amount of the credit otherwise allowed under this section and Section 17053.33, including any credit carryover from prior years, that may reduce the "net tax" for the taxable year shall not exceed the amount of tax that would be imposed on the qualified taxpayer's business income attributable to the targeted tax area determined as if that attributable income represented all of the income of the qualified taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the targeted

tax area . For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the targeted tax area in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the targeted tax area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the targeted tax area during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the targeted tax area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "net tax" for the taxable year, as provided in subdivision (h).

(5) In the event that a credit carryover is allowable under subdivision (h) for any taxable year after the targeted tax area expiration date, the targeted tax area shall be deemed to remain in existence for purposes of computing the limitation specified in this subdivision.

(k) The amendments made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 15. Section 17053.47 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

17053.47. (a) For each taxable year beginning on or after January 1, 1998, there shall be allowed a credit against the "net tax" (as defined in Section 17039) to a qualified taxpayer for hiring a qualified disadvantaged individual during the taxable year for employment in the Manufacturing Enhancement Area. The credit shall be equal to the sum of each of the following:

(1) Fifty percent of the qualified wages in the first year of employment.

(2) Forty percent of the qualified wages in the second year of employment.

(3) Thirty percent of the qualified wages in the third year of employment.

(4) Twenty percent of the qualified wages in the fourth year of employment.

(5) Ten percent of the qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A) That portion of wages paid or incurred by the qualified taxpayer during the taxable year to qualified disadvantaged individuals that does not exceed 150 percent of the minimum wage.

(B) The total amount of qualified wages which may be taken into account for purposes of claiming the credit allowed under this section shall not exceed two million dollars ($2,000,000) per taxable year.

(C) Wages received during the 60-month period beginning with the day the qualified disadvantaged individual commences employment with the qualified taxpayer.

(D) Qualified wages do not include any wages paid or incurred by the qualified taxpayer on or after the Manufacturing Enhancement Area expiration date. However, wages paid or incurred with respect to qualified employees who are employed by the qualified taxpayer within the Manufacturing Enhancement Area within the 60-month period prior to the Manufacturing Enhancement Area expiration date shall continue to qualify for the credit under this section after the Manufacturing Enhancement Area expiration date, in accordance with all provisions of this section applied as if the Manufacturing Enhancement Area designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Manufacturing Enhancement Area" means an area designated pursuant to Section 7073.8 of the Government Code according to the procedures of Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(4) "Manufacturing Enhancement Area expiration date" means the date the Manufacturing Enhancement Area designation expires, is no longer binding, or becomes inoperative.

(5) "Qualified disadvantaged individual" means an individual who satisfies all of the following requirements:

(A) (i) At least 90 percent of whose services for the qualified taxpayer during the taxable year are directly related to the conduct of the qualified taxpayer's trade or business located in a Manufacturing Enhancement Area.

(ii) Who performs at least 50 percent of his or her services for the qualified taxpayer during the taxable year in the Manufacturing Enhancement Area.

(B) Who is hired by the qualified taxpayer after the designation of the area as a Manufacturing Enhancement Area in which the individual's services were primarily performed.

(C) Who is any of the following immediately preceding the individual's commencement of employment with the qualified taxpayer:

(i) An individual who has been determined eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.).

(ii) Any voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 as provided pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code.

(iii) Any individual who has been certified eligible by the Employment Development Department under the federal Targeted Jobs Tax Credit Program, whether or not this program is in effect.

(6) "Qualified taxpayer" means any taxpayer engaged in a trade or business within a Manufacturing Enhancement Area designated pursuant to Section 7073.8 of the Government Code and who meets both of the following requirements:

(A) Is engaged in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(B) At least 50 percent of the qualified taxpayer's work force hired after the designation of the Manufacturing Enhancement Area is composed of individuals who, at the time of hire, are residents of the county in which the Manufacturing Enhancement Area is located.

(C) Of this percentage of local hires, at least 30 percent shall be qualified disadvantaged individuals.

(c) (1) For purposes of this section, all of the following apply:

(A) All employees of trades or businesses that are under common control shall be treated as employed by a single qualified taxpayer.

(B) The credit (if any) allowable by this section with respect to each trade or business shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit and shall be allocated in that manner.

(C) Principles that apply in the case of controlled groups of corporations, as specified in subdivision (d) of Section 23622.7, shall apply with respect to determining employment.

(2) If a qualified taxpayer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (d)) for any calendar year ending after that acquisition, the employment relationship between a qualified disadvantaged individual and a qualified taxpayer shall not

be treated as terminated if the qualified disadvantaged individual continues to be employed in that trade or business.

(d) (1) If the employment of any qualified disadvantaged individual, with respect to whom qualified wages are taken into account under subdivision (b) is terminated by the qualified taxpayer at any time during the first 270 days of that employment (whether or not consecutive) or before the close of the 270th calendar day after the day in which that qualified disadvantaged individual completes 90 days of employment with the qualified taxpayer, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that qualified disadvantaged individual.

(2) (A) Paragraph (1) does not apply to any of the following:

(i) A termination of employment of a qualified disadvantaged individual who voluntarily leaves the employment of the qualified taxpayer.

(ii) A termination of employment of a qualified disadvantaged individual who, before the close of the period referred to in paragraph (1), becomes disabled to perform the services of that employment, unless that disability is removed before the close of that period and the taxpayer fails to offer reemployment to that individual.

(iii) A termination of employment of a qualified disadvantaged individual, if it is determined under the applicable employment compensation laws that the termination was due to the misconduct of that individual.

(iv) A termination of employment of a qualified disadvantaged individual due to a substantial reduction in the trade or business operations of the qualified taxpayer.

(v) A termination of employment of a qualified disadvantaged individual, if that individual is replaced by other qualified disadvantaged individuals so as to create a net increase in both the number of employees and the hours of employment.

(B) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified disadvantaged individual shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified disadvantaged individual continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(e) In the case of an estate or trust, both of the following apply:

(1) The qualified wages for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(2) Any beneficiary to whom any qualified wages have been apportioned under paragraph (1) shall be treated (for purposes of this part) as the employer with respect to those wages.

(f) The credit shall be reduced by the credit allowed under Section 17053.7. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.

In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the qualified taxpayer upon which the credit is based shall be reduced by the amount of the credit, prior to any reduction required by subdivision (g) or (h).

(g) In the case where the credit otherwise allowed under this section exceeds the "net tax" for the taxable year, that portion of the credit that exceeds the "net tax" may be carried over and added to the credit, if any, in succeeding years, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(h) (1) The amount of credit otherwise allowed under this section, including prior year credit carryovers, that may reduce the "net tax" for the taxable year shall not exceed the amount of tax that would be imposed on the qualified taxpayer's business income attributed to a Manufacturing Enhancement Area determined as if that attributed income represented all of the net income of the qualified taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the Manufacturing Enhancement Area. For that purpose, the taxpayer's business income that is attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the Manufacturing Enhancement Area in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Income shall be apportioned to a Manufacturing Enhancement Area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the Manufacturing Enhancement Area during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the Manufacturing

Enhancement Area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "net tax" for the taxable year, as provided in subdivision (g).

(i) If the taxpayer is allowed a credit pursuant to this section for qualified wages paid or incurred, only one credit shall be allowed to the taxpayer under this part with respect to any wage consisting in whole or in part of those qualified wages.

(j) The amendments made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 16. Section 17053.49 of the Revenue and Taxation Code is amended to read:

17053.49. (a) (1) A qualified taxpayer shall be allowed a credit against the "net tax," as defined in Section 17039, equal to 6 percent of the qualified cost of qualified property that is placed in service in this state.

(2) In the case of any qualified costs paid or incurred on or after January 1, 1994, and prior to the first taxable year of the qualified taxpayer beginning on or after January 1, 1995, the credit provided under paragraph (1) shall be claimed by the qualified taxpayer on the qualified taxpayer's return for the first taxable year beginning on or after January 1, 1995. No credit shall be claimed under this section on a return filed for any taxable year commencing prior to the qualified taxpayer's first taxable year beginning on or after January 1, 1995.

(b) (1) For purposes of this section, "qualified cost" means any cost that satisfies each of the following conditions:

(A) Except as otherwise provided in this subparagraph, is a cost paid or incurred by the qualified taxpayer for the construction, reconstruction, or acquisition of qualified property on or after January 1, 1994, and prior to the date this section ceases to be operative under paragraph (2) of subdivision (i). In the case of any qualified property constructed, reconstructed, or acquired by the qualified taxpayer (or any person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) pursuant to a binding contract in existence on or prior to January 1, 1994, costs paid pursuant to that contract shall be subject to allocation as follows: contract costs shall be allocated to qualified property based on a ratio of costs actually paid prior to January 1, 1994, and total contract costs actually paid. "Cost paid" shall include, without limitation, contractual deposits and option payments. To the extent of costs allocated, whether or not currently deductible or depreciable for tax purposes, to a period prior to January 1, 1994, the cost shall be deemed allocated to property acquired before January 1, 1994, and is thus not a "qualified cost."

(B) Except as provided in paragraph (2) of subdivision (d) and subparagraph (B) of paragraph (3) of subdivision (d), is an amount upon which the qualified taxpayer has paid, directly or indirectly, as a separately stated contract amount or as determined from the records of the qualified taxpayer, sales or use tax under Part 1 (commencing with Section 6001).

(C) Is an amount properly chargeable to the capital account of the qualified taxpayer.

(2) (A) For purposes of this subdivision, any contract entered into on or after January 1, 1994, that is a successor or replacement contract to a contract that was binding prior to January 1, 1994, shall be treated as a binding contract in existence prior to January 1, 1994.

(B) If a successor or replacement contract is entered into on or after January 1, 1994, and the subject of the successor or replacement contract relates both to amounts for the construction, reconstruction, or acquisition of qualified property described in the original binding contract and to costs for the construction, reconstruction, or acquisition of qualified property not described in the original binding contract, then the portion of those amounts described in the successor or replacement contract that were not described in the original binding contract shall not be treated as costs paid or incurred pursuant to a binding contract in existence on or prior to January 1, 1994, under subparagraph (A) of paragraph (1).

(3) (A) For purposes of this section, an option contract in existence prior to January 1, 1994, under which a qualified taxpayer (or any other person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) had an option to acquire qualified property, shall be treated as a binding contract under the rules in paragraph (2). For purposes of this subparagraph, an option contract shall not include an option under which the optionholder will forfeit an amount less than 10 percent of the fixed option price in the event the option is not exercised.

(B) For purposes of this section, a contract shall be treated as binding even if the contract is subject to a condition.

(4) For purposes of this subdivision, in the case of any qualified taxpayer engaged in those lines of business described in Codes 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "the first taxable year beginning on or after January 1, 1998," shall be substituted for "January 1, 1994," in each place in which it appears.

(c) (1) For purposes of this section, "qualified taxpayer" means any taxpayer engaged in those lines of business described in Codes 2011 to 3999, inclusive, or Codes 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(2) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be

made at the entity level and any credit under this section or Section 23649 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, the term "pass-through entity" means any partnership or S corporation.

(3) The Franchise Tax Board may prescribe regulations to carry out the purposes of this section, including any regulations necessary to prevent the avoidance of the effect of this section through splitups, shell corporations, partnerships, tiered ownership structures, sale-leaseback transactions, or otherwise.

(d) For purposes of this section, "qualified property" means property that is described as any of the following:

(1) Tangible personal property that is defined in Section 1245(a) of the Internal Revenue Code for use by a qualified taxpayer in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, that is primarily used for any of the following:

(A) For the manufacturing, processing, refining, fabricating, or recycling of property, beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the process and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling has altered tangible personal property to its completed form, including packaging, if required.

(B) In research and development.

(C) To maintain, repair, measure, or test any property described in this paragraph.

(D) For pollution control that meets or exceeds standards established by the state or by any local or regional governmental agency within the state.

(E) For recycling.

(2) Computers and computer peripheral equipment, as defined in Section 168(i)(2)(B) of the Internal Revenue Code, that is tangible personal property as defined in Section 1245(a) of the Internal Revenue Code for use by a qualified taxpayer in those lines of business described in SIC Codes 7371 to 7373, inclusive, of the SIC Manual, 1987 edition, that is primarily used to develop or manufacture prepackaged software or custom software prepared to the special order of the purchaser who uses the program to produce and sell or license copies of the program as prepackaged software.

(3) The value of any capitalized labor costs that are directly allocable to the construction or modification of property described in paragraph (1) or (2).

(4) In the case of any qualified taxpayer engaged in manufacturing activities described in SIC Code 357 or 367, those

activities related to biotechnology described in SIC Code 8731, those activities related to biopharmaceutical establishments only that are described in SIC Codes 2833 to 2836, inclusive, those activities related to space vehicles and parts described in SIC Codes 3761 to 3769, inclusive, those activities related to space satellites and communications satellites and equipment described in SIC Codes 3663 and 3812 (but only with respect to "qualified property" that is placed in service on or after January 1, 1996), or those activities related to semiconductor equipment manufacturing described in SIC Code 3559 (but only with respect to "qualified property" that is placed in service on or after January 1, 1997), "qualified property" also includes the following:

(A) Special purpose buildings and foundations that are constructed or modified for use by the qualified taxpayer primarily in a manufacturing, processing, refining, or fabricating process, or as a research or storage facility primarily used in connection with a manufacturing process.

(B) The value of any capitalized labor costs that are directly allocable to the construction or modification of special purpose buildings and foundations that are used primarily in the manufacturing, processing, refining, or fabricating process, or as a research or storage facility primarily used in connection with a manufacturing process.

(C) (i) For purposes of this paragraph, "special purpose building and foundation" means only a building and the foundation immediately underlying the building that is specifically designed and constructed or reconstructed for the installation, operation, and use of specific machinery and equipment with a special purpose, which machinery and equipment, after installation, will become affixed to or a fixture of the real property, and the construction or reconstruction of which is specifically designed and used exclusively for the specified purposes as set forth in subparagraph (A) ("qualified purpose").

(ii) A building is specifically designed and constructed or modified for a qualified purpose if it is not economical to design and construct the building for the intended purpose and then use the structure for a different purpose.

(iii) For purposes of clause (i) and clause (vi), a building is used exclusively for a qualified purpose only if its use does not include a use for which it was not specifically designed and constructed or modified. Incidental use of a building for nonqualified purposes does not preclude the building from being a special purpose building. "Incidental use" means a use which is both related and subordinate to the qualified purpose. It will be conclusively presumed that a use is not subordinate if more than one-third of the total usable volume of the building is devoted to a use which is not a qualified purpose.

(iv) In the event an entire building does not qualify as a special purpose building, a taxpayer may establish that a portion of a

building, and the foundation immediately underlying the portion, qualifies for treatment as a special purpose building and foundation if the portion satisfies all of the definitional provisions in this subparagraph.

(v) To the extent that a building is not a special purpose building as defined above, but a portion of the building qualifies for treatment as a special purpose building, then all equipment which exclusively supports the qualified purpose occurring within that portion and which would qualify as Internal Revenue Code Section 1245 property if it were not a fixture or affixed to the building shall be treated as a cost of the portion of the building which qualifies for treatment as a special purpose building.

(vi) Buildings and foundations which do not meet the definition of a special purpose building and foundation set forth above include, but are not limited to: buildings designed and constructed or reconstructed principally to function as a general purpose manufacturing, industrial, or commercial building; research facilities that are used primarily prior to or after, or prior to and after, the manufacturing process; or storage facilities that are used primarily prior to or after, or prior to and after, completion of the manufacturing process. A research facility shall not be considered to be used primarily prior to or after, or prior to and after, the manufacturing process if its purpose and use relate exclusively to the development and regulatory approval of the manufacturing process for specific biopharmaceutical products. A research facility which is used primarily in connection with the discovery of an organism from which a biopharmaceutical product or process is developed does not meet the requirements of the preceding sentence.

(5) Subject to the provisions in subparagraph (B) of paragraph (1) of subdivision (b), qualified property also includes computer software that is primarily used for those purposes set forth in paragraph (1) or (2) of this subdivision.

(6) Qualified property does not include any of the following:

(A) Furniture.

(B) Facilities used for warehousing purposes after completion of the manufacturing process.

(C) Inventory.

(D) Equipment used in the extraction process.

(E) Equipment used to store finished products that have completed the manufacturing process.

(F) Any tangible personal property that is used in administration, general management, or marketing.

(G) Any vehicle for which a credit is claimed pursuant to Section 17052.11 or 23603.

(e) For purposes of this section:

(1) "Biopharmaceutical activities" means those activities that use organisms or materials derived from organisms, and their cellular, subcellular, or molecular components, in order to provide

pharmaceutical products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living organisms to make commercial products, as opposed to pharmaceutical activities which make use of chemical compounds to produce commercial products.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Manufacturing" means the activity of converting or conditioning property by changing the form, composition, quality, or character of the property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.

(4) "Other biotechnology activities" means activities consisting of the application of recombinant DNA technology to produce commercial products, as well as activities regarding pharmaceutical delivery systems designed to provide a measure of control over the rate, duration, and site of pharmaceutical delivery.

(5) "Primarily" means tangible personal property used 50 percent or more of the time in an activity described in subdivision (d).

(6) "Process" means the period beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the manufacturing, processing, refining, fabricating, or recycling activity of the qualified taxpayer and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling activity of the qualified taxpayer has altered tangible personal property to its completed form, including packaging, if required. Raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified taxpayer's manufacturing, processing, refining, or recycling activity is conducted. Raw materials that are stored on premises other than where the qualified taxpayer's manufacturing, processing, refining, fabricating, or recycling activity is conducted, shall not be considered to have been introduced into the manufacturing, processing, refining, fabricating, or recycling process.

(7) "Processing" means the physical application of the materials and labor necessary to modify or change the characteristics of property.

(8) "Refining" means the process of converting a natural resource to an intermediate or finished product.

(9) "Research and development" means those activities that are described in Section 174 of the Internal Revenue Code or in any regulations thereunder.

(10) "Small business" means a qualified taxpayer that meets any of the following requirements during the taxable year for which the credit is allowed:

(A) Has gross receipts of less than fifty million dollars ($50,000,000).

(B) Has net assets of less than fifty million dollars ($50,000,000).

(C) Has a total credit of less than one million dollars ($1,000,000).

(D) For taxable years beginning on or after January 1, 1997, is engaged in biopharmaceutical activities or other biotechnology activities that are described in Codes 2833 to 2836, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, and has not received regulatory approval for any product from the United States Food and Drug Administration.

(f) The credit allowed under subdivision (a) shall apply to qualified property that is acquired by or subject to lease by a qualified taxpayer, subject to the following special rules:

(1) A lessor of qualified property, irrespective of whether the lessor is a qualified taxpayer, shall not be allowed the credit provided under subdivision (a) with respect to any qualified property leased to another qualified taxpayer.

(2) For purposes of paragraphs (2) and (3) of subdivision (b), "binding contract" shall include any lease agreement with respect to the qualified property.

(3) (A) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is not treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(i) Except as provided by subparagraph (C) of this paragraph, subparagraphs (A) and (C) of paragraph (1) of subdivision (b) shall not apply.

(ii) Except as provided in subparagraph (B) and clause (iii), the "qualified cost" upon which the lessee shall compute the credit provided under this section shall be equal to the original cost to the lessor (within the meaning of Section 18031) of the qualified property that is the subject of the lease.

(iii) Except as provided in clause (iv), the requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied only if the lessor has made a timely election under either Section 6094.1 or subdivision (d) of Section 6244 and has paid sales tax reimbursement or use tax measured by the purchase price of the qualified property (within the meaning of paragraph (5) of subdivision (g) of Section 6006). For purposes of this subdivision and clause (iv), the amount of original cost to the lessor which may be taken into account under clause (ii) shall not exceed the purchase price upon which sales tax reimbursement or use tax has been paid under the preceding sentence or under clause (iv).

(iv) With respect to leases entered into between January 1, 1994, and the effective date of this clause, the lessor may elect to pay use tax measured by the purchase price of the property by reporting and paying the tax with the return of the lessor for the fourth calendar quarter of 1994. In computing the use tax under the preceding sentence, a credit shall be allowed under Part 1 (commencing with Section 6001) for all sales or use tax previously paid on the lease.

(B) For purposes of applying subparagraph (A) only, the following special rules shall apply:

(i) The original cost to the lessor of the qualified property shall be reduced by the amount of any original cost of that property that was taken into account by any predecessor lessee in computing the credit allowable under this section.

(ii) Clause (i) shall not apply in any case where the predecessor lessee was required to recapture the credit provided under this section pursuant to subdivision (g).

(iii) For purposes of this section only, in any case where a successor lessor has acquired qualified property from a predecessor lessor in a transaction not treated as a sale under Part 1 (commencing with Section 6001), the original cost to the successor lessor of the qualified property shall be reduced by the amount of the original cost of the qualified property that was taken into account by any lessee of the predecessor lessor in computing the credit allowable under this section.

(C) In determining the original cost of any qualified property under this paragraph, only amounts paid or incurred by the lessor on or after January 1, 1994, and prior to the date this section ceases to be operative under paragraph (2) of subdivision (i), shall be taken into account. In the case of any qualified property constructed, reconstructed, or acquired by a lessor pursuant to a binding contract in existence on or prior to January 1, 1994, the allocation rule specified in subparagraph (A) of paragraph (1) of subdivision (b) shall apply in determining the original cost to the lessor of qualified property.

(D) Notwithstanding subparagraph (A), in the case of any leasing transaction for which the lessee is allowed the credit under this section and thereafter the lessee (or any party related to the lessee within the meaning of Section 267 or 318 of the Internal Revenue Code) acquires the qualified property from the lessor (or any successor lessor) within one year from the date the qualified property is first used by the lessee under the terms of the lease, the lessee's (or related party's) acquisition of the qualified property from the lessor (or successor lessor) shall be treated as a disposition by the lessee of the qualified property that was subject to the lease under subdivision (g).

(4) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(A) Subparagraph (A) of paragraph (1) of subdivision (b) shall be applied by substituting the term "purchase" for the term "construction, reconstruction, or acquisition."

(B) Subparagraph (C) of paragraph (1) of subdivision (b) shall apply.

(C) The requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied at the time that either the lessor or the qualified taxpayer pays sales or use tax under Part 1 (commencing with Section 6001).

(5) (A) In the case of any leasing transaction described in paragraph (3), the lessor shall provide a statement to the lessee specifying the amount of the lessor's original cost of the qualified property and the amount of that cost upon which a sales or use tax was paid within 45 days after the close of the lessee's taxable year in which the credit is allowable to the lessee under this section.

(B) The statement required under subparagraph (A) shall be made available to the Franchise Tax Board upon request.

(6) For purposes of this subdivision, in the case of any qualified taxpayer engaged in those lines of business described in Codes 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "the first taxable year beginning on or after January 1, 1998," shall be substituted for "January 1, 1994," in each place in which it appears. In addition, "the effective date of this paragraph" shall be substituted for "the effective date of this clause" and "fourth calendar quarter of 1998" shall be substituted for "fourth calendar quarter of 1994."

(g) No credit shall be allowed if the qualified property is removed from the state, is disposed of to an unrelated party, or is used for any purpose not qualifying for the credit provided in this section in the same taxable year in which the qualified property is first placed in service in this state. If any qualified property for which a credit is allowed pursuant to this section is thereafter removed from this state, disposed of to an unrelated party, or used for any purpose not qualifying for the credit provided in this section within one year from the date the qualified property is first placed in service in this state, the amount of the credit allowed by this section for that qualified property shall be recaptured by adding that credit amount to the net tax of the qualified taxpayer for the taxable year in which the qualified property is disposed of, removed, or put to an ineligible use.

(h) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding years as follows:

(1) Except as provided in paragraph (2), for the seven succeeding years if necessary, until the credit is exhausted.

(2) In the case of a small business, for the nine succeeding years, if necessary, until the credit is exhausted.

(i) (1) This section shall remain in effect until the date specified in paragraph (2), on which date this section shall cease to be operative, and as of that date is repealed.

(2) (A) This section shall cease to be operative on January 1, 2001, or on January 1 of the earliest year thereafter, if the total employment in this state, as determined by the Employment Development Department on the preceding January 1, does not exceed by 100,000 jobs the total employment in this state on January 1, 1994. The department shall report to the Legislature annually with respect to the determination required by the preceding sentence.

(B) For purposes of this paragraph, "total employment" means the total employment in the manufacturing sector, excluding employment in the aerospace sector.

(j) The amendments made by the act adding this subdivision shall be operative for taxable years beginning on or after January 1, 1997, except as provided in paragraph (3) of subdivision (d).

(k) The amendments made by the act adding this subdivision shall be operative for taxable years beginning on or after January 1, 1998.

SEC. 17. Section 17053.70 of the Revenue and Taxation Code is amended to read:

17053.70. (a) There shall be allowed as a credit against the "net tax" (as defined in Section 17039) for the taxable year an amount equal to the sales or use tax paid or incurred during the taxable year by the taxpayer in connection with the taxpayer's purchase of qualified property.

(b) For purposes of this section:

(1) "Taxpayer" means a person or entity engaged in a trade or business within an enterprise zone.

(2) "Qualified property" means:

(A) Any of the following:

(i) Machinery and machinery parts used for fabricating, processing, assembling, and manufacturing.

(ii) Machinery and machinery parts used for the production of renewable energy resources.

(iii) Machinery and machinery parts used for either of the following:

(I) Air pollution control mechanisms.

(II) Water pollution control mechanisms.

(iv) Data processing and communications equipment, including, but not limited, to computers, computer-automated drafting systems, copy machines, telephone systems, and faxes.

(v) Motion picture manufacturing equipment central to production and postproduction, including, but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

(B) The total cost of qualified property purchased and placed in service in any taxable year that may be taken into account by any

taxpayer for purposes of claiming this credit shall not exceed one million dollars ($1,000,000).

(C) The qualified property is used by the taxpayer exclusively in an enterprise zone.

(D) The qualified property is purchased and placed in service before the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(3) "Enterprise zone" means the area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(c) If the taxpayer has purchased property upon which a use tax has been paid or incurred, the credit provided by this section shall be allowed only if qualified property of a comparable quality and price is not timely available for purchase in this state.

(d) In the case where the credit otherwise allowed under this section exceeds the "net tax" for the taxable year, that portion of the credit that exceeds the "net tax" may be carried over and added to the credit, if any, in succeeding taxable years, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(e) Any taxpayer who elects to be subject to this section shall not be entitled to increase the basis of the qualified property as otherwise required by Section 164(a) of the Internal Revenue Code with respect to sales or use tax paid or incurred in connection with the taxpayer's purchase of qualified property.

(f) (1) The amount of the credit otherwise allowed under this section and Section 17053.74, including any credit carryover from prior years, that may reduce the "net tax" for the taxable year shall not exceed the amount of tax that would be imposed on the taxpayer's business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property

owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "net tax" for the taxable year, as provided in subdivision (d).

(g) The amendments made to this section by the act adding this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 18. Section 17053.74 of the Revenue and Taxation Code is amended to read:

17053.74. (a) There shall be allowed a credit against the "net tax" (as defined in Section 17039) to a taxpayer who employs a qualified employee in an enterprise zone during the taxable year. The credit shall be equal to the sum of each of the following:

(1) Fifty percent of qualified wages in the first year of employment.

(2) Forty percent of qualified wages in the second year of employment.

(3) Thirty percent of qualified wages in the third year of employment.

(4) Twenty percent of qualified wages in the fourth year of employment.

(5) Ten percent of qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A) (i) Except as provided in clause (ii), that portion of wages paid or incurred by the taxpayer during the taxable year to qualified employees that does not exceed 150 percent of the minimum wage.

(ii) For up to 1,350 qualified employees who are employed by the taxpayer in the Long Beach Enterprise Zone in aircraft manufacturing activities described in Codes 3721 to 3728, inclusive, and Code 3812 of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "qualified wages" means that portion of hourly wages that does not exceed 202 percent of the minimum wage.

(B) Wages received during the 60-month period beginning with the day the employee commences employment with the taxpayer.

(C) Qualified wages do not include any wages paid or incurred by the taxpayer on or after the zone expiration date. However, wages

paid or incurred with respect to qualified employees who are employed by the taxpayer within the enterprise zone within the 60-month period prior to the zone expiration date shall continue to qualify for the credit under this section after the zone expiration date, in accordance with all provisions of this section applied as if the enterprise zone designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Zone expiration date" means the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(4) (A) "Qualified employee" means an individual who meets all of the following requirements:

(i) At least 90 percent of whose services for the taxpayer during the taxable year are directly related to the conduct of the taxpayer's trade or business located in an enterprise zone.

(ii) Performs at least 50 percent of his or her services for the taxpayer during the taxable year in an enterprise zone.

(iii) Is hired by the taxpayer after the date of original designation of the area in which services were performed as an enterprise zone.

(iv) Is any of the following:

(I) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving, or is eligible to receive, subsidized employment, training, or services funded by the federal Job Training Partnership Act, or its successor.

(II) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or its successor.

(III) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was an economically disadvantaged individual 14 years of age or older.

(IV) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a dislocated worker who meets any of the following:

(aa) Has been terminated or laid off or who has received a notice of termination or layoff from employment, is eligible for or has exhausted entitlement to unemployment insurance benefits, and is unlikely to return to his or her previous industry or occupation.

(bb) Has been terminated or has received a notice of termination of employment as a result of any permanent closure or any substantial layoff at a plant, facility, or enterprise, including an individual who

has not received written notification but whose employer has made a public announcement of the closure or layoff.

(cc) Is long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual resides, including an individual 55 years of age or older who may have substantial barriers to employment by reason of age.

(dd) Was self-employed (including farmers and ranchers) and is unemployed as a result of general economic conditions in the community in which he or she resides or because of natural disasters.

(ee) Was a civilian employee of the Department of Defense employed at a military installation being closed or realigned under the Defense Base Closure and Realignment Act of 1990.

(ff) Was an active member of the armed forces or National Guard as of September 30, 1990, and was either involuntarily separated or separated pursuant to a special benefits program.

(gg) Is a seasonal or migrant worker who experiences chronic seasonal unemployment and underemployment in the agriculture industry, aggravated by continual advancements in technology and mechanization.

(hh) Has been terminated or laid off, or has received a notice of termination or layoff, as a consequence of compliance with the Clean Air Act.

(V) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a disabled individual who is eligible for or enrolled in, or has completed a state rehabilitation plan or is a service-connected disabled veteran, veteran of the Vietnam era, or veteran who is recently separated from military service.

(VI) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was an ex-offender. An individual shall be treated as convicted if he or she was placed on probation by a state court without a finding of guilt.

(VII) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible for or a recipient of any of the following:

(aa) Federal Supplemental Security Income benefits.

(bb) Aid to Families with Dependent Children.

(cc) Food stamps.

(dd) State and local general assistance.

(VIII) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a federally recognized Indian tribe, band, or other group of Native American descent.

(IX) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a resident of a targeted employment area, as defined in Section 7072 of the Government Code.

(X) An employee who qualified the taxpayer for the enterprise zone hiring credit under former Section 17053.8 or the program area hiring credit under former Section 17053.11.

(XI) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a targeted group, as defined in Section 51(d) of the Internal Revenue Code, or its successor.

(B) Priority for employment shall be provided to an individual who is enrolled in a qualified program under the federal Job Training Partnership Act or the Greater Avenues for Independence Act of 1985 or who is eligible as a member of a targeted group under the Work Opportunity Tax Credit (Section 51 of the Internal Revenue Code), or its successor.

(5) "Taxpayer" means a person or entity engaged in a trade or business within an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) of the Government Code.

(c) The taxpayer shall do both of the following:

(1) Obtain from either the Employment Development Department, as permitted by federal law, or the local county or city Job Training Partnership Act administrative entity or the local county GAIN office or social services agency, as appropriate, a certification which provides that a qualified employee meets the eligibility requirements specified in clause (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The Employment Development Department may provide preliminary screening and referral to a certifying agency. The Employment Development Department shall develop a form for this purpose.

(2) Retain a copy of the certification and provide it upon request to the Franchise Tax Board.

(d) (1) For purposes of this section:

(A) All employees of trades or businesses, which are not incorporated, that are under common control shall be treated as employed by a single taxpayer.

(B) The credit, if any, allowable by this section with respect to each trade or business shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in such manner.

(C) Principles that apply in the case of controlled groups of corporations, as specified in subdivision (d) of Section 23622.7, shall apply with respect to determining employment.

(2) If an employer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (e)) for any calendar year ending after that acquisition, the employment relationship between a qualified employee and an employer shall not be treated as

terminated if the employee continues to be employed in that trade or business.

(e) (1) If the employment of any qualified employee, with respect to whom qualified wages are taken into account under subdivision (a) is terminated by the taxpayer at any time during the first 270 days of that employment (whether or not consecutive) or before the close of the 270th calendar day after the day in which that employee completes 90 days of employment with the taxpayer, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(2) (A) Paragraph (1) shall not apply to any of the following:

(i) A termination of employment of a qualified employee who voluntarily leaves the employment of the taxpayer.

(ii) A termination of employment of a qualified employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the taxpayer fails to offer reemployment to that employee.

(iii) A termination of employment of a qualified employee, if it is determined under the applicable employment compensation provisions that the termination was due to the misconduct of that employee.

(iv) A termination of employment of a qualified employee due to a substantial reduction in the trade or business operations of the taxpayer.

(v) A termination of employment of a qualified employee, if that employee is replaced by other qualified employees so as to create a net increase in both the number of employees and the hours of employment.

(B) For purposes of paragraph (1), the employment relationship between the taxpayer and a qualified employee shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the taxpayer, if the qualified employee continues to be employed in that trade or business and the taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(f) In the case of an estate or trust, both of the following apply:

(1) The qualified wages for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(2) Any beneficiary to whom any qualified wages have been apportioned under paragraph (1) shall be treated, for purposes of this part, as the employer with respect to those wages.

(g) For purposes of this section, "enterprise zone" means an area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(h) The credit allowable under this section shall be reduced by the credit allowed under Sections 17053.10, 17053.17 and 17053.46 claimed for the same employee. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.

In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit, prior to any reduction required by subdivision (i) or (j).

(i) In the case where the credit otherwise allowed under this section exceeds the "net tax" for the taxable year, that portion of the credit that exceeds the "net tax" may be carried over and added to the credit, if any, in succeeding taxable years, until the credit is exhausted. The credit shall be applied first to the earliest taxable years possible.

(j) (1) The amount of the credit otherwise allowed under this section and Section 17053.70, including any credit carryover from prior years, that may reduce the "net tax" for the taxable year shall not exceed the amount of tax which would be imposed on the taxpayer's business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the

taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding taxable years, as if it were an amount exceeding the "net tax" for the taxable year, as provided in subdivision (i).

(k) The amendments made to this section by the act amending this subdivision shall apply to taxable years beginning on or after January 1, 1998.

SEC. 19. Section 17273 of the Revenue and Taxation Code is amended to read:

17273. (a) Section 162(*l*)(1) of the Internal Revenue Code, relating to applicable percentage, is modified by substituting "25 percent" for the percentages specified in that section.

(b) For each taxable year beginning on or after January 1, 1999, Section 162(*l*)(1) of the Internal Revenue Code, relating to applicable percentage, is modified by substituting "40 percent" for the percentages specified in that section.

SEC. 20. Section 17276.2 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

17276.2. The term "qualified taxpayer" as used in Section 17276.1 means any of the following:

(a) A person or entity engaged in the conduct of a trade or business within an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(1) A net operating loss shall not be a net operating loss carryback to any taxable year and a net operating loss for any taxable year beginning on or after the date that the area in which the taxpayer conducts a trade or business is designated as an enterprise zone shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of loss.

(2) For purposes of this subdivision:

(A) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 17276.1, attributable to the taxpayer's business activities within the enterprise zone as defined in Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code, prior to the enterprise zone expiration date. That attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11, modified for purposes of this subdivision, as follows:

(i) Loss shall be apportioned to the enterprise zone by multiplying total loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The enterprise zone" shall be substituted for "this state."

(B) A net operating loss carryover shall be a deduction only with respect to the taxpayer's business income attributable to the enterprise zone as defined in Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(C) Attributable income is that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this subdivision as follows:

(i) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this clause:

(I) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(II) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(ii) If a loss carryover is allowable pursuant to this section for any taxable year after the enterprise zone designation has expired, the enterprise zone shall be deemed to remain in existence for purposes of computing the limitation set forth in subparagraph (B) and allowing a net operating loss deduction.

(D) "Enterprise zone expiration date" means the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(3) The changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 1998.

(b) A person or entity engaged in the conduct of a trade or business within the Los Angeles Revitalization Zone designated pursuant to Section 7102 of the Government Code.

(1) A net operating loss shall not be a net operating loss carryback for any taxable year, and a net operating loss for any taxable year beginning on or after the date the area in which the taxpayer conducts a trade or business is designated the Los Angeles Revitalization Zone shall be a net operating loss carryover to each

following taxable year that ends before the Los Angeles Revitalization Zone expiration date or to each of the 15 taxable years following the taxable year of loss, if longer.

(2) For the purposes of this subdivision:

(A) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 17276.1, attributable to the taxpayer's business activities within the Los Angeles Revitalization Zone (as defined in Section 7102 of the Government Code) prior to the Los Angeles Revitalization Zone expiration date. The attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11, modified as follows:

(i) Loss shall be apportioned to the Los Angeles Revitalization Zone by multiplying total loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The Los Angeles Revitalization Zone" shall be substituted for "this state."

(B) A net operating loss carryover shall be a deduction only with respect to the taxpayer's business income attributable to the Los Angeles Revitalization Zone (as defined in Section 7102 of the Government Code) determined in accordance with paragraph (3).

(C) If a loss carryover is allowable pursuant to this section for any taxable year after the Los Angeles Revitalization Zone designation has expired, the Los Angeles Revitalization Zone shall be deemed to remain in existence for purposes of computing the limitation set forth in subparagraph (B) and allowing a net operating loss deduction.

(3) Attributable income shall be that portion of the taxpayer's California source business income which is apportioned to the Los Angeles Revitalization Zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the Los Angeles Revitalization Zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified as follows:

(A) Business income shall be apportioned to the Los Angeles Revitalization Zone by multiplying total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(B) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the Los Angeles Revitalization Zone during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(C) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the Los Angeles Revitalization

Zone during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) "Los Angeles Revitalization Zone expiration date" means the date the Los Angeles Revitalization Zone designation expires, is repealed, or becomes inoperative pursuant to Section 7102, 7103, or 7104 of the Government Code.

(5) This subdivision shall be inoperative on the first day of the taxable year beginning on or after the determination date, and each taxable year thereafter, with respect to the taxpayer's business activities within a geographic area that is excluded from the map pursuant to Section 7102 of the Government Code, or an excluded area determined pursuant to Section 7104 of the Government Code. The determination date is the earlier of the first effective date of a determination under subdivision (c) of Section 7102 of the Government Code occurring after December 1, 1994, or the first effective date of an exclusion of an area from the amended Los Angeles Revitalization Zone under Section 7104 of the Government Code. However, if the taxpayer has any unused loss amount as of the date this section becomes inoperative, that unused loss amount may continue to be carried forward as provided in this subdivision.

(6) This subdivision shall cease to be operative on December 1, 1998. However, any unused net operating loss may continue to be carried over to following years as provided in this subdivision.

(c) For each taxable year beginning on or after January 1, 1995, and before January 1, 2003, a taxpayer engaged in the conduct of a trade or business within a LAMBRA.

(1) A net operating loss shall not be a net operating loss carryback for any taxable year, and a net operating loss for any taxable year beginning on or after the date the area in which the taxpayer conducts a trade or business is designated a LAMBRA shall be a net operating loss carryover to each following taxable year that ends before the LAMBRA expiration date or to each of the 15 taxable years following the taxable year of loss, if longer.

(2) For the purposes of this subdivision:

(A) "LAMBRA" means a local agency military base recovery area designated in accordance with Section 7114 of the Government Code.

(B) "Taxpayer" means a person or entity that conducts a trade or business within a LAMBRA and, for the first two taxable years, has a net increase in jobs (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA and this state.

(i) The net increase in the number of jobs shall be determined by subtracting the total number of full-time employees (defined as 2,000 paid hours per employee per year) the taxpayer employed in this state in the taxable year prior to commencing business operations in the LAMBRA from the total number of full-time employees the taxpayer employed in this state during the second taxable year after

commencing business operations in the LAMBRA. For taxpayers who commence doing business in this state with their LAMBRA business operation, the number of employees for the taxable year prior to commencing business operations in the LAMBRA shall be zero. The deduction shall be allowed only if the taxpayer has a net increase in jobs in the state, and if one or more full-time employees is employed within the LAMBRA.

(ii) The total number of employees employed in the LAMBRA shall equal the sum of both of the following:

(I) The total number of hours worked in the LAMBRA for the taxpayer by employees (not to exceed 2,000 hours per employee) who are paid an hourly wage divided by 2,000.

(II) The total number of months worked in the LAMBRA for the taxpayer by employees who are salaried employees divided by 12.

(iii) In the case of a taxpayer who first commences doing business in the LAMBRA during the taxable year, for purposes of subclauses (I) and (II), respectively, of clause (ii) the divisors "2,000" and "12" shall be multiplied by a fraction, the numerator of which is the number of months of the taxable year that the taxpayer was doing business in the LAMBRA and the denominator of which is 12.

(C) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 17276.1, attributable to the taxpayer's business activities within a LAMBRA prior to the LAMBRA expiration date. The attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11, modified for purposes of this subdivision as follows:

(i) Loss shall be apportioned to a LAMBRA by multiplying total loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The LAMBRA" shall be substituted for "this state."

(D) A net operating loss carryover shall be a deduction only with respect to the taxpayer's business income attributable to a LAMBRA.

(E) Attributable income is that portion of the taxpayer's California source business income that is apportioned to the LAMBRA. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the LAMBRA in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this subdivision as follows:

(i) Business income shall be apportioned to a LAMBRA by multiplying total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this clause:

(I) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the LAMBRA during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(II) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the LAMBRA during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(ii) If a loss carryover is allowable pursuant to this section for any taxable year after the LAMBRA designation has expired, the LAMBRA shall be deemed to remain in existence for purposes of computing the limitation specified in subparagraph (D) and allowing a net operating loss deduction.

(F) "LAMBRA expiration date" means the date the LAMBRA designation expires, is no longer binding, or becomes inoperative pursuant to Section 7110 of the Government Code.

(3) The changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 1998.

(d) (1) For each taxable year beginning on or after January 1, 1998, a person or entity that meets both of the following:

(A) Is engaged in a trade or business within a targeted tax area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(B) Is engaged in those lines of business described in Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition. In the case of any passthrough entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level.

(2) A net operating loss shall not be a net operating loss carryback to any taxable year and a net operating loss for any taxable year beginning on or after the date that the area in which the qualified taxpayer conducts a trade or business is designated as a targeted tax area shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of loss.

(3) For purposes of this subdivision:

(A) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 17276.1, attributable to the qualified taxpayer's business activities within the targeted tax area as defined in Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code prior to the targeted tax area expiration date. That attributable loss shall be determined in accordance with Chapter 17 (commencing with

Section 25101) of Part 11, modified for purposes of this subdivision as follows:

(i) Loss shall be apportioned to the targeted tax area by multiplying total loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The targeted tax area" shall be substituted for "this state."

(B) A net operating loss carryover shall be a deduction only with respect to the qualified taxpayer's business income attributable to the targeted tax area as defined in Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(C) Attributable income shall be that portion of the qualified taxpayer's California source business income that is apportioned to the targeted tax area. For that purpose, the qualified taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101) of Part 11. That business income shall be further apportioned to the targeted tax area in accordance with Article 2 (commencing with Section 25120) of Chapter 17 of Part 11, modified for purposes of this subdivision as follows:

(i) Business income shall be apportioned to the targeted tax area by multiplying the total business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this clause:

(I) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the targeted tax area during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(II) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the targeted tax area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(ii) If a loss carryover is allowable pursuant to this subdivision for any taxable year after the targeted tax area expiration date, the targeted tax area designation shall be deemed to remain in existence for purposes of computing the limitation specified in subparagraph (B) and allowing a net operating loss deduction.

(D) "Targeted tax area expiration date" means the date the targeted tax area designation expires, is revoked, is no longer binding, or becomes inoperative.

(4) The changes made to this subdivision by the act adding this paragraph shall apply to taxable years beginning on or after January 1, 1998.

(e) A taxpayer who qualifies as a "qualified taxpayer" shall, for the taxable year of the net operating loss and any taxable year to which

that net operating loss may be carried, designate on the original return filed for each year the subdivision of this section which applies to that taxpayer with respect to that net operating loss. If the taxpayer is eligible to qualify under more than one subdivision of this section, the designation is to be made after taking into account subdivision (f).

(f) If a taxpayer is eligible to qualify under more than one subdivision of this section as a "qualified taxpayer," with respect to a net operating loss in a taxable year, the taxpayer shall designate which subdivision of this section is to apply to the taxpayer.

(g) Notwithstanding Section 17276, the amount of the loss determined under this section shall be the only net operating loss allowed to be carried over from that taxable year and the designation under subdivision (e) shall be included in the election under Section 17276.1.

SEC. 21. Section 23153 of the Revenue and Taxation Code is amended to read:

23153. (a) Every corporation described in subdivision (b) shall be subject to the minimum franchise tax specified in subdivision (d) from the earlier of the date of incorporation, qualification, or commencing to do business within this state, until the effective date of dissolution or withdrawal as provided in Section 23331 or, if later, the date the corporation ceases to do business within the limits of this state.

(b) Unless expressly exempted by this part or the California Constitution, subdivision (a) shall apply to each of the following:

(1) Every corporation that is incorporated under the laws of this state.

(2) Every corporation that is qualified to transact intrastate business in this state pursuant to Chapter 21 (commencing with Section 2100) of Division 1 of Title 1 of the Corporations Code.

(3) Every corporation that is doing business in this state.

(c) The following entities are not subject to the minimum franchise tax specified in this section:

(1) Credit unions.

(2) Nonprofit cooperative associations organized pursuant to Chapter 1 (commencing with Section 54001) of Division 20 of the Food and Agricultural Code that have been issued the certificate of the board of supervisors prepared pursuant to Section 54042 of the Food and Agricultural Code. The association shall be exempt from the minimum franchise tax for five consecutive income years, commencing with the first income year for which the certificate is issued pursuant to subdivision (b) of Section 54042 of the Food and Agricultural Code. This paragraph only applies to nonprofit cooperative associations organized on or after January 1, 1994.

(d) (1) Except as provided in paragraph (2), corporations subject to the minimum franchise tax shall pay annually to the state a minimum franchise tax of eight hundred dollars ($800).

(2) The minimum franchise tax shall be twenty-five dollars ($25) for each of the following:

(A) A corporation formed under the laws of this state whose principal business when formed was gold mining, which is inactive and has not done business within the limits of the state since 1950.

(B) A corporation formed under the laws of this state whose principal business when formed was quicksilver mining, which is inactive and has not done business within the limits of the state since 1971, or has been inactive for a period of 24 consecutive months or more.

(3) For purposes of paragraph (2), a corporation shall not be considered to have done business if it engages in other than mining.

(e) Notwithstanding subdivision (a), for income years beginning on or after January 1, 1999, every "qualified new corporation" shall pay annually to the state a minimum franchise tax of five hundred dollars ($500) for the second taxable year. This subdivision shall apply to any corporation that is a qualified new corporation and is incorporated on or after January 1, 1999.

(1) The determination of the gross receipts of a corporation, for purposes of this subdivision, shall be made by including the gross receipts of each member of the commonly controlled group, as defined in Section 25105, of which the corporation is a member.

(2) "Gross receipts, less returns and allowances reportable to this state," means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(3) "Qualified new corporation" means a corporation that begins business operations at or after the time of its incorporation and that reasonably estimates that it will have gross receipts, less returns and allowances, reportable to this state for the income year of less than one million dollars ($1,000,000). "Qualified new corporation" does not include any corporation that began business operations as a single proprietorship, a partnership, or any other form of business entity prior to its incorporation. This subdivision shall not apply to any corporation that reorganizes solely for the purpose of reducing its minimum franchise tax.

(4) This subdivision shall not apply to limited partnerships, as defined in Section 17935, limited liability companies, as defined in Section 17941, limited liability partnerships, as defined in Section 17948, charitable organizations, as described in Section 23703, regulated investment companies, as defined in Section 851 of the Internal Revenue Code, real estate investment trusts, as defined in Section 856 of the Internal Revenue Code, real estate mortgage investment conduits, as defined in Section 860D of the Internal Revenue Code, financial asset securitization investment trusts, as defined in Section 860L of the Internal Revenue Code, qualified Subchapter S subsidiaries, as defined in Section 1361(b)(3) of the

Internal Revenue Code, or to the formation of any subsidiary corporation, to the extent applicable.

(5) For any income year beginning on or after January 1, 1999, if a corporation has paid five hundred dollars ($500) for the second taxable year under this subdivision, but in its second taxable year, the corporation's gross receipts, as determined under paragraphs (1) and (2), exceed one million dollars ($1,000,000), an additional tax in the amount equal to three hundred dollars ($300) for the second taxable year shall be due and payable by the corporation on the due date of its return, without regard to extension, for that year.

(f) Notwithstanding subdivision (a), a domestic corporation, as defined in Section 167 of the Corporations Code, that files a certificate of dissolution in the office of the Secretary of State pursuant to subdivision (c) of Section 1905 of the Corporations Code and that does not thereafter do business shall not be subject to the minimum franchise tax for income years beginning on or after the date of that filing.

(g) The minimum franchise tax imposed by paragraph (1) of subdivision (d) shall not be increased by the Legislature by more than 10 percent during any calendar year.

SEC. 22. Section 23221 of the Revenue and Taxation Code is amended to read:

23221. (a) Except as provided under subdivision (b), a corporation which incorporates under the laws of this state or qualifies to transact intrastate business in this state shall thereupon prepay the minimum tax provided in Section 23153, except that any credit union shall thereupon prepay a tax of twenty-five dollars ($25). The prepayment shall be made to the Secretary of State with the filing of the articles of incorporation or the statement and designation by a foreign corporation. The Secretary of State shall transmit the amount of the prepayment to the Franchise Tax Board. The Franchise Tax Board shall certify to the Secretary of State on an individual or class basis those domestic or foreign corporations which are exempt from prepayment or for which prepayment to the Secretary of State is waived.

(b) (1) For income years commencing on or after January 1, 1997, and before January 1, 1999, the amount payable by a qualified new corporation under subdivision (a) shall be six hundred dollars ($600).

(2) For income years commencing on or after January 1, 1999, the amount payable by a qualified new corporation under subdivision (a) shall be three hundred dollars ($300).

(c) For purposes of this section, "qualified new corporation" means a corporation that begins operation at or after the time of its incorporation and that reasonably estimates that, for the income year, it will have both gross receipts, less returns and allowances reportable to this state, of one million dollars ($1,000,000) or less and a tax liability under Section 23151 that does not exceed eight hundred dollars ($800). "Qualified new corporation" does not include any

corporation that began business operations as a single proprietorship, a partnership, or any other form of business entity prior to its incorporation.

(1) The determination of gross receipts of a corporation, for purposes of this section, shall be made by including the gross receipts of each member of the commonly controlled group, as defined in Section 25105, of which the bank or corporation is a member.

(2) "Gross receipts, less returns and allowances reportable to this state," means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(d) Subdivision (b) shall not apply to any corporation if 50 percent or more of its stock is, or will be upon the initial issuance of stock, owned by another corporation.

(e) (1) For income years commencing on or after January 1, 1997 and before January 1, 1999, if a corporation paid six hundred dollars ($600) under paragraph (1) of subdivision (b), but for its first income year the corporation's tax liability under Section 23151 exceeds eight hundred dollars ($800), or the corporation's gross receipts, as determined under paragraph (2) of subdivision (c), exceed one million dollars ($1,000,000), an additional tax in an amount equal to two hundred dollars ($200) shall be due and payable by the corporation on the due date of its return, without regard to extension, for its first income year.

(2) For income years commencing on or after January 1, 1999, if a corporation paid three hundred dollars ($300) under paragraph (2) of subdivision (b), but for its first income year the corporation's tax liability under Section 23151 exceeds eight hundred dollars ($800), or the corporation's gross receipts, as determined under paragraphs (1) and (2) of subdivision (c), exceed one million dollars ($1,000,000), an additional tax in an amount equal to five hundred dollars ($500) shall be due and payable by the corporation on the due date of its return, without regard to extension, for its first income year.

(f) The amendments made by the act adding this subdivision shall apply to income years commencing on or after January 1, 1999.

SEC. 23. Section 23609 of the Revenue and Taxation Code is amended to read:

23609. For each income year beginning on or after January 1, 1987, there shall be allowed as a credit against the "tax" (as defined by Section 23036) an amount determined in accordance with Section 41 of the Internal Revenue Code, except as follows:

(a) For each income year beginning before January 1, 1997, both of the following modifications shall apply:

(1) The reference to "20 percent" in Section 41(a)(1) of the Internal Revenue Code is modified to read "8 percent."

(2) The reference to "20 percent" in Section 41(a)(2) of the Internal Revenue Code is modified to read "12 percent."

(b) For each income year beginning on or after January 1, 1997, both of the following modifications shall apply:

(1) The reference to "20 percent" in Section 41(a)(1) of the Internal Revenue Code is modified to read "11 percent."

(2) The reference to "20 percent" in Section 41(a)(2) of the Internal Revenue Code is modified to read "24 percent."

(c) (1) With respect to any expense paid or incurred after the operative date of Section 6378, Section 41(b)(1) of the Internal Revenue Code is modified to exclude from the definition of "qualified research expense" any amount paid or incurred for tangible personal property that is eligible for the exemption from sales or use tax provided by Section 6378.

(2) "Qualified research" and "basic research" shall include only research conducted in California.

(d) The provisions of Section 41(e)(7)(A) of the Internal Revenue Code, shall be modified so that "basic research," for purposes of this section, includes any basic or applied research including scientific inquiry or original investigation for the advancement of scientific or engineering knowledge or the improved effectiveness of commercial products, except that the term does not include any of the following:

(1) Basic research conducted outside California.

(2) Basic research in the social sciences, arts, or humanities.

(3) Basic research for the purpose of improving a commercial product if the improvements relate to style, taste, cosmetic, or seasonal design factors.

(4) Any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

(e) (1) In the case of a taxpayer engaged in any biopharmaceutical research activities that are described in codes 2833 to 2836, inclusive, or any research activities that are described in codes 3826, 3829, or 3841 to 3845, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, or any other biotechnology research and development activities, the provisions of Section 41(e)(6) of the Internal Revenue Code shall be modified to include both of the following:

(A) A qualified organization as described in Section 170(b)(1)(A)(iii) of the Internal Revenue Code and owned by an institution of higher education as described in Section 3304(f) of the Internal Revenue Code.

(B) A charitable research hospital owned by an organization that is described in Section 501(c)(3) of the Internal Revenue Code, is exempt from taxation under Section 501(a) of the Internal Revenue Code, is not a private foundation, is designated a "specialized laboratory cancer center," and has received Clinical Cancer Research Center status from the National Cancer Institute.

(2) For purposes of this subdivision:

(A) "Biopharmaceutical research activities" means those activities that use organisms or materials derived from organisms, and their cellular, subcellular, or molecular components, in order to provide pharmaceutical products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living organisms to make commercial products, as opposed to pharmaceutical activities that make use of chemical compounds to produce commercial products.

(B) "Other biotechnology research and development activities" means research and development activities consisting of the application of recombinant DNA technology to produce commercial products, as well as research and development activities regarding pharmaceutical delivery systems designed to provide a measure of control over the rate, duration, and site of pharmaceutical delivery.

(f) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and succeeding years if necessary, until the credit has been exhausted.

(g) For each income year beginning on or after January 1, 1998, the reference to "Section 501(a)" in Section 41(b)(3)(C) of the Internal Revenue Code, relating to contract research expenses, is modified to read "this part or Part 10 (commencing with Section 17001)."

(h) (1) For each income year beginning on or after January 1, 1998:

(A) The reference to "1.65 percent" in Section 41(c)(4)(A)(i) of the Internal Revenue Code is modified to read "one and thirty-two hundredths of one percent."

(B) The reference to "2.2 percent" in Section 41(c)(4)(A)(ii) of the Internal Revenue Code is modified to read "one and seventy-six hundredths of one percent."

(C) The reference to "2.75 percent" in Section 41(c)(4)(A)(iii) of the Internal Revenue Code is modified to read "two and two-tenths of one percent."

(2) Section 41(c)(4)(B) shall not apply and in lieu thereof an election under Section 41(c)(4)(A) of the Internal Revenue Code may be made for any income year of the taxpayer beginning on or after January 1, 1998. That election shall apply to the income year for which made and all succeeding income years unless revoked with the consent of the Franchise Tax Board.

(3) Section 41(c)(6) of the Internal Revenue Code, relating to gross receipts, is modified to take into account only those gross receipts from the sale of property held primarily for sale to customers in the ordinary course of the taxpayer's trade or business that is delivered or shipped to a purchaser within this state, regardless of f.o.b. point or any other condition of the sale.

(i) Section 41(h) of the Internal Revenue Code, relating to termination, shall not apply.

(j) Section 41(g) of the Internal Revenue Code, relating to special rule for passthrough of credit, is modified by each of the following:

(1) The last sentence shall not apply.

(2) If the amount determined under Section 41(a) of the Internal Revenue Code for any income year exceeds the limitation of Section 41(g) of the Internal Revenue Code, that amount may be carried over to other income years under the rules of subdivision (f), except that the limitation of Section 41(g) of the Internal Revenue Code shall be taken into account in each subsequent income year.

SEC. 24. Section 23612.2 of the Revenue and Taxation Code is amended to read:

23612.2. (a) There shall be allowed as a credit against the "tax" (as defined by Section 23036) for the income year an amount equal to the sales or use tax paid or incurred during the income year by the taxpayer in connection with the taxpayer's purchase of qualified property.

(b) For purposes of this section:

(1) "Taxpayer" means either a bank or corporation engaged in a trade or business within an enterprise zone.

(2) "Qualified property" means:

(A) Any of the following:

(i) Machinery and machinery parts used for fabricating, processing, assembling, and manufacturing.

(ii) Machinery and machinery parts used for the production of renewable energy resources.

(iii) Machinery and machinery parts used for either of the following:

(I) Air pollution control mechanisms.

(II) Water pollution control mechanisms.

(iv) Data processing and communications equipment, including, but not limited to, computers, computer-automated drafting systems, copy machines, telephone systems, and faxes.

(v) Motion picture manufacturing equipment central to production and postproduction, including, but not limited to, cameras, audio recorders, and digital image and sound processing equipment.

(B) The total cost of qualified property purchased and placed in service in any income year that may be taken into account by any taxpayer for purposes of claiming this credit shall not exceed twenty million dollars ($20,000,000).

(C) The qualified property is used by the taxpayer exclusively in an enterprise zone.

(D) The qualified property is purchased and placed in service before the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(3) "Enterprise zone" means the area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(c) If the taxpayer has purchased property upon which a use tax has been paid or incurred, the credit provided by this section shall be allowed only if qualified property of a comparable quality and price is not timely available for purchase in this state.

(d) In the case where the credit otherwise allowed under this section exceeds the "tax" for the income year, that portion of the credit which exceeds the "tax" may be carried over and added to the credit, if any, in the following year, and succeeding years if necessary, until the credit is exhausted. The credit shall be applied first to the earliest income years possible.

(e) Any taxpayer who elects to be subject to this section shall not be entitled to increase the basis of the qualified property as otherwise required by Section 164(a) of the Internal Revenue Code with respect to sales or use tax paid or incurred in connection with the taxpayer's purchase of qualified property.

(f) (1) The amount of credit otherwise allowed under this section and Section 23622.7, including any credit carryover from prior years, that may reduce the "tax" for the income year shall not exceed the amount of tax which would be imposed on the taxpayer's business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the taxable year for compensation, and the denominator of which is the

total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding income years, as if it were an amount exceeding the "tax" for the income year, as provided in subdivision (d).

(g) The amendments made to this section by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 25. Section 23617 of the Revenue and Taxation Code is amended to read:

23617. (a) For each income year beginning on or after January 1, 1988, and before January 1, 2003, there shall be allowed as a credit against the "tax" (as defined by Section 23036) an amount equal to the amount determined in subdivision (b).

(b) (1) The amount of the credit allowed by this section shall be 30 percent of any of the following:

(A) The cost paid or incurred by the taxpayer on or after September 23, 1988, for the startup expenses of establishing a child care program or constructing a child care facility in California, to be used primarily by the children of the taxpayer's employees.

(B) For each income year beginning on or after January 1, 1993, cost paid or incurred by the taxpayer for startup expenses of establishing a child care program or constructing a child care facility in California to be used primarily by the children of employees of tenants leasing commercial or office space in a building owned by the taxpayer.

(C) The cost paid or incurred by the taxpayer on or after September 23, 1988, for contributions to California child care information and referral services, including, but not limited to, those that identify local child care services, offer information describing these resources to the taxpayer's employees, and make referrals of the taxpayer's employees to child care services where there are vacancies.

In the case of a child care facility established by two or more taxpayers, the credit shall be allowed if the facility is to be used primarily by the children of the employees of each of the taxpayers or the children of the employees of tenants of each of the taxpayers.

(2) The amount of the credit allowed by this section shall not exceed fifty thousand dollars ($50,000) for any income year.

(c) For purposes of this section, "startup expenses" include, but are not limited to, feasibility studies, site preparation, and construction, renovation, or acquisition of facilities for purposes of establishing or expanding onsite or nearsite centers by one or more employers or one or more building owners leasing space to employers.

(d) If two or more taxpayers share in the costs eligible for the credit provided by this section, each taxpayer shall be eligible to

receive a tax credit with respect to its respective share of the costs paid or incurred.

(e) (1) In the case where the credit allowed and limited under subdivision (b) for the income year exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and succeeding years if necessary, until the credit has been exhausted. However, the excess from any one year shall not exceed fifty thousand dollars ($50,000).

(2) If the credit carryovers from preceding income years allowed under paragraph (1) plus the credit allowed for the income year under subdivision (b) would exceed an aggregate total of fifty thousand dollars ($50,000), then the credit allowed to reduce the "tax" under this section for the income year shall be limited to fifty thousand dollars ($50,000) and the amount in excess of the fifty thousand dollar ($50,000) limit may be carried over and applied against the "tax" in the following year, and succeeding years if necessary, in an amount which, when added to the credit allowed under subdivision (b) for that succeeding income year, does not exceed fifty thousand dollars ($50,000).

(f) No deduction shall be allowed as otherwise provided in this part for that portion of expenses paid or incurred for the income year which is equal to the amount of the credit allowed under this section attributable to those expenses.

(g) In lieu of claiming the tax credit provided by this section, the taxpayer may elect to take depreciation pursuant to Section 24371.5. In addition, the taxpayer may take depreciation pursuant to that section for the cost of a facility in excess of the amount of the tax credit claimed under this section.

(h) The basis for any child care facility for which a credit is allowed shall be reduced by the amount of the credit attributable to the facility. The basis adjustment shall be made for the taxable year for which the credit is allowed.

(i) No credit shall be allowed under subparagraph (B) of paragraph (1) of subdivision (b) in the case of any taxpayer that is required by any local ordinance or regulation to provide a child care facility.

(j) (1) In order to be eligible for the credit allowed under subparagraph (A) or (B) of paragraph (1) of subdivision (b), the taxpayer shall submit to the Franchise Tax Board upon request a statement certifying that the costs for which the credit is claimed are incurred with respect to the startup expenses of establishing a child care program or constructing a child care facility in California to be used primarily by the children of the taxpayer's employees or the children of the employees of tenants leasing commercial or office space in a building owned by the taxpayer and which will be in operation for at least 60 consecutive months after completion.

(2) If the child care center for which a credit is claimed pursuant to this section is disposed of or ceases to operate within 60 months

after completion, that portion of the credit claimed which represents the remaining portion of the 60-month period shall be added to the taxpayer's tax liability in the income year of that disposition or nonuse.

(k) In order to be allowed the credit under subparagraph (A) or (B) of paragraph (1) of subdivision (b), the taxpayer shall indicate, in the form and manner prescribed by the Franchise Tax Board, the number of children that the child care program or facility will be able to legally accommodate.

(*l*) This section shall remain in effect only until December 1, 2003, and as of that date is repealed.

SEC. 26. Section 23617.5 of the Revenue and Taxation Code is amended to read:

23617.5. (a) For each income year beginning on or after January 1, 1995, and before January 1, 2003, there shall be allowed as a credit against the "tax" (as defined by Section 23036) an amount equal to the amount determined in subdivision (b).

(b) (1) The amount of the credit allowed by this section shall be 30 percent of the cost paid or incurred by the taxpayer for contributions to a qualified care plan made on behalf of any qualified dependent of the taxpayer's qualified employee.

(2) The amount of the credit allowed by this section in any income year shall not exceed three hundred sixty dollars ($360) for each qualified dependent.

(c) For purposes of this section:

(1) "Qualified care plan" means a plan providing qualified care.

(2) "Qualified care" includes, but is not limited to, onsite service, center-based service, in-home care or home-provider care, and a dependent care center as defined by Section 21(b)(2)(D) of the Internal Revenue Code that is a specialized center with respect to short-term illnesses of an employee's dependents. "Qualified care" must be provided in this state under the authority of a license when required by California law.

(3) "Specialized center" means a facility that provides care to mildly ill children and that may do all of the following:

(A) Be staffed by pediatric nurses and day care workers.

(B) Admit children suffering from common childhood ailments (including colds, flu, and chickenpox).

(C) Make special arrangements for well children with minor problems associated with diabetes, asthma, breaks or sprains, and recuperation from surgery.

(D) Separate children according to their illness and symptoms in order to protect them from cross-infection.

(4) "Contributions" include direct payments to child care programs or providers.

(5) "Qualified employee" means any employee of the taxpayer who is performing services for the taxpayer in this state, within the

meaning of Section 25133, during the period in which the qualified care is performed.

(6) "Employee" includes an individual who is an employee within the meaning of Section 401(c)(1) of the Internal Revenue Code (relating to self-employed individuals).

(7) "Qualified dependent" means any dependent of a qualified employee who is under the age of 12 years.

(d) If an employer makes contributions to a qualified care plan and also collects fees from parents to support a child care facility owned and operated by the employer, no credit shall be allowed under this section for contributions in the amount, if any, by which the sum of the contributions and fees exceed the total cost of providing care. The Franchise Tax Board may require information about fees collected from parents of children served in the facility from taxpayers claiming credits under this section.

(e) If the duration of the child care received is less than 42 weeks, the employer shall claim a prorated portion of the allowable credit. The employer shall prorate the credit using the ratio of the number of weeks of care received divided by 42 weeks.

(f) If the credit allowed under this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and succeeding years if necessary, until the credit has been exhausted.

(g) The credit shall not be available to an employer if the care provided on behalf of an employee is provided by an individual who:

(1) Qualifies as a dependent of that employee or that employee's spouse under subdivision (d) of Section 17054.

(2) Is (within the meaning of Section 17056) a son, stepson, daughter, or stepdaughter of that employee and is under the age of 19 at the close of that taxable year.

(h) The contributions to a qualified care plan shall not discriminate in favor of employees who are officers, owners, or highly compensated, or their dependents.

(i) No deduction shall be allowed as otherwise provided in this part for that portion of expenses paid or incurred for the income year that is equal to the amount of the credit allowed under this section.

(j) If the credit is taken by an employer for contributions to a qualified care plan that is used at a facility owned by the employer, the basis of that facility shall be reduced by the amount of the credit. The basis adjustment shall be made for the income year for which the credit is allowed.

(k) This section shall remain in effect only until December 1, 2003, and as of that date is repealed.

SEC. 27. Section 23622.7 of the Revenue and Taxation Code is amended to read:

23622.7. (a) There shall be allowed a credit against the "tax" (as defined by Section 23036) to a taxpayer who employs a qualified

employee in an enterprise zone during the income year. The credit shall be equal to the sum of each of the following:

(1) Fifty percent of qualified wages in the first year of employment.

(2) Forty percent of qualified wages in the second year of employment.

(3) Thirty percent of qualified wages in the third year of employment.

(4) Twenty percent of qualified wages in the fourth year of employment.

(5) Ten percent of qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A) (i) Except as provided in clause (ii), that portion of wages paid or incurred by the taxpayer during the income year to qualified employees that does not exceed 150 percent of the minimum wage.

(ii) For up to 1,350 qualified employees who are employed by the taxpayer in the Long Beach Enterprise Zone in aircraft manufacturing activities described in Codes 3721 to 3728, inclusive, and Code 3812 of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "qualified wages" means that portion of hourly wages that does not exceed 202 percent of the minimum wage.

(B) Wages received during the 60-month period beginning with the day the employee commences employment with the taxpayer.

(C) Qualified wages do not include any wages paid or incurred by the taxpayer on or after the zone expiration date. However, wages paid or incurred with respect to qualified employees who are employed by the taxpayer within the enterprise zone within the 60-month period prior to the zone expiration date shall continue to qualify for the credit under this section after the zone expiration date, in accordance with all provisions of this section applied as if the enterprise zone designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Zone expiration date" means the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(4) (A) "Qualified employee" means an individual who meets all of the following requirements:

(i) At least 90 percent of whose services for the taxpayer during the income year are directly related to the conduct of the taxpayer's trade or business located in an enterprise zone.

(ii) Performs at least 50 percent of his or her services for the taxpayer during the income year in an enterprise zone.

(iii) Is hired by the taxpayer after the date of original designation of the area in which services were performed as an enterprise zone.

(iv) Is any of the following:

(I) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving, or is eligible to receive, subsidized employment, training, or services funded by the federal Job Training Partnership Act, or its successor.

(II) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or its successor.

(III) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was an economically disadvantaged individual 14 years of age or older.

(IV) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a dislocated worker who meets any of the following:

(aa) Has been terminated or laid off or who has received a notice of termination or layoff from employment, is eligible for or has exhausted entitlement to unemployment insurance benefits, and is unlikely to return to his or her previous industry or occupation.

(bb) Has been terminated or has received a notice of termination of employment as a result of any permanent closure or any substantial layoff at a plant, facility, or enterprise, including an individual who has not received written notification but whose employer has made a public announcement of the closure or layoff.

(cc) Is long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual resides, including an individual 55 years of age or older who may have substantial barriers to employment by reason of age.

(dd) Was self-employed (including farmers and ranchers) and is unemployed as a result of general economic conditions in the community in which he or she resides or because of natural disasters.

(ee) Was a civilian employee of the Department of Defense employed at a military installation being closed or realigned under the Defense Base Closure and Realignment Act of 1990.

(ff) Was an active member of the armed forces or National Guard as of September 30, 1990, and was either involuntarily separated or separated pursuant to a special benefits program.

(gg) Is a seasonal or migrant worker who experiences chronic seasonal unemployment and underemployment in the agriculture

industry, aggravated by continual advancements in technology and mechanization.

(hh) Has been terminated or laid off, or has received a notice of termination or layoff, as a consequence of compliance with the Clean Air Act.

(V) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a disabled individual who is eligible for or enrolled in, or has completed a state rehabilitation plan or is a service-connected disabled veteran, veteran of the Vietnam era, or veteran who is recently separated from military service.

(VI) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was an ex-offender. An individual shall be treated as convicted if he or she was placed on probation by a state court without a finding of guilt.

(VII) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a person eligible for or a recipient of any of the following:

(aa) Federal Supplemental Security Income benefits.

(bb) Aid to Families with Dependent Children.

(cc) Food stamps.

(dd) State and local general assistance.

(VIII) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a federally recognized Indian tribe, band, or other group of Native American descent.

(IX) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a resident of a targeted employment area (as defined in Section 7072 of the Government Code).

(X) An employee who qualified the taxpayer for the enterprise zone hiring credit under former Section 23622 or the program area hiring credit under former Section 23623.

(XI) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a targeted group, as defined in Section 51(d) of the Internal Revenue Code, or its successor.

(B) Priority for employment shall be provided to an individual who is enrolled in a qualified program under the federal Job Training Partnership Act or the Greater Avenues for Independence Act of 1985 or who is eligible as a member of a targeted group under the Work Opportunity Tax Credit (Section 51 of the Internal Revenue Code), or its successor.

(5) "Taxpayer" means a corporation engaged in a trade or business within an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(c) The taxpayer shall do both of the following:

(1) Obtain from either the Employment Development Department, as permitted by federal law, or the local county or city Job Training Partnership Act administrative entity or the local county GAIN office or social services agency, as appropriate, a certification that provides that a qualified employee meets the eligibility requirements specified in clause (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The Employment Development Department may provide preliminary screening and referral to a certifying agency. The Employment Development Department shall develop a form for this purpose.

(2) Retain a copy of the certification and provide it upon request to the Franchise Tax Board.

(d) (1) For purposes of this section:

(A) All employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by a single taxpayer.

(B) The credit, if any, allowable by this section to each member shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(C) For purposes of this subdivision, "controlled group of corporations" means "controlled group of corporations" as defined in Section 1563(a) of the Internal Revenue Code, except that:

(i) "More than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1) of the Internal Revenue Code.

(ii) The determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal Revenue Code.

(2) If an employer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (e)) for any calendar year ending after that acquisition, the employment relationship between a qualified employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(e) (1) If the employment of any qualified employee with respect to whom qualified wages are taken into account under subdivision (a) is terminated by the taxpayer at any time during the first 270 days of that employment, whether or not consecutive, or before the close of the 270th calendar day after the day in which that employee completes 90 days of employment with the taxpayer, the tax imposed by this part for the income year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that income year and all prior

income years attributable to qualified wages paid or incurred with respect to that employee.

(2) (A) Paragraph (1) shall not apply to any of the following:

(i) A termination of employment of a qualified employee who voluntarily leaves the employment of the taxpayer.

(ii) A termination of employment of a qualified employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the taxpayer fails to offer reemployment to that employee.

(iii) A termination of employment of a qualified employee, if it is determined under the applicable unemployment compensation provisions that the termination was due to the misconduct of that employee.

(iv) A termination of employment of a qualified employee due to a substantial reduction in the trade or business operations of the taxpayer.

(v) A termination of employment of a qualified employee, if that employee is replaced by other qualified employees so as to create a net increase in both the number of employees and the hours of employment.

(B) For purposes of paragraph (1), the employment relationship between the taxpayer and a qualified employee shall not be treated as terminated by either of the following:

(i) By a transaction to which Section 381(a) of the Internal Revenue Code applies, if the qualified employee continues to be employed by the acquiring corporation.

(ii) By reason of a mere change in the form of conducting the trade or business of the taxpayer, if the qualified employee continues to be employed in that trade or business and the taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(f) Rules similar to the rules provided in Section 46(e) and (h) of the Internal Revenue Code shall apply to both of the following:

(1) An organization to which Section 593 of the Internal Revenue Code applies:

(2) A regulated investment company or a real estate investment trust subject to taxation under this part.

(g) For purposes of this section, "enterprise zone" means an area designated as an enterprise zone pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(h) The credit allowable under this section shall be reduced by the credit allowed under Sections 23623.5, 23625, and 23646 claimed for the same employee. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.

In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit, prior to any reduction required by subdivision (i) or (j).

(i) In the case where the credit otherwise allowed under this section exceeds the "tax" for the income year, that portion of the credit that exceeds the "tax" may be carried over and added to the credit, if any, in succeeding income years, until the credit is exhausted. The credit shall be applied first to the earliest income years possible.

(j) (1) The amount of the credit otherwise allowed under this section and Section 23612.2, including any credit carryover from prior years, that may reduce the "tax" for the income year shall not exceed the amount of tax which would be imposed on the taxpayer's business income attributable to the enterprise zone determined as if that attributable income represented all of the income of the taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding income years, as if it were an amount exceeding the "tax" for the income year, as provided in subdivision (i).

(k) The amendments made to this section by the act amending this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 28. Section 23622.8 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

23622.8. (a) For each income year beginning on or after January 1, 1998, there shall be allowed a credit against the "tax" (as defined in Section 23036) to a qualified taxpayer for hiring a qualified disadvantaged individual during the income year for employment in the Manufacturing Enhancement Area. The credit shall be equal to the sum of each of the following:

(1) Fifty percent of the qualified wages in the first year of employment.

(2) Forty percent of the qualified wages in the second year of employment.

(3) Thirty percent of the qualified wages in the third year of employment.

(4) Twenty percent of the qualified wages in the fourth year of employment.

(5) Ten percent of the qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A) That portion of wages paid or incurred by the qualified taxpayer during the income year to qualified disadvantaged individuals that does not exceed 150 percent of the minimum wage.

(B) The total amount of qualified wages which may be taken into account for purposes of claiming the credit allowed under this section shall not exceed two million dollars ($2,000,000) per income year.

(C) Wages received during the 60-month period beginning with the day the qualified disadvantaged individual commences employment with the qualified taxpayer.

(D) Qualified wages do not include any wages paid or incurred by the qualified taxpayer on or after the Manufacturing Enhancement Area expiration date. However, wages paid or incurred with respect to qualified employees who are employed by the qualified taxpayer within the Manufacturing Enhancement Area within the 60-month period prior to the Manufacturing Enhancement Area expiration date shall continue to qualify for the credit under this section after the Manufacturing Enhancement Area expiration date, in accordance with all provisions of this section applied as if the Manufacturing Enhancement Area designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Manufacturing Enhancement Area" means an area designated pursuant to Section 7073.8 of the Government Code according to the procedures of Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(4) "Manufacturing Enhancement Area expiration date" means the date the Manufacturing Enhancement Area designation expires, is no longer binding, or becomes inoperative.

(5) "Qualified disadvantaged individual" means an individual who satisfies all of the following requirements:

(A) (i) At least 90 percent of whose services for the qualified taxpayer during the income year are directly related to the conduct of the qualified taxpayer's trade or business located in a Manufacturing Enhancement Area.

(ii) Who performs at least 50 percent of his or her services for the qualified taxpayer during the income year in the Manufacturing Enhancement Area.

(B) Who is hired by the qualified taxpayer after the designation of the area as a Manufacturing Enhancement Area in which the individual's services were primarily performed.

(C) Who is any of the following immediately preceding the individual's commencement of employment with the qualified taxpayer:

(i) An individual who has been determined eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.).

(ii) Any voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 as provided pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code.

(iii) Any individual who has been certified eligible by the Employment Development Department under the federal Targeted Jobs Tax Credit Program, whether or not this program is in effect.

(6) "Qualified taxpayer" means any corporation engaged in a trade or business within a Manufacturing Enhancement Area designated pursuant to Section 7073.8 of the Government Code and that meets both of the following requirements:

(A) Is engaged in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(B) At least 50 percent of the qualified taxpayer's work force hired after the designation of the Manufacturing Enhancement Area is composed of individuals who, at the time of hire, are residents of the county in which the Manufacturing Enhancement Area is located.

(C) Of the percentage of local hires, as described in subparagraph (B), at least 30 percent shall be qualified disadvantaged individuals.

(c) (1) For purposes of this section, all of the following apply:

(A) All employees of all corporations that are members of the same controlled group of corporations shall be treated as employed by a single qualified taxpayer.

(B) The credit (if any) allowable by this section with respect to each member shall be determined by reference to its proportionate share of the expenses of the qualified wages giving rise to the credit and shall be allocated in that manner.

(C) Principles that apply in the case of controlled groups of corporations, as specified in subdivision (d) of Section 23622.7, shall apply with respect to determining employment.

(2) If a qualified taxpayer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (d)) for any calendar year ending after that acquisition, the employment relationship between a qualified disadvantaged individual and a qualified taxpayer shall not be treated as terminated if the qualified disadvantaged individual continues to be employed in that trade or business.

(d) (1) If the employment of any qualified disadvantaged individual, with respect to whom qualified wages are taken into account under subdivision (b) is terminated by the qualified taxpayer at any time during the first 270 days of that employment (whether or not consecutive) or before the close of the 270th calendar day after the day in which that qualified disadvantaged individual completes 90 days of employment with the qualified taxpayer, the tax imposed by this part for the income year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that income year and all prior income years attributable to qualified wages paid or incurred with respect to that qualified disadvantaged individual.

(2) (A) Paragraph (1) does not apply to any of the following:

(i) A termination of employment of a qualified disadvantaged individual who voluntarily leaves the employment of the qualified taxpayer.

(ii) A termination of employment of a qualified disadvantaged individual who, before the close of the period referred to in paragraph (1), becomes disabled to perform the services of that employment, unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that individual.

(iii) A termination of employment of a qualified disadvantaged individual, if it is determined under the applicable employment compensation laws that the termination was due to the misconduct of that individual.

(iv) A termination of employment of a qualified disadvantaged individual due to a substantial reduction in the trade or business operations of the qualified taxpayer.

(v) A termination of employment of a qualified disadvantaged individual, if that individual is replaced by other qualified disadvantaged individuals so as to create a net increase in both the number of employees and the hours of employment.

(B) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified disadvantaged individual shall not be treated as terminated by either of the following:

(i) By a transaction to which Section 381(a) of the Internal Revenue Code applies, if the qualified disadvantaged individual continues to be employed by the acquiring corporation.

(ii) By reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified disadvantaged individual continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(e) The credit shall be reduced by the credit allowed under Section 23621. The credit shall also be reduced by the federal credit allowed under Section 51 of the Internal Revenue Code.

In addition, any deduction otherwise allowed under this part for the wages or salaries paid or incurred by the qualified taxpayer upon which the credit is based shall be reduced by the amount of the credit, prior to any reduction required by subdivision (f) or (g).

(f) In the case where the credit otherwise allowed under this section exceeds the "tax" for the income year, that portion of the credit that exceeds the "tax" may be carried over and added to the credit, if any, in succeeding years, until the credit is exhausted. The credit shall be applied first to the earliest income years possible.

(g) (1) The amount of credit otherwise allowed under this section, including prior year credit carryovers, that may reduce the "tax" for the income year shall not exceed the amount of tax that would be imposed on the qualified taxpayer's business income attributed to a Manufacturing Enhancement Area determined as if that attributed income represented all of the net income of the qualified taxpayer subject to tax under this part.

(2) Attributable income is that portion of the taxpayer's California source business income that is apportioned to the Manufacturing Enhancement Area. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the Manufacturing Enhancement Area in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this section in accordance with paragraph (3).

(3) Income shall be apportioned to a Manufacturing Enhancement Area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For the purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the Manufacturing Enhancement Area during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the Manufacturing Enhancement Area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding income years, as if it were an amount exceeding the "tax" for the income year, as provided in subdivision (g).

(h) If the taxpayer is allowed a credit pursuant to this section for qualified wages paid or incurred, only one credit shall be allowed to the taxpayer under this part with respect to any wage consisting in whole or in part of those qualified wages.

(i) The amendments made to this section by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 29. Section 23633 of the Revenue and Taxation Code is amended to read:

23633. (a) For each income year beginning on or after January 1, 1998, there shall be allowed as a credit against the "tax" (as defined by Section 23036) for the income year an amount equal to the sales or use tax paid or incurred during the income year by the qualified taxpayer in connection with the qualified taxpayer's purchase of qualified property.

(b) For purposes of this section:

(1) "Qualified property" means property that meets all of the following requirements:

(A) Is any of the following:

(i) Machinery and machinery parts used for fabricating, processing, assembling, and manufacturing.

(ii) Machinery and machinery parts used for the production of renewable energy resources.

(iii) Machinery and machinery parts used for either of the following:

(I) Air pollution control mechanisms.

(II) Water pollution control mechanisms.

(iv) Data processing and communications equipment, such as computers, computer-automated drafting systems, copy machines, telephone systems, and faxes.

(v) Motion picture manufacturing equipment central to production and post production, such as cameras, audio recorders, and digital image and sound processing equipment.

(B) The total cost of qualified property purchased and placed in service in any income year that may be taken into account by any qualified taxpayer for purposes of claiming this credit shall not exceed twenty million dollars ($20,000,000).

(C) The qualified property is used by the qualified taxpayer exclusively in a targeted tax area.

(D) The qualified property is purchased and placed in service before the date the targeted tax area designation expires, is revoked, is no longer binding, or becomes inoperative.

(2) (A) "Qualified taxpayer" means a corporation that meets both of the following:

(i) Is engaged in a trade or business within a targeted tax area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(ii) Is engaged in those lines of business described in Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(B) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 17053.33 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of this part or Part 10 (commencing with Section 17001). For purposes of this subparagraph, the term "pass-through entity" means any partnership or S corporation.

(3) "Targeted tax area" means the area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(c) If the qualified taxpayer is allowed a credit for qualified property pursuant to this section, only one credit shall be allowed to the taxpayer under this part with respect to that qualified property.

(d) If the qualified taxpayer has purchased property upon which a use tax has been paid or incurred, the credit provided by this section shall be allowed only if qualified property of a comparable quality and price is not timely available for purchase in this state.

(e) In the case where the credit otherwise allowed under this section exceeds the "tax" for the income year, that portion of the credit that exceeds the "tax" may be carried over and added to the credit, if any, in the following year, and succeeding years if necessary,

until the credit is exhausted. The credit shall be applied first to the earliest income years possible.

(f) Any qualified taxpayer who elects to be subject to this section shall not be entitled to increase the basis of the qualified property as otherwise required by Section 164(a) of the Internal Revenue Code with respect to sales or use tax paid or incurred in connection with the qualified taxpayer's purchase of qualified property.

(g) (1) The amount of credit otherwise allowed under this section and Section 23634, including any credit carryover from prior years, that may reduce the "tax" for the income year shall not exceed the amount of tax that would be imposed on the qualified taxpayer's business income attributable to the targeted tax area determined as if that attributable income represented all of the income of the qualified taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the targeted tax area . For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the targeted tax area in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the targeted tax area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the targeted tax area during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the targeted tax area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding income years, as if it were an amount exceeding the "tax" for the income year, as provided in subdivision (e).

(5) In the event that a credit carryover is allowable under subdivision (e) for any income year after the targeted tax area designation has expired, has been revoked, is no longer binding, or has become inoperative, the targeted tax area shall be deemed to

remain in existence for purposes of computing the limitation specified in this subdivision.

(h) The changes made to this section by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 30. Section 23634 of the Revenue and Taxation Code is amended to read:

23634. (a) For each income year beginning on or after January 1, 1998, there shall be allowed a credit against the "tax" (as defined by Section 23036) to a qualified taxpayer who employs a qualified employee in a targeted tax area during the income year. The credit shall be equal to the sum of each of the following:

(1) Fifty percent of qualified wages in the first year of employment.

(2) Forty percent of qualified wages in the second year of employment.

(3) Thirty percent of qualified wages in the third year of employment.

(4) Twenty percent of qualified wages in the fourth year of employment.

(5) Ten percent of qualified wages in the fifth year of employment.

(b) For purposes of this section:

(1) "Qualified wages" means:

(A) That portion of wages paid or incurred by the qualified taxpayer during the income year to qualified employees that does not exceed 150 percent of the minimum wage.

(B) Wages received during the 60-month period beginning with the day the employee commences employment with the qualified taxpayer.

(C) Qualified wages do not include any wages paid or incurred by the qualified taxpayer on or after the targeted tax area expiration date. However, wages paid or incurred with respect to qualified employees who are employed by the qualified taxpayer within the targeted tax area within the 60-month period prior to the targeted tax area expiration date shall continue to qualify for the credit under this section after the targeted tax area expiration date, in accordance with all provisions of this section applied as if the targeted tax area designation were still in existence and binding.

(2) "Minimum wage" means the wage established by the Industrial Welfare Commission as provided for in Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(3) "Targeted tax area expiration date" means the date the targeted tax area designation expires, is revoked, is no longer binding, or becomes inoperative.

(4) (A) "Qualified employee" means an individual who meets all of the following requirements:

(i) At least 90 percent of his or her services for the qualified taxpayer during the income year are directly related to the conduct of the qualified taxpayer's trade or business located in a targeted tax area.

(ii) Performs at least 50 percent of his or her services for the qualified taxpayer during the income year in a targeted tax area.

(iii) Is hired by the qualified taxpayer after the date of original designation of the area in which services were performed as a targeted tax area.

(iv) Is any of the following:

(I) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a person eligible for services under the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving, or is eligible to receive, subsidized employment, training, or services funded by the federal Job Training Partnership Act, or its successor.

(II) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a person eligible to be a voluntary or mandatory registrant under the Greater Avenues for Independence Act of 1985 (GAIN) provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or its successor.

(III) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was an economically disadvantaged individual 14 years of age or older.

(IV) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a dislocated worker who meets any of the following:

(aa) Has been terminated or laid off or who has received a notice of termination or layoff from employment, is eligible for or has exhausted entitlement to unemployment insurance benefits, and is unlikely to return to his or her previous industry or occupation.

(bb) Has been terminated or has received a notice of termination of employment as a result of any permanent closure or any substantial layoff at a plant, facility, or enterprise, including an individual who has not received written notification but whose employer has made a public announcement of the closure or layoff.

(cc) Is long-term unemployed and has limited opportunities for employment or reemployment in the same or a similar occupation in the area in which the individual resides, including an individual 55 years of age or older who may have substantial barriers to employment by reason of age.

(dd) Was self-employed (including farmers and ranchers) and is unemployed as a result of general economic conditions in the community in which he or she resides or because of natural disasters.

(ee) Was a civilian employee of the Department of Defense employed at a military installation being closed or realigned under the Defense Base Closure and Realignment Act of 1990.

(ff) Was an active member of the armed forces or National Guard as of September 30, 1990, and was either involuntarily separated or separated pursuant to a special benefits program.

(gg) Is a seasonal or migrant worker who experiences chronic seasonal unemployment and underemployment in the agriculture industry, aggravated by continual advancements in technology and mechanization.

(hh) Has been terminated or laid off, or has received a notice of termination or layoff, as a consequence of compliance with the Clean Air Act.

(V) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a disabled individual who is eligible for or enrolled in, or has completed a state rehabilitation plan or is a service-connected disabled veteran, veteran of the Vietnam era, or veteran who is recently separated from military service.

(VI) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was an ex-offender. An individual shall be treated as convicted if he or she was placed on probation by a state court without a finding of guilt.

(VII) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a person eligible for or a recipient of any of the following:

(aa) Federal Supplemental Security Income benefits.

(bb) Aid to Families with Dependent Children.

(cc) Food stamps.

(dd) State and local general assistance.

(VIII) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a member of a federally recognized Indian tribe, band, or other group of Native American descent.

(IX) Immediately preceding the qualified employee's commencement of employment with the qualified taxpayer, was a resident of a targeted tax area.

(X) Immediately preceding the qualified employee's commencement of employment with the taxpayer, was a member of a targeted group, as defined in Section 51(d) of the Internal Revenue Code, or its successor.

(B) Priority for employment shall be provided to an individual who is enrolled in a qualified program under the federal Job Training Partnership Act or the Greater Avenues for Independence Act of 1985 or who is eligible as a member of a targeted group under the Work Opportunity Tax Credit (Section 51 of the Internal Revenue Code), or its successor.

(5) (A) "Qualified taxpayer" means a person or entity that meets both of the following:

(i) Is engaged in a trade or business within a targeted tax area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(ii) Is engaged in those lines of business described in Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(B) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 17053.34 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of this part or Part 10 (commencing with Section 17001). For purposes of this subparagraph, the term "pass-through entity" means any partnership or S corporation.

(c) If the qualified taxpayer is allowed a credit for qualified wages pursuant to this section, only one credit shall be allowed to the taxpayer under this part with respect to those qualified wages.

(d) The qualified taxpayer shall do both of the following:

(1) Obtain from either the Employment Development Department, as permitted by federal law, or the local county or city Job Training Partnership Act administrative entity or the local county GAIN office or social services agency, as appropriate, a certification that provides that a qualified employee meets the eligibility requirements specified in clause (iv) of subparagraph (A) of paragraph (4) of subdivision (b). The Employment Development Department may provide preliminary screening and referral to a certifying agency. The Employment Development Department shall develop a form for this purpose.

(2) Retain a copy of the certification and provide it upon request to the Franchise Tax Board.

(e) (1) For purposes of this section:

(A) All employees of all corporations that are members of the same controlled group of corporations shall be treated as employed by a single taxpayer.

(B) The credit, if any, allowable by this section to each member shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(C) For purposes of this subdivision, "controlled group of corporations" means "controlled group of corporations" as defined in Section 1563(a) of the Internal Revenue Code, except that:

(i) "More than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1) of the Internal Revenue Code.

(ii) The determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal Revenue Code.

(2) If an employer acquires the major portion of a trade or business of another employer (hereinafter in this paragraph referred to as the "predecessor") or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section (other than subdivision (f)) for any calendar year ending after that acquisition, the employment relationship between a qualified employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(f) (1) If the employment of any qualified employee with respect to whom qualified wages are taken into account under subdivision (a) is terminated by the qualified taxpayer at any time during the first 270 days of that employment (whether or not consecutive) or before the close of the 270th calendar day after the day in which that employee completes 90 days of employment with the qualified taxpayer, the tax imposed by this part for the income year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that income year and all prior income years attributable to qualified wages paid or incurred with respect to that employee.

(2) (A) Paragraph (1) shall not apply to any of the following:

(i) A termination of employment of a qualified employee who voluntarily leaves the employment of the qualified taxpayer.

(ii) A termination of employment of a qualified employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that employee.

(iii) A termination of employment of a qualified employee, if it is determined under the applicable unemployment compensation provisions that the termination was due to the misconduct of that employee.

(iv) A termination of employment of a qualified employee due to a substantial reduction in the trade or business operations of the taxpayer.

(v) A termination of employment of a qualified employee, if that employee is replaced by other qualified employees so as to create a net increase in both the number of employees and the hours of employment.

(B) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified employee shall not be treated as terminated by either of the following:

(i) By a transaction to which Section 381(a) of the Internal Revenue Code applies, if the qualified employee continues to be employed by the acquiring corporation.

(ii) By reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified employee continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(3) Any increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(g) Rules similar to the rules provided in Sections 46(e) and (h) of the Internal Revenue Code shall apply to both of the following:

(1) An organization to which Section 593 of the Internal Revenue Code applies.

(2) A regulated investment company or a real estate investment trust subject to taxation under this part.

(h) For purposes of this section, "targeted tax area" means an area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(i) In the case where the credit otherwise allowed under this section exceeds the "tax" for the income year, that portion of the credit that exceeds the "tax" may be carried over and added to the credit, if any, in succeeding income years, until the credit is exhausted. The credit shall be applied first to the earliest income years possible.

(j) (1) The amount of the credit otherwise allowed under this section and Section 23633, including any credit carryover from prior years, that may reduce the "tax" for the income year shall not exceed the amount of tax that would be imposed on the qualified taxpayer's business income attributable to the targeted tax area determined as if that attributable income represented all of the income of the qualified taxpayer subject to tax under this part.

(2) Attributable income shall be that portion of the taxpayer's California source business income that is apportioned to the targeted tax area . For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the targeted tax area in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this section in accordance with paragraph (3).

(3) Business income shall be apportioned to the targeted tax area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this paragraph:

(A) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the targeted tax area during the taxable year, and the denominator of which is the average value of all the

taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year.

(B) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the targeted tax area during the taxable year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the taxable year.

(4) The portion of any credit remaining, if any, after application of this subdivision, shall be carried over to succeeding income years, as if it were an amount exceeding the "tax" for the income year, as provided in subdivision (h).

(5) In the event that a credit carryover is allowable under subdivision (h) for any income year after the targeted tax area designation has expired or been revoked, the targeted tax area shall be deemed to remain in existence for purposes of computing the limitation specified in this subdivision.

(k) The amendments made to this section by the act adding this subdivision shall apply to income years beginning on or after January 1, 1998.

SEC. 31. Section 23649 of the Revenue and Taxation Code is amended to read:

23649. (a) (1) A qualified taxpayer shall be allowed a credit against the "tax," as defined in Section 23036, equal to 6 percent of the qualified cost of qualified property that is placed in service in this state.

(2) In the case of any qualified costs paid or incurred on or after January 1, 1994, and prior to the first income year of the qualified taxpayer beginning on or after January 1, 1995, the credit provided under paragraph (1) shall be claimed by the qualified taxpayer on the qualified taxpayer's return for the first income year beginning on or after January 1, 1995. No credit shall be claimed under this section on a return filed for any income year commencing prior to the qualified taxpayer's first income year beginning on or after January 1, 1995.

(b) (1) For purposes of this section, "qualified cost" means any cost that satisfies each of the following conditions:

(A) Except as otherwise provided in this subparagraph, is a cost paid or incurred by the qualified taxpayer for the construction, reconstruction, or acquisition of qualified property on or after January 1, 1994, and prior to the date this section ceases to be operative under paragraph (2) of subdivision (i). In the case of any qualified property constructed, reconstructed, or acquired by the qualified taxpayer (or any person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) pursuant to a binding contract in existence on or prior to January 1, 1994, costs paid pursuant to that contract shall be subject to allocation as follows: contract costs shall be allocated to qualified property based on a ratio of costs actually paid prior to January 1, 1994, and total contract costs actually paid. "Cost paid" shall include,

without limitation, contractual deposits and option payments. To the extent of cost allocated, whether or not currently deductible or depreciable for tax purposes, to a period prior to January 1, 1994, the cost shall be deemed allocated to property acquired before January 1, 1994, and is thus not a "qualified cost."

(B) Except as provided in paragraph (2) of subdivision (d) and subparagraph (B) of paragraph (3) of subdivision (d), is an amount upon which the qualified taxpayer has paid, directly or indirectly as a separately stated contract amount or as determined from the records of the qualified taxpayer, sales or use tax under Part 1 (commencing with Section 6001).

(C) Is an amount properly chargeable to the capital account of the qualified taxpayer.

(2) (A) For purposes of this subdivision, any contract entered into on or after January 1, 1994, that is a successor or replacement contract to a contract that was binding prior to January 1, 1994, shall be treated as a binding contract in existence prior to January 1, 1994.

(B) If a successor or replacement contract is entered into on or after January 1, 1994, and the subject of the successor or replacement contract relates both to amounts for the construction, reconstruction, or acquisition of qualified property described in the original binding contract and to costs for the construction, reconstruction, or acquisition of qualified property not described in the original binding contract, then the portion of those amounts described in the successor or replacement contract that were not described in the original binding contract shall not be treated as costs paid or incurred pursuant to a binding contract in existence on or prior to January 1, 1994, under subparagraph (A) of paragraph (1).

(3) (A) For purposes of this section, an option contract in existence prior to January 1, 1994, under which a qualified taxpayer (or any other person related to the qualified taxpayer within the meaning of Section 267 or 707 of the Internal Revenue Code) had an option to acquire qualified property, shall be treated as a binding contract under the rules in paragraph (2). For purposes of this subparagraph, an option contract shall not include an option under which the optionholder will forfeit an amount less than 10 percent of the fixed option price in the event the option is not exercised.

(B) For purposes of this section, a contract shall be treated as binding even if the contract is subject to a condition.

(4) For purposes of this subdivision, in the case of any qualified taxpayer engaged in those lines of business described in Codes 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "the first income year beginning on or after January 1, 1998," shall be substituted for "January 1, 1994," in each place in which it appears.

(c) (1) For purposes of this section, "qualified taxpayer" means any taxpayer engaged in those lines of business described in Codes

2011 to 3999, inclusive, or Codes 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition.

(2) In the case of any pass-through entity, the determination of whether a taxpayer is a qualified taxpayer shall be made at the entity level and any credit under this section or Section 17053.49 shall be allowed to the pass-through entity and passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, the term "pass-through entity" means any partnership or S corporation.

(3) The Franchise Tax Board may prescribe regulations to carry out the purposes of this section, including any regulations necessary to prevent the avoidance of the effect of this section through splitups, shell corporations, partnerships, tiered ownership structures, sale-leaseback transactions, or otherwise.

(d) For purposes of this section, "qualified property" means property that is described as either of the following:

(1) Tangible personal property that is defined in Section 1245(a) of the Internal Revenue Code for use by a qualified taxpayer in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, that is primarily used for any of the following:

(A) For the manufacturing, processing, refining, fabricating, or recycling of property, beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the process and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling has altered tangible personal property to its completed form, including packaging, if required.

(B) In research and development.

(C) To maintain, repair, measure, or test any property described in this paragraph.

(D) For pollution control that meets or exceeds standards established by the state or by any local or regional governmental agency within the state.

(E) For recycling.

(2) Computers and computer peripheral equipment, as defined in Section 168(i)(2)(B) of the Internal Revenue Code, that is tangible personal property as defined in Section 1245(a) of the Internal Revenue Code for use by a qualified taxpayer in those lines of business described in SIC Codes 7371 to 7373, inclusive, of the SIC Manual, 1987 edition, that is primarily used to develop or manufacture prepackaged software or custom software prepared to the special order of the purchaser who uses the program to produce and sell or license copies of the program as prepackaged software.

(3) The value of any capitalized labor costs that are directly allocable to the construction or modification of property described in paragraph (1) or (2).

(4) In the case of any qualified taxpayer engaged in manufacturing activities described in SIC Code 357 or 367, those activities related to biotechnology described in SIC Code 8731, those activities related to biopharmaceutical establishments only that are described in SIC Codes 2833 to 2836, inclusive, those activities related to space vehicles and parts described in SIC Codes 3761 to 3769, inclusive, those activities related to space satellites and communications satellites and equipment described in SIC Codes 3663 and 3812 (but only with respect to "qualified property" that is placed in service on or after January 1, 1996), or those activities related to semiconductor equipment manufacturing described in SIC Code 3559 (but only with respect to "qualified property" that is placed in service on or after January 1, 1997), "qualified property" also includes the following:

(A) Special purpose buildings and foundations that are constructed or modified for use by the qualified taxpayer primarily in a manufacturing, processing, refining, or fabricating process, or as a research or storage facility primarily used in connection with a manufacturing process.

(B) The value of any capitalized labor costs that are directly allocable to the construction or modification of special purpose buildings and foundations that are used primarily in the manufacturing, processing, refining, or fabricating process, or as a research or storage facility primarily used in connection with a manufacturing process.

(C) (i) For purposes of this paragraph, "special purpose building and foundation" means only a building and the foundation immediately underlying the building that is specifically designed and constructed or reconstructed for the installation, operation, and use of specific machinery and equipment with a special purpose, which machinery and equipment, after installation, will become affixed to or a fixture of the real property, and the construction or reconstruction of which is specifically designed and used exclusively for the specified purposes as set forth in subparagraph (A) ("qualified purpose").

(ii) A building is specifically designed and constructed or modified for a qualified purpose if it is not economical to design and construct the building for the intended purpose and then use the structure for a different purpose.

(iii) For purposes of clause (i) and clause (vi), a building is used exclusively for a qualified purpose only if its use does not include a use for which it was not specifically designed and constructed or modified. Incidental use of a building for nonqualified purposes does not preclude the building from being a special purpose building. "Incidental use" means a use which is both related and subordinate

to the qualified purpose. It will be conclusively presumed that a use is not subordinate if more than one-third of the total usable volume of the building is devoted to a use which is not a qualified purpose.

(iv) In the event an entire building does not qualify as a special purpose building, a taxpayer may establish that a portion of a building, and the foundation immediately underlying the portion, qualifies for treatment as a special purpose building and foundation if the portion satisfies all of the definitional provisions in this subparagraph.

(v) To the extent that a building is not a special purpose building as defined above, but a portion of the building qualifies for treatment as a special purpose building, then all equipment which exclusively supports the qualified purpose occurring within that portion and which would qualify as Internal Revenue Code Section 1245 property if it were not a fixture or affixed to the building shall be treated as a cost of the portion of the building which qualifies for treatment as a special purpose building.

(vi) Buildings and foundations which do not meet the definition of a special purpose building and foundation set forth above include, but are not limited to: buildings designed and constructed or reconstructed principally to function as a general purpose manufacturing, industrial, or commercial building; research facilities that are used primarily prior to or after, or prior to and after, the manufacturing process; or storage facilities that are used primarily prior to or after, or prior to and after, completion of the manufacturing process. A research facility shall not be considered to be used primarily prior to or after, or prior to and after, the manufacturing process if its purpose and use relate exclusively to the development and regulatory approval of the manufacturing process for specific biopharmaceutical products. A research facility which is used primarily in connection with the discovery of an organism from which a biopharmaceutical product or process is developed does not meet the requirements of the preceding sentence.

(5) Subject to the provisions in subparagraph (B) of paragraph (1) of subdivision (b), qualified property also includes computer software that is primarily used for those purposes set forth in paragraph (1) or (2) of this subdivision.

(6) Qualified property does not include any of the following:

(A) Furniture.

(B) Facilities used for warehousing purposes after completion of the manufacturing process.

(C) Inventory.

(D) Equipment used in the extraction process.

(E) Equipment used to store finished products that have completed the manufacturing process.

(F) Any tangible personal property that is used in administration, general management, or marketing.

(G) Any vehicle for which a credit is claimed pursuant to Section 17052.11 or 23603.

(e) For purposes of this section:

(1) "Biopharmaceutical activities" means those activities that use organisms or materials derived from organisms, and their cellular, subcellular, or molecular components, in order to provide pharmaceutical products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living organisms to make commercial products, as opposed to pharmaceutical activities which make use of chemical compounds to produce commercial products.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Manufacturing" means the activity of converting or conditioning property by changing the form, composition, quality, or character of the property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.

(4) "Other biotechnology activities" means activities consisting of the application of recombinant DNA technology to produce commercial products, as well as activities regarding pharmaceutical delivery systems designed to provide a measure of control over the rate, duration, and site of pharmaceutical delivery.

(5) "Primarily" means tangible personal property used 50 percent or more of the time in an activity described in subdivision (d).

(6) "Process" means the period beginning at the point at which any raw materials are received by the qualified taxpayer and introduced into the manufacturing, processing, refining, fabricating, or recycling activity of the qualified person and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling activity of the qualified taxpayer has altered tangible personal property to its completed form, including packaging, if required. Raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified taxpayer's manufacturing, processing, refining, fabricating, or recycling activity is conducted. Raw materials that are stored on premises other than where the qualified taxpayer's manufacturing, processing, refining, fabricating, or recycling activity is conducted, shall not be considered to have been introduced into the manufacturing, processing, refining, fabricating, or recycling process.

(7) "Processing" means the physical application of the materials and labor necessary to modify or change the characteristics of property.

(8) "Refining" means the process of converting a natural resource to an intermediate or finished product.

(9) "Research and development" means those activities that are described in Section 174 of the Internal Revenue Code or in any regulations thereunder.

(10) "Small business" means a qualified taxpayer that meets any of the following requirements during the income year for which the credit is allowed:

(A) Has gross receipts of less than fifty million dollars ($50,000,000).

(B) Has net assets of less than fifty million dollars ($50,000,000).

(C) Has a total credit of less than one million dollars ($1,000,000).

(D) For income years beginning on or after January 1, 1997, is engaged in biopharmaceutical activities or other biotechnology activities that are described in Codes 2833 to 2836, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, and has not received regulatory approval for any product from the United States Food and Drug Administration.

(f) The credit allowed under subdivision (a) shall apply to qualified property that is acquired by or subject to lease by a qualified taxpayer, subject to the following special rules:

(1) A lessor of qualified property, irrespective of whether the lessor is a qualified taxpayer, shall not be allowed the credit provided under subdivision (a) with respect to any qualified property leased to another qualified taxpayer.

(2) For purposes of paragraphs (2) and (3) of subdivision (b), "binding contract" shall include any lease agreement with respect to the qualified property.

(3) (A) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is not treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(i) Except as provided by subparagraph (C) of this paragraph, subparagraphs (A) and (C) of paragraph (1) of subdivision (b) shall not apply.

(ii) Except as provided in subparagraph (B) and clause (iii), the "qualified cost" upon which the lessee shall compute the credit provided under this section shall be equal to the original cost to the lessor (within the meaning of Section 24912) of the qualified property that is the subject of the lease.

(iii) Except as provided in clause (iv), the requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied only if the lessor has made a timely election under either Section 6094.1 or subdivision (d) of Section 6244 and has paid sales tax reimbursement or use tax measured by the purchase price of the qualified property (within the meaning of paragraph (5) of subdivision (g) of Section 6006). For purposes of this subdivision and

clause (iv), the amount of original cost to the lessor which may be taken into account under clause (ii) shall not exceed the purchase price upon which sales tax reimbursement or use tax has been paid under the preceding sentence or under clause (iv).

(iv) With respect to leases entered into between January 1, 1994, and the effective date of this clause, the lessor may elect to pay use tax measured by the purchase price of the property by reporting and paying the tax with the return of the lessor for the fourth calendar quarter of 1994. In computing the use tax under the preceding sentence, a credit shall be allowed under Part 1 (commencing with Section 6001) for all sales or use tax previously paid on the lease.

(B) For purposes of applying subparagraph (A) only, the following special rules shall apply:

(i) The original cost to the lessor of the qualified property shall be reduced by the amount of any original cost of that property that was taken into account by any predecessor lessee in computing the credit allowable under this section.

(ii) Clause (i) shall not apply in any case where the predecessor lessee was required to recapture the credit provided under this section pursuant to subdivision (g).

(iii) For purposes of this section only, in any case where a successor lessor has acquired qualified property from a predecessor lessor in a transaction not treated as a sale under Part 1 (commencing with Section 6001), the original cost to the successor lessor of the qualified property shall be reduced by the amount of the original cost of the qualified property that was taken into account by any lessee of the predecessor lessor in computing the credit allowable under this section.

(C) In determining the original cost of any qualified property under this paragraph, only amounts paid or incurred by the lessor on or after January 1, 1994, and prior to the date this section ceases to be operative under paragraph (2) of subdivision (i), shall be taken into account. In the case of any qualified property constructed, reconstructed, or acquired by a lessor pursuant to a binding contract in existence on or prior to January 1, 1994, the allocation rule specified in subparagraph (A) of paragraph (1) of subdivision (b) shall apply in determining the original cost to the lessor of qualified property.

(D) Notwithstanding subparagraph (A), in the case of any leasing transaction for which the lessee is allowed the credit under this section and thereafter the lessee (or any party related to the lessee within the meaning of Section 267 or 318 of the Internal Revenue Code) acquires the qualified property from the lessor (or any successor lessor) within one year from the date the qualified property is first used by the lessee under the terms of the lease, the lessee's (or related party's) acquisition of the qualified property from the lessor (or successor lessor) shall be treated as a disposition by the lessee of the qualified property that was subject to the lease under subdivision (g).

(4) For purposes of determining the qualified cost paid or incurred by a lessee in any leasing transaction that is treated as a sale under Part 1 (commencing with Section 6001), the following rules shall apply:

(A) Subparagraph (A) of paragraph (1) of subdivision (b) shall be applied by substituting the term "purchase" for the term "construction, reconstruction, or acquisition."

(B) Subparagraph (C) of paragraph (1) of subdivision (b) shall apply.

(C) The requirement of subparagraph (B) of paragraph (1) of subdivision (b) shall be treated as satisfied at the time that either the lessor or the qualified taxpayer pays sales or use tax under Part 1 (commencing with Section 6001).

(5) (A) In the case of any leasing transaction described in paragraph (3), the lessor shall provide a statement to the lessee specifying the amount of the lessor's original cost of the qualified property and the amount of that cost upon which a sales or use tax was paid within 45 days after the close of the lessee's taxable year in which the credit is allowable to the lessee under this section.

(B) The statement required under subparagraph (A) shall be made available to the Franchise Tax Board upon request.

(6) For purposes of this subdivision, in the case of any qualified taxpayer engaged in those lines of business described in Codes 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, "the first income year beginning on or after January 1, 1998," shall be substituted for "January 1, 1994," in each place in which it appears. In addition, "the effective date of this paragraph" shall be substituted for "the effective date of this clause" and "fourth calendar quarter of 1998" shall be substituted for "fourth calendar quarter of 1994."

(g) No credit shall be allowed if the qualified property is removed from the state, is disposed of to an unrelated party, or is used for any purpose not qualifying for the credit provided in this section in the same taxable year in which the qualified property is first placed in service in this state. If any qualified property for which a credit is allowed pursuant to this section is thereafter removed from this state, disposed of to an unrelated party, or used for any purpose not qualifying for the credit provided in this section within one year from the date the qualified property is first placed in service in this state, the amount of the credit allowed by this section for that qualified property shall be recaptured by adding that credit amount to the net tax of the qualified taxpayer for the taxable year in which the qualified property is disposed of, removed, or put to an ineligible use.

(h) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and succeeding years as follows:

(1) Except as provided in paragraph (2), for the seven succeeding years if necessary, until the credit is exhausted.

(2) In the case of a small business, for the nine succeeding years, if necessary, until the credit is exhausted.

(i) (1) This section shall remain in effect until the date specified in paragraph (2) on which date this section shall cease to be operative, and as of that date is repealed.

(2) (A) This section shall cease to be operative on January 1, 2001, or on January 1 of the earliest year thereafter, if the total employment in this state, as determined by the Employment Development Department on the preceding January 1, does not exceed by 100,000 jobs the total employment in this state on January 1, 1994. The department shall report to the Legislature annually with respect to the determination required by the preceding sentence.

(B) For purposes of this paragraph, "total employment" means the total employment in the manufacturing sector, excluding employment in the aerospace sector.

(j) The amendments made by the act adding this subdivision shall be operative for income years beginning on or after January 1, 1997, except as provided in paragraph (3) of subdivision (d).

(k) The amendments made by the act adding this subdivision shall be operative for income years beginning on or after January 1, 1998.

SEC. 32. Section 24416.2 of the Revenue and Taxation Code, as amended by Chapter 7 of the Statutes of 1998, is amended to read:

24416.2. The term "qualified taxpayer" as used in Section 24416.1 means any of the following:

(a) A corporation engaged in the conduct of a trade or business within an enterprise zone designated pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(1) A net operating loss shall not be a net operating loss carryback for any income year and a net operating loss for any income year beginning on or after the date that the area in which the taxpayer conducts a trade or business is designated as an enterprise zone shall be a net operating loss carryover to each of the 15 income years following the income year of loss.

(2) For purposes of this subdivision:

(A) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 24416.1, attributable to the taxpayer's business activities within the enterprise zone as defined in Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code prior to the enterprise zone expiration date. That attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101), modified for purposes of this subdivision as follows:

(i) Loss shall be apportioned to the enterprise zone by multiplying total loss from the business by a fraction, the numerator of which is

the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The enterprise zone" shall be substituted for "this state."

(B) A net operating loss carryover shall be a deduction only with respect to the taxpayer's business income attributable to the enterprise zone as defined in Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code.

(C) Attributable income is that portion of the taxpayer's California source business income that is apportioned to the enterprise zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the enterprise zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this subdivision as follows:

(i) Business income shall be apportioned to the enterprise zone by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this clause:

(I) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the enterprise zone during the income year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the income year.

(II) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the enterprise zone during the income year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the income year.

(ii) If a loss carryover is allowable pursuant to this section for any income year after the enterprise zone designation has expired, the enterprise zone shall be deemed to remain in existence for purposes of computing the limitation set forth in subparagraph (B) and allowing a net operating loss deduction.

(D) "Enterprise zone expiration date" means the date the enterprise zone designation expires, is no longer binding, or becomes inoperative.

(3) The changes made to this subdivision by the act adding this paragraph shall apply to income years beginning on or after January 1, 1998.

(b) A corporation engaged in the conduct of a trade or business within the Los Angeles Revitalization Zone designated pursuant to Section 7102 of the Government Code.

(1) (A) A net operating loss shall not be a net operating loss carryback for any income year and, except as provided in subparagraph (B), a net operating loss for any income year

beginning on or after the date the area in which the taxpayer conducts a trade or business is designated the Los Angeles Revitalization Zone shall be a net operating loss carryover to each following income year that ends before the Los Angeles Revitalization Zone expiration date or to each of the 15 income years following the income year of loss, if longer.

(B) In the case of a financial institution to which Section 585, 586, or 593 of the Internal Revenue Code applies, a net operating loss for any income year beginning on or after January 1, 1984, shall be a net operating loss carryover to each of the five years following the income year of the loss. Subdivision (b) of Section 24416.1 shall not apply.

(2) For the purposes of this subdivision:

(A) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 24416.1, attributable to the taxpayer's business activities within the Los Angeles Revitalization Zone (as defined in Section 7102 of the Government Code) prior to the Los Angeles Revitalization Zone expiration date. The attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101), modified as follows:

(i) The loss shall be apportioned to the Los Angeles Revitalization Zone by multiplying the loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The Los Angeles Revitalization Zone" shall be substituted for this state.

(B) A net operating loss carryover shall be a deduction only with respect to the taxpayer's business income attributable to the Los Angeles Revitalization Zone (as defined in Section 7102 of the Government Code) determined in accordance with paragraph (3).

(C) If a loss carryover is allowable pursuant to this section for any income year after the Los Angeles Revitalization Zone designation has expired, the Los Angeles Revitalization Zone shall be deemed to remain in existence for purposes of computing the limitation set forth in subparagraph (B) and allowing a net operating loss deduction.

(3) Attributable income shall be that portion of the taxpayer's California source business income which is apportioned to the Los Angeles Revitalization Zone. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the Los Angeles Revitalization Zone in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified as follows:

(A) Business income shall be apportioned to the Los Angeles Revitalization Zone by multiplying total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(B) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the Los Angeles Revitalization Zone during the income year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the income year.

(C) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the Los Angeles Revitalization Zone during the income year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the income year.

(4) "Los Angeles Revitalization Zone expiration date" means the date the Los Angeles Revitalization Zone designation expires, is repealed, or becomes inoperative pursuant to Section 7102, 7103, or 7104 of the Government Code.

(5) This subdivision shall be inoperative on the first day of the income year beginning on or after the determination date, and each income year thereafter, with respect to the taxpayer's business activities within a geographic area that is excluded from the map pursuant to Section 7102 of the Government Code, or an excluded area determined pursuant to Section 7104 of the Government Code. The determination date is the earlier of the first effective date of a determination under subdivision (c) of Section 7102 of the Government Code occurring after December 1, 1994, or the first effective date of an exclusion of an area from the amended Los Angeles Revitalization Zone under Section 7104 of the Government Code. However, if the taxpayer has any unused loss amount as of the date this section becomes inoperative, that unused loss amount may continue to be carried forward as provided in this subdivision.

(6) This subdivision shall cease to be operative on December 1, 1998. However, any unused net operating loss may continue to be carried over to following years as provided in this subdivision.

(c) For each income year beginning on or after January 1, 1995, and before January 1, 2003, a taxpayer engaged in the conduct of a trade or business within a LAMBRA.

(1) (A) A net operating loss shall not be a net operating loss carryback for any income year and, except as provided in subparagraph (B), a net operating loss for any income year beginning on or after the date the area in which the taxpayer conducts a trade or business is designated a LAMBRA shall be a net operating loss carryover to each following income year that ends before the LAMBRA expiration date or to each of the 15 income years following the income year of loss, if longer.

(B) In the case of a financial institution to which Section 585, 586, or 593 of the Internal Revenue Code applies, a net operating loss for any income year beginning on or after January 1, 1984, shall be a net operating loss carryover to each of the five years following the

income year of the loss. Subdivision (b) of Section 24416.1 shall not apply.

(2) For the purposes of this subdivision:

(A) "LAMBRA" means a local agency military base recovery area designated in accordance with Section 7114 of the Government Code.

(B) "Taxpayer" means a corporation that conducts a trade or business within a LAMBRA and, for the first two income years, has a net increase in jobs (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA and this state.

(i) The net increase in the number of jobs shall be determined by subtracting the total number of full-time employees (defined as 2,000 paid hours per employee per year) the taxpayer employed in this state in the income year prior to commencing business operations in the LAMBRA from the total number of full-time employees the taxpayer employed in this state during the second income year after commencing business operations in the LAMBRA. For taxpayers who commence doing business in this state with their LAMBRA business operation, the number of employees for the income year prior to commencing business operations in the LAMBRA shall be zero. The deduction shall be allowed only if the taxpayer has a net increase in jobs in the state, and if one or more full-time employees is employed within the LAMBRA.

(ii) The total number of employees employed in the LAMBRA shall equal the sum of both of the following:

(I) The total number of hours worked in the LAMBRA for the taxpayer by employees (not to exceed 2,000 hours per employee) who are paid an hourly wage divided by 2,000.

(II) The total number of months worked in the LAMBRA for the taxpayer by employees who are salaried employees divided by 12.

(iii) In the case of a taxpayer that first commences doing business in the LAMBRA during the income year, for purposes of subclauses (I) and (II), respectively, of clause (ii) the divisors "2,000" and "12" shall be multiplied by a fraction, the numerator of which is the number of months of the income year that the taxpayer was doing business in the LAMBRA and the denominator of which is 12.

(C) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 24416.1, attributable to the taxpayer's business activities within a LAMBRA prior to the LAMBRA expiration date. The attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101), modified for purposes of this subdivision as follows:

(i) Loss shall be apportioned to a LAMBRA by multiplying total loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The LAMBRA" shall be substituted for "this state."

(D) A net operating loss carryover shall be a deduction only with respect to the taxpayer's business income attributable to a LAMBRA.

(E) Attributable income is that portion of the taxpayer's California source business income that is apportioned to the LAMBRA. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the LAMBRA in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified as follows:

(i) Business income shall be apportioned to a LAMBRA by multiplying total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this clause:

(I) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the LAMBRA during the income year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the income year.

(II) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the LAMBRA during the income year for compensation, and the denominator of which is the total compensation paid by the taxpayer in this state during the income year.

(ii) If a loss carryover is allowable pursuant to this section for any income year after the LAMBRA designation has expired, the LAMBRA shall be deemed to remain in existence for purposes of computing the limitation specified in subparagraph (D) and allowing a net operating loss deduction.

(F) "LAMBRA expiration date" means the date the LAMBRA designation expires, is no longer binding, or becomes inoperative pursuant to Section 7110 of the Government Code.

(3) The changes made to this subdivision by the act adding this paragraph shall apply to income years beginning on or after January 1, 1998.

(d) (1) For each income year beginning on or after January 1, 1998, a corporation that meets both of the following:

(A) Is engaged in the conduct of a trade or business within a targeted tax area designated pursuant to Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(B) Is engaged in those lines of business described in Codes 2000 to 2099, inclusive; 2200 to 3999, inclusive; 4200 to 4299, inclusive; 4500 to 4599, inclusive; and 4700 to 5199, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition. In the case of any

passthrough entity, the determination of whether a taxpayer is a qualified taxpayer shall be made at the entity level.

(2) A net operating loss shall not be a net operating loss carryback for any income year and a net operating loss for any income year beginning on or after the date that the area in which the qualified taxpayer conducts a trade or business is designated as a targeted tax area shall be a net operating loss carryover to each of the 15 income years following the income year of loss.

(3) For purposes of this subdivision:

(A) "Net operating loss" means the loss determined under Section 172 of the Internal Revenue Code, as modified by Section 24416.1, attributable to the qualified taxpayer's business activities within the targeted tax area as defined in Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code prior to the targeted tax area expiration date. That attributable loss shall be determined in accordance with Chapter 17 (commencing with Section 25101), modified for purposes of this subdivision as follows:

(i) Loss shall be apportioned to the targeted tax area by multiplying total loss from the business by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two.

(ii) "The targeted tax area" shall be substituted for "this state."

(B) A net operating loss carryover shall be a deduction only with respect to the qualified taxpayer's business income attributable to the targeted tax area as defined in Chapter 12.93 (commencing with Section 7097) of Division 7 of Title 1 of the Government Code.

(C) Attributable income is that portion of the taxpayer's California source business income that is apportioned to the targeted tax area. For that purpose, the taxpayer's business income attributable to sources in this state first shall be determined in accordance with Chapter 17 (commencing with Section 25101). That business income shall be further apportioned to the targeted tax area in accordance with Article 2 (commencing with Section 25120) of Chapter 17, modified for purposes of this subdivision as follows:

(i) Business income shall be apportioned to the targeted tax area by multiplying the total California business income of the taxpayer by a fraction, the numerator of which is the property factor plus the payroll factor, and the denominator of which is two. For purposes of this clause:

(I) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in the targeted tax area during the income year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used in this state during the income year.

(II) The payroll factor is a fraction, the numerator of which is the total amount paid by the taxpayer in the targeted tax area during the income year for compensation, and the denominator of which is the

total compensation paid by the taxpayer in this state during the income year.

(ii) If a loss carryover is allowable pursuant to this subdivision for any income year after the targeted tax area expiration date, the targeted tax area designation shall be deemed to remain in existence for purposes of computing the limitation specified in subparagraph (B) and allowing a net operating loss deduction.

(D) "Targeted tax area expiration date" means the date the targeted tax area designation expires, is revoked, is no longer binding, or becomes inoperative.

(4) The changes made to this subdivision by the act adding this paragraph shall apply to income years beginning on or after January 1, 1998.

(e) A taxpayer who qualifies as a "qualified taxpayer" shall, for the income year of the net operating loss and any income year to which that net operating loss may be carried, designate on the original return filed for each year the subdivision of this section which applies to that taxpayer with respect to that net operating loss. If the taxpayer is eligible to qualify under more than one subdivision of this section, the designation is to be made after taking into account subdivision (f).

(f) If a taxpayer is eligible to qualify under more than one subdivision of this section as a "qualified taxpayer," with respect to a net operating loss in an income year, the taxpayer shall designate which subdivision of this section is to apply to the taxpayer.

(g) Notwithstanding Section 24416, the amount of the loss determined under this section shall be the only net operating loss allowed to be carried over from that income year and the designation under subdivision (e) shall be included in the election under Section 24416.1.

SEC. 33. With respect to Sections 21 and 22 of this act, the Legislature finds and declares all of the following:

(a) Small businesses are the major generators of local employment in California and the United States.

(b) New, small local businesses are crucial to neighborhood vitality and quality of life.

(c) Those businesses are key elements in community-based economic development.

(d) Those businesses provide important opportunities for immigrant, minority, and women entrepreneurs.

(e) Lack of capital combined with high fees are serious barriers to small business sustainability.

(f) The minimum franchise tax and second year prepayments are costly and unjustified burdens.

(g) State revenue from these taxes and prepayments are offset by hidden costs of business failures.

SEC. 34. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall

not reimburse any local agency for any sales and use tax revenues lost by it under this act.

SEC. 35. Except as otherwise provided in Section 36 of this act, Sections 5 to 7, inclusive, of this act shall become operative on the first day of the first calendar quarter commencing more than 90 days after the effective date of this act.

SEC. 36. If Proposition 7 of the November 3, 1998, general election is approved by a majority of the voters voting on that measure at that election, the provisions of this act shall be deemed to have been inoperative from the effective date of this act.

SEC. 37. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement in a timely fashion those tax-related reforms and adjustments that are necessary for the implementation of the Budget Act of 1998, it is necessary that this act take effect immediately.

CHAPTER 324

An act making appropriations for the support of the government of the State of California and for several public purposes in accordance with the provisions of Section 12 of Article IV of the Constitution of the State of California, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

I object to the following appropriations contained in Assembly Bill 1656.

Item 0450-101-0932—For local assistance, State Trial Court Funding. I reduce this item from $1,676,286,000 to $1,666,286,000 by reducing:

(a) 10-Support for operation of the Trial Courts from $1,517,580,000 to $1,513,580,000,

(d) 45-Court Interpreters from $46,411,000 to $40,411,000,

and by revising Provision 4 and deleting Provision 5.

I am deleting the $4,000,000 legislative augmentation to provide for increased juror compensation and a juror childcare pilot project. If lack of childcare is an impediment to jury service, a pilot can be conducted without additional state resources. In addition, there is no compelling evidence to suggest that a $5 per day increase in juror compensation will make a difference in the number of persons willing to serve on a jury.

I am deleting the $6,000,000 legislative augmentation to provide for an increased Minimum Service Level (MSL) of $220 per day for compensation of court interpreters.

The Budget already increases the MSL to $180 per day and funds interpreter coordinators. The Administrative Office of the Courts should assess the impact of these changes prior to additional increases.

I am revising Provision 4 to conform to this action.

"4. The funds appropriated in Schedule (d) shall be for payments for services of contractual court interpreters, certified court interpreters employed by the courts, and the following court interpreter coordinators: one each in counties of the 1st through the 15th classes, 0.5 each in counties of the 16th through the 31st classes, and 0.25 each in counties of the 32nd through 58th classes. Courts in counties with a population of 500,000 or less are encouraged, but not required, to coordinate interpreter services on a regional basis. For the purposes of this provision, "court interpreter coordinators" may be full- or part-time court employees, or those contracted by the court to perform these services.

The Judicial Council shall set statewide or regional rates and policies for payment of court interpreters, ~~not to be less than $220 a day and~~ not to exceed the rate paid to interpreters in the federal court system. The Judicial Council shall adopt appropriate rules and procedures for the administration of these funds. The Judicial Council shall report to the Legislature and Director of the Department of Finance quarterly regarding expenditures from this schedule and projections for annual expenditures for the use of interpreters in the courts and the use and administration of these funds."

I am deleting Provision 5, which would have required the Judicial Council to report anticipated cost increases resulting from contractual salary adjustments for trial court employees to the Legislature and the Department of Finance by October 1, 1998. The Task Force on Trial Court Employees has sufficient authority under Chapter 850, Statutes of 1997, to review any salary issues.

Item 0450-111-0001—For local assistance, State Trial Court Funding. I reduce this item from $632,860,766 to $622,860,766.

I am reducing this item to conform to the actions I have taken in Item 0450-101-0932.

Item 0540-001-0001—For support of Secretary for Resources. I reduce this item from $11,386,000 to $1,386,000 by reducing:

(a) 10-Administration of Resources Agency from $13,244,000 to $3,244,000,

and by deleting Provision 1.

I am reducing this item by deleting the $10,000,000 legislative augmentation for the River Parkway Program because of the Legislature's failure to enact a balanced water resources plan, including meeting California's future water needs, which is a higher priority. The Legislature should consider investing the State's General Fund in this or similar ecosystem restoration projects only after a comprehensive, balanced plan has been adopted.

I am deleting Provision 1 to conform to this action.

Item 0550-005-0001—For support of the Secretary for the Youth and Adult Correctional Agency. I delete Provision 1.

I am deleting Provision 1 which would require the Commission on Correctional Peace Officers' Standards and Training to contract for development and implementation of a mandatory cultural and ethnic diversity training program for staff, inmates and wards. This is a technical correction. While the Legislature considered providing funding for this program, ultimately no funding was approved. Therefore, this provisional language is inappropriate.

Item 0820-001-0001—For support of Department of Justice. I reduce this item from $226,588,000 to $226,438,000 by reducing:

(3) 25-Executive Programs from $5,796,000 to $5,646,000,

and by deleting Provision 7.

I am deleting the $150,000 legislative augmentation for support of the California Youth Violence Prevention Authority, which is proposed to be established within the Department of Justice by Senate Bill 822. While I am supportive of efforts to reduce juvenile crime, these issues can be addressed within the existing programs of State government without creating additional, unnecessary bureaucracy.

I am deleting Provision 7 to conform to this action.

Item 0820-101-0001—For local assistance, Department of Justice. I reduce this item from $8,520,000 to $6,270,000 by deleting:

(c) 50-Law Enforcement ($900,000),

(d) 60-Criminal Justice Information Services ($1,350,000),

and by deleting Provision 3.

I am deleting the $900,000 legislative augmentation for support of Sexual Assault Felony Enforcement Teams in Santa Clara County. The State currently provides funding for programs which assist in the prosecution and apprehension of sexual offenders, such as Vertical Prosecution of Statutory Rape and Sexual Predator Apprehension Teams. I would be willing to fund this program on a statewide basis, through a program similar to the Citizens Option for Public Safety program. However, I am not willing to fund such efforts on an individual county basis.

I am deleting Provision 3 to conform to this action.

I am deleting the $1,350,000 legislative augmentation for allocation to local law enforcement agencies to reimburse their costs of providing the Department of Justice and the federal Immigration and Naturalization Service with final disposition of arrest information on citizenship applicants. Local law enforcement agencies, the courts, and district attorneys are required to forward all final dispositions of arrests to the Department of Justice for entry into the Automated Criminal History System. On an ongoing basis, the Department of Justice works with local government to facilitate this procedure which is currently in the process of being automated. In any case, providing the Department of Justice and the Immigration and Naturalization Service with information regarding the final disposition of arrests is a local responsibility.

Item 0840-001-0001—For support of State Controller. I reduce this item from $61,793,000 to $61,293,000 by reducing:

(b) 300000-Operating Expenses and Equipment from $32,348,000 to $31,848,000,

and by deleting Provision 12.

I am deleting the $500,000 legislative augmentation for the partial restoration of the 1997–98 legislative budget reduction to this Office. The State Controller's Office (SCO) has not provided sufficient information to justify the need for additional funds for technology upgrades.

I am deleting Provision 12 because it is unnecessarily restrictive. It would prohibit the SCO from releasing a Request for Proposal (RFP) for the Travel Expense Reimbursement System until all mission-critical systems are Year 2000 (Y2K) compliant. This language would unduly delay the development of this system, since it would take from 6 to 12 months after the release of the RFP for this system to commence. This time delay would push the system's implementation date beyond the budget year. The Department of Information Technology, as a condition for approval of this system, has already established adequate Y2K safeguards to be met prior to the award of a contract for the system by the SCO.

Item 0860-001-0001—For support of State Board of Equalization. I revise this item by deleting Provision 1.

I am deleting Provision 1 which would permit each member of the Board of Equalization to employ an additional Tax Counsel III, provided the additional position is funded within the member's existing office allocation. This language infringes on Executive Branch authority to effectively administer State government in that it is inconsistent with the Department of Personnel Administration's position allocation guidelines and other standard state procedures for allocating positions.

Item 1100-001-0001—For support of California Science Center. I reduce this item from $11,097,629 to $10,797,629 by reducing:

(a) 10-Education from $11,281,000 to $10,981,000.

I am deleting the legislative augmentation of $300,000 for the Rosa Parks Learning Center. While I am supportive of computer literacy education, I am deleting this amount because of the need to fund higher competing priorities including a prudent reserve.

Item 1100-301-0001—For capital outlay, California Science Center.

I am sustaining the legislative augmentation of $29,500,000 ($10,000,000 General Fund and $19,500,000 Federal Fund) for a new parking facility at the California Science Center (CSC) at Exposition Park. However, I am concerned about the funding and scope of the project. There is a need for a CSC visitor parking facility, especially in light of the efforts at Exposition Park to eliminate surface parking and provide additional park areas. As budgeted, the scope of the project exceeds the identified resources available for the project. Moving forward with the project as proposed would require additional resources as the cost of a 2,700-space facility with two levels below ground is estimated to be approximately $40,000,000. This additional funding need exceeds the augmentation authority of the State Public Works Board. Therefore, I am directing the Department of Finance to fully review this project in conjunction with the CSC and the Department of General Services to establish a scope for the project which meets the CSC's needs and to determine an appropriate budget for the project. If this review results in the need for a scope change or additional funding, I am directing the CSC to pursue these changes through the normal administrative and budget processes, as appropriate.

Item 1111-001-0069—For transfer by the State Controller from the Barbering and Cosmetology Fund to the Consumer Affairs Fund (Item 1111-010-0702). I reduce this item from $8,670,000 to $8,669,000.

I am reducing this item by $1,000 to conform to the deletion of Provision 6 in Item 1111-010-0702.

Item 1111-001-0582—For transfer by the State Controller from the High Polluter Repair or Removal Account to the Consumer Affairs Fund (Item 1111-010-0702). I reduce this item from $65,282,000 to $62,282,000.

I am reducing this item by $3,000,000. The Legislature included this funding to implement Assembly Bill 2789. This bill would have exempted three areas of the State from the Enhanced Smog Check Program, and would have provided for the reimbursement of specified smog check equipment to smog check station owners who

would no longer be required to utilize this equipment to perform smog inspections. This bill would have created inequities by shifting the burden of increased emission reductions from automobiles in those three areas stationary pollution sources and motorists elsewhere in the State. I am eliminating this funding to be consistent with my veto of Assembly Bill 2789.

I am revising Provision 1 to conform to this action.

"1. The funds appropriated by this item are scheduled as follows:

(a) Education 98,000
(b) Smog Quality Assurance and Engineering 4,692,000
(c) Intake 1,526,000
(d) Enforcement 3,086,000
(e) Low Income Repair Assistance 20,000,000
(f) Accelerated Vehicle Retirement 32,880.000
~~(g) Dynamometer Cost Mitigation 3,000,000~~ "

Item 1111-010-0702—For support of Department of Consumer Affairs. I am deleting Provision 6 and reducing this item from $190,553,000 to $187,552,000 by reducing:

(a) 01.01-Support for Department of Consumer Affairs-Administrative and Consumer Services; Bureau of Automotive Repair; Bureau of Electronic and Appliance Repair; Bureau of Home Furnishings and Thermal Insulation; Bureau of Security and Investigative Services; Arbitration Review Program; Cemetery Program; Funeral Program; Barbering and Cosmetology Program; Bureau of Private Postsecondary and Vocational Education; and Nursing Home Administrator's Program from $216,256,000 to $213,255,000.

I am deleting Provision 6, which would prohibit funds transferred pursuant to Item 1111-001-0069 (for the support of the Barbering and Cosmetology Program) from being used for the relocation of examination sites until a cost-benefit analysis has been provided to the Joint Legislative Budget Committee and the Department of Finance. By requiring the completion and issuance of a report prior to relocating an exam site, this language interferes with the ability of the Executive Branch to manage its programs. In addition, the preparation of this report could require the Department to redirect resources from mandated consumer protection activities.

I am reducing $1,000 from this item to reflect savings that will be achieved from the veto of Provision 6. This action conforms to the reduction taken in Item 1111-001-0069.

I am also reducing $3,000,000 from this item to conform to the reductions taken in Item 1111-001-0582.

Item 1730-001-0001—For support of Franchise Tax Board. I reduce this item from $347,313,000 to $347,054,000 by reducing:

(a) 10-Tax Programs from $341,826,000 to $341,567,000.

I am reducing this item by $259,000 and 4.7 positions to reflect the Board's revised cost estimate to administer the Renters' Tax Credit Program.

Item 1760-001-0666—For support of Department of General Services. I reduce this item from $362,847,000 to $362,846,000 by reducing:

(a) Program support from $469,483,000 to $469,482,000,

and by deleting Provision 12.

I am reducing this item by $1,000 and deleting Provision 12 which would require the Department of General Services to increase the statistical data reported to the Legislature on small business participation in public contracts and would include information on ethnicity and gender of small business bidders. This provision is not currently required by statute and could be in violation of recent changes in the law. Compliance with its provision, therefore, would interfere with the ability of the Department to exercise its responsibilities in accordance with law.

I am reducing $1,000 from this item to reflect savings that will be achieved based on vetoing Provision 12 of this item.

Item 1760-101-0022—For local assistance, Department of General Services. I reduce this item from $79,018,000 to $78,718,000.

I am deleting the $300,000 legislative augmentation for implementation of an additional pilot project to test an alternate "311" number for non-emergencies in the City of Pasadena. While I am supportive of efforts to reduce 911 calls, this augmentation is not needed because funding is included in the Budget for other pilot sites. A fifth testing site would not yield any additional meaningful data to determine the effectiveness of 311 calls in reducing 911 traffic.

Item 1760-301-0942—For capital outlay, Department of General Services. I delete this item and Provision 1.

I am deleting this item, which provides $2,945,000 for the New Governor's Mansion. This language contains a technical in that it does not allow for the purchase of an existing residence. The new Governor should have more flexibility in selecting an appropriate residence.

Item 2240-001-0001—For support of Department of Housing and Community Development. I revise this item by reducing:

(b) 20-Community Affairs Program from $12,268,000 to $11,646,000,

(*l*) Amount payable from the Self-Help Housing Fund (Item 2240-001-0813) from –$188,000 to –$116,000,

(n) Amount payable from the Housing Rehabilitation Loan Fund (Item 2240-001-0929) from –$2,569,000 to –$2,239,000, and

(o) Amount payable from the Rental Housing Construction Fund (Item 2240-001-0938) from –$898,000 to –$678,000.

I revise this item to conform to the reductions taken in Items 2240-001-0813, 2240-001-0929, 2240-001-0938, 2240-103-0001, 2240-105-0001, and 2240-106-0001.

Item 2240-001-0813—For support of Department of Housing and Community Development. I reduce this item from $188,000 to $116,000.

I am reducing this item by $72,000 to conform to the reduction in Item 2240-103-0001.

Item 2240-001-0929—For support of Department of Housing and Community Development. I reduce this item from $2,569,000 to $2,239,000.

I am reducing this item by $330,000 to conform to the deletion of Item 2240-105-0001.

Item 2240-001-0938—For support of Department of Housing and Community Development. I reduce this item from $898,000 to $678,000.

I reduce this item by $220,000 to conform to the deletion of Item 2240-106-0001.

Item 2240-101-0001—For local assistance, Department of Housing and Community Development. I reduce this item from $4,629,000 to $4,604,000 by reducing:

(a) 20-Community Affairs from $103,629,000 to $103,604,000.

I am deleting the $25,000 legislative augmentation to fund the environmental ecosystem project at the Carmelitos Housing Project in Long Beach. The Department does not traditionally fund landscaping or recreational projects. Funding for such projects should come from other sources.

I am sustaining the $200,000 legislative augmentation to the California Indian Assistance Program, which would provide technical assistance to California Indian tribes applying for increased federal funds under the Native American Housing Assistance and Self-Determination Act of 1996. State funding will be used to contract with private consultants to assist up to 20 tribes in preparing housing plans, which are required prior to the receipt of the federal funds. I am sustaining this funding with the intent that the Department of Housing and Community Development will assist those tribes that have limited economic resources.

Item 2240-103-0001—For local assistance, Department of Housing and Community Development, for transfer to the Self-Help Housing Fund (0813). I reduce this item from $2,000,000 to $1,000,000.

I am deleting the $1,000,000 legislative augmentation for self-help housing, a program which provides technical assistance and education to families who help build their own homes. While this program has merit, it is my understanding that this

augmentation would not be fully used in 1998–99. This program is currently funded at $1,000,000 and no applications have been denied due to a lack of funds. Because there is a limited number of organizations capable of using these funds, it may be several years before the grant requests exceed the existing funding level.

Item 2240-103-0813—For local assistance, Department of Housing and Community Development. I reduce this item from $2,928,000 to $2,000,000 and delete provision 3.

I am reducing this item by $928,000 to conform with the reduction taken in Item 2240-103-0001.

I am deleting Provision 3 to conform to this action.

Item 2240-104-0001—For local assistance, Department of Housing and Community Development, for transfer to the Farmworker Housing Grant Fund (0927). I delete this item and Provision 1.

I am deleting the $6,000,000 legislative augmentation for the Farmworker Housing Grant Program. I am deleting this amount because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 1 to conform to this action.

Item 2240-105-0001—For local assistance, Department of Housing and Community Development, for transfer to the California Housing Rehabilitation Loan Fund (0938). I delete this item and Provisions 1 and 2.

I am deleting this item and the funding of $15,000,000 for transfer from the General Fund for a new program to preserve low-cost housing. These funds are intended to acquire, rehabilitate, and preserve low-cost rental housing which may convert to market rent because of the termination of federal housing subsidies or the desire of owners to increase their income. State government should not be expected to replace federal housing subsidies in California which may be in jeopardy due to federal budget policy. By indicating a willingness to fund a replacement program, California would make it easier for Congress to further reduce the share of federal funds that our state receives. California is already allotted a disproportionately low share of these housing funds compared to other states. I am unwilling to commit new state funding for this purpose.

I am deleting Provisions 1 and 2 to conform to this action.

Item 2240-105-0929—For local assistance, Department of Housing and Community Development. I delete this item and Provision 1.

I am deleting this item to conform to the deletion of Item 2240-105-0001.

I am deleting Provision 1 to conform to this action.

Item 2240-106-0001—For local assistance, Department of Housing and Community Development, for transfer to the Rental Housing Construction Fund (0938). I delete this item and Provisions 1 and 2.

I am deleting this $10,000,000 General Fund legislative augmentation to provide funding for the proposed Families Moving to Work Housing Program. This program is significantly more costly than other housing programs and will help a relatively limited number of CalWorks recipients. Furthermore, the program inappropriately diverts funds to local housing agencies which are due to the state as loan repayments.

I am deleting Provisions 1 and 2 to conform to this action.

Item 2240-107-0001—For local assistance, Department of Housing and Community Development, for transfer to the Emergency Housing Assistance Fund (0985). I delete this item and Provisions 1 and 2.

I am deleting the $7,000,000 legislative augmentation to the Emergency Housing Assistance Program. Of this amount, $2,000,000 was for additional grants to local governments and nonprofit organizations for support of emergency shelters for the homeless and $5,000,000 was provided for construction of new emergency shelters. State support for this program has historically been funded at a $2,000,000 level. Any expansion of emergency shelters for the homeless is a local government responsibility.

I am deleting Provisions 1 and 2 to conform with these actions.

Item 2600-101-0001—For local assistance, California Transportation Commission. I delete this item and Provisions 1, 2, 3, 4, and 5.

I am deleting the $2,000,000 legislative augmentation for a local assistance grant to the North Coast Railroad Authority. I am not convinced that the North Coast Railroad Authority will be able to sustain a financially viable operation without substantially more support for capital improvements and maintenance from local government or the business community. Moreover, the appointment of a state-supported Special Rail Master to monitor the implementation of the Commission's recommendations for the allocation of these funds may give the appearance that the state has assumed a measure of responsibility for the successful operation of this rail line.

I am deleting Provisions 1, 2, 3, 4, and 5 to conform to this action.

Item 2660-001-0042—For support of Department of Transportation. I reduce this item from $1,524,625,000 to $1,524,365,000 by reducing:

(f) 20.70-Highway Transportation-Operations from $137,000,000 to $136,740,000, and deleting Provisions 8, 12 and 14.

The Legislature augmented this item by $400,000 to fund the "floating vehicle" congestion management program in District 4. I am reducing this augmentation by $260,000 because I am informed that $140,000 is sufficient to fund this activity. Additionally, I am directing the Department of Transportation to continue the "floating vehicle" program until the implementation of electronic sensors in Bay Area roadways is completed in approximately two years.

I am deleting Provision 8 to conform to this action.

I am deleting Provision 12 which prohibits the Department of Transportation from spending any funds for right-of-way or for construction of the 'Hatton Canyon Freeway' on Highway 1, between Carmel River Bridge and State Route 68, except funds necessary to design the facility and obtain permits. This language duplicates existing law. The Department of Transportation already conducts environmental impact reports and obtains the necessary permits as part of its highway construction design and planning, prior to actual construction. This provision sets the undesirable precedent of project-specific legislating which is contrary to the provisions of the transportation funding reform bill I signed last year.

I am deleting Provision 14 which would require the Department of Transportation to enter into a noise and dust mitigation agreement with the City and County of San Francisco with regard to the Bay Bridge-West Anchorage Seismic Retrofit Project. The Department of Transportation already conforms its projects to the greatest extent possible to local noise ordinances. I have been informed that an Advisory Committee is in place consisting of local business owners in the Bay Bridge/West Anchorage area and that an agreement has been reached with all of the business owners except one.

Item 2660-101-0001—For local assistance, Department of Transportation. I reduce this item from $3,600,000 to $600,000 and delete Provision 2.

I am deleting the $3,000,000 legislative augmentation to the California Institute for Smart Communities for the establishment of a competitive grant program because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 2 to conform to this action.

In the May Revision, I advised the Legislature that the principal and interest on the loan to the General Fund from the Public Transportation Account, made pursuant to Item 2660-023-046, Budget Act of 1993, was to be repaid in full because the Account is projected to be in deficit otherwise. The Legislature proposed a partial loan repayment of $46,000,000 although it took no action in the Budget Bill in this regard. In my other actions in this Budget, I have deleted sufficient spending to make possible the full repayment of this debt. Therefore, I am directing the Department of Finance, under the authority of the original loan appropriation, to instruct the State Controller to repay from the General Fund the full amount of the principal and interest owed, which is estimated to be $113,000,000.

Item 2720-001-0044—For support of Department of the California Highway Patrol. I revise this item by deleting Provisions 2 and 4.

The Legislature added Provision 2 stating its intent to appropriate $54,000,000 for highway patrol officer salary increases. I am deleting this provision because it is inconsistent with current law regarding the establishment of employee salary increases, and prejudges the outcome of the normal collective bargaining process.

I am deleting Provision 4 which would prohibit the California Highway Patrol from spending any funds on a security fence around the Capitol Building. Capitol security continues to be a serious concern and all options to enhance security should remain open. The CHP's ability to exercise its best judgment on providing security should not be limited.

Item 2720-495—Reversion, Department of California Highway Patrol. I delete this item.

I am deleting this item which would revert $1,600,000 appropriated in 1997–98 for the construction of security improvements at the State Capitol to the General Fund as of June 30, 1998. While I recognize that a security fence has not received legislative support to date, Capitol security continues to be a concern. This action conforms with the action I have taken to delete Provision 4 in Item 2720-001-0044.

Item 2740-001-0001—For support of Department of Motor Vehicles. I reduce this item from $340,000 to $60,000 and revise Provision 1.

I am reducing this item to delete $280,000 and 1.9 personnel years for the Department of Motor Vehicles to lease and staff a full-time field office in the City of Tehachapi. While Tehachapi is a growing area, there are many areas in the state growing at a faster rate. The department uses an impartial, demographic-based methodology to determine the need for new field offices. This proposal should be subject to that process. Additionally, the General Fund is not the appropriate funding source for the department's field offices.

I am revising Provision 1 to conform to this action:

"1. Of the funds appropriated by this item $60,000 is available for the Anatomical Donor Designation program ~~and $280,000 is available for the Tehachapi field office~~."

Item 2740-001-0044—For support of Department of Motor Vehicles. I revise this item from $317,601,000 to $317,251,000 by reducing:

(a) 11-Vehicle/Vessel Identification and Compliance from $329,305,000 to $328,801,000,

(b) 22-Driver Licensing and Personal Identification from $162,877,000 to $162,751,000,

(i) Amount payable from the General Fund (Item 2740-001-0001) from –$340,000 to –$60,000,

and by deleting Provisions 2 and 6.

I am deleting the legislative augmentation of $350,000 and 2.8 personnel years to modify the department's computer system to provide that, in cases in which a smog check certificate is the only outstanding registration requirement, vehicle registration stickers would be automatically mailed to the owner once the vehicle passes its smog check test. The Legislature expressed intent that this change be completed by January 1, 1999. The Department cannot guarantee completion of this project by that date due to other programming priorities including Year 2000 compliance efforts. Due to the unique software used in the department's data processing system, only existing staff can effectively do this work. I am directing the Department of Motor Vehicles to complete the programming as quickly as possible, consistent with the department's other urgent programming priorities.

I am deleting Provision 6 to conform to this action.

I am deleting Provision 2 which would require the Department of Motor Vehicles, prior to expending funds provided for the redesign of the vehicle registration database or the occupational license system, to certify to the Department of Information Technology and to the Joint Legislative Budget Committee that it has completed Phase II

of its Business Process Reengineering study for these projects. This will unnecessarily delay the implementation of these two projects.

I am also revising the schedules in this item to conform to the action I have taken in Item 2740-001-0001.

Item 2740-101-0042—For local assistance, Department of Motor Vehicles. I revise this item by revising Provision 1.

I am revising Provision 1 of this item to delete language which limits the loans to counties to what they would have received under Chapter 587, Statutes of 1997 for the 1998–99 fiscal year. This language conflicts with Provision 4, which provides that counties that pass a resolution by September 1, 1998, may receive an amount not less than they would have received under that Chapter for the full calendar year in which the loan was made. I support the earliest possible implementation of automated fingerprinting equipment which will both expedite identification of persons arrested by law enforcement agencies as well as provide better service to schools and others in conducting background checks on prospective employees. Nevertheless, recognizing the late enactment of the Budget, it would be appropriate for the Legislature to extend the September 1, 1998 deadline in Provision 4 to October 1, 1998.

"1. The funds appropriated in this item shall be allocated to the Department of Motor Vehicles for disbursement to counties by the Controller in the form of loans ~~in an amount no greater than each county could have received under subdivision (b) of Section 9250.19 of the Vehicle Code for the 1998–99 fiscal year, which loans shall be~~ for the purpose of allowing local law enforcement agencies to upgrade automated mobile and fixed location fingerprint identification equipment."

Item 2920-001-0001—For support of California Trade and Commerce Agency. I reduce this item from $26,145,000 to $25,945,000 by reducing:

(f) 60-Economic Research and Strategic Planning from $1,487,000 to $1,287,000.

I am deleting the $200,000 augmentation to convene the Economic Strategy Panel to develop economic strategies for the state. Chapter 864, Statutes of 1993, required the Secretary of the Trade and Commerce Agency to convene this panel biennially and provide their report to the Legislature and the Governor. Their first report was funded through private sector funds, as well as in-kind contributions from the Agency and the Department of Education. No appropriation was made within the original legislation, and it is not clear why State funds are now needed to update this effort.

Item 2920-101-0001—For local assistance, California Trade and Commerce Agency. I reduce this item from $30,957,000 to $22,857,000 by reducing:

(a1) 10.10-Economic Development (Small Business Development Centers) from $1,000,000 to $500,000;

(a) 10.30-Economic Development (Strategic Technology Program) from $23,467,000 to $16,067,000;

(d) 20-International Trade and Investment from $225,000 to $25,000;

and by revising Provisions 1 and 2, and
deleting Provision 3.

I am deleting the $1,100,000 augmentation to provide grant funds to develop manufacturing technology for use in the private sector. It is premature to augment this relatively new program, which has an ongoing funding level of $6,700,000, and has not yet been evaluated.

I am deleting the $500,000 augmentation to Kern County for the creation of an alliance to promote military bases in the southwestern states. Although retention of these facilities is important to the economic health of the local regions surrounding the bases, the proposal is vague. The budget already contains $245,000 to maintain the Office of Military Base Retention to coordinate base retention activities, including meeting with Pentagon officials, supporting local community efforts, and representing the entire state before the federal Base Closure and Realignment Commission. I am concerned that California taxpayer funds could be used to promote bases in other states to the detriment of bases in California.

I am deleting Provision 3 to conform to this action.

I am deleting the $200,000 augmentation for the Bay Area World Trade Center because of the need to fund higher competing priorities including a prudent reserve.

I am reducing the $8,500,000 augmentation provided to fund various grants administered through the California Space and Technology Alliance and the Western Commercial Space Center to $2,200,000. Even with this reduction, the Budget contains twice the amount of grant funds than were provided in 1997–98. While I support the policy of assisting industries that have a high potential to provide job-creating economic development, I am not willing to commit a significant amount of state resources to a relatively new program without first having an evaluation of the economic benefits of projects funded to date.

Furthermore, the funds provided to both the California Space and Technology Alliance and the Western Commercial Space Center for program administration are excessive, and I am revising Provisions 1 and 2 to limit such expenses to ten percent of the grant funding.

"1. Of the amount appropriated by this item, the Trade and Commerce Agency shall allocate ~~$6,300,000~~ *$1,100,000* to implement the California Space Flight Competitive Grant Program administered by the California Space and Technology Alliance (CSTA) pursuant to subdivision (p) of Section 15333.3 of the Government Code. The CSTA may expend up to ~~$875,000~~ *$100,000* for program administration."

"2. Of the amount appropriated by this item, the Trade and Commerce Agency shall allocate ~~$2,200,000~~ *$1,100,000* to implement the Highway to Space Competitive Grant Program administered by the Western Commercial Space Center (WCSC) pursuant to Section 15333.4 of the Government Code. The WCSC may expend up to ~~$200,000~~ *$100,000* for program administration."

I am sustaining the Legislature's $900,000 augmentation for business incubator grants. However, I object to the intent that $100,000 of this augmentation be provided for a specific business incubator at California State Polytechnic University, San Luis Obispo. While I do not object to the establishment of this specific project, it should compete on an equal basis with all other applicants for any available grant funds.

Item 2920-111-0001—For local assistance, California Trade and Commerce Agency. I revise this item by deleting Provisions 1 and 2.

The Legislature identified up to $8,500,000 of the $50,000,000 appropriated to the Infrastructure Bank for private technology development and up to $1,500,000 for fiber optic network development. Specific limitations dilute competition for these funds and are contrary to the authorizing legislation. All projects should compete on an equal basis.

Item 2920-112-0001—For local assistance, California Trade and Commerce Agency, for transfer to the Job Creation Investment Fund. I delete this item.

I am deleting the $6,500,000 augmentation for the Job Creation Investment Program. This program, which is part of California's Welfare-to-Work strategy, has not yet distributed most of the $5,000,000 it received in 1997–98 grant funds to assist counties in implementing local economic development programs. It would be premature, pending evaluation, to provide additional funding. In addition, the budget contains $190,000,000 to fund Welfare-to-Work job creation efforts. This, and other funding available through the county block grant, is the main support for Welfare-to-Work job training and development.

Item 2920-112-0393—For local assistance, California Trade and Commerce Agency. I delete this item.

I am deleting this item to conform to the deletion of Item 2920-112-0001.

Item 2920-490—Reappropriation, Trade and Commerce Agency. I delete this item.

I am deleting this item which reappropriates $140,000 from a 1997–98 appropriation intended to fund a particular project related to development of the commercial space industry. I object to this effort to circumvent the competitive process which will be used for other grants for this industry. I have sustained $2,200,000 in Item 2920-101-0001 for this purpose.

Item 3125-101-0001—For local assistance, California Tahoe Conservancy. I reduce this item from $2,400,000 to $2,000,000 and revise Provision 2.

I am deleting the $400,000 legislative augmentation for the Rocky Point Trail because of the need to fund higher competing priorities including a prudent reserve.

I am revising Provision 2 to conform to this action.

"2. Of the funds available in the Item, $2,000,000 shall be available for soil erosion control grants ~~and the amount of $400,000 is available for construction of the Rocky Point bicycle and pedestrian trail~~."

Item 3340-001-0001—For support of California Conservation Corps. I reduce this item from $42,450,000 to $32,450,000 by reducing:

(a) 10-Training and Work Program from $49,561,000 to $39,561,000,

and by deleting Provision 5.

I am deleting the $5,000,000 legislative augmentation to expand the California Conservation Corps to include CalWORKs recipients. The funding is unnecessary because counties already have the ability to contract with the State or local corps for services.

I am deleting the $5,000,000 legislative augmentation for the construction of the Bay Trail Extension Project. I am deleting this amount because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 5 to conform to this action.

Item 3360-001-0001—For support of State Energy Resources Conservation and Development. I delete this item and Provision 1.

I am deleting the legislative augmentation of $1,600,000 to fund an Environmental, Energy and Highway Research Test Track, because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 1 to conform to this action.

Item 3360-001-0465—For support of State Energy Resources, Conservation and Development Commission. I reduce this item from $34,698,000 to $32,898,000 by reducing:

(a) 10-Regulatory and Planning from $19,065,000 to $18,865,000,

(c) 30-Development from $89,597,000 to $86,397,000,

by deleting:

(fx) Amount payable from the General Fund (Item 3360-001-0001) (–$1,600,000),

and by deleting Provisions 1, 2 and 3.

I am deleting Provision 1, which provides customer credits for purchases of in-state renewable energy generation without regard to who owns or generates the electricity. Currently, investor-owned utilities, and not municipal utilities, contribute toward funding for the renewable energy generation customer credits. This provisional language would create an inequity because municipal utilities would be allowed to share in a benefit that is supported solely by investor-owned utilities.

I am deleting the legislative augmentation of $1,600,000 for Solar Hot Water Heaters and Solar Electricity Program. This augmentation would appear to establish a new program and it is unclear what the purpose and objectives of the program would be. Furthermore, there are insufficient resources available in the Energy Resources Program Account.

I am deleting Provision 2 to conform to this action.

I am deleting the legislative augmentation of $200,000 for the development and support of Consumer Electric Users Cooperatives because the Energy Commission can continue to provide assistance to their efforts within the current budget authorizations.

I am deleting Provision 3 to conform to this action.

I am revising this item to conform to the action I have taken in Item 3360-001-0001.

Item 3360-101-0497—For local assistance, State Energy Resources, Conservation and Development Commission. I revise this item by deleting Provision 3.

I am deleting Provision 3 which allows specified geothermal-related reservoir recharge projects to compete for Geothermal Resources Revolving Subaccount funds. This provisional language unnecessarily restricts the California Energy Commission's ability to allocate resources on a competitive basis to those projects which will best further the goals of the program.

Item 3480-002-0001—For support of the Department of Conservation. I delete this item and Provision 1.

I am deleting the $934,000 legislative augmentation to fund seismic hazard maps for the San Francisco Bay Area because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 1 to conform to this action.

Item 3540-001-0001—For support of Department of Forestry and Fire Protection. I revise this item by reducing:

(b) 300000-Operating expenses and equipment from $140,862,000 to $129,608,000,

(p) Amount payable from the Forest Resources Improvement Fund (Item 3540-001-0928) from –$19,486,000 to –$8,232,000,

and by deleting Provision 4.

I am revising this item to conform to the actions I have taken in Item 3540-001-0928, as well as to conform to legislative action taken in that item.

I am deleting Provision 4 because this language is unnecessarily restrictive and would interfere with the ability of the Executive Branch to manage programs effectively. Moreover, this provision inappropriately nullifies existing law set forth in the Public Resources Code relative to the administration of the Z'berg-Nejedly Forest Practice Act.

Item 3540-001-0928—For support of Department of Forestry and Fire Protection. I reduce this item from $11,065,000 to $8,232,000 and delete Provisions 2 and 3.

I am reducing this item by $2,833,000 by deleting the legislative augmentations for urban forestry grants ($633,000) and forest improvement programs ($2,200,000) because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provisions 2 and 3 to conform with the reductions I have made in this item.

Item 3540-101-0001—For local assistance, Department of Forestry and Fire Protection. I reduce this item from $465,000 to $400,000 by deleting:

(a) Lake Nacimiento Fire and Rescue Boat ($65,000)

I am deleting the $65,000 legislative augmentation for the purchase of a fire and rescue boat for the Oak Shores Volunteer Fire Department at Lake Nacimiento because of the need to fund higher competing priorities including a prudent reserve.

Item 3540-301-0001—For capital outlay, Department of Forestry and Fire Protection. I reduce this item from $32,286,000 to $32,285,000 by reducing:

(32) 30.60.035-Statewide: Construct Telecommunication Towers and Vaults, Phase 2-Preliminary plans, working drawings and construction from $9,148,000 to $9,147,000,

and by deleting Provision 4.

I am deleting Provision 4 which would require the Department of Forestry and Fire Protection to submit a master plan to the Legislature for the repair and replacement of its communication towers and vaults and delays the initiation of the design process for 30 days after the submittal. This language is unnecessary as the Department has already submitted the master plan to the Legislature. Further, due to the critical public safety nature of these projects, further delays related to the projects should be avoided.

I am reducing $1,000 from the item based on savings that will be achieved as a result of deleting Provision 4.

Item 3540-301-0928—For capital outlay, Department of Forestry and Fire Protection. I delete this item.

I am deleting the $5,700,000 legislative augmentation for two acquisition projects from the Forest Resources Improvement Fund. This budget item does not provide sufficient legal authority to use these funds for land acquisition.

Item 3600-001-0001—For support of Department of Fish and Game. I reduce this item from $21,013,000 to $19,563,000.

I am reducing this item by $400,000 for salmon restoration work to be performed by the California Conservation Corps. I am reducing this amount because of the Legislature's failure to enact a balanced water resources plan, including meeting California's future water needs, which is a higher priority. The Legislature should consider investing the State's General Fund in this or similar ecosystem restoration projects only after a comprehensive, balanced plan has been adopted.

I am reducing the legislative augmentation of $700,000 and seven positions to $400,000 and four positions to perform timber harvest plan activities because this is the appropriate level of resources, when teamed with the additional positions in the Department of Forestry and Fire Protection, the Department of Conservation, and the State Water Resources Control Board, to improve environmental review and enforcement of timber harvest plans.

I am reducing this item by $750,000 for the Marine Life and Marine Reserve Management Program. Assembly Bill 2784 provides $2,200,000 in a tidelands oil revenue allocation which is available to the department, upon appropriation by the Legislature, for this program. Consequently, this General Fund augmentation is not necessary. If Assembly Bill 2784 is enacted, expenditure of the $2,200,000 for this program can be considered during the next budget cycle.

Item 3600-001-0200—For support of Department of Fish and Game. I revise this item by reducing:

(d) 55-Fisheries Management from $87,705,000 to $86,555,000,

(e) 60-Environmental Services from $18,732,000 to $18,432,000,

(j) Amount payable from the General Fund (Item 3600-001-0001) from –$21,013,000 to –$19,563,000,

and by deleting Provisions 5, 6, 7, 8 and 9.

I am deleting Provision 5 because it would prohibit the Department of Fish and Game from expending any funds on its proposed reorganization until certain criteria are met and reported to the Joint Legislative Budget Committee. The provisional language is unduly restrictive and infringes on the Executive Branch's ability to manage programs pursuant to existing law.

I am deleting Provisions 6, 7 and 8 which would restrict the Department of Fish and Game from using $7,000,000 from the Salmon and Steelhead Trout Restoration Account for grants under certain circumstances. This provisional language is unnecessarily restrictive and infringes on the Executive Branch's ability to administer programs pursuant to existing law.

I am deleting Provision 9 to conform with action taken in Item 3600-001-0001.

I am revising this item to conform to the action I have taken in Item 3600-001-0001.

Item 3600-002-0001—For support of Department of Fish and Game. I reduce this item from $3,320,000 to $1,800,000 and delete Provision 2.

I am deleting the $20,000 legislative augmentation to fund mosquito abatement activities in the Suisun Resource Conservation District. This is appropriately a local responsibility.

I am deleting Provision 2 to conform to this action.

In order to correct a technical error in this bill, I am reducing the appropriation in this item by $1,500,000 because this amount should have been scheduled as reimbursements, and not as General Fund. This technical veto will conform with the Legislature's intent as stated in Provision 1 of this item. Provision 1 states that additional funding for the Upper Newport Bay Ecological Reserve dredging project is funded $1,800,000 General Fund and $1,500,000 reimbursements.

Item 3600-002-0140—For support of Department of Fish and Game. I reduce this item from $786,000 to $500,000 and delete Provision 2.

I am deleting the legislative augmentation of $286,000 for the Sweetwater Reservoir Fishing Facility because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 2 to conform to this action.

Item 3600-002-0320—For support of Department of Fish and Game. I delete this item and Provision 1.

I am deleting the $1,800,000 legislative augmentation to fund an Emergency Operations Center for Santa Barbara County. Consistent with my veto message last year, construction of this facility is a local, not a State, responsibility.

I am deleting Provision 1 to conform to this action.

Item 3600-101-0001—For local assistance, Department of Fish and Game. I revise this item by deleting Provision 1.

I am deleting Provision 1 to eliminate language limiting expenditures for Natural Community Conservation Plans (NCCP) to the approved plans in Orange and San Diego Counties. This language is unnecessarily restrictive and hinders the ability of the Executive Branch to achieve the goals of the NCCP program effectively under existing law. The NCCP enabling legislation and existing program authorities provide the necessary authority to implement the NCCP while providing an appropriate level of local control for this locally driven program.

Item 3600-101-0890—For local assistance, Department of Fish and Game. I revise this item by deleting Provision 1.

I am deleting Provision 1 to eliminate language limiting expenditures for Natural Community Conservation Plans (NCCP) to the approved plans in Orange and San Diego Counties. This language is unnecessarily restrictive and hinders the ability of the Executive Branch to achieve the goals of the NCCP program effectively under existing law. The NCCP enabling legislation and existing program authorities provide the necessary authority to implement the NCCP while providing an appropriate level of local control for this locally driven program.

Item 3600-301-0200—For capital outlay, Department of Fish and Game. I revise this item by deleting Provision 5.

I am deleting Provision 5 which prohibits the augmentation of funds for the Napa Sonoma Wildlife Area Water Control Structures project. This language is unduly restrictive and infringes on the ability of the Executive Branch to manage its capital outlay projects pursuant to existing statutes.

Item 3640-301-0001—For capital outlay, Wildlife Conservation Board. I reduce this item from $39,938,000 to $3,850,000 by reducing:

(1) 80.10.060-Acquisition and restoration for habitat or open space from $39,938,000 to $3,850,000,

by deleting Provision 1,
and by revising Provision 5.

I am deleting the following legislative augmentations specified in Provision 5:

$500,000 for the Stough Canyon Nature Center; $155,000 for the Newhall Bike Trail; $450,000 for the Mid-Peninsula Trail; $5,000,000 for the Rim of the Valley; $1,000,000 for the Bombay Project in the Santa Cruz Greenbelt; and $28,938,000 in unspecified project funding.

I am deleting $7,105,000 in specified projects because of the need to fund higher competing priorities including a prudent reserve.

I am deleting $28,983,000 for unspecified projects because of the Legislature's failure to enact a balanced water resources plan, including meeting California's future water needs, which is a higher priority. The Legislature should consider investing the State's General Fund in this or similar ecosystem restoration projects only after a comprehensive, balanced plan has been adopted.

I am revising Provision 5 to conform to this action.

"5. Of the funds appropriated by this item ~~$10,955,000~~ $3,850,000 is available to the Wildlife Conservation Board to fund the following:

(a) $250,000 for the North Bay Riparian Station
(b) $2,000,000 for the Mattole Redwoods acquisition
(c) $200,000 for the Cache Creek Nature Center
~~(d) $500,000 for the Stough Canyon Nature Center~~
(e) $100,000 for the Sky Ranch acquisition
~~(f) $155,000 for the Newhall Bike Trail~~

(g) $200,000 for the Clayton Ranch acquisition
~~(h) $450,000 for the Mid-Peninsula Trail~~
~~(i) $5,000,000 for the Rim of the Valley~~
~~(j) $1,000,000 for the Bombay Project in the Santa Cruz Greenbelt~~
(k) $100,000 for habitat restoration on the Palos Verdes Peninsula
(*l*) $1,000,000 for the Inland Wetlands Conservation Program"

I am deleting Provision 1 to eliminate language limiting expenditures for Natural Community Conservation Plans (NCCP) to the approved plans in Orange and San Diego Counties. This language is unnecessarily restrictive and hinders the ability of the Executive Branch to achieve the goals of the NCCP program effectively under existing law. The NCCP enabling legislation and existing program authorities provide the necessary authority to implement the NCCP while providing an appropriate level of local control for this locally driven program.

Item 3640-301-0262—For capital outlay, Wildlife Conservation Board. I revise this item by revising Provision 4.

I am revising Provision 4 to eliminate language limiting expenditures for Natural Community Conservation Plans (NCCP) to the approved plans in Orange and San Diego Counties. This language is unnecessarily restrictive and hinders the ability of the Executive Branch to achieve the goals of the NCCP program effectively under existing law. The NCCP enabling legislation and existing program authorities provide the necessary authority to implement the NCCP while providing an appropriate level of local control for this locally driven program.

I am revising Provision 4 to conform to this action.

"4. Of the amount appropriated by this item, $17,511,000 shall be available to the Wildlife Conservation Board to fund:
(a) $6,400,000 for land acquisition for the Natural Community Conservation Planning (NCCP) Program as defined in Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code, consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund. ~~Expenditure of these funds shall be limited to projects that are part of approved NCCP plans in San Diego and Orange Counties.~~
(b) $1,000,000 for the Inland Wetlands Conservation Program pursuant to Section 1411 of the Fish and Game Code, and consistent with the requirements of the Unallocated Account (Cigarette and Tobacco Products Surtax Fund) and the Habitat Conservation Fund.
(c) $10,111,000 for wildlife habitat acquisition projects, consistent with the requirements of the Unallocated Account (Cigarette and Tobacco Products Surtax Fund), the Natural Resources Infrastructure Fund and the Habitat Conservation Fund."

Item 3680-101-0516—For local assistance, Department of Boating and Waterways. I reduce this item from $41,638,000 to $39,138,000 by reducing:

(bx) 30-Beach Erosion Control from $6,500,000 to $4,000,000,

and by deleting Provisions 4 and 5.

I am deleting the legislative augmentation of $2,500,000 to fund beach erosion control projects. I am concerned that this appropriation could result in significant future costs to the State.

I am deleting Provision 5 to conform to this action.

I am deleting Provision 4 which would broaden the use of funds appropriated in Chapter 886, Statutes of 1997, for a grant to Redwood City for the disposal of abandoned vessels to now include enforcement measures for the prevention of future abandoned vessels. While this request may have merit, Redwood City, with the concurrence of the County of San Mateo, can compete for boating enforcement grant funds offered by the Department.

Item 3720-001-0001—For support of California Coastal Commission. I reduce this item from $8,368,000 to $7,387,000 by reducing:

(a) 10-Coastal Management Program from $10,558,000 to $9,935,000.
(c) 30.01-Administration from $2,067,000 to $1,709,000.

I am deleting the $981,000 legislative augmentation for additional positions and to reestablish the North Coast Office because of the need to fund higher competing priorities including a prudent reserve.

Item 3760-001-0001—For support of the State Coastal Conservancy. I revise this item by deleting Provision 1.

I am deleting Provision 1 which limits expenditures for the Southern California Wetlands Clearinghouse to activities associated with acquisition, enhancement, or restoration of wetlands. Mitigation banks are an essential tool for funding wetland restoration activities. To the extent this language is intended to preclude the use of mitigation banks, this language is unnecessarily restrictive and could hinder the ability of the Executive Branch to achieve the goals of this program pursuant to existing law.

Item 3760-301-0001—For capital outlay, State Coastal Conservancy. I reduce this item from $33,090,000 to $25,871,000 by reducing:

(0.1) 80.93.015-Coastal Resource Development from $20,000,000 to $12,781,000,

and by deleting Provision 3,

and by revising Provision 4.

I am deleting the following legislative augmentations specified in Provision 4: $5,000,000 for Bay Area Conservancy; $219,000 for Imperial Beach; and $2,000,000 for Montezuma Wetlands.

I am deleting $2,219,000 for the Imperial Beach and Montezuma Wetlands projects, and $5,000,000 for the Bay Area Conservancy because of the need to fund higher competing priorities including a prudent reserve.

I am sustaining $500,000 for the South Spit restoration and enhancement project to assist local efforts. However, I note that this land use problem is essentially local in nature and additional State commitments are not warranted.

I am revising Provision 4 to conform to this action:

"4. The funds available in Schedule (0.1) are available for activities consistent with Division 21 (commencing with Section 31000) of the Public Resources Code for the following projects: Coast Dairies, $5,000,000; ~~Bay Area Conservancy, $5,000,000; Imperial Beach, $219,000; Montezuma Wetlands $2,000,000;~~ Bolinas Lagoon, $500,000; Paradise Creek Education Park, $700,000; Moss Landing, $450,000; Estero Bay, $2,500,000; Caspar State Beach, $1,800,000; South Spit restoration and enhancement, $500,000; and $1,331,000 for unspecified projects."

I am deleting Provision 3 which limits expenditures for the Southern California Wetlands Clearinghouse to acquisition, enhancement, or restoration of wetlands. Mitigation banks are an essential tool for funding wetland restoration activities. To the extent this language is intended to preclude their future use, this language is unnecessarily restrictive and could hinder the ability of the Executive Branch in the future to achieve the goals of this program pursuant to existing law.

Item 3790-001-0001—For support of Department of Parks and Recreation. I reduce this item from $98,088,000 to $97,995,000 and delete Provision 1.

I am deleting the $93,000 legislative augmentation for the California Recreational Trails System because of the need to fund higher competing priorities including a prudent reserve.

I am deleting Provision 1 to conform to this action.

Item 3790-001-0392—For support of the Department of Parks and Recreation. I revise this item by reducing:

(a) For the support of the Department of Parks and Recreation from $225,519,000 to $225,426,000,

(c) Amount payable from the General Fund (Item 3790-001-0001) from –$98,088,000 to –$97,995,000,

and by deleting Provision 3.

I am revising this item to conform to the action I have taken in Item 3790-001-0001.

I am deleting Provision 3 which requires the Department to notify the Legislature at least 30 days prior to approving any changes in concessionaire operations such as changes in services and prices. This language is unnecessarily restrictive and would

interfere with the ability of the Executive Branch to manage its programs which would result in increased costs to the State. The notification and 30-day wait would delay and greatly discourage program improvements and modifications for safety or visitor comfort.

Item 3790-101-0001—For local assistance, Department of Parks and Recreation. I delete this item.

I am deleting the $7,500,000 legislative augmentation for local assistance grants through the Roberti-Z'berg-Harris Urban Open-Space and Recreation program because of the need to fund higher competing priorities including a prudent reserve.

Item 3790-102-0001—For local assistance, Department of Parks and Recreation. I reduce this item from $44,727,000 to $30,737,000 by reducing:

(a) 80.25 Local Grants from $44,727,000 to $30,737,000

by deleting $8,400,000 for the following projects:

(3) City of Anaheim: Support for the Boys and Girls Club ($45,000)
(5) City of Bell Gardens: Bell Gardens Pool ($200,000)
(7) City of Bellflower: Bellflower Recreational Park ($100,000)
(8) City of Bellflower: Bellflower Skateboard Park ($250,000)
(10) City of Cloverdale: Senior Center ($350,000)
(11) City of Coachella: Restroom Facilities for 3 Parks ($50,000)
(13) City of Cypress: Completion of Roller Hockey Rink and Skateboard Park ($120,000)
(20) City of Glendale: College View School Park ($250,000)
(21) City of Half Moon Bay: Pilarcitos Creek Bike Trail ($300,000)
(22) City of Healdsburg: Carson Warner Memorial Park ($92,000)
(23) City of Hemet: Development of New Youth Baseball Fields ($55,000)
(28.2) City of Lancaster: National Soccer Complex Restrooms ($200,000)
(33) City of Lompoc: Alan Hancock Bikeway Extension ($402,000)
(34) City of Los Angeles: Griffith Park Replumbing ($1,500,000)
(38) City of Ojai: Parks Improvement ($250,000)
(38.1) City of Ontario: De Anza Park Restroom and Storage Facilities ($150,000)
(39) City of Ontario: Relighting of Ontario Ballfield ($98,000)
(46) City of Richmond: Richmond Trail ($40,000)
(53) City of San Diego: Alcott School Tot Lot ($115,000)
(55) City of San Diego: Lake Murray Community Park Comfort Station ($115,000)
(56) City of San Diego: Ocean Beach Tot Lot ($80,000)
(57) City of San Diego: Sandburg Park Tot Lot Upgrade ($135,000)
(59) County of San Diego: New Spring Valley Family Health Center ($51,000)
(60) City of San Fernando: Las Palmas Youth/Senior Activity Center Demolition Tot Lot ($800,000)
(63) City and County of San Francisco: Collingwood Park Acquisition ($500,000)
(65) City and County of San Francisco: Glen Canyon Park ($50,000)
(66) City and County of San Francisco: Golden Gate Park—Lakes Restoration ($200,000)
(68) City and County of San Francisco: McClaren Park ($100,000)
(69) City and County of San Francisco: Pine Lake Park ($200,000)
(77) City of South San Francisco: Community Theater Renovation ($300,000)
(78) City of South San Francisco: Multi-Use Park Planning ($400,000)
(79) Templeton Community Services District: Gibson Park Youth ($150,000)
(80) City of Turlock: Ella Johnson Community Center ($322,000)
(82) City of West Hollywood: West Hollywood Park Pool ($150,000)
(85) City of Willits: Willits Soccer Field ($280,000)

I am reducing $4,390,000 for the following projects:

(4) City of Artesia: Artesia Park from ($350,000) to ($200,000);
(16) East Bay Regional Park District: Arroyo del Valle Outdoor Education Center from ($4,500,000) to ($2,000,000);
(18) City of El Monte: El Monte Community Center from ($500,000) to ($100,000);
(54) City of San Diego: La Jolla Cove Erosion Project from ($540,000) to ($300,000);

(71) City of San Jose: Mexican Cultural Heritage Garden and Plaza from ($500,000) to ($100,000);
(72) City of San Jose: Vietnamese Cultural Garden from ($500,000) to ($100,000); and
(73.1) City of Sanger: Sanger Swimming Pool from ($500,000) to ($200,000).

I am deleting or reducing these projects because of the need to fund higher competing priorities including a prudent reserve.

I am also deleting $200,000 for the Butte County: Courthouse Remodel (Schedule (8.1)). It is inappropriate to fund a county courthouse remodeling project with State funds.

I am also deleting $1,000,000 for the City of San Jose: Guadalupe River Parkway-South Trail Project (Schedule (70)) in San Jose because of the Legislature's failure to enact a balanced water resources plan, including meeting California's future water needs, which is a higher priority. The Legislature should consider investing the State's General Fund in this or similar ecosystem restoration projects only after a comprehensive, balanced plan has been adopted.

I am sustaining $300,000 for the City of Pacifica: Milagra Creek Erosion Control Project (Schedule (41)) in Pacifica as I am supportive of this flood control effort. However, funding for this project appropriately belongs in the Department of Water Resources budget. Therefore, I direct the Department of Parks and Recreation and the Department of Water Resources to undertake an interagency agreement or other administrative steps necessary to utilize these funds for the intended purpose.

Item 3790-102-0140—For local assistance, Department of Parks and Recreation. I delete this item.

I am deleting the $1,165,000 legislative augmentation for facility construction at the Bayview Terrace Elementary School-Joint Use Park Facility in San Diego and the $50,000 legislative augmentation for the Palace of Fine Arts lagoon enhancement in San Francisco. These deletions are necessary to ensure that a prudent reserve is maintained in the California Environmental License Plate Fund.

Item 3790-302-0001—For capital outlay, Department of Parks and Recreation. I reduce this item from $5,737,000 to $4,560,000 by deleting:

(1) 90.B2.205-Auburn State Recreation Area: Quarry Road Stabilization—Minor Project ($47,000),
(3) 90.FB.100-Pio Pico State Park: Restoration-Preliminary plans, working drawings, and construction ($750,000),
(7) 90.6U.205-Annadel State Park: ADA Compliant Restrooms-Minor Project ($40,000), and
(8) 90.99.205-San Luis Reservoir State Recreation Area: Los Banos Creek Bridge-Minor Project ($340,000).

I am deleting $427,000 in legislative augmentations for projects (1), (7) and (8) listed above because of the need to fund higher competing priorities including a prudent reserve.

I am deleting $750,000 for the Pio Pico State Park Restoration (3) as there is a lack of funding in the Budget to restore other gubernatorial mansions.

I am sustaining funding for the Chino Hills State Park acquisition (Schedule (2)). However, the habitat benefits of this acquisition will not be realized without acquisition of another essential parcel. The State should sell the parcel acquired pursuant to the augmentation if the remainder of the wildlife corridor to the Cleveland National Forest cannot be protected.

Item 3810-001-0001—For support of the Santa Monica Mountains Conservancy. I delete this item and Provision 1.

I am deleting the $50,000 legislative augmentation to provide reimbursements to local conservation corps to assist with Conservancy programs. The Conservancy has adequate resources to under take this program if it so chooses.

I am deleting Provision 1 to conform to this action.

Item 3810-011-0941—For support of Santa Monica Mountains Conservancy. I revise this item by reducing:

(a) 10-Santa Monica Mountains Conservancy from $644,000 to $594,000

and by deleting:

(bx) Amount payable from the General Fund (Item 3810-001-0001) (–$50,000).

I am revising this item to conform to the action I have taken in Item 3810-001-0001.

Item 3810-301-0001—For capital outlay, Santa Monica Mountains Conservancy. I delete this item and Provisions 1 and 2.

I am deleting this item because of the Legislature's failure to enact a balanced water resources plan, including meeting California's future water needs which is a higher priority. The Legislature should consider investing the State's General Fund in this or similar ecosystem restoration projects only after a comprehensive, balanced plan has been adopted.

I am deleting Provisions 1 and 2 to conform to this action.

Item 3820-001-0001—For support of San Francisco Bay Area Conservation and Development Commission. I revise this item by deleting Provisions 1 and 2.

I am deleting Provisions 1 and 2 which would deny funding to establish or operate a wetland mitigation bank. Mitigation banks are an essential tool for funding wetland restoration activities. To the extent this language is intended to preclude the use of mitigation banks, this language is unnecessarily restrictive and infringes on the Executive Branch's ability to effectively achieve the goals of this program.

Item 3830-001-0001—For support of the San Joaquin River Conservancy. I delete this item and Provision 1.

I am deleting the $50,000 legislative augmentation to provide reimbursements to local conservation corps to assist with Conservancy programs. The Conservancy has adequate resources to under take this program if it so chooses.

I am deleting Provision 1 to conform to this action.

Item 3830-001-0140—For support of the San Joaquin River Conservancy. I revise this item by reducing:

(a) 10-San Joaquin River Conservancy from $245,000 to $195,000,

and by deleting:

(c) Amount payable from the General Fund (Item 3830-001-0001) (–$50,000).

I am revising this item to conform to the action I have taken in Item 3830-001-0001.

Item 3860-001-0001—For support of Department of Water Resources. I revise this item by deleting Provision 2.

I am deleting Provision 2 because it is unnecessarily restrictive and would interfere with the ability of the Executive Branch to manage its programs. The language would require specific legislative approval prior to any funds being expended on the development and implementation of an isolated transmission facility. This language would limit the authority of CALFED Bay-Delta to consider operational alternatives which may prove to be beneficial and less costly to the State.

Item 3860-102-0001—For local assistance, Department of Water Resources. I reduce this item from $17,786,000 to $1,215,000 by reducing:

(d) Salton Sea from $1,500,000 to $1,000,000,

and by deleting:

(b) Dredging Projects ($15,700,000),

(c) Middle Creek Marsh Restoration Project Feasibility Study ($371,000),

and by deleting Provision 1.

I am deleting the $16,071,000 in legislative augmentations for the two local assistance projects listed above because of the need to fund higher competing priorities including a prudent reserve. Furthermore, in the case of the dredging projects for various ports and harbors, I note that ports and harbors receive operating revenue from port activity. These funds must be used for public trust purposes, which include the operation and development of the harbors and ports. Consequently, it is inappropriate to provide a subsidy for these enterprises.

I am deleting Provision 1 to conform to this action.

I am reducing the legislative augmentation of $1,500,000 to $1,000,000 to provide sufficient funds to match a like amount of federal funds from the U.S. Fish and Wildlife Service to improve management response to bird die-offs at the Salton Sea and to fund a joint research management committee.

Item 3860-301-0001—For capital outlay, Department of Water Resources. I reduce this item from $27,460,000 to $26,460,000 by deleting:

(9.3) 30.95.285-Colusa Basin Drainage District, Flood Control Project ($1,000,000).

I am deleting the $1,000,000 legislative augmentation for the Colusa Basin Drainage District Flood Control Project. I am deleting this project because of the need to fund higher competing priorities including a prudent reserve.

Item 3900-001-0001—For support of State Air Resources Board. I delete Provision 1.

I am deleting Provision 1 because it would tie the expenditure of $25,000,000 in this item to Assembly Bill 1368 and Senate Bill 1857 of the 1998 legislative session. I support provisions in these bills that would create a grant program to replace high-polluting diesel engines with low-emission alternatives; however, I do not support provisions that would allocate funds based on fixed percentages and create unnecessary new accounts. A rigid allocation system and a proliferation of new accounts would be counterproductive. Flexibility should exist to allocate funds on a cost-effective basis. The Air Resources Board advises the most cost-effective means currently available to reduce pollution from heavy-duty diesel engines is to encourage the purchase of newer technology. Therefore, it is my intent that the Air Resources Board, under existing statutory authority, use this $25,000,000 to provide grants for the purchase of low-emission technology to reduce air pollution from diesel engines.

Item 3940-001-0001—For support of State Water Resources Control Board. I reduce this item from $46,014,000 to $40,264,000 by reducing:

(a) 10-Water Quality from $287,421,000 to $281,671,000,

and by deleting Provision 3.

I am deleting the $5,750,000 legislative augmentation for various nonpoint source pollution prevention programs in coastal areas, and for research on recycled water quality, because of the Legislature's failure to enact a balanced water resources plan, including meeting California's future water needs, which is a higher priority. The Legislature should consider investing the State's General Fund in this or similar ecosystem restoration projects only after a comprehensive, balanced plan has been adopted.

I am deleting Provision 3 to conform to this action.

Item 3940-101-0001—For local assistance, State Water Resources Control Board. I reduce this item from $4,525,000 to $2,525,000 by deleting:

(b) Lake County Sanitation District, Phase II of the Regional Wastewater Recycling Program: Clearlake Basin 2000 Project ($2,000,000).

I am deleting the $2,000,000 legislative augmentation for a grant to the Lake County Sanitation District for Phase II of the Regional Wastewater Recycling Program: Clearlake Basin 2000 Project. While I am supportive of water recycling programs, I am eliminating funding for this project because of the need to fund higher competing priorities including a prudent reserve.

Item 3960-001-0014—For support of Department of Toxic Substances Control. I delete Provision 1.

I am deleting Provision 1 which would declare legislative intent to deny funding for the initiative known as the Regulatory Structure Update and prohibit the use of any other appropriation in the Budget Act to fund the initiative. The Department informs me that the project is complete. Moreover, it would be an infringement on the Executive Branch's authority to effectively administer the program.

Item 4120-101-0001—For local assistance, Emergency Medical Services Authority. I reduce this item from $4,697,000 to $4,197,000.

I am reducing $500,000 of the $1,250,000 legislative augmentation for the California Poison Control System and sustaining $750,000 to be matched with federal funds. This level of funding is sufficient for state support of the Poison Control System. Furthermore, I support continued efforts to seek support from stakeholders and those whose paying members use the system, such as health plans, insurance companies, hospitals and physicians' groups.

Item 4170-001-0001—For support of Department of Aging. I reduce this item from $3,886,000 to $3,709,000 by reducing:

(d) 40-Special Projects from $4,474,000 to $4,112,000; and

(g) Reimbursements from –$1,984,000 to –$1,799,000;

and by deleting Provision 1.

I am reducing the legislative augmentation of $408,000 and 7.1 personnel years to increase staff to expand various community-based programs for the elderly by $177,000 General Fund and $185,000 in reimbursements and 3.6 personnel years. I already proposed a funding increase to expand elderly services in 1998–99 to unserved areas of the state, including $584,000 ($400,000 General Fund) and 6.5 positions for the Department of Aging. That staff is sufficient for the first year of this two-year effort. However, I am sustaining the legislative augmentation of $231,000 and 3.5 personnel years for the Adult Day Health Care and Alzheimer's Day Care Resource Center programs. These positions will provide technical assistance in conjunction with the increased funding levels for these programs.

I am deleting Provision 1 to conform to this action.

Item 4170-101-0001—For local assistance, Department of Aging. I reduce this item from $50,602,000 to $40,459,000 by reducing:

(d) 40-Special Projects from $59,280,000 to $44,183,000

(e) Reimbursements from –$20,380,000 to –$15,426,000

and by deleting Provision 3.

I am reducing the $17,314,000 ($12,360,000 General Fund) legislative augmentation to expand various community-based programs for the elderly by $10,143,000 General Fund and $4,954,000 in reimbursements. I am supportive of efforts in this area and proposed a $12,154,000 augmentation to expand senior programs by establishing 134 additional program sites in unserved areas of the state. This represents a 40-percent increase and recognizes the importance of these programs. I am sustaining the $2,217,000 General Fund augmentation for the Adult Day Health Care and Alzheimer's Day Care Resource Center programs. This funding will provide additional resources to assist in the prevention of premature institutionalization and allow departmental staff to provide additional technical assistance to caregivers.

I am deleting Provision 3 to conform to this action.

Item 4180-001-0001—For support of Commission on Aging. I delete this item.

I am deleting the $300,000 legislative augmentation for the activities of the Commission. The Budget provides sufficient funding for the Commission to perform its statutory responsibilities.

Item 4200-101-0001—For local assistance, Department of Alcohol and Drug Programs. I reduce this item from $82,897,000 to $67,296,000 by reducing:

(a) 15-Alcohol and Other Drug Services Program from $342,170,000 to $326,569,000,

and by deleting Provisions 9, 10, and 12.

I am reducing $1,000 of the $5,000,000 legislative augmentation to expand treatment programs for youth, and I am deleting Provision 10 because the language is overly prescriptive.

I am deleting the $8,000,000 legislative augmentation to expand the number of drug courts and related treatment services and I am deleting Provision 9. While I am supportive of this drug intervention program, I would prefer to direct any increases to a program that uses the deferred entry of judgment process.

I am deleting the $7,600,000 legislative augmentation to backfill providers' loss of income resulting from federal welfare reform changes to the provision of Food Stamps and General Assistance which were previously used to offset program costs. Drug treatment clients, no longer eligible for Food Stamps and General Assistance under federal welfare reform, could provide their share-of-cost through increased hours of work.

I am deleting Provision 12, which requires the Department of Alcohol and Drug Programs to convene a workgroup to examine and develop a system for coordinating the delivery of services to parolees. This language is an infringement of the Executive Branch's ability to manage its programs in the most appropriate manner permitted by law.

Item 4260-001-0001—For support of Department of Health Services. I reduce this item from $182,437,000 to $178,443,000 by reducing:

(1) 10-Public and Environmental Health from $265,689,000 to $251,845,000;

(2) 20-Health Care Services from $398,174,000 to $397,874,000;

(24) Amount payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-001-0231) from –$37,415,000 to –$27,415,000;

(38) Amount payable from the Federal Trust Fund (Item 4260-001-0890) from –$261,236,000 to –$261,086,000;

and by deleting Provision 7.

I am deleting the $794,000 legislative augmentation from the General Fund to support the Breast Cancer Early Detection Program. The Budget included increased funding from the Cigarette and Tobacco Products Surtax Fund for the program to fully address anticipated demand and provide enhancements to improve health outcomes, without any General Fund expense. This screening program should continue to be supported with special fund resources. In order to make special fund resources available for the priority screening services, I am also reducing a related augmentation in Item 4260-111-0236 from the Cigarette and Tobacco Products Surtax Fund for clinics. I would sign legislation which appropriates those Cigarette and Tobacco Products Surtax Funds for priority breast cancer screening services.

I am deleting the $400,000 legislative augmentation from the General Fund for the Office of Border Health. The augmentation appears to be for purposes which duplicate other efforts of the state or federal government.

I am deleting the $2,500,000 legislative augmentation from the General Fund for the Cancer Registry. The work done by the Cancer Registry is important, and the program already is complying with current law and providing quality services.

I am deleting the $150,000 legislative augmentation from the General Fund for the Santa Susana Field Laboratory Oversight Panel. There has been no demonstration that this project is of sufficiently high priority to justify the use of State resources.

I am deleting the $150,000 legislative augmentation from the General Fund for a study of Medi-Cal physician rates and deleting Provision 7, which would require such a study. It is not necessary for Budget Act language to require such a rate study. The role of the Department of Health Services under existing law includes responsibility for review and recommendation of adjustment of Medi-Cal physician rates. I am also reducing the Federal Trust Fund by $150,000 in Item 4260-001-0890 to conform with this action.

I am deleting the $10,000,000 legislative augmentation from Cigarette and Tobacco Products Surtax Fund litigation reserves for the State's anti-tobacco Media Campaign. These reserves were set aside for the Americans for Non-Smokers Rights II v. State of California case. Additional state exposure exists in the related and outstanding Just Say No To Tobacco Dough Campaign et al. v. State of California case. Accordingly, these funds should be held in reserve until a settlement has been reached in both cases.

Item 4260-001-0231—For support of Department of Health Services. I reduce this item from $37,415,000 to $27,415,000 and delete Provision 1.

I am reducing this item by $10,000,000 to conform to actions taken in Item 4260-001-0001.

I am also deleting Provision 1, which would establish advertisement approval timelines and require disclosure of specified information to the Tobacco Education and Research Oversight Committee. This language is also unduly restrictive and an infringement on the Executive Branch's authority to administer the program pursuant to existing law.

Item 4260-001-0890—For support of Department of Health Services. I reduce this item from $261,236,000 to $261,086,000.

I am reducing this item by $150,000 to conform with actions taken in item 4260-001-0001.

Item 4260-101-0001—For local assistance, Department of Health Services. I reduce this item from $6,876,805,000 to $6,827,941,000 by reducing:

(a) 20.10.030-Benefits (Medical Care and Services) from $15,954,495,000 to $15,824,020,000,

(b) 20.10.010-Eligibility (County Administration) from $878,700,000 to $878,300,000, and

(e) Amount payable from the Federal Trust Fund (Item 4260-101-0890) from –$10,125,351,000 to –$10,043,340,000,

and deleting Provisions 14, 15 and 23.

I am deleting $9,259,000 in specific legislative augmentations for Medi-Cal rate increases. These include $1,209,000 for non-emergency transportation, $1,800,000 for optometry services and reducing $6,250,000 for hospital outpatient care. Rate increases in Medi-Cal should be considered where necessary to improve access or quality of care. There is little evidence of access to care or quality of care problems for services which are the subject of these proposed rate increases. In addition, I am deleting $9,259,000 from the Federal Trust Fund 4260-101-0890 to conform to this action.

I am deleting the $400,000 legislative augmentation for a pilot project to assist traditional providers, contracting with Los Angeles Care Health Plan, to secure low interest loans to purchase computer equipment and to support associated staff. The stated need for these loans is to make traditional health care providers competitive in the managed care environment. This augmentation is unnecessary as guaranteed loans are specifically available to traditional providers through the Small Business Expansion Fund administered by the Trade and Commerce Agency.

I am deleting the legislative augmentation of $36,800,000 for pregnancy-related services to undocumented immigrants which would have provided funding for pending legislation to extend the state-only program of pregnancy-related services to persons not lawfully present in the United States beginning January 1, 1999, on a permanent basis. The State's ability to fund or terminate these services is currently the subject of litigation; therefore, I have included $36,800,000 in the General Fund Reserve to cover the costs of these benefits until the current litigation reaches its conclusion.

I am deleting the $2,405,000 legislative augmentation to conform to actions taken in Item 4300-101-0001 related to In-Home Respite and Day Programs in the Department of Developmental Services. In addition, I am deleting $2,551,000 from the Federal Trust Fund 4260-101-0890 to conform to this action.

I am deleting the legislative augmentation of $22,600,000 from the Federal Trust Fund 4260-101-0890 to conform to the action taken in Item 5180-101-0001 related to funding for mental health services for CalWORKs recipients in the Department of Mental Health.

I am deleting the legislative augmentation of $25,154,000 from the Federal Trust Fund 4260-101-0890 to conform to the action taken in Item 5180-151-0001 related to the expansion of the Adult Protective Services system in the Department of Social Services.

I am reducing the legislative augmentation of $37,412,000 from the Federal Trust Fund 4260-101-0890 by $22,447,000 to conform to the action taken in Item 5180-111-0001 regarding funding for Public Authorities in the Department of Social Services.

Provision 14 requires the Department of Health Services to convene a work group composed of specified individuals and representatives having a vested interest in long-

term care to discuss and develop alternatives to the current cost-based rate-setting process. Provision 15 requires the Department of Health Services to provide an update on the status of the work group required in Provision 14 to the Legislature by January 15, 1999. I am deleting Provisions 14 and 15 because a work group comprised of interested representatives, including providers and advocates, has already convened to explore these related issues.

I am deleting Provision 23 to conform to my action taken in Item 4300-101-0001 regarding a new rate structure for In-Home Respite and Day Programs in the Department of Developmental Services.

Item 4260-101-0890—For local assistance, Department of Health Services. I reduce this item from $10,125,351,000 to $10,043,340,000, and delete Provision 2.

I am reducing this item by $82,011,000 to conform to actions taken in Item 4260-101-0001.

I am deleting Provision 2 to conform to my action taken in Item 4300-101-0001 regarding a new rate structure for In-Home Respite and Day Programs in the Department of Developmental Services.

Item 4260-111-0001—For local assistance, Department of Health Services. I reduce this item from $386,527,000 to $340,012,000 by reducing:

(c) 10.30.040-Chronic Diseases from $195,426,000 to $166,480,000;
(e) 10.30.060-AIDS from $205,548,000 to $200,548,000;
(f) 20.30-County Health Services from $210,432,000 to $202,732,000;
(g) 20.40-Primary Care and Family Health from $1,369,471,000 to $1,336,528,000;
(o) Amount Payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-111-0231), from –$64,304,000 to –$41,773,000;
(r) Amount Payable from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-111-0236), from –$102,687,000 to –$98,478,000;
(t) Amount Payable from the Federal Trust Fund (Item 4260-111-0890) from –$1,052,985,000 to –$1,051,651,000;

and by deleting Provisions 5 and 7.

I am deleting the $3,415,000 legislative augmentation from the General Fund to support the Breast Cancer Early Detection Program to conform with the action taken in Item 4260-001-0001. I will sign legislation appropriating specified Cigarette and Tobacco Products Surtax Funds for priority breast cancer screening services as I had originally proposed.

I am deleting the $22,531,000 legislative augmentation for Competitive Grants from Cigarette and Tobacco Products Surtax Fund litigation reserves to conform with the actions taken in Items 4260-001-0001 and 4260-001-0231.

I am deleting the $2,000,000 legislative augmentation from the General Fund intended to reinstate $1,500,000 for three particular Alzheimer's disease research, diagnosis, and treatment centers which were unsuccessful in the competitive bid process and fund $500,000 for special projects. The Budget allocated funding through a competitive bid process to the most effective programs and did so in accordance with the advisory committee's policy directive to place a greater emphasis on research rather than treatment. These three centers can bid for available funding in the future. I am deleting Provision 5 to conform to this action.

I am deleting the $400,000 legislative augmentation from the General Fund for the Women, Infants, and Children (WIC) Farmer's Market. The Budget includes approximately $1.1 billion for the Supplemental Food Program for WIC, expanding nutritional programs by over $100,000,000. Further, Chapter 294, Statutes of 1997, shifted authority for the Farmer's Market program to the Department of Health Services to enable continuation of the service without General Fund expense. For these reasons and the other major General Fund resources expended on new food assistance programs in this Budget, I am vetoing these funds. I am also reducing the Federal Trust Fund by $933,000 in Item 4260-111-0890 to conform with this action.

I am deleting the $4,200,000 legislative augmentation from the General Fund for the AIDS Drug Assistance Program. The program budget already reflects increased funding of $11,400,000 General Fund, which provides resources to fully support antici-

pated caseload demand, more expensive therapeutic regimens and new drug costs. I continue to support full funding for the program; however, there is not an indicated need for this augmentation.

I am deleting the $7,700,000 legislative augmentation from the General Fund for local communicable disease control and public health personnel including immunization, training, communicable disease control and public health surveillance staff. The Budget includes substantial increases in local funding for indigent health care through the Realignment Program. Additional immunization assistance will be provided through the Healthy Families Program and can also be provided in indigent health care programs. The Emerging Infectious Disease Initiative included in the Budget provides for expanded investigation and surveillance of infectious diseases and food safety programs.

I am deleting the $23,000,000 legislative augmentation from the General Fund for the following clinical services programs: $2,500,000 for rural health clinics, $2,500,000 for Seasonal Agricultural and Migrant Worker clinics, and $18,000,000 for Expanded Access to Primary Care clinics. The Budget includes substantial increases in state funding for the implementation of the Healthy Families Program which will ultimately extend health insurance coverage to an estimated 500,000 children. Thus, if these providers are a partner with a Healthy Families contractor, they are now able to bill for care to children who were formerly uninsured.

I am reducing the $5,000,000 legislative augmentation from the Cigarette and Tobacco Products Surtax Fund for Expanded Access to Primary Care clinics by $4,209,000. While this program has merit, I have proposed using these funds for breast cancer early detection services which are a higher priority for limited Cigarette and Tobacco Products Surtax Fund resources. I would sign legislation appropriating these funds for this priority.

I am deleting the $401,000 legislative augmentation from the Federal Trust Fund for the Black Infant Health ($151,000) and Comprehensive Perinatal Outreach ($250,000) programs. Although these programs have merit, the augmentation is based on the assumption that availability of Maternal and Child Health block grant funds will be greater than anticipated. Until it is known if additional funds are available, it would be premature to allocate funds.

I am deleting the $4,000,000 legislative augmentation from the General Fund for Adolescent Family Life Program (AFLP) provider rates. This augmentation represents a 34-percent rate increase, intended to bring AFLP rates into conformity with the Cal-Learn Program. However, the current rate differential exists because administrative requirements are fewer for AFLP. Further, increasing AFLP rates would be premature until the Department of Health Services has performed a planned rate study and identified problems with access to services or quality of care.

I am deleting the $800,000 legislative augmentation from the General Fund for anonymous HIV testing in family planning clinics. The Family Planning, Access, Care and Treatment Program and approximately 500 publicly funded testing sites through the Office of AIDS are fully funded to provide confidential HIV testing for any Californian seeking such services. In addition, funding should be provided through a normal competitive process rather than being targeted to specific providers.

I am deleting the $1,000,000 legislative augmentation from the General Fund for breast cancer treatment services. The augmentation would provide treatment services for women regardless of income. This program would represent the first use of General Fund monies to provide breast cancer treatment services to women above entitlement-income thresholds for Medi-Cal. Therefore, the $1,000,000 proposal likely would be insufficient to address the anticipated program costs or to keep pace with treatment demands if the program were so expanded. I am deleting Provision 7 to conform to this action.

Item 4260-111-0231—For local assistance, Department of Health Services. I reduce this item from $64,304,000 to $41,773,000.

I am reducing this item by $22,531,000 to conform to actions taken in item 4260-111-0001.

Item 4260-111-0236—For local assistance, Department of Health Services. I reduce this item from $102,687,000 to $98,478,000.

I am reducing this item by $4,209,000 to conform to actions taken in Item 4260-111-0001.

Item 4260-111-0890—For local assistance, Department of Health Services. I reduce this item from $1,052,985,000 to $1,051,651,000.

I am reducing this item by $1,334,000 to conform to actions taken in Item 4260-111-0001.

Item 4280-101-0001—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from $38,597,000 to $35,440,000 and delete Provisions 1, 3, 4 and 5.

I am deleting the legislative augmentations of $3,057,000 to expand the Healthy Families Program to include children of families with incomes up to 250 percent of the federal poverty level and $100,000 to expand the program to include children of legal immigrants arriving in the United States after August 22, 1996. It is premature to significantly modify or expand this new program until after completion of the startup of the program as originally enacted.

I am deleting Provision 1, related to outreach updates, to conform to the action taken in Item 4260-101-0001.

I am deleting Provisions 3 and 4 which would require the Managed Risk Medical Insurance Board (MRMIB) to convene quarterly work groups to discuss memorandums of understanding and related matters concerning the provision of mental health services and California Children's Services. These provisions are not necessary as MRMIB already convenes such work groups.

I am deleting Provision 5 which would require the Department of Health Services to solicit comments from interested parties on the crafting of a request for proposal for Rural Demonstration Projects. This provision is not necessary because the Department of Health Services already has released the draft to the interested parties.

Item 4280-101-0890—For local assistance, Managed Risk Medical Insurance Board. I reduce this item from $75,026,000 to $68,889,000.

I am reducing this item by $6,137,000 to conform to actions taken in Item 4280-101-0001.

Item 4300-101-0001—For local assistance, Department of Developmental Services. I reduce this item from $612,653,000 to $612,552,000 by reducing:

10.10 Regional Centers

(b) 10.10.020-Purchase of Services from $1,080,736,000 to $1,075,678,000,

(e) Reimbursements from –$723,564,000 to –$718,608,000,

(h) Amount payable from Federal Trust Fund (Item 4300-101-0890) from –$42,284,000 to –$42,283,000,

and by deleting Provision 11.

I am deleting $5,057,000 ($101,000 General Fund and $4,956,000 reimbursements) provided to increase the rates of Supported Living Services (SLS) providers. The actual rate paid for SLS is negotiated between the regional center and the provider. Sustaining an increase in funding for this program would discourage competitive rate negotiations.

I am deleting Provision 11 which would allow the Director of Finance to augment this Item by $10,300,000 to implement a new rate structure for In-Home Respite and Day Programs as this augmentation will not be necessary in 1998–99. The Budget contains $27,400,000 to increase rates in these programs using the existing rate system.

These deletions result in reductions of $101,000 in this item, $2,405,000 in Item 4260-101-0001 and $2,551,000 in Item 4260-101-0890.

I am also deleting $1,000 to conform to actions taken in Item 4300-101-0890.

Item 4300-101-0890—For local assistance, Department of Developmental Services. I reduce this item from $42,284,000 to $42,283,000.

I am deleting $1,000 and Provision 4 of this item. This Provision would require the Bureau of State Audits to conduct an analysis of regional center operations and purchase-of-services expenditures for the Early Start Program. The regional center

budget has been the subject of several audits and analyses in the past year, including an analysis by the Bureau of State Audits, with additional analyses to be completed in 1998–99. Consequently, another review by the Bureau of State Audits would be unnecessary and duplicative.

Item 4440-101-0001—For local assistance, Department of Mental Health. I reduce this item from $60,206,000 to $38,356,000 by reducing:

(a) 10.25-Community Services-Other Treatment from $495,742,000 to $467,742,000,

(b) 10.40-Community Services-Adult System of Care from $8,222,000 to $7,772,000,

(c) 10.47-Community Services-Children's Mental Health Services from $40,354,000 to $24,354,000,

(e) Reimbursements from –$497,468,000 to –$474,868,000,

and by deleting Provisions 4 and 5.

I am deleting the $5,000,000 legislative augmentation to provide supportive housing for individuals with special needs because it is duplicative of existing support programs including health care, substance abuse treatment, education, and counseling which are currently provided through other State agencies.

I am deleting the $400,000 legislative augmentation to enhance cultural competency in mental health services because current State law already requires that county mental health plans provide for culturally competent and age appropriate services. I am deleting Provision 5 to conform to this action.

I am deleting the $450,000 legislative augmentation to provide additional training and development of Adult System of Care Agencies. Since this program has been shown to provide an effective system of mental health care while reducing costs, counties desiring to implement the program should use existing mental health realignment funds to contract with the Integrated Services Agencies or work with counties which have already implemented the program.

I am reducing $16,000,000 of the $20,000,000 legislative augmentation for the Children's System of Care. The remaining $4,000,000 augmentation will allow for the incremental expansion of this program. I am also deleting Provision 4.

I am deleting the $22,600,000 legislative augmentation in reimbursements for CalWORKs recipients to conform to actions taken in Item 5180-101-0001.

Item 4700-101-0001—For local assistance, Department of Community Services and Development. I am reducing this item from $4,400,000 to $3,050,000 by reducing:

(a) 40-Community Services from $2,400,000 to $1,050,000,

and by deleting Provision 1.

I am deleting the $1,350,000 legislative augmentation for the Adult Homeless Education program. This program has been previously funded in the Department of Education. The Department of Community Services and Development is not the appropriate state agency to administer this program.

I am deleting Provision 1 to conform to this action.

Item 5100-001-0001—For support of Employment Development Department. I reduce this item from $24,872,000 to $23,622,000 and delete Provision 1.

I am deleting the $1,250,000 legislative augmentation for at-risk youth employment demonstration projects. The Budget contains $816,100,000 for employment programs, of which $342,500,000 is for youth employment projects. The projects for which the legislature has augmented this item should be evaluated and funded through the competitive grant process within these existing programs.

Item 5100-001-0870—For support of Employment Development Department. I revise this item by reducing:

(a) 10-Employment and Employment Related Services from $202,732,000 to $201,482,000, and;

(h) Amount payable from the General Fund (Item 5100-001-0001) from –$24,872,000 to –$23,622,000.

This action conforms to reductions taken in Item 5100-001-0001.

Item 5160-001-0001—For support of Department of Rehabilitation. I revise this item from $43,662,000 to $39,759,000 by reducing:

(a) 10-Vocational Rehabilitation Services from $286,639,000 to $271,616,000,

(c) 30-Support of Community Facilities from $6,454,000 to $5,751,000,

(g) Amount payable from the Federal Trust Fund (Item 5160-001-0890) from –$241,627,000 to –$229,804,000,

and by deleting Provision 5.

I am reducing the $3,200,000 legislative augmentation in this item and the corresponding federal match of $11,823,000 in Item 5160-001-0890 for the Vocational Rehabilitation Program. This program is not an open-ended entitlement, and the Budget provides $263,613,000 for the Department of Rehabilitation to serve clients in this program. Nonetheless, I understand that recent federal law changes might necessitate revision to the scope of this program, affecting the number of clients to be served. It would be premature to approve this augmentation before the Department of Rehabilitation and the Health and Welfare Agency have thoroughly analyzed those federal changes and their service delivery ramifications.

I am reducing the $521,000 legislative augmentation to increase the incentive funds used to match private contributions for independent living services. The Budget includes $479,000 base funding for the incentive funds component of this program, and I have included $2,900,000 General Fund and $6,400,000 federal funds in the Budget for a population-based allocation for the Independent Living Centers. The Independent Living Centers, therefore, will continue to receive a total of $9,779,000 for base funding.

I am reducing the $182,000 legislative augmentation to backfill federal funds for three community organization projects. The federal funds were provided through the Department of Rehabilitation as seed money for the projects with the understanding that State funds would not be provided as a backfill, and other sources of funding would have to be sought to continue the projects.

I am deleting Provision 5 to conform to this action.

Item 5160-001-0890—For support of Department of Rehabilitation. I reduce this item from $241,627,000 to $229,804,000.

I am reducing this item by $11,823,000 to conform to the action I have taken in Item 5160-001-0001.

Item 5180-001-0001—For support of the Department of Social Services. I reduce this item from $100,513,000 to $88,988,000 by reducing:

(a) 16-Welfare Programs from $83,333,000 to $77,333,000;

(b) 25-Social Services and Licensing from $129,454,000 to $123,747,000;

(h) Amount payable from the Federal Trust Fund (Item 5180-001-0890) from –$296,203,000 to –$296,021,000;

and by deleting Provision 4.

I am deleting the $6,000,000 legislative augmentation for the Temporary Emergency Food Assistance Program. The food purchases under this program traditionally have been 100 percent federally funded. Providing General Fund for this purpose could set a funding precedent for an expectation of future General Fund support. Federal funding for this program, along with the federal food stamp and the Women, Infants and Children programs are available. Further, I have agreed to support two new time-limited state food programs including establishment of a $68,000,000 State food stamp program for legal immigrants. The continuing federal programs and the new state programs provide for a major increase in funding in 1998–99 which should address concerns in this area. I am deleting Provision 4 to conform to this action.

I am deleting the $3,000,000 legislative augmentation to expand the current Home Visiting Pilot Program, which provides voluntary home-based support services in seven locations to families with newborns and children up to five years old who are at risk of child abuse or neglect. Without this augmentation, the pilot programs will continue while their programmatic and cost-effectiveness continues to be evaluated.

While I support developing innovative programs that will assist parents in providing a safe home for their at-risk children, the quality and effectiveness of the service provided must first be documented through the pilot program's evaluation.

I am reducing the legislative augmentation of $5,762,000 and 96.4 personnel years to provide comprehensive reviews of all community care facilities by $2,525,000 General Fund and $182,000 Federal Trust Fund and by 40.8 personnel years. The remaining positions and funding, in conjunction with funding already budgeted, will permit the department to conduct comprehensive reviews of those community care facilities with the most vulnerable clients.

Item 5180-001-0890—For support of Department of Social Services. I reduce this item from $296,203,000 to $296,021,000.

This action conforms to the reductions taken in Item 5180-001-0001.

Item 5180-101-0001—For local assistance, Department of Social Services. I reduce this item from $2,518,667,000 to $2,496,746,000.

(a) 16.30-CalWORKs from $5,568,477,000 to $5,536,556,000

(2) 16.30.020-Services from $1,115,933,000 to $1,084,012,000

(h) Amount payable from the Federal Trust Fund (Item 5180-101-0890) from –$4,444,998,000 to –$4,434,998,000

and by deleting Provisions 13 and 14.

I am deleting a $10,000,000 Federal Trust Fund augmentation for transportation services for CalWORKs recipients. Although I am sensitive to concerns raised as to the adequacy of transportation services, county boards of supervisors may allocate CalWORKs funds from within the county block grant should additional transportation services be needed. Additionally, use of the federal Temporary Assistance for Needy Families (TANF) block grant for CalWORKs-eligible recipients would cause their five year federal TANF eligibility to be used even if the transit services were the only benefits provided.

I am deleting $21,921,000 General Fund from this item, which was to match $22,600,000 federal Medicaid funds from the Department of Health Services for mental health services for CalWORKs recipients. I have proposed to fully fund mental health services for CalWORKs recipients, but confine General Fund expenditures for CalWORKs, with only limited exceptions, to the $2.9 billion state-county TANF Maintenance of Effort (MOE) requirement. The Legislature's action on CalWORKs mental health services violates federal guidelines for this amount to be considered as TANF MOE, and therefore, would require the State to spend General Fund above the TANF MOE requirement for a declining welfare caseload. This is unnecessary as the counties may allocate funds for mental health services from their block grant.

I am deleting Provision 13 which would require the California Department of Education and the Department of Social Services to report to the Legislature on a proposed child care fee schedule by December 15, 1998, for the purposes of adopting a schedule through legislation. This would create additional barriers to implementing a fee schedule, because the Superintendent of Public Instruction already has the statutory authority to implement a new fee schedule, and the report due date does not allow the departments sufficient time to effectively comply with this provisional language.

I am deleting Provision 14 which would authorize counties to use up to $5,000,000 General Fund of county CalWORKs fiscal incentive payments to match California Conservation Corps funding to help CalWORKs recipients meet their work requirements. Counties already have the authority to use incentive funds for this purpose by contracting directly with the local corps. Therefore, the provision is unnecessary.

Item 5180-101-0890—For local assistance, Department of Social Services. I reduce this item from $4,444,998,000 to $4,434,998,000, and delete Provision 5.

I am reducing this item by $10,000,000 and deleting Provision 5 to conform to the action I have taken in Item 5180-101-0001.

Item 5180-111-0001—For local assistance, Department of Social Services. I reduce this item from $2,651,793,000 to $2,625,993,000 by reducing:

(b) 25.15-IHSS from $1,418,541,000 to $1,363,786,000;

(1) 25.15.010-Services from $1,296,025,000 to $1,241,270,000; and

(c) Reimbursements from –$848,235,000 to –$819,280,000.

I am deleting a $25,800,000 legislative augmentation to fund increased operational costs for public authorities associated with In-Home Supportive Services (IHSS). Under current law, counties can establish a public authority for the administration of IHSS in that county, with any associated cost increases funded at county expense. This augmentation inappropriately provides state funds for costs negotiated by public authorities, thereby removing the cost containment mechanisms currently in place.

I am reducing reimbursements in this item by $28,955,000 to conform to the action taken in this item and in Item 4260-101-0890.

Item 5180-111-0551—For transfer by the Controller from the Temporary Assistance for Needy Families Fund to the Federal Trust Fund. I reduce this item from ($4,406,217,000) to ($4,396,217,000).

I am reducing this item by $10,000,000 to conform with actions taken in Item 5180-101-0001 and Item 5180-101-0890.

Item 5180-141-0001—For local assistance, Department of Social Services. I reduce this item from $304,297,000 to $300,297,000 by reducing:

(a) 16.80-County Administration from $1,070,398,000 to $1,062,398,000;

(d) Amount payable from the Federal Trust Fund (Item 5180-141-0890) from –$839,803,000 to –$835,803,000;

and by deleting Provision 8.

I am deleting a $4,000,000 General Fund and $4,000,000 Federal Trust Fund legislative augmentation for the Food Stamp Employment and Training (FSET) program. This augmentation was made to provide services to able-bodied adults without dependents between the ages of 18 and 50 who must work 20 hours per week to maintain federal food stamp eligibility. Although those persons can participate in FSET to meet the work requirements, they also can meet the work requirements through self-initiated community service. Therefore, this augmentation is not necessary.

I am deleting Provision 8 which prohibits the allocation of $3,996,000 to counties for the administration of food stamp benefits unless federal administrative funding for food stamps is reduced pursuant to Public Law 105-185. Although the General Fund will be required to backfill for the eventual loss of federal funds, it is premature to propose a specific dollar amount to offset that expected deficiency. Additionally, counties have indicated immediate need for these funds due to increased costs resulting from welfare reform and changes in eligibility requirements.

Item 5180-141-0890—For local assistance, Department of Social Services. I reduce this item from $839,803,000 to $835,803,000.

I am reducing this item by $4,000,000 to conform to actions taken in Item 5180-141-0001.

Item 5180-151-0001—For local assistance, Department of Social Services. I reduce this item from $690,969,000 to $656,990,000 by reducing:

(a) 25.25-Children's Services from $1,301,308,000 to $1,299,987,000,

(1) 25.25.010-Child Welfare Services from $1,211,400,000 to $1,210,079,000

(b) 25.35-Special Programs from $164,511,000 to $106,657,000,

(5) 20.35.050-County Services Block Grant from $122,256,000 to $64,402,000

(c) 25.45-Community Care Licensing from $15,158,000 to $14,879,000,

(d) Reimbursements from –$80,725,000 to –$55,571,000,

(f) Amount payable from the Federal Trust Fund (Item 5180-151-0890) from –$709,132,000 to –$708,811,000;

and by deleting Provision 9.

I am deleting a $1,000,000 General Fund and a $321,000 Federal Trust Fund legislative augmentation to expand the Options for Recovery Program to serve adoptive and pre-adoptive families with children up to age 18. Although this proposal is consistent with my Adoptions Initiative, it is not acceptable without including the provision

related to respite care, which is an integral part of the existing program. I would be willing to sign properly structured legislation in this area. I am deleting Provision 9 to conform to this action.

I am deleting a $32,700,000 General Fund legislative augmentation and $25,154,000 in corresponding reimbursements to expand the Adult Protective Services Program. This maintains a $20,000,000 General Fund augmentation included in my May Revision that more than doubles the State's efforts in this area and adequately recognizes the importance of this program.

I am deleting a $279,000 augmentation to provide comprehensive visits of all community care facilities. Funding is provided in Item 5180-001-0001 for comprehensive reviews for those facilities with the most vulnerable clients which should address concerns in this area.

Item 5180-151-0890—For local assistance, Department of Social Services. I reduce this item from $709,132,000 to $708,811,000 and delete Provision 2.

I am deleting Provision 2 which would require $350,000 of federal Child Abuse Prevention and Treatment Act (CAPTA) funds to be used for the Family Maintenance Healthcare Pilot Project in Los Angeles County. This pilot project appears to be meritorious; however, all federal CAPTA funds currently available for 1998–99 have been committed to other continuing child abuse and prevention projects. Los Angeles County should apply for funding in the next grant cycle.

I am reducing this item by $321,000 to conform to actions taken in Item 5180-151-0001.

Item 5240-001-0001—For support of the Department of Corrections. I reduce this item from $3,550,781,000 to $3,534,681,000 by reducing:

(a) 21-Institution Program from $2,749,755,715 to $2,744,755,715, and

(b) 31-Community Correctional Program from $432,467,730 to $421,367,730,

and by deleting Provisions 10, 13, 15, 16, 17, and 19.

I am deleting the $2,800,000 legislative augmentation to expand the Preventing Parolee Failure Program. While I am supportive of efforts to reduce recidivism among the state's parolee population, I am unable to support this augmentation because the efficacy and cost effectiveness of the Preventing Parolee Failure Program has not been demonstrated sufficiently to justify a program expansion.

I am deleting the $2,000,000 legislative augmentation to implement a pilot program for drug addicted female offenders with children. The Budget provides $13,700,000 to address barriers to parole success and to provide alternatives to reincarceration for both male and female parolees. The Budget also contains $1,100,000 for the Pregnant and Parenting Women's Alternative Sentencing Program, which provides specialized services for female offenders.

I am deleting the $4,800,000 legislative augmentation for parole casework services. While increased parole casework services may be desirable, the need for increased casework services has not been adequately demonstrated.

I am deleting Provision 10 which would restrict the transfer of more than five percent of the funding provided for the Preventing Parolee Failure Program and parole casework services in 1998–99. Since it is unknown what demands upon the parole system might arise, this provision is an inappropriate limitation of the Executive Branch's ability to manage its programs, and could jeopardize public safety.

I am deleting Provision 13 which would require the Department of Finance, in consultation with the Prison Industry Authority and the Legislative Analyst's Office, to develop a display in the 1999–2000 Governor's Budget of revenues and expenditures for the Prison Industry Authority, the Prison Industry Board, and the Prison Industries Revolving Fund. This provision inappropriately requires participation of legislative staff in decision-making with regard to the inclusion and manner of display of financial information in the annual Governor's Budget. Decisions regarding the Administration's proposed financial plan should remain a prerogative of the Administration.

I am deleting Provision 15 which would require the Department of Corrections to redirect $257,000 from existing resources to continue to fund four positions authorized to ensure compliance with Title I of the Americans with Disabilities Act (ADA). The contradictory actions of the Legislature in deleting funding for ADA while requiring that funding be redirected from other programs to continue the function is inappropriate.

I am reducing this Item by $5,000,000 and deleting Provision 16 which would require an allocation of $5,000,000 be provided for (1) 1,000 additional drug treatment slots, including availability of aftercare treatment of at least 120 days for 50 percent of the in-prison program graduates from the proposed new program, and (2) a minimum of 120 days of aftercare treatment for 50 percent of the in-prison program graduates from existing drug treatment programs. The Department is currently in the process of expanding its drug treatment program by 1,120 slots. Further expansion of this program is premature.

I am deleting Provision 17 which would allow the use of funds for development of the Corrections Management Information System project only upon approval of the associated project feasibility study report by the Department of Information Technology and the Department of Finance, and if the scope of the approved version of the feasibility study report does not significantly differ from the report as submitted to the two agencies. This language potentially interferes with the ability of the Executive Branch to evaluate the project proposal by effectively precluding a change to the feasibility study as initially submitted. The provision is otherwise largely consistent with my existing policy. Accordingly, I am directing the Department of Corrections to not expend funds for the development of the Corrections Management Information System project prior to approval of the related feasibility study report by the Department of Information Technology and the Department of Finance.

I am reducing this Item by $1,500,000 and deleting Provision 19 which would require an allocation of $1,500,000 of funding be provided to develop, implement, and evaluate up to two pilot projects for a new parole model in Regions III and IV. The Department of Corrections is currently evaluating a new parole classification project. It would be premature to implement another related parole project prior to evaluation of the current project.

Item 5240-011-0678—For Transfer by the Controller from the Prison Industries Revolving Fund to the General Fund. I delete this Item.

I am deleting the $8,000,000 transfer from the Prison Industries Revolving Fund to the General Fund. The Prison Industry Authority is a self-supporting organization which requires a sufficient reserve in its enterprise fund for cash management purposes. This transfer of funds would have reduced the Authority's reserve to an imprudent level.

Item 5240-301-0001—For capital outlay, Department of Corrections. I revise this item by deleting Provision 3.

I am deleting Provision 3 because the language is unnecessarily restrictive. This language would limit the State Public Works Boards'(SPWB) authority to approve a recognized deficit to no greater than 10 percent of the original construction cost estimates for selected mental health projects. Under current law, the SPWB can approve recognized deficits of up to 20 percent. This language could hamper the continuation of these court-ordered projects and would interfere with the ability of the Executive Branch to manage these projects pursuant to existing statutes.

Item 5430-104-0001—For local assistance, Board of Corrections. I delete this item and Provision 1.

I am deleting the $1,200,000 legislative augmentation for support operations costs at the Northern California Regional Facility. The cost of ongoing operations for local juvenile facilities is appropriately a responsibility of local government.

I am deleting Provision 1 to conform to this action.

Item 5430-105-0001—For local assistance, Board of Corrections. I delete this item and Provisions 1, 2, and 3.

I am deleting the $2,000,000 legislative augmentation for the Mental Illness Crime Reduction Grant program which would provide competitive statewide grants to counties for planning and developing alternative sanctions for adult mentally ill offenders. It appears that this is an appropriate responsibility of local government. In fact, if the intent is to reduce other county costs by offering these services, this should be a high priority use of community mental health resources allocated through Realignment funding.

I am deleting Provisions 1, 2, and 3 to conform to this action.

Item 5430-107-0001—For local assistance, Board of Corrections. I reduce this Item from $30,000,000 to $10,000,000 and revise Provision 1.

I am reducing the $30,000,000 legislative augmentation for the Juvenile Crime Enforcement and Accountability Challenge Grant Program and Juvenile Female Offender Intervention Program by $20,000,000. The Juvenile Crime Enforcement and Accountability Challenge Grant Program was established to evaluate alternative approaches to dealing with at-risk juveniles and delinquents. Grants for the existing Juvenile Challenge Grant program have recently been awarded and local program efforts are still in their early phases. I am approving $10,000,000 to meet the most urgent needs, including efforts which would facilitate a reduction in the number of juveniles placed out of state.

In addition, I am revising Provision 1, which would direct funding to be provided for the Female Offender Intervention Program. Both male and female offenders would be served by the Challenge Grant Program, and I am not supportive of diverting funds that could be used for this program to fund a program that would exclusively target female offenders.

"1. ~~(a) The funds appropriated by this item shall be available to support the Juvenile Crime Enforcement and Accountability Challenge Grant (Challenge Grant) Program, as modified and amended by Assembly Bill 2261 of the 1997–98 Regular Session, and the Juvenile Female Offender Intervention Program as established by Senate Bill 1657 of the 1997–98 Regular Session.~~

(b) Of the funds appropriated by this item, up to 5 percent may be transferred, upon approval of the Department of Finance, to Item 5430-001-0001 to support the administration, including technical assistance and oversight, and evaluation of the implementation of grant awards pursuant to this provision.

(c) Of the funds appropriated by this item, the Board of Corrections may award up to $2,000,000 statewide, in individual grants not exceeding $50,000, to counties to assist in developing and upgrading local action plans as necessary to compete for the Challenge Grant and Juvenile Female Offender Intervention Program grants, including the development of strategies to address out-of-home placement needs for delinquent youth pursuant to Section 602 of the Welfare and Institutions Code within the county or region where the county is located. The board may also award up to $500,000 statewide, in individual grants not to exceed $100,000, to extend program evaluation follow up activities for existing programs which demonstrate promise for program replication.

~~(d) Of the funds remaining, the board shall, on a statewide, competitive basis, award grants pursuant to subdivision (a) of this provision.~~

~~(e) Of the funds available for grant awards in subdivision (d), the board shall ensure that, on a statewide basis, an amount not less than 50percent, or $10,000,000, whichever is greater, is awarded to support strategies identified in county local action plans for female juvenile offenders pursuant to the Juvenile Female Offender Intervention Program.~~

~~(f) When awarding grants pursuant to this provision, the board shall give priority to those grant applications submitted under subdivision (d), of this provision that support strategies identified in county local action plans for the development and implementation of out-of-home placement options for delinquent youth pursuant to Section 602 of the Welfare and Institutions Code.~~

~~(g) Notwithstanding any other provision of law, funds appropriated by this item shall be allocated pursuant to this provision.~~ "

Item 6110-001-0001—For support of Department of Education. I reduce this item from $35,895,400 to $26,201,400 by reducing:

(b) 20-Instructional Support from $52,283,400 to $49,703,400,

(d) 41.00-Executive Management and Special Services from $9,595,000 to $1,595,000,

(i) Amount payable from Federal Trust Fund (Item 6110-001-0890) from –$90,890,000 to –$89,054,000,

and by deleting:

(gx) Unallocated ($950,000),

and by revising Provision 22.

I am reducing the legislative augmentation of $569,000 in Schedule (b) by $369,000 and eliminating the 6.2 positions added for the Standardized Testing and Reporting (STAR) program. By sustaining $200,000, I am providing funding for STAR at the current year level and providing $175,000 for support to assist the advisory panel to the State Board in development of performance standards and the matrix test. Since there are unfunded positions in the assessments division, no additional position authority is needed.

I am making a further reduction to Schedule (b) by eliminating the $100,000 legislative augmentation for administration of the Life Sciences and Conservation Education Program. This locally implemented program has never become operative; therefore, additional funding is not necessary.

In addition, I am making a further reduction to Schedule (b) of $275,000 for administration of the Foster Youth Services Program. The Legislature provided a $375,000 augmentation and one position for this purpose. While $100,000 and an additional position is warranted, the proposed funding augmentation included excessive operating, training, and evaluation expenses, and I am therefore reducing this augmentation accordingly. I am revising the following provision to conform with this action:

"22. Of the funds appropriated by this item, $100,000 and one position are provided for administration of the Foster Youth Services Program ~~, $25,000 is provided for operating expenses, and $250,000 is provided for training and evaluation of the program~~ ."

I am also making a reduction of $8,000,000 in Schedule (d) to reduce departmental executive management because of the need for the Legislature to consider how the provision of legal services to the Superintendent, the Department, and the Board of Education can be reorganized to be more efficient, to avoid conflicts, and to clarify certain staff reporting relationships. I am setting this amount aside to allow the enactment of legislation which would reallocate a portion of these funds to the Office of the Attorney General through the transfer of 11 or more legal counsel positions from the Department of Education's legal office because the Attorney General can represent the Department of Education more efficiently. Since the hourly reimbursement rate for the Department of Education's legal counsel is significantly higher than the rate for the Office of the Attorney General, a transfer of 11 positions or more from the Department's Legal Office to the Office of the Attorney General would provide more effective use of state resources. Such legislation would necessarily eliminate the exemption in Government Code section 11041(a) that currently authorizes the Department to employ litigation legal counsel outside of the Attorney General. The legislation could authorize the Department to continue to have up to three positions necessary to provide house legal counsel. The legislation would need not affect the legal position dedicated to the State Board of Education which would continue to provide house legal counsel to the Board. Any such legislation shall also modify Education Code Section 33111 so

that all the State Board of Education staff report directly, and have their work supervised by the State Board of Education pursuant to the bylaws adopted by the Board.

I am also deleting Schedule (gx), which provides a $950,000 legislative augmentation for administration of new programs. It is unclear whether, or how much, funding would be necessary for any new program without analyzing specific requests which identify and justify the proposed workload for each of the programs. I am deleting Provision 19 and Provision 24 to conform with this action.

I am also revising the schedules in this item to conform to the actions I have taken in Item 6110-001-0890.

Item 6110-001-0890—For support of Department of Education. I reduce this item from $90,890,000 to $89,054,000.

I am deleting the legislative augmentation of $736,000 and seven positions for the Complaint Resolution Program until the Department show it can streamline its operations and become more efficient through acceptable legislation.

I am deleting the legislative augmentation of $650,000 and six positions for state operations costs for the Comprehensive School Reform Demonstration Program as a conforming action since I have deleted the $15,650,000 legislative augmentation in Item 6110-136-0890 for the local assistance program.

While I am retaining the augmentation of $450,000 from Goals 2000 for state operations, I am eliminating the 4.5 positions which were added for development of standards for an English Language Development Test. Since there are unfunded positions in this division, additional position authority is not needed. These funds, together with the sustained $200,000 augmentation for state operations associated with testing, should be used to accomplish activities related to the Golden State Exam, the matrix test and performance standards, and other test-related tasks.

I am deleting Provision 7 (e) as a conforming action:

"7. Of the funds appropriated in this item, $3,050,000 shall be for the administration of programs funded with federal Goals 2000 Educate America Act funds. Funds shall be allocated for the following purposes:

(a) $1,220,000 for general administration of the federal Goals 2000: Educate America Act funds and administration of local assistance grants and other programs using those federal funds. Of this amount $120,000 shall be for the state operations costs necessary to manage the contract identified in Provision 7 (b) for the evaluation of the Class Reduction Program established pursuant to Chapter 6.10 (commencing with Sec. 52120) of Part 28 of the Education Code.

(b) $500,000 for a contract for an independent evaluation of the Class Size Reduction Program as required by Section 52128 of the Education Code. Funds shall not be released for this purpose until the State Department of Education has certified to the Department of Finance that matching funds have been secured from third party sources for the class size reduction evaluation activities.

(c) $500,000 shall be for an evaluation of the impact of the California Reading Initiative on the reading achievement of pupils in the public schools. The California Reading Initiative consists of all appropriations in the Budget Act or in any other measure, and all legislation, chaptered in 1996 or 1997 addressing pre-service and in-service training, instructional materials, credential requirements, or any other activities related to reading instruction. The State Department of Education shall develop a plan for the evaluation and shall submit that plan to the State Board of Education for amendments and approval prior to initiating the evaluation.

(d) $500,000 is to support the California State University Center for Teaching Careers, established pursuant to Article 4 (commencing with Section 90530) of Chapter 11 of Part 55 of the Education Code.

~~(e) $330,000 shall be available for development of standards for an English language development (ELD) test.~~ "

Finally, I am deleting five positions and the $450,000 legislative augmentation for the out-of-home placement issue. Special education compliance monitoring should be addressed comprehensively based on the outcome of studies proposed for this year.

I am deleting Provision 14 as a conforming action.

Item 6110-106-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from $125,000,000 to $50,000,000 and delete Provision 1.

I am deleting the $75,000,000 augmentation for a remedial summer school program. This amount is set aside for restoration upon enactment of legislation for a comprehensive school accountability program addressing low-performing schools, social promotion, and remedial instruction.

I am deleting Provision 1 to conform to this action.

Item 6110-114-0001—For local assistance, Department of Education, (Proposition 98). I delete this item and Provisions 1 through 8.

I am deleting the legislative augmentation of $37,096,000 to fund 14 school districts for additional 1995–96 claims for court-ordered desegregation programs. The Legislature has statutorily limited the State's funding formula for this program, and there is no requirement to provide funds beyond that limitation.

Item 6110-118-0001—For local assistance, Department of Education (Proposition 98). I delete this item and Provision 1.

I am deleting the $50,000,000 legislative augmentation to increase minimum teacher salaries. Establishing teacher salary levels is a matter of local collective bargaining.

Item 6110-120-0001—For local assistance, Department of Education (Proposition 98). I delete this item.

I am deleting this $1,250,000 augmentation for the Pupil Dropout Prevention Program. There is currently approximately $19,000,000 available in the Mega-Item to fund this program. To the extent that additional funding is necessary, districts are able to redirect funds from other programs or local funding sources.

Item 6110-123-0001—For local assistance, Department of Education (Proposition 98). I delete this item and Provision 1.

I am deleting the $50,000,000 augmentation for low-performing schools. I am setting aside the amount in this item for restoration upon enactment of legislation for a comprehensive school accountability program addressing low-performing schools, social promotion, and remedial instruction.

Item 6110-131-0001—For local assistance, Department of Education. I delete this item and Provision 1.

I am deleting the $30,000,000 legislative augmentation to fund college preparatory and related programs. I am supportive of efforts to encourage low-income students to pursue a college education and, therefore, have set aside this amount for restoration upon enactment of legislation for a program which addresses a broader spectrum of college preparation and skills development necessary to meet college entrance requirements, as well as a comprehensive school accountability program addressing low-performing schools, school promotion and remedial instruction.

I delete Provision 1 to conform to this action.

Item 6110-136-0890—For local assistance, Department of Education. I reduce this item from $860,319,000 to $844,669,000 by deleting:

(c) 20.60.022-Improve School Effectiveness-Comprehensive School Reform Demonstration Grant Program ($15,650,000),

and by deleting Provision 2.

I am deleting the $15,650,000 augmentation in this schedule because the grants awarded pursuant this program would be used in efforts to develop local content and performance standards. This is in direct conflict with ongoing efforts to establish statewide content and performance standards and to align teacher training and staff development, curriculum frameworks, instructional materials, and assessments to these standards. These efforts are all part of a comprehensive statewide effort to improve student achievement built on a foundation of rigorous state-adopted academic standards.

I am deleting Provision 2 to conform to this action.

Item 6110-142-0890—For local assistance, Department of Education. I reduce this item from $57,692,000 to $57,691,000 by reducing:

(a) 20.10.003-Reading Improvement from $36,492,000 to $36,491,000,

and by revising Provision 3.

I am reducing Schedule (a) by $1,000 for Reading Improvement because the scope of the activity was expanded beyond that which is appropriate. The Legislature added language to expand the purpose of my reading staff development proposal to include mathematics inservice training. The Budget already includes $30,000,000 specifically for mathematics staff development training.

I am revising Provision 3 to conform to this action.

"3. Of the funds appropriated in schedule (a), ~~$30,942,000~~ *$30,941,000* is available for the purchase of (1) ~~inservice training in math instruction which is consistent with the Math Program Advisory approved by the State Board of Education, (2)~~ age-level-appropriate reading materials that are connected to phonics-based reading instruction and ~~(3)~~ *(2)* inservice training in reading instruction for teachers of pupils in grades 4 to 12, inclusive. Funds shall be allocated to school districts pursuant to Section 44759.5 of the Education Code except that "number of pupils" in paragraphs (1) and (2) of subdivision (b) shall be deemed to be the number of pupils scoring below the fortieth percentile on the statewide assessment administered in 1998 pursuant to Article 4 (commencing with Section 60640) of Chapter 5 of Part 33 of the Education Code. Notwithstanding any provision of Chapter 3.46 of Part 25 of the Education Code, funds allocated pursuant to this provision may be expended for reading inservice training and reading materials, or just for inservice training. Funds expended for inservice training in reading instruction shall be expended in accordance with the following sections of Chapter 3.46 of Part 25 of the Education Code, except that where these sections read "4 to 8" they shall be deemed to read "4 to 12": Section 44758 (b), Section 44759 (a), (c), (d), (e) and (f), Section 44759.1, Section 44759.2, Section 44759.3, Section 44759.4, and Section 44759.6. Further, in order to conduct a program funded pursuant to this provision in any particular school in a school district, the governing board must certify that a phonics-based reading instructional program is being conducted in the school for pupils scoring below the twenty-fifth national percentile score on the statewide assessment, or that such a program shall begin in the school as soon as feasible upon completion of the training. The State Board of Education shall establish criteria governing the purchase by school districts of age-level-appropriate reading materials that are connected to phonics-based reading instruction."

Item 6110-161-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from $2,062,858,000 to $2,055,384,000 by reducing:

(a) 20.60.050.003-Special education instruction from $2,020,343,000 to $2,012,869,000.

I am reducing this item by $7,474,000. This legislative augmentation would backfill an Education Revenue Augmentation Fund reduction. County funds in excess of the minimum allocation are redirected to special education programs within the county. This augmentation would set an undesirable precedent to increase the State's share of funding for special education.

Item 6110-196-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from $796,638,000 to $793,638,000 by reducing:

(b) 30.10.020-Child Care Services $1,063,710,000 to $1,060,710,000

(6) 30.10.020.008-Special Program, Child Development, Resource and Referral from $17,607,000 to $14,607,000,

and by deleting Provision 16.

I am deleting the legislative augmentation of $3,000,000 for child care resource and referral activity because the $4,000,000 I have provided for this purpose is adequate.

I am deleting Provision 16, which would commit up to $5,000,000 in future federal fund increases for enhancement of child care provider wages. Decisions on the use of these moneys should be made during deliberations on future budgets.

Item 6110-204-0001—For local assistance, Department of Education (Proposition 98). I delete this item and Provision 1.

I am deleting the $1,270,000 appropriation for the International Baccalaureate Program. This amount is set aside for restoration upon enactment of legislation for a program which addresses a larger spectrum of college preparation and skills development necessary to meet college entrance requirements, as well as a comprehensive school accountability program addressing low-performing schools, school promotion and remedial instruction.

Item 6110-226-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from $9,481,000 to $4,481,000 by reducing:

(a) 20.60.020.001-Partnership Minigrants/Safe School Planning from $5,951,000 to $3,501,000,
(b) 20.60.020.012-Conflict Resolution from $380,000 to $280,000, and
(c) 20.60.020.013-School Community Violence Prevention from $3,150,000 to $700,000.

I am deleting a legislative augmentation of $5,000,000 for the School/Law Enforcement Partnership Programs. While these are meritorious programs, the Budget provides $10,000,000 for the new School/Community Policing program which is more likely to have an immediate impact on school safety.

Item 6110-232-0001—For local assistance, Department of Education (Proposition 98). I reduce this item from $88,900,000 to $44,450,000.

I am reducing this item to provide half-year funding of $44,450,000 for 9th Grade class size reduction. While I support this effort to expand the class size reduction program, the augmentation made by the Legislature is likely to exceed the need in the first year. Given the timing of this proposal, it can be expected that the program will not be implemented until the second semester of the current school year. Therefore, I am reducing this item to more accurately reflect the level of funding needed for this year.

I am revising Provision 1 to conform to this action.

"1. The funds appropriated by this item are to expand the Morgan/Hart Class Size Reduction Program for grade~~s~~ 9 ~~to 12, inclusive,~~ pursuant to enactment of legislation during the 1997–98 Regular Session that becomes operative on or before January 1, 1999."

Item 6110-233-0001—For local assistance, Department of Education (Proposition 98). I delete this item and Provision 1.

I am deleting the $94,146,000 appropriation for Mega-Item growth and cost-of-living adjustments (COLA). I am setting aside the amount in this item for restoration upon enactment of legislation for a comprehensive remedial instruction program addressing low-performing schools, social promotion, and school accountability.

I am deleting Provision 1 to conform to this action.

Item 6110-294-0001—For local assistance, Department of Education (Proposition 98). I delete this item and Provision 1.

I am deleting the $10,000,000 augmentation to provide a set-aside for the purpose of funding legislative priorities pursuant to unspecified legislation enacted during the 1997–98 Regular Session. Establishing an appropriation without knowing the purpose of such is inappropriate.

Item 6120-221-0001—For local assistance, California State Library. I reduce this item from $62,750,000 to $38,870,000.

I am reducing $23,880,000 of the $43,880,000 legislative augmentation provided for the Public Library Foundation. I am supportive of additional funding for local public libraries. With this augmentation, I am increasing the program by 106 percent.

Item 6360-001-0001—For support of the Commission on Teacher Credentialing. I reduce this item from $755,000 to $665,000, and delete Provision 6:

(a) 10-Standards for Preparation and Licensing of Teachers from $755,000 to $665,000.

I am deleting the $90,000 General Fund augmentation and one position to fund a review of out-of-state teacher credentialing requirements. I support efforts to streamline the credentialing process for qualified teachers from other states; however, credentialing activities are appropriately funded from the Teacher Credentials Fund.

I am deleting Provision 6 to conform to this action.

Item 6360-101-0001—For local assistance, Commission on Teacher Credentialing (Proposition 98). I reduce this item from $34,628,000 to $24,628,000 by reducing:

(a) 10-Standards for Preparation and Licensing of Teachers from $34,628,000 to $24,628,000.

I am deleting the $10,000,000 legislative augmentation for the California School Paraprofessional Teacher Training Program. This program provides grants to assist non-certificated school employees, such as teacher aides, to become teachers and was established as a pilot program to assist individuals who have not completed their baccalaureate degrees to become teachers. I have provided $22,000,000 for other programs which assist individuals who already possess baccalaureate degrees to obtain teaching credentials while serving as classroom teachers.

I am revising Provision 2 to conform to this action.

"2. Of the funds appropriated by this item, ~~$11,478,000~~ *$1,478,000* shall be available for grants and subventions to school districts and county offices of education participating in the California School Paraprofessional Teacher Training Program pursuant to Article 6.5 (commencing with Section 69619) of Chapter 2 of Part 42 of the Education Code."

Item 6420-001-0001—For support of California Postsecondary Education Commission. I reduce this item from $3,579,000 to $2,999,000 by reducing:

(a) 100000-Personal Services from $2,576,000 to $2,566,000.

(b) 300000-Operating Expenses and Equipment from $1,343,000 to $773,000.

I am deleting the $80,000 legislative augmentation to provide funding for the Commission to conduct an eligibility analysis of individual high schools. The stated need for the study is that the University of California may admit the top four percent of graduates from each high school. Such a study is premature because the University of California has not yet adopted such a policy, nor is it clear that such a policy would require this type of analysis.

I am deleting the legislative augmentation of $500,000 for statewide and campus-based service learning centers which help students find community service placements and help faculty develop college course work around students' community service work. This funding would create an inefficient bureaucracy and is unnecessary because these activities are already being conducted.

Item 6440-001-0001—For support of University of California. I reduce this item from $2,351,969,000 to $2,339,418,000 by reducing:

(a) Support from $2,251,827,000 to $2,240,276,000,

(b) Charles R. Drew Medical Program from $9,567,000 to $8,567,000,

and by deleting Provisions 19 and 20.

I am reducing this item by $6,750,000 for cooperative extension and a 0.4-percent salary increase for all non-faculty employees. The University is providing $19,800,000 for a 2-percent salary increase for non-faculty by using funding within the higher education compact. The funds for the cooperative extension are reduced because of the need to fund higher competing priorities, including a prudent reserve.

I am reducing this item by $1,000,000 for Drew Medical Center to renovate its eye clinic because of the need to fund higher competing priorities, including a prudent reserve.

I am deleting the $400,000 legislative augmentation for the California Health Interview Survey. The survey will cost about $7,500,000, most of which will be raised from local government, health insurers and others. The need and priority for state funding has not been established.

I am deleting Provision 19 to conform to this action.

I am deleting the $1,400,000 legislative augmentation to establish a state-funded summer session for teacher preparation programs. This program would serve about 200 full-time equivalent (FTE) students. While I am supportive of this concept, especially the proposal for summer programs, I believe the University should establish this program within the $43,600,000 in its budget for 6,000 new FTE students in 1998–99.

I am deleting the $2,000,000 legislative augmentation to increase funding for non-agricultural research. This augmentation would partially restore budgetary reductions made in the early 1990s. Non-agricultural research has received a 27-percent a General Fund increase ($24,000,000) since 1990–91.

I am deleting the $1,000,000 legislative augmentation for the University of California, Los Angeles Academy for Integrated Standards. This academy would provide staff development for K–12 teachers, which has already been funded in the budget of the Department of Education.

I am reducing this item by $1,000 and deleting Provision 20 which would encourage the University to incorporate service learning into its curricula. This provision is unnecessary because it addresses activities that are already being conducted.

Item 6440-001-0234—For support of the University of California. I reduce this item from $18,661,000 to $11,661,000 by reducing:

I am deleting the $7,000,000 legislative augmentation from Cigarette and Tobacco Products Surtax Fund litigation reserves for the State's anti-tobacco Media Campaign. These reserves were set aside for the Americans for Non-Smokers Rights II v. State of California case. Additional state exposure exists in the related and outstanding Just Say No To Tobacco Dough Campaign et al. v. State of California case. Accordingly, these funds should be held in reserve until a settlement has been reached in both cases.

Item 6440-303-0574—For capital outlay, University of California. I reduce this item from $103,169,000 to $60,399,000 by reducing:

Los Angeles:

(3) 99.04.305-Health Science Seismic Replacement Building 1-Working drawings and construction from $22,141,000 to $1,153,000.

I am reducing this legislative augmentation by $20,988,000 by eliminating the construction phase of the project.

Riverside Campus:

(4) 99.05.115-Entomology Buildings Seismic Replacement-Working drawings and construction from $22,481,000 to $699,000.

I am reducing this legislative augmentation by $21,782,000 by eliminating the construction phase of the project.

I am supportive of providing $2.5 billion in new bond funds for much-needed higher education capital outlay programs. The funding level which I am sustaining is supportable under a four-year program with this level of new bonds.

Item 6610-001-0001—For support of California State University. I reduce this item from $2,111,659,000 to $2,082,297,000 by reducing:

(a) Support from $2,856,018,000 to $2,824,456,000,

(c) Amount Payable from the Higher Education Fees and Income, CSU Fund (Item 6610-001-0498) from –$616,475,000 to –$614,275,000,

and by deleting Provisions 12 and 14.

I am deleting the $17,800,000 legislative augmentation to fund ongoing building maintenance. Expenditures for this purpose should be funded from within the higher education compact.

I am deleting the $1,000,000 legislative augmentation to provide funds for Assembly Bill 860, which would establish a program in which K–12 districts would form partnerships with higher education institutions for faculty-to-faculty training. This funding is unnecessary because these activities are already being conducted.

I am deleting Provision 12 to conform to this action.

I am deleting the $200,000 legislative augmentation to provide funding for the Space Club at the University's San Luis Obispo campus. It is inappropriate for the State to provide funding for student clubs.

I am deleting the $5,000,000 legislative augmentation to support state-funded summer sessions for teacher preparation programs. This funding would supplant student fee revenues and would not increase either student enrollment in teacher preparation programs or the number of teachers. I am deleting the $2,200,000 amount payable from Higher Education Fees and Income Fund to conform with this action.

I am deleting the $1,000,000 legislative augmentation to provide start-up costs for the San Diego South Bay Higher Education Center. Similar programs are funded from within existing resources, and it would set an undesirable precedent for the State to provide additional funding for this purpose.

I am deleting the $240,000 legislative augmentation to develop a wireless multimedia communication system at the Pomona campus to serve as a model for commercial and private users because of the need to fund higher competing priorities, including a prudent reserve.

I am reducing this item by $1,000 and deleting Provision 14 which would encourage the University to incorporate service learning into its curricula. This provision is unnecessary because it addresses activities that are already being conducted.

I am deleting the $4,100,000 legislative augmentation which would match funds provided by the Federal Emergency Management Administration to repair a student dormitory on the University's San Francisco campus that was damaged in the 1989 Loma Prieta earthquake. State funding for this purpose is inappropriate because Verducci Hall is owned and operated by a campus auxiliary enterprise. Therefore State funding for this purpose is inappropriate.

I am deleting the $21,000 legislative augmentation for the University's Chico campus to purchase a natural gas vehicle. Funding for this purpose should be provided from the campus's regular allotment for vehicles.

Item 6610-001-0498—For support of California State University. I reduce this item from $616,475,000 to $614,275,000.

I am deleting the $2,200,000 legislative augmentation for a state-funded summer session for teacher preparation programs to conform to this action taken in Item 6610-001-0001.

Item 6610-303-0574—For capital outlay, California State University. I reduce this item from $100,000,000 to $56,244,000 by deleting:

(.5) 06.48.315-Systemwide: Minor Capital Outlay Program-Preliminary plans, working drawings, construction, and equipment ($1,078,000)

(1) 06.50.058-CSU, Bakersfield: Business Public Administration Building-Preliminary plans, working drawings, and construction ($8,338,000)

(2) 06.52.097-CSU, Chico: Education/Classroom/Faculty Office Addition-Working drawings and construction ($12,124,000)

(5) 06.92.052-CSU, Stanislaus: Educational Services Building-Working drawings and construction ($22,216,000)

I am reducing the legislative augmentation of $100,000,000 for the University's capital outlay program by $43,756,000. I am supportive of providing $2.5 billion in new bond funds for much-needed higher education capital outlay programs. The new funding level which I am sustaining is supportable under a four-year program with this level of new bonds.

Item 6870-001-0001—For support of Board of Governors of the California Community Colleges. I reduce this item from $10,830,000 to $10,750,000 by reducing:

(b) 20-Special Services and Operations from $16,722,000 to $16,642,000.

I reduce this item by $80,000 which would provides one new position for the Economic Development Unit. Three new positions were provided in the Budget for this program. No compelling data have been provided to support the need for this additional position.

Item 6870-101-0001—For local assistance, Board of Governors of the California Community Colleges. I reduce this item from $2,183,845,000 to $2,126,804,000 by reducing:

(a) 10.10.010-Apportionments from $1,482,152,000 to $1,462,212,000,

(f) 20.10.010-Extended Opportunity Programs, and Services and Special Services from $68,316,000 to $66,316,000,

(g) 20.10.020-Disabled Students from $62,395,000 to $52,295,000,

(t) 20.30.050-Economic Development from $33,073,000 to $33,072,000,

(w) 20.40.035-Instructional Equipment and Library Materials-Replacement from $54,000,000 to $44,000,000,

and by deleting:

(y) 20.20.080-Full-Time Faculty ($15,000,000),

and by revising Provision 17 and deleting Provision 24.

I am reducing schedule (a) of this item by $1,000 and deleting Provision 24 which encourages community colleges to incorporate service learning into their curricula. This language could promote programs which may not be a high priority compared to remedial education, job related instruction and matriculation.

I am reducing schedule (a) of this item by $8,939,000 which would provide community colleges with equalization funding. This money should go to other higher priority items that provide greater instructional benefits to students.

I am reducing schedule (a) of this item by $11,000,000 which provides funding parity between community college Non-Credit Instruction and K–12 Adult Education. No compelling information has been provided to identify any deficiency in the quality of community college non-credit programs that would justify a rate increase.

I am reducing schedule (f) of this item by $2,000,000 which provides funding for support services for the Community Assistance Resources for Education (CARE) program. Funds are available through the current CalWORKs program in community colleges and it is premature to augment this program prior to determining if the actual number of participants will increase.

I am reducing schedule (g) of this item by $10,100,000 which provides funding for supportive services for disabled students. This action will sustain an augmentation of $3,700,000. While I am supportive of this program, there is no information that would suggest an augmentation of this significance is necessary for program services.

I am reducing this item by $1,000 and revising Provision 17 which intends funds be directed in schedule (t) to establish collaboratives with hospitals for nurse training programs. This language is unnecessary; colleges already have the discretionary ability to devote funds for this activity.

"17. (a) Of the funds appropriated in Schedule (t), $15,000,000, as augmented by the Budget Act of 1997, is for the purpose of establishing incentives for expanded industry-driven cooperative education and work force training programs and centers that support California's regional economies and are consistent with the needs identified in regional plans pursuant to Sections 15379.25 and 15363.10 of the Government Code.

These funds shall be expended for grants to districts as determined by the Board of Governors on a competitive basis to support economic development program centers and the participation of the California Community Colleges in industry-driven regional collaboratives. This grant funding shall be provided for the following purposes: (a) eligible economic development program activities pursuant to Section 15379.653 of the Government Code, and (b) ongoing development of regional plans, reconfiguration and designation of new regions, and the coordination of services centers.

No more than $5,000,000 of the funds may be expended for purposes of (b) above and subdivisions (a) through (f) of Section 15379.653 of the Government Code above. Funds allocated to districts for purposes of subdivisions (g) and (i) of Section 15379.653 of the Government Code for performance-based training and student internships shall be matched by a

minimum of one dollar of private business and industry funding for each one dollar of state funds. Funds allocated for purposes of subdivision (h) of Government Code Section 15379.653 for credit and noncredit instruction may be transferred to Schedules (c) or (a) to facilitate distribution, at the Chancellor's discretion.

(b) Of the remaining funds in Schedule (t), $4,000,000 shall be exclusively for augmenting the amount of funds allocated in the 1997–98 fiscal year by the Board of Governors for industry-driven regional education and training collaboratives. These funds shall only be available to continue existing programs awarded grants from the Budget Act of 1997, augment programs initiated from the Budget Act of 1997 funds, and award grants for new programs meeting the requirements of the industry-driven regional collaboratives program through a new requests for applications process. These grants shall be made on a competitive basis and the award amounts shall not be restricted to any predetermined limit, but rather shall be funded on their individual merits.

(c) Funds allocated by the Board of Governors under this provision shall not be used by community college districts to supplant existing courses or contract education offerings. The Chancellor shall ensure that funds are spent only for expanded services and shall implement accountability reporting for districts receiving these funds to ensure training, credit, and noncredit programs remain relevant to business needs. Programs that do not demonstrate continued relevance and support by business shall not be eligible for continued funding. The Board of Governors shall consider the level of involvement and financial commitments of business and industry as primary factors in making awards. The Board of Governors shall fully report the allocations and results of this program within the annual report of the Economic Development program pursuant to Section 15379.23 of the Government Code.

This report shall include a separate section to report on the results of the $15,000,000 augmentation from the Budget Act of 1997 which identifies by center/district, region and industry cluster for the following 1) the allocations by category listed in Government Code Section 15379.653; 2) the increment of additional hours of contract, credit and noncredit education added; 3) the number of job placements; and 4) the amount of industry funds leveraged from participating businesses.

(d) Of the total amount included in Schedule (t), any funds which become available within the program due to discontinuance or reduction of amounts allocated to previously funded centers or programs shall first be made available to any industry driven regional education and training collaborative to increase the level of subsidized training otherwise available, without any predetermined limitations imposed through the application announcement by the Chancellor and the Board of Governors.

~~(e) It is the intent of the Legislature that the expansion of funds provided in Schedule (t) of this item be considered for use to encourage community college districts to work to establish a collaborative or collaboratives between hospitals and community college districts to provide nursing training programs in an effort to meet the demand for specialized nurses.~~ "

I am reducing schedule (w) of this item by $10,000,000 which would provide funding for instructional equipment and library materials. This area has received substantial increases in prior years and funds are also provided in Senate Bill 1564.

I am deleting schedule (y) which would provide $15,000,000 for full-time faculty because there is no evidence that this augmentation will result in a demonstrable increase in access to instructors or the quality of instruction or student services.

Item 6870-301-0574—For capital outlay, Board of Governors of the California Community Colleges. I reduce this item from $140,386,000 to $140,261,000 by deleting:

Compton Community College District

Compton College

(4.5) 40.12.109-Child Development Center-Preliminary plans and working drawings ($125,000).

I am deleting the legislative augmentation of $125,000 for preliminary plans and working drawings for the Compton Community College District, Child Development Center project. While I am supportive of efforts in this area, funding for this project is premature as the project has circumvented the Chancellor's Office review and priority setting process. The circumvention of the established process undermines a rational approach to capital outlay where all projects are considered in relationship to competing needs for available resources.

Item 6870-302-0574—For capital outlay, Board of Governor's of the California Community Colleges. I reduce this item from $57,536,000 to $46,345,000 by deleting:

Butte-Glenn Community College District

Butte College

(1) 40.05.105-Allied Health and Public Service-Preliminary plans and working drawings ($1,280,000)

Grossmont-Cuyamaca Community College District

Cuyamaca College

(4) 40.19.115-Remodel Vocational Technology N Building-Preliminary plans and working drawings ($65,000)

Los Angeles Community College District

Los Angeles Valley College

(5) 40.26.802-Ventilation System, Phase III-Preliminary plans and working drawings ($169,000)

Merced Community College District

Merced College

(6) 40.30.114-Interdisciplinary Academic Center-Preliminary plans and working drawings ($633,000)

San Jose-Evergreen Community College District

San Jose City College

(8) 40.50.201-Learning Resource Center-Preliminary plans and working drawings ($974,000)

San Mateo Community College District

San Mateo College

(9) 40.52.205-Seismic Upgrade-Preliminary plans, working drawings, and construction ($3,650,000)

Sequoias Community College District

College of the Sequoias

(10) 40.56.110-Multimedia Learning Resource Center-Preliminary plans and working drawings ($994,000)

Southwestern Community College District

Southwestern College

(11) 40.63.103-Learning Resource Center-Preliminary plans and working drawings ($2,011,000)

Victor Valley Community College District

Victor Valley College

(12) 40.66.115-Advanced Technology Building-Preliminary plans and working drawings ($1,099,000)

Feather River Community College District

Feather River College

(14) 40.73.104-Physical Plant Reconstruction-Preliminary plans, working drawings, and construction ($316,000)

I am reducing the $57,536,000 legislative augmentation by $11,191,000 which reflects augmentations for 10 projects that have circumvented the annual review and

priority setting process. The circumvention of the established prioritization process undermines developing and maintaining a rational approach to capital outlay where all projects are considered in relationship to competing needs for available resources. However, I am sustaining $46,345,000 for 3 projects which are fully supportable in cost and scope.

I am supportive of providing $2.5 billion in new bond funds for much needed higher education capital outlay programs. The funding level which I am sustaining is supportable under a four-year program with this level of new bonds.

Item 7980-101-0001—For local assistance, Student Aid Commission. I reduce this item from $368,768,000 to $342,789,000 by reducing:

(a) 15-Financial Aid Grants Program from $377,671,000 to $351,692,000,

and by revising Provision 7.

I am reducing this item by $25,979,000 to provide an additional 12,880 new Cal Grant Awards. The $15,121,000 provided will fund an additional 5,056 additional new Cal Grants. Under my Administration, General Fund expenditures for Cal Grants and other grant programs operated by the Commission have increased by $187,000,000 to a total of $344,000,000, or more than double the 1990–91 level. During this period, the number of new Cal Grant awards has increased by 17,445 or 56 percent, and the maximum grant for students attending independent institutions has grown from $5,250 to $9,036, which is a 72-percent increase.

I am revising Provision 7 to conform to this action.

"7. Notwithstanding any other provision of law, of the amount appropriated in Schedule (a), ~~$41,100,000~~ $15,121,000 shall be used to increase the number of new Cal Grant awards above the number awarded in 1997–98. These funds shall be used to provide approximately ~~6,440~~ 2,528 new Cal Grant A awards and ~~6,440~~ 2,528 new Cal Grant B awards; or a different number of awards as determined by the Student Aid Commission to be consistent with the funding provided in this item for new Cal Grant A and B awards."

Item 8100-101-0001—For local assistance, Office of Criminal Justice Planning. I reduce this item from $39,749,000 to $38,254,000 by reducing:

(w) 50.30.700-Special Projects-Public Safety, from $4,941,000 to $4,366,000,

and by deleting:

(wx) 50.30.704-MUNI Video Surveillance Program ($920,000).

I am reducing the $1,000,000 legislative augmentation to expand the CHOICE program in the County of San Diego by $500,000. This program mentors young people on probation and adolescent foster children. While I am supportive of efforts to assist at-risk youth, I am reducing this augmentation because of the need to fund higher competing priorities, including a prudent reserve.

I am deleting the $75,000 legislative augmentation for graffiti abatement in the community of Eagle Rock because of the need to fund higher competing priorities, including a prudent reserve.

I am deleting the $920,000 legislative augmentation for the MUNI Video Surveillance Program, which would install video surveillance equipment in MUNI buses, and provide for the collection, review, and analysis of the video data. Such a program should be funded by the MUNI.

Item 8100-101-0890—For local assistance, Office of Criminal Justice Planning. I reduce this item from $153,784,000 to $153,284,000 by deleting:

(gx) 50.30.557-Special Projects-Residential Substance Abuse Treatment ($500,000),

and by deleting Provision 2.

I am deleting the $500,000 legislative augmentation for the Northern California Regional Juvenile Detention Center in Humboldt County because the operation of this facility is appropriately a local responsibility. I am also deleting Provision 2, which states the Legislature's intent that this appropriation represent the first of three years of program funding to conform to this action.

Item 8200-001-0001—For support of Commission for Economic Development. I delete this item and Provision 1.

I am deleting the $250,000 legislative augmentation to reestablish the Commission for Economic Development. My 1994–95 Governor's Budget proposed that funding for this commission, which was first established in 1972, be eliminated as part of an ongoing effort to downsize, streamline and make government more efficient. The Legislature agreed with that assessment by not funding the commission in that or any of the subsequent three fiscal years. I am not aware of any change in circumstance that would warrant the restoration of funding for this commission.

I delete Provision 1 to conform to this action.

Item 8260-102-0001—For local assistance, California Arts Council. I reduce this item from $27,580,000 to $24,176,000.

I am reducing this item by $3,404,000 for various museums. Because of the need to fund higher competing priorities, including a prudent reserve, I am deleting funding for the Chabot Observatory, the New California Center, a Cultural Arts Center in the San Fernando Valley, the Los Angeles Police Museum, the Napa Valley Museum, the Randall, the San Francisco Art Commission, and the Mexican Museum. I am also reducing the appropriation for the Military Museum by $585,000 from $835,000 to $250,000.

I am revising Provision 1 to conform to this action.

"1. Of the funds appropriated by this item, the following allocations shall be made: *$250,000* ~~$835,000~~ for the Military Museum; ~~$300,000 for the Chabot Observatory;~~ $750,000 for the Discovery Science Center; $120,000 for the Fender Museum in the City of Corona; $750,000 for the Central Valley Learning Center; $2,000,000 for the Hollywood Museum; $500,000 for the National Steinbeck Center; ~~$800,000 for the New California Center;~~ $475,000 for the Orange County Marine Institute; $1,750,000 for the San Diego Natural History Museum; $250,000 for the Maritime Museum of San Diego; $2,000,000 for the Simon Weisenthal Museum; $2,000,000 for the Skirball Museum in the City of Santa Monica; $2,000,000 for the Great Central Valley History Museum; $30,000 for the Children's Museum in the City of La Habra; ~~$500,000 for a Cultural Arts Center in the San Fernando Valley;~~ $100,000 for the Turtle Bay Museum Complex; ~~$500,000 for the Los Angeles Police Museum;~~ $50,000 for the Clarke Memorial Museum; ~~$50,000 for the Napa Valley Museum;~~ $120,000 for the Antelope Valley Indian Museum; ~~$264,000 for the Randall; $75,000 for the San Francisco Art Commission;~~ $100,000 for the Fine Arts Museums of San Francisco; $481,000 for the Asian Art Museum; $150,000 for the Edwards Air Force Base Historical Flight Museum; $5,000,000 for the San Francisco Academy of Sciences; *and* $5,000,000 for the Walt Disney Concert Hall at the Los Angeles Music Center ~~; and $250,000 for the Mexican Museum~~ ."

Item 8260-103-0001—For local assistance, California Arts Council. I reduce this item from $20,000,000 to $6,000,000 by reducing:

(a) 15-California Arts Program from $20,000,000 to $6,000,000;

deleting Provision 1; and
revising Provision 2.

I am supportive of the State providing financial assistance for the arts. Given competing program needs, including a prudent reserve, an increase of $20,000,000 in funding for this purpose is not justified. I am, therefore, reducing this item to $6,000,000. The Budget I have signed will provide a 52-percent increase over the 1997–98 amount of funding for local art programs. I am deleting Provision 1 which specifies that $2,000,000 shall be for the support of the Artists in Residence Program because it is unduly restrictive and would direct a disproportionate share of the appropriation to this program. I am also reducing the amount specified in Provision 2 for administrative costs of the Arts Council from $800,000 to $240,000 in proportion to the amount I am reducing from funding for the program.

I am revising Provision 2 to conform to this action.

"2. Of the funds appropriated by this item, up to ~~$800,000~~ *$240,000* shall be used to defray the administrative and related expenses of the California Arts Council in performing its responsibilities under this item."

Item 8350-001-0001—For support of Department of Industrial Relations. I reduce this item from $125,858,000 to $123,485,000 by reducing:

(3) 30-Workers' Compensation Administration from $93,254,000 to $92,538,000;

(5) 36-Commission on Health and Safety and Workers' Compensation from $2,244,000 to $2,119,000;

(6) 40-Prevention of Industrial Injuries and Deaths of California Workers from $64,728,000 to $62,928,000;

(8.2) 60.20-Division of Apprenticeship Standards for promotion, development, and administration of apprenticeship and other on-the-job training from $3,886,000 to $3,857,700;

(19) Amount payable from the Workplace Health and Safety Revolving Fund (Item 8350-001-0222), from –$2,257,000 to –$2,132,000;

(20) Amount payable from the Workers' Compensation Administration Revolving Fund (Item 8350-001-0223), from –$18,202,000 to –$18,059,000;

(28) Amount payable from the Employment Training Fund (Item 8350-001-0514) from –$2,808,000 to –$2,779,700;

and by deleting:

(8.1) 60.10-California Apprenticeship Council ($0)

and by deleting Provisions 1, 2, 4, and 5.

I am deleting the $716,000 legislative augmentation for the Audit Unit in the Division of Workers' Compensation. The Legislature augmented the budget by a total of $716,000 ($573,000 General Fund and $143,000 Workers' Compensation Administration Revolving Fund) to fund nine additional positions to audit insurers and third-party administrators to ensure timely payment of benefits. The Commission on Health and Safety and Workers' Compensation (CHSWC) is currently reviewing the adequacy of the staffing for this unit, and therefore this augmentation is premature. I am also reducing Schedule 20 to conform with this action. These actions conform to the action taken in Item 8350-001-0223.

I am reducing the legislative augmentation of $1,325,000 in Schedule 5 by $125,000. This augmentation would provide funding for two positions in the CHSWC and for a contract to recommend revisions to the California Permanent Disability Rating Schedule. I am deleting $125,000 and the two positions provided for the CHSWC because the need for additional staff has not been demonstrated. I am also reducing Schedule 19 by $125,000 to conform with this action. Both of these actions conform with the action taken in Item 8350-001-0222.

I am deleting the $1,800,000 legislative augmentation for the Targeted Industries Consultation Program. This program was intended to be self-supporting from assessments on employers with high rates of worker injuries. Adequate funding is already available within the Department of Industrial Relations to fund the program through the end of the 1998–99 fiscal year.

I am deleting Provision 1, which requires legislative authorization before implementing a change from the modal method of calculating prevailing wage rates. I am also deleting Provision 2, which restricts the transfer of funds from other sources for the purpose of implementing a change from the modal method of calculating prevailing wage rates. This language violates existing statutes which require the Director of the Department of Industrial Relations to set prevailing wages and unduly restricts the ability of the Executive Branch to carry out this statutory duty to set these rates.

I am deleting Provision 4, which appropriates $28,300 for support of the California Apprenticeship Council on the condition that no funds shall be used for the costs of rulemaking proceedings to adopt or modify administrative regulations concerning apprenticeship. This language infringes upon the ability of the Executive Branch to operate this program in accordance with existing statutes. A separate appropriation is

unnecessary since authority for the California Apprenticeship Council is contained within the Division of Apprenticeship Standards and funding will continue to be provided from this source. I am also deleting Schedule 8.1 to conform to this action. These actions conform to the action taken in Item 8350-001-0514.

In addition, I am deleting $28,300 from both this item and Schedule 28 to correct a technical error in the Budget Bill. When the funds for the support on the California Apprenticeship Council were instead appropriated in Provision 2, the amount appropriated in this item was not reduced. This action conforms to the action taken in Item 8350-001-0514.

I am deleting Provision 5, in which the Legislature appropriates $110,000 and one position for the Industrial Welfare Commission (IWC) to rescind Section 3 of Wage Orders 1, 4, 5, 7, and 9, and to staff the IWC's duties regarding the minimum wage. The Legislature eliminated full funding for the IWC in 1997–98, and this augmentation for 1998–99 fails to provide the IWC with the resources necessary to carry out its statutorily mandated responsibilities.

Item 8350-001-0222—For support of Department of Industrial Relations. I reduce this item from $2,257,000 to $2,132,000.

I am reducing the legislative augmentation of $1,325,000 for the Commission on Health, Safety and Workers' Compensation (CHSWC) by $125,000. This action conforms to the action taken in Item 8350-001-0001 regarding staffing for the CHSWC.

Item 8350-001-0223—For support of Department of Industrial Relations. I reduce this item from $18,202,000 to $18,059,000.

I am deleting the $143,000 legislative augmentation to the Audit Unit in the Division of Workers' Compensation. This action conforms to the actions taken in Item 8350-001-0001 regarding the Audit Unit.

Item 8350-001-0514—For support of Department of Industrial Relations. I am reducing this item from $2,808,000 to $2,779,700, and deleting Provision 2.

I am deleting $28,300 from this item to correct a technical error in the Budget Bill. When the funds for the support of the California Apprenticeship Council were appropriated in Provision 2, the amount appropriated in this item was not reduced. This action conforms to the action taken in Item 8350-001-0001 regarding the California Apprenticeship Council.

I am deleting Provision 2, which appropriates $28,300 for support of the California Apprenticeship Council on the condition that no funds shall be used for the costs of rulemaking proceedings to adopt or modify administrative regulations concerning apprenticeship. This language infringes upon the ability of the Executive Branch to operate this program in accordance with existing law. This action also conforms to the action taken in Item 8350-001-0001 regarding the California Apprenticeship Council.

Item 8660-001-0462—For support of Public Utilities Commission. I revise this item by reducing:

(a) 10-Regulation of Utilities from $92,499,000 to $91,799,000,

(e) Reimbursements from –$12,503,000 to –$11,803,000, and

by deleting Provisions 3, 4, and 8.

I am deleting the legislative augmentation of $700,000 in reimbursements and 10 positions for administrative support for the Low-Income Governing Board and the California Board for Energy Efficiency. Bringing various utility surcharges and program support for those programs into the State Treasury is the subject of pending legislation. It is more appropriate to address the funding and staffing authority through that legislation.

I am deleting Provisions 3 and 4 to conform with this action.

I am deleting Provision 8 which would prohibit the Public Utilities Commission from enacting any natural gas industry restructuring decisions prior to January 1, 2000. This provision would change substantive law which is not tied to any specific appropriation in the Budget.

Item 8760-001-0001—For support of the Commission of the Californias. I delete this item.

I am deleting the $250,000 augmentation to support the Commission of the Californias. Adequate funding for this commission is currently included in the budget for the Office of California/Mexico Affairs within the Trade and Commerce Agency.

Item 8800-001-0001—For support of Memberships in Interstate Organizations. I reduce this item from $2,840,567 to $2,806,817 by deleting:

(n) 95-Governmental Standards Accounting Board ($33,750).

I am deleting the $33,750 legislative augmentation for the Governmental Standards Accounting Board (GASB), to pay assessed unpaid dues. GASB appears largely to ignore the concerns of governmental participants, so that dues are not being utilized in the best interest of state and local governments or the taxpayers of California.

Item 8855-001-0001—For support of Bureau of State Audits. I reduce this item from $10,922,000 to $10,752,000 by reducing:

(a) 10-State Auditor from $11,252,000 to $11,082,000.

The Legislature augmented the Bureau of State Audits' budget by $170,000 General Fund, and reimbursement authority of $330,000 for the Bureau to collaborate and consult with the federal Department of Health and Human Services to determine which California Child Support Automation consortium systems are acceptable and compliant with federal standards. The reimbursements are federal funds collected through the Department of Social Services. The receipt of federal funds is contingent upon the state funding a portion of the study.

I support maximizing the collection of federal funds, however, I am deleting the $170,000 General Fund legislative augmentation because the Bureau of State Audits can make existing General Fund resources available to match federal funds.

Item 8955-001-0001—For support of Department of Veterans Affairs. I am reducing this item from $2,691,000 to $2,690,000 by reducing:

(c) 30-Care of Sick and Disabled Veterans from $755,000 to $754,000,

and by deleting Provision 1.

I am deleting Provision 1 which would require the Department of Veterans Affairs (DVA) to notify the Legislature regarding specific outcomes resulting from health and safety citations to veterans homes, and the results of home surveys conducted by the State Department of Health Services, as well as the findings of any other agency or entity. Legislative notification is reasonable in instances where a state or federal agency makes findings regarding veterans homes. However, I am concerned that requiring the DVA to respond to findings made by "any entity" places an unreasonable workload burden on the Department. This language could create a potential situation whereby the DVA would be required to notify the Legislature in instances where it is in receipt of frivolous or unsubstantiated findings and/or complaints. This reporting requirement is unduly restrictive and infringes upon the ability of the Executive Branch to manage its programs. In addition, the preparation of such reports would require the Department to redirect resources from other activities important to the operation of veterans homes. I am, therefore, directing the Department to notify the Legislature when a state or federal agency makes findings similar to those specified in this language.

I am reducing this item by $1,000 to reflect savings that will be achieved from the veto of Provision 1.

Item 8960-011-0001—For support of Veterans' Home of California-Yountville. I delete Provision 4 of this item.

Provision 4 would require $500,000 of the funds appropriated in this item to be made available for special projects that provide a direct benefit to the members of the Home, and requires the budget for expenditure of those funds to be reviewed and approved by the Administrator of the Home, the Secretary of Veterans Affairs, and the Allied Council. This language is unnecessary because the Home's budget for all expenditures is for the benefit of the members, as well as subject to review and approval by the Administrator and the Secretary. Further, allowing a non-state entity such as the Allied

Council to exert approval authority over the Home's budgetary decisions would interfere with the ability of the Executive Branch to manage its programs according to normal statutory procedures.

Item 8966-301-0001—For capital outlay, Veterans' Home of California-Chula Vista. I delete this item and Provision 1.

I am deleting the $200,000 legislative augmentation which would provide funds to complete an off-site utility connection for the Home's storm sewer system. Local funding of all off-site infrastructure, including connections, was part of the site selection criteria established by the Governor's Commission for a Southern California Veterans Home in the determination of siting the new facility. The City of Chula Vista should fund the cost of the connection consistent with the original agreement for siting the project in that locale.

Item 9210-104-0001—For local assistance, Local Government Financing. I delete this item.

I am deleting this $40,000,000 augmentation for Los Angeles County to construct three comprehensive health care centers. The financing of these facilities is a local policy and funding responsibility.

Item 9210-105-0001—For local assistance, Local Government Financing. I delete this item and Provisions 1 and 2.

I am deleting this $340,000 augmentation and budget bill language that would provide funding to the Los Angeles County Local Agency Formation Commission (LAFCO) for the costs it would incur related to Chapter 911, Statutes of 1997. Pursuant to Chapter 911, providing these funds would trigger the implementation of the Special Commission on Los Angeles Boundaries to study and report on Los Angeles County reorganization issues including the detachment of the San Fernando Valley from the City of Los Angeles. The implementation of the special commission would result in General Fund costs to reimburse the special commission for its costs to study reorganizations and boundary changes in Los Angeles County and report its findings. I am concerned about providing state General Fund resources to address a regional concern when the need to look at land use issues and boundary changes is of statewide concern.

I am deleting Provisions 1 and 2 to conform to this action.

Item 9800-001-0001—For augmentation for Employee Compensation. I reduce this item from $356,310,000 to $140,834,000.

I am reducing this item by $215,476,000 to provide the same level of funding for state employee compensation as I proposed in January. To date, agreements have been reached on state employee contract terms with only two bargaining units. As I indicated in January, I am providing funding for employee compensation subject to the collective bargaining process and tied to civil service reform.

Item 9800-001-0494—For augmentation for Employee Compensation. I reduce this item from $172,673,000 to $68,250,000.

I am reducing this item by $104,423,000 to provide the same level of funding for state employee compensation as I proposed in January. To date, agreements have been reached on state employee contract terms with only two bargaining units. As I indicated in January, I am providing funding for employee compensation subject to the collective bargaining process and tied to civil service reform.

Item 9800-001-0988—For augmentation for Employee Compensation. I reduce this item from $172,673,000 to $68,250,000.

I am reducing this item by $104,423,000 to provide the same level of funding for state employee compensation as I proposed in January. To date, agreements have been reached on state employee contract terms with only two bargaining units. As I indicated in January, I am providing funding for employee compensation subject to the collective bargaining process and tied to civil service reform.

Item 9800-011-0001—For augmentation for Employee Compensation (Proposition 98). I reduce this item from $4,169,000 to $1,648,000.

I am reducing this item by $2,521,000 to provide the same level of funding for state employee compensation as I proposed in January. To date, agreements have been reached on state employee contract terms with only two bargaining units. As I indicated

in January, I am providing funding for employee compensation subject to the collective bargaining process and tied to civil service reform.

SEC. 4.11—Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). I delete this control section.

This section would prohibit the use of any appropriated funds by either a state or local agency to implement the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 until implementing provisions are enacted into state law.

Current court judgments indicate that the Act is enforceable without state legislative action. In addition, this language restricts my authority and responsibility to implement federal law.

SEC. 11.65—State Office Consolidation Rental Rates. I delete this control section.

I am deleting Control Section 11.65 because it is unduly restrictive and interferes with normal executive branch discretion. The section is narrow in scope and recognizes only one component of state office consolidation issues while failing to address issues such as moving costs related to new facilities.

With the above deletions, revisions and reductions, I hereby approve Assembly Bill 1656.

PETE WILSON
August 21, 1998

The people of the State of California do enact as follows:

SECTION 1.00. This act shall be known and may be cited as the "Budget Act of 1998."

SEC. 1.50. (a) In accordance with Section 13338 of the Government Code, as added by Chapter 1284, Statutes of 1978, and as amended by Chapter 1286, Statutes of 1984, it is the intent of the Legislature that this act utilize a coding scheme compatible with the Governor's Budget and the records of the State Controller, and provide for the appropriation of federal funds received by the state and deposited in the State Treasury.

(b) Essentially, the format and style are as follows:

(1) Appropriation item numbers have a code which is common to all the state's fiscal systems. The meaning of this common coded item number is as follows:

2720—Organization Code (this code represents the California Highway Patrol)

001—Reference Code (first appropriation for a particular fund for support of each department)

0044—Fund Code (Motor Vehicle Account, State Transportation Fund)

(2) Appropriation items are organized in organization code order as reflected in the Governor's Budget.

(3) All the appropriation items, reappropriation items, and reversion items, if any, for each department or entity are adjacent to one another.

(4) Federal funds received by the state and deposited in the State Treasury are appropriated in separate items.

(c) The Department of Finance may authorize revisions to the codes used in this act in order to provide compatibility between the codes used in this act and those used in the Governor's Budget and in the records of the State Controller.

(d) Notwithstanding any other provision of this act, the Department of Finance may revise the schedule of any appropriation made in this act where the revision is of a technical nature and is consistent with legislative intent. These revisions may include, but shall not be limited to, the substitution of category for program or program for category limitations, the proper categorization of allocated administration costs and cost recoveries, the distribution of any unallocated amounts within an appropriation and the adjustment of schedules to facilitate departmental accounting operations, including the elimination of categories providing for amounts payable from other items or other appropriations and the distribution of unscheduled amounts to programs or categories. These revisions shall include a certification that the revisions comply with the intent and limitation of expenditures as appropriated by the Legislature.

(e) Notwithstanding any other provision of this act, when the Department of Finance, pursuant to subdivision (d), approves the schedule or revision of any appropriation relating to the elimination of amounts payable, the language authorizing the transfer shall also be eliminated.

SEC. 2.00. (a) The following sums of money and those appropriated by any other sections of this act, or so much thereof as may be necessary unless otherwise provided herein, are hereby appropriated for the use and support of the State of California for the 1998–99 fiscal year beginning July 1, 1998, and ending June 30, 1999. All of these appropriations, unless otherwise provided herein, shall be paid out of the General Fund in the State Treasury.

(b) Appropriations and reappropriations for capital outlay, unless otherwise provided herein, shall be available for expenditure during the 1998–99, 1999–2000, and 2000–2001 fiscal years, except that appropriations and reappropriations for studies, preliminary plans, working drawings, or minor capital outlay, except as provided herein, shall be available for expenditure only during the 1998–99 fiscal year. In addition, the balance of every appropriation or reappropriation made in this act that contains funding for construction that has not been allocated, through fund transfer or approval to proceed to bid, by the Department of Finance on or before June 30, 1999, except as provided herein, shall revert as of that date to the fund from which the appropriation was made.

(c) Whenever by constitutional or statutory provision the revenues or receipts of any institution, department, board, bureau, commission, officer, employee, or other agency, or any moneys in any special fund created by law therefor, are to be used for salaries, support or any proper purpose, expenditures shall be made therefrom for any such purpose only to the extent of the amount therein appropriated, unless otherwise stated herein, or authorized pursuant to Section 11006 of the Government Code.

(d) Appropriations for purposes not otherwise provided for herein that have been heretofore made by any existing constitutional or statutory provision shall continue to be governed thereby.

LEGISLATIVE/JUDICIAL/EXECUTIVE

Legislative

Item		Amount
0110-001-0001—For support of Senate		67,254,000
Schedule:		
(a) 101001-Salaries of Senators	4,300,000	
(b) 317295-Mileage	5,000	
(c) 317292-Expenses	1,104,000	
(d) 500004-Operating Expenses	61,445,000	
(e) 317296-Automotive Expenses	400,000	
Provisions:		
1. The funds appropriated in Schedule (d) are for operating expenses of the Senate, including personal services for officers, clerks, and all other employees, and legislative committees thereof composed in whole or in part of Members of the Senate, and for support of joint expenses of the Legislature, to be transferred by the Controller to the Senate Operating Fund.		
2. The funds appropriated in Schedule (e) are for operating expenses of the Senate relating to the purchase, maintenance, repair, insurance, and other costs of operating automobiles for the use of Members of the Senate, to be transferred by the Controller to the Senate Operating Fund.		
3. The funds appropriated in Schedules (a), (b), (c), and (e) may be transferred to or from the Senate Operating Fund.		
0120-011-0001—For support of Assembly		91,362,000
Schedule:		
(a) 101001-Salaries of Assembly Members	8,328,000	
(b) 317295-Mileage	8,000	

Item Amount

(c) 317292-Expenses..... 2,190,000
(d) 500004-Operating Expenses..... 80,223,000
(e) 317296-Automotive Expenses..... 613,000

Provisions:

1. The funds appropriated in Schedule (d) are for operating expenses of the Assembly, including personal services for officers, clerks, and all other employees, and legislative committees thereof composed in whole or in part of Members of the Assembly, and for support of joint expenses of the Legislature, to be transferred by the Controller to the Assembly Operating Fund.
2. The funds appropriated in Schedule (e) are for operating expenses of the Assembly relating to the lease, maintenance, repair, insurance, and other costs of operating automobiles for the use of Members of the Assembly, to be transferred by the Controller to the Assembly Operating Fund.
3. The funds appropriated by Schedules (a), (b), (c), and (e) may be transferred to or from the Assembly Operating Fund.

0130-021-0001—For support of Office of the Legislative Analyst..... 0

Schedule:

(a) Expenses of the Office of the Legislative Analyst..... 4,368,000
(b) Transferred from Item 0110-001-0001..... –2,184,000
(c) Transferred from Item 0120-011-0001..... –2,184,000

Provisions:

1. The funds appropriated in Schedule (a) are for the expenses of the Office of the Legislative Analyst and of the Joint Legislative Budget Committee for any charges, expenses, or claims either may incur, available without regard to fiscal years, to be paid on certification of the Chairperson of the Joint Legislative Budget Committee.
2. Funds identified in Schedules (b) and (c) may be transferred from the Senate Operating Fund, by the Senate Committee on Rules, and the Assembly Operating Fund, by the Assembly Committee on Rules.

Item		Amount
0160-001-0001—For support of Legislative Counsel Bureau		58,757,000
Schedule:		
(a) Support	58,888,000	
(b) Reimbursements	−131,000	

Judicial

0250-001-0001—For support of Judiciary		210,178,000
Schedule:		
(a) 10-Supreme Court	27,846,000	
(b) 20-Courts of Appeal	133,298,000	
(c) 30-Judicial Council	48,319,000	
(d) 50-Habeas Resource Center	4,534,000	
(e) Reimbursements	−2,318,000	
(f) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 0250-001-0044)	−127,000	
(g) Amount payable from the Court Interpreters Account (Item 0250-001-0327)	−256,000	
(h) Amount payable from the Federal Trust Fund (Item 0250-001-0890)	−1,118,000	

Provisions:

1. Notwithstanding Section 26.00 of this act, the funds appropriated or scheduled in this item may be allocated or reallocated among categories by order of the Judicial Council.
2. Of the funds appropriated by this item, $200,000 is available for reimbursement to the Attorney General or for hiring outside counsel for employment litigation costs arising from any cases involving the conduct of trial court judges or courts of appeal personnel in which the Judicial Council is named as a defendant. Any funds not used for this purpose shall revert to the General Fund.
3. The funds appropriated by this item include an augmentation of $1,391,000 for the court-appointed counsel program of the California Supreme Court. It is the intent of the Legislature that these funds are only used for the court-appointed counsel program. Any unused funds from this augmentation shall revert to the General Fund.

Item Amount

4. Notwithstanding any other provision of law, up to $5,000,000 appropriated by this item may be transferred to Item 0250-101-0001 by the Controller at the request of the Administrative Office of the Courts, to cover any short-term cash flow issues that occur. Any funds transferred shall be repaid to this item from Item 0250-101-0001 by May 1, 1999. The Judicial Council shall notify the Department of Finance and the Joint Legislative Budget Committee when any transfer is made pursuant to this provision, and upon repayment of the transfer.

0250-001-0044—For support of Judiciary, for payment to Item 0250-001-0001, payable from the Motor Vehicle Account, State Transportation Fund..... 127,000

0250-001-0327—For support of Judiciary, for payment to Item 0250-001-0001, payable from the Court Interpreters Account..... 256,000

0250-001-0890—For support of Judiciary, for payment to Item 0250-001-0001, payable from the Federal Trust Fund..... 1,118,000

0250-101-0001—For local assistance, Judiciary 1,475,000

Schedule:

(a) 30.10-Child Support Commissioner Program (AB 1058) 38,700,000
(b) 30.20-California Drug Project 1,858,000
(c) 30.30-Child Access and Visitation Grant Program 791,000
(d) 30.40-Family Assessment, Intervention, and Resources Grant Program 150,000
(e) 30.50-Court Improvement Grant Program..... 700,000
(f) 30.60-Court Appointed Special Advocate (CASA) Program 1,350,000
(g) 30.70-Trial Court Coordination Assistance Grants..... 125,000
(h) Reimbursements .....–41,349,000
(i) Amount payable from Federal Trust Fund (Item 0250-101-0890)..... –850,000

Provisions:

1. Notwithstanding any other provision of law, up to $5,000,000 appropriated by Item 0250-001-0001 may be transferred to Item 0250-101-0001 by the Controller at the request of the Administrative Office of the Courts, to cover any short-term cash flow issues that occur. Any funds transferred shall be repaid from this item to Item 0250-001-0001

Item	Amount
by May 1, 1999. The Judicial Council shall notify the Department of Finance and the Joint Legislative Budget Committee when any transfer is made pursuant to this provision, and upon repayment of the transfer.	
0250-101-0890—For local assistance, Judiciary, for transfer to Item 0250-101-0001, payable from the Federal Trust Fund	850,000
0280-001-0001—For support of the Commission on Judicial Performance, Program 10	3,101,000
0390-001-0001—For support, for transfer by the Controller to the Judges' Retirement Fund, for Supreme Court and Appellate Court Justices	1,250,000
Provisions:	
1. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between Item 0390-001-0001 and Item 0390-101-0001.	
0390-101-0001—For local assistance, for transfer by the State Controller to the Judges' Retirement Fund for Superior Court and Municipal Court Judges	67,119,000
Provisions:	
1. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between Item 0390-001-0001 and Item 0390-101-0001.	
0450-101-0932—For local assistance, State Trial Court Funding, payable from Trial Court Trust Fund	1,676,286,000
Schedule:	
(a) 10-Support for operation of the Trial Courts 1,517,580,000	
(b) 25-Compensation of Superior Court Judges 92,927,000	
(c) 35-Assigned Judges 19,368,000	
(d) 45-Court Interpreters 46,411,000	
Provisions:	
1. Notwithstanding Section 26.00 of this act, the funds appropriated or scheduled in this item may be allocated or reallocated among categories by the Judicial Council.	
2. The amount appropriated in Schedule (c) shall be made available for all judicial assignments. Schedule (c) expenditures for necessary chamber staff may not exceed the staffing level that is necessary to support the equivalent of three judicial officers sitting on assignments at the appellate court level.	

Item Amount

3. The funds appropriated in Schedule (b) shall be made available for the payment of workers' compensation claims for trial court judges.
4. The funds appropriated in Schedule (d) shall be for payments for services of contractual court interpreters, certified court interpreters employed by the courts, and the following court interpreter coordinators: one each in counties of the 1st through the 15th classes, 0.5 each in counties of the 16th through the 31st classes, and 0.25 each in counties of the 32nd through 58th classes. Courts in counties with a population of 500,000 or less are encouraged, but not required, to coordinate interpreter services on a regional basis. For the purposes of this provision, "court interpreter coordinators" may be full- or part-time court employees, or those contracted by the court to perform these services.

   The Judicial Council shall set statewide or regional rates and policies for payment of court interpreters, not to be less than $220 a day and not to exceed the rate paid to interpreters in the federal court system. The Judicial Council shall adopt appropriate rules and procedures for the administration of these funds. The Judicial Council shall report to the Legislature and Director of the Department of Finance quarterly regarding expenditures from this schedule and projections for annual expenditures for the use of interpreters in the courts and the use and administration of these funds.
5. The Judicial Council shall report to the Department of Finance, the Joint Legislative Budget Committee, and the fiscal committees of each house of the Legislature by October 1, 1998, on the anticipated cost increases resulting from contractual salary adjustments of court employees for the 1998–99 fiscal year.

0450-111-0001—For local assistance, State Trial Court Funding, for transfer to the Trial Court Trust Fund 632,860,766

Item	Amount

Executive

0500-001-0001—For support of Governor and of Governor's office 4,861,000

Schedule:

(a) Support 4,786,000

(b) Governor's Residence (Support) 35,000

(c) Special Contingent Expenses 40,000

Provisions:

1. The funds appropriated in Schedules (b) and (c) of this item are exempt from the provisions of Sections 925.6, 12410, and 13320 of the Government Code.

0505-001-0001—For support of the Department of Information Technology 7,304,000

Schedule:

(a) Support 8,054,000

(b) Reimbursements ..... –750,000

Provisions:

1. In addition to the funds otherwise appropriated by this item, the sum of $437,000 is hereby appropriated from the General Fund for the support of the Department of Information Technology for the 1998–99 fiscal year. The appropriation made by this provision is not available unless and until the Department of Information Technology drafts or produces final policies establishing (1) when a department should hire an independent oversight vendor, (2) the level of experience project managers should have, (3) how to determine whether a procurement should be cost- or needs-based, (4) when a department should require a letter of credit or performance bond from the vendor, (5) the appropriate size of a project, (6) when acquiring intellectual property rights is appropriate, (7) when a risk assessment model should be conducted on a project, (8) when a risk mitigation plan needs to be developed, (9) summary information that should be contained in the beginning of funding documents, and (10) notification to the Legislature of information technology projects which are being conducted under delegated authority. Final policies shall be distributed to departments prior to June 30, 1999.

Item Amount

2. The Department of Information Technology shall provide the Legislature, by July 15, 1998, and quarterly thereafter, a report as to the status of the state's Year 2000 computer application conversion effort. The report, to be submitted to the fiscal committees in each house of the Legislature and the Joint Legislative Budget Committee, shall indicate the progress and level of compliance by the state with the California 2000 Program Guide of the department, and specifically shall include (1) identification of any project determined to be at risk of not completing necessary remediation efforts before the failure date of the system, (2) revised total cost estimates, including redirected resources for each mission critical system, and (3) identification by system name of each essential but nonmission critical system the department is planning to remediate. For those systems determined to be at risk of failing to be remediated before the failure date of the system, the department shall identify the factors that create the risk and the steps that are being taken to mitigate the risk.
3. All information technology acquisitions may be based on the proposal that provides the most value-effective solution to the state's business needs as determined by the evaluation criteria contained in the solicitation document. Value-effective evaluation criteria for information technology acquisitions shall include, but not be limited to, criteria contained in Section 12100.7 of the Public Contract Code, as appropriate.
4. (a) State agencies may use a performance-based solicitation method for an informational technology acquisition when a state agency has defined a business problem, project scope, and desired business results, but does not have sufficient internal resources to develop high quality, timely, and innovative business solutions.

   The procedures and guidelines governing state agency use of performance-based solicitations shall include, but not be limited to, the following:

   (1) Definition of the state agency's business problem, project scope, and desired business results.

Item	Amount
(2) Formation of an evaluation and selection team that includes a senior management representative from the state agency.	
(3) Solicitation of statements of interest, enabling potential suppliers to demonstrate qualifications and capabilities to the state agency for use in establishing a list of appropriately qualified suppliers.	
(4) Working sessions or interviews with qualified suppliers for purposes of facilitating a mutual understanding of the state agency's business needs, and aiding in development of value-effective, conceptual solutions.	
(5) Solicitation of written bids from qualified suppliers, including a framework for pricing.	
(6) Evaluation of bids, and selection of a business partner, based upon value-effective criteria established and set forth in the solicitation by the evaluation and selection team.	
(7) Joint negotiation of final terms and conditions for the contract, including a final pricing framework for the proposed solution except that, if mutually acceptable final terms and conditions, including pricing, cannot be agreed upon, the state agency shall have the right to suspend the negotiations with the selected business partner and enter into negotiations to develop a contract with the next most qualified bidder.	
(8) Effective state agency management of both the project and the contract throughout its entire life cycle.	
(b) A performance-based contract shall be designed to establish a strategic business alliance that shall continue through the phases of the project identified in the solicitation including, but not limited to, detailed requirements, solution design, construction, implementation, and operation, if applicable.	

Item		Amount
(c) The contract shall include (1) the pricing framework, which shall reflect fair value to all parties based upon mutually agreed upon expectations, risks, and rewards, and (2) provisions for termination of the strategic business alliance if problems develop that make it inadvisable to continue, or where a business case is no longer viable or valid. The price paid by the state agency shall be reasonably related to the benefits obtained from the solution, and may be based on realization of the benefits obtained, results, or performance measures.		
0510-001-0001—For support of Secretary of State and Consumer Services		732,000
Schedule:		
(a) Support	1,224,000	
(b) Reimbursements	–492,000	
0520-001-0044—For support of Secretary for Business, Transportation and Housing, payable from the Motor Vehicle Account, State Transportation Fund		906,000
Schedule:		
(a) 10-Administration of Business, Transportation and Housing Agency	2,016,000	
(b) 30-Agency Audits Office	301,000	
(c) Reimbursements	–1,411,000	
0530-001-0001—For support of Secretary for Health and Welfare		1,298,000
Schedule:		
(a) 10-Secretary for Health and Welfare	2,267,000	
(b) Reimbursements	–969,000	
0540-001-0001—For support of Secretary for Resources		11,386,000
Schedule:		
(a) 10-Administration of Resources Agency	13,244,000	
(b) Reimbursements	–472,000	
(c) Amount payable from the California Environmental License Plate Fund (Item 0540-001-0140)	–799,000	
(d) Amount payable from the Environmental Enhancement and Mitigation Demonstration Program Fund (Item 0540-001-0183)	–117,000	

Item		Amount
(e) Amount payable from the Federal Trust Fund (Item 0540-001-0890).	–470,000	
Provisions:		
1. Of the amount appropriated in Schedule (a) of this Item, $10,000,000 may be allocated only by the Resources Agency for expenditure by the Resources Agency for urban river parkway projects, consistent with Section 78682.2 of the Public Resources Code, for projects along the following rivers: San Joaquin ($2,000,000), American ($1,000,000), land acquisition along the Otay River ($3,000,000), Guadalupe ($1,000,000), and Los Angeles ($3,000,000). Funds received by other state agencies from this item for acquisition or restoration projects are exempt from the reporting requirements of Section 28.5 of this act.		
0540-001-0140—For support of Secretary for Resources, for payment to Item 0540-001-0001, payable from the California Environmental License Plate Fund ...		799,000
0540-001-0183—For support of Secretary for Resources, for payment to Item 0540-001-0001, payable from the Environmental Enhancement and Mitigation Demonstration Program Fund.....		117,000
0540-001-0890—For support of Secretary for Resources, for payment to Item 0540-001-0001, payable from the Federal Trust Fund.....		470,000
0540-101-0001—For local assistance, Secretary for Resources.....		3,598,000
Provisions:		
1. The funds appropriated in this item are for the Coastal County and City Offshore Energy Assistance Program as required by Chapter 977, Statutes of 1996.		
0550-001-0001—For support of the Secretary for the Youth and Adult Correctional Agency		8,183,000
Schedule:		
(a) 10-Secretary for the Youth and Adult Correctional Agency.....	8,440,000	
(b) Reimbursements.....	–257,000	
0550-005-0001—For support of the Secretary for the Youth and Adult Correctional Agency		461,000
Schedule:		
(a) 15-Commission on Correctional Peace Officers' Standards and Training	461,000	

Item Amount

Provisions:

1. Of the funds appropriated in this item, $3,200,000 shall be used exclusively to contract with Walden House, Inc., for development and implementation of a mandatory training program for the Department of Corrections and the Department of the Youth Authority to educate custody staff, inmates, and wards about cultural competence and racial and ethnic diversity. The training shall meet standards developed by CPOST prior to implementation. In addition, of the funds appropriated in this item, $261,000 shall be used to establish three positions to administer the contract, and to coordinate with the contractor and the Department of Corrections and the Department of the Youth Authority on the development and implementation of the program. Upon the successful implementation and evaluation of the program, staff dedicated to the project may be used for other purposes or programs.

0555-001-0044—For support of Secretary for Environmental Protection, payable from the Motor Vehicle Account, State Transportation Fund 615,000

Schedule:

(a) 10-Environmental Protection Programs 2,536,000

(b) Reimbursements ..... −1,646,000

(c) Amount payable from the California Used Oil Recycling Fund (Item 0555-001-0100) ..... −23,000

(d) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 0555-001-0387). −252,000

Provisions:

1. Notwithstanding subdivisions (b) and (c) of Section 48653 of the Public Resources Code, funds appropriated in this item shall be available for purposes of administration.

0555-001-0100—For support of Secretary for Environmental Protection, for payment to Item 0555-001-0044, payable from the California Used Oil Recycling Fund 23,000

Item	Amount
0555-001-0387—For support of Secretary for Environmental Protection, for payment to Item 0555-001-0044, payable from the Integrated Waste Management Account, Integrated Waste Management Fund.	252,000
0558-001-0001—For support of Secretary of Child Development and Education	1,362,000

Schedule:

(a) Secretary for Child Development and Education 1,362,000

Provisions:

1. The amount appropriated by this item is intended for support of the Child Development and Education Agency. The appropriation is an estimate of the funding needs from January 1, 1999, to June 30, 1999, inclusive. Legislation establishing the agency is currently pending and, if enacted, would be effective January 1, 1999. In the event that legislation creating the agency is not effective on or before January 1, 1999, the unexpended balance of the funds appropriated by this item shall be available for expenditure pursuant to Item 0650-011-0001, as authorized by the Director of Finance.

0558-011-0890—For support of Secretary of Child Development and Education, payable from Federal Trust Fund, for support of the California Commission on Improving Life Through Service	720,000

Provisions:

1. The amount appropriated by this item is intended for support of the Commission on Improving Life Through Service. The appropriation is an estimate of the funding needs from January 1, 1999, to June 30, 1999, inclusive. Legislation establishing the agency is currently pending and, if enacted, would be effective January 1, 1999. In the event that legislation creating the agency is not effective on or before January 1, 1999 or the funds are needed prior to January 1, 1999, the Director of Finance is authorized to transfer expenditure authority from this item to Item 0650-011-0890.

0558-101-0890—For local assistance, Secretary of Child Development and Education, payable from Federal Trust Fund, for the California Commission on Improving Life Through Service	16,325,000

Item		Amount
Provisions:		
1. The amount appropriated by this item is intended for local assistance for the Commission on Improving Life Through Service. The appropriation is an estimate of the funding needs from January 1, 1999, to June 30, 1999. Legislation establishing the agency is currently pending and, if enacted, would be effective January 1, 1999. In the event that legislation creating the agency is not effective on or before January 1, 1999 or the funds are needed prior to January 1, 1999, the Director of Finance is authorized to transfer expenditure authority from this item to Item 0650-101-0890.		
0650-001-0001—For support of Office of Planning and Research		3,017,000
Schedule:		
(a) 11-State Planning and Policy Development	3,903,000	
(b) Reimbursements	−363,000	
(c) Amount payable from the Property Acquisition Law Account (Item 0650-001-0002)	−468,000	
(d) Amount payable from the Federal Trust Fund (Item 0650-001-0890)	−55,000	
0650-001-0002—For support of Office of Planning and Research, for payment to Item 0650-001-0001, payable from the Property Acquisition Law Account		468,000
0650-001-0890—For support of Office of Planning and Research, for payment to Item 0650-001-0001, payable from the Federal Trust Fund		55,000
0650-011-0001—For support of Office of Planning and Research		1,099,000
Schedule:		
(a) Secretary for Child Development and Education	1,109,000	
(b) Reimbursements	−10,000	
Provisions:		
1. The funds appropriated by this item are intended for support of the Child Development and Education Agency (CDEA). The appropriation is an estimate of the funding needs from July 1, 1998, to December 31, 1998, inclusive. Legislation establishing the agency is currently pending and, if enacted, would be effective January 1, 1999. After		

Item Amount

December 31, 1998, and upon the determination that all obligations of the CDEA in the Office of Planning and Research have been met, the unexpended balance of the funds appropriated by this item shall be available for expenditure pursuant to Item 0558-001-0001, as authorized by the Director of Finance.

0650-011-0890—For support of Office of Planning and Research, payable from the Federal Trust Fund, for support of the California Commission on Improving Life Through Service 722,000

Provisions:

1. The funds appropriated by this item are intended for support of the Child Development and Education Agency (CDEA) for the Commission on Improving Life Through Service (CCILTS). The appropriation is an estimate of the funding needs from July 1, 1998, to December 31, 1998, inclusive. Legislation establishing the agency is currently pending and, if enacted, would be effective January 1, 1999. After December 31, 1998, and upon the determination that all obligations of the CCILTS in the Office of Planning and Research have been met, the unexpended balance of the funds appropriated by this item shall be available for expenditure pursuant to Item 0558-011-0890, as authorized by the Director of Finance.

0650-101-0890—For local assistance, Office of Planning and Research, payable from the Federal Trust Fund, for the California Commission on Improving Life Through Service 14,875,000

Provisions:

1. The funds appropriated by this item are for local assistance allocations approved by the Commission on Improving Life Through Service (CCILTS) within the Child Development and Education Agency (CDEA). The appropriation is an estimate of the funding needs for this purpose from July 1, 1998, to December 31, 1998. Legislation establishing the CDEA is currently pending and, if enacted, would be effective January 1, 1999. After December 31, 1998, and upon the determination by the Director of Finance that all obligations of the CCILTS in the Office of Planning and Research have been met, the unexpended balance of the funds appropriated by this item shall

Item	Amount
be available for expenditure pursuant to Item 0558-101-0890, as authorized by the director.	
0650-111-0001—For local assistance, Office of Planning and Research for the Secretary of Child Development and Education (Proposition 98), for the Academic Volunteer and Mentor Service Program	10,000,000
Provisions:	
1. Legislation to establish the Office of Child Development and Education is currently pending and, if enacted, would be effective January 1, 1999. After December 31, 1998, and upon determination that all obligations of the Secretary of Child Development and Education in the Office of Planning and Research have been met, the unexpended balance of the funds appropriated in this item shall be available for expenditure by the Office of Child Development and Education as authorized by the Director of Finance.	
0690-001-0001—For support of Office of Emergency Services	30,445,000
Schedule:	
(a) 15-Mutual Aid Response	14,983,000
(b) 35-Plans and Preparedness	17,215,000
(c) 45-Disaster Assistance	21,590,000
(d) 55.01-Administration and Executive	4,692,000
(e) 55.02-Distributed Administration and Executive	−4,692,000
(f) Reimbursements	−3,958,000
(g) Amount payable from the Unified Program Account (Item 0690-001-0028)	−456,000
(h) Amount payable from the Nuclear Planning Assessment Special Account (Item 0690-001-0029)	−821,000
(i) Amount payable from the Federal Trust Fund (Item 0690-001-0890)	−18,108,000
Provisions:	
1. Funds appropriated by this item may be reduced by the Director of Finance, after giving notice to the Chairperson of the Joint Legislative Budget Committee, by the amount of federal funds made available for the purposes of this item in excess of the federal funds scheduled in Item 0690-001-0890.	

Item	Amount
2. The Office of Emergency Services shall charge tuition for all training offered through the California Specialized Training Institute.	
3. Upon the approval by the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 0690-101-0890.	
0690-001-0028—For support of Office of Emergency Services, for payment to Item 0690-001-0001, payable from the Unified Program Account	456,000
0690-001-0029—For support of Office of Emergency Services, for payment to Item 0690-001-0001, payable from the Nuclear Planning Assessment Special Account	821,000
0690-001-0890—For support of Office of Emergency Services, for payment to Item 0690-001-0001, payable from the Federal Trust Fund	18,108,000
Provisions:	
1. Any funds that may become available, in addition to the funds appropriated by this item, for disaster response and recovery may be allocated by the Department of Finance subject to the conditions of Section 28.00 of this act, except that, notwithstanding subdivision (d) of that section, the allocations may be made 30 days or less after notification of the Legislature.	
2. Notwithstanding any other provision of law, the funds appropriated by this item may be expended without regard to the fiscal year in which the application for reimbursement was submitted to the Federal Emergency Management Agency.	
0690-101-0029—For local assistance, Office of Emergency Services, Program 35—Plans and Preparedness, payable from the Nuclear Planning Assessment Special Account	1,934,000
0690-101-0890—For local assistance, Office of Emergency Services, payable from the Federal Trust Fund	254,950,000
Schedule:	
(a) 15-Mutual Aid Response 150,000	
(b) 35-Plans and Preparedness..... 4,800,000	
(c) 45-Disaster Assistance 250,000,000	
Provisions:	
1. Any federal funds that may become available in addition to the funds appropriated by this item for	

Item	Amount
Program 45—Disaster Assistance are exempt from Section 28.00 of this act.	
0690-102-0372—For local assistance, Office of Emergency Services, payable from Disaster Relief Fund, notwithstanding Section 16419 of the Government Code, for disaster relief costs related to Loma Prieta earthquake.	10,000,000
Provisions:	
1. The funds appropriated in this item are for the state's share of response and recovery costs for the Loma Prieta earthquake and shall be available for allocation by the Department of Finance.	
0690-112-0001—For local assistance, Office of Emergency Services, for allocation by Department of Finance for disaster recovery costs	65,000,000
Provisions:	
1. The funds appropriated in this item are for the state's share of response and recovery costs for disasters.	
0690-295-0001—For local assistance, Office of Emergency Services, for reimbursement, in accordance with Section 6 of Article XIII B of the California Constitution or Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller	0
Schedule:	
(1) 98.01.103.280-Deaf Teletype Equipment (Ch. 1032, Stats. 1980) 0	
Provisions:	
1. Pursuant to Section 17581 of the Government Code, the mandate identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision is specifically identified by the Legislature for suspension during the 1998–99 fiscal year:	
(a) Deaf Teletype Equipment (Ch. 1032, Stats. 1980).	
0690-301-0660—For capital outlay, Office of Emergency Services	25,330,000
Schedule:	
(1) 80.10.001-Sacramento OES Headquarters and State Operations Center—Working drawings and construction 25,330,000	

Item		Amount
Provisions:		
1. The State Public Works Board may issue lease-revenue bonds, notes, or bond anticipation notes pursuant to Chapter 5 (commencing with Section 15830) of Part 10b of Division 3 of Title 2 of the Government Code to finance the construction of the project authorized by this item.		
2. The State Public Works Board and the Office of Emergency Services may obtain interim financing for the project costs authorized in this item from any appropriate source including, but not limited to, the Pooled Money Investment Account pursuant to Sections 16312 and 16313 of the Government Code.		
3. The maximum amount of bonds, notes, or bond anticipation notes to be sold shall not exceed the cost of construction and any additional amounts necessary to pay interim and permanent financing costs.		
0720-001-0001—For painting of the Governor's portrait, for expenditure by the Department of General Services		25,000
0730-001-0001—For expenses of the Governor-elect and outgoing Governor, for expenditure by the Department of Finance		650,000
Schedule:		
Transition Funding:		
(a) Governor-elect expenses as authorized in Section 12015 of the Government Code	550,000	
(b) Outgoing Governor's expenses as authorized in Section 12015.5 of the Government Code	100,000	
Provisions:		
1. Funds scheduled in Category (a) shall be available from November 4, 1998, to January 15, 1999. Expenditure of these funds shall be subject to approval by the Governor-elect.		
0750-001-0001—For support of Office of the Lieutenant Governor		1,366,000
0820-001-0001—For support of Department of Justice		226,588,000
Schedule:		
(1) 11.01-Directorate-Administration	47,593,000	
(2) 11.02-Distributed Directorate-Administration	–47,593,000	
(3) 25-Executive Programs	5,796,000	
(4) 30-Civil Law	93,703,000	

Item		Amount
(5)	40-Criminal Law	71,813,000
(6)	45-Public Rights	31,726,000
(7)	50-Law Enforcement	113,091,000
(8)	60-Criminal Justice Information Services	122,476,000
(9)	65-Gambling Control	3,742,000
(10)	Reimbursements	–106,576,000
(11)	Amount payable from the Attorney General Antitrust Account, General Fund (Item 0820-001-0012)	–1,050,000
(12)	Amount payable from Hazardous Waste Control Account, General Fund (Item 0820-001-0014)	–1,663,000
(13)	Amount payable from Firearms Safety Training Fund Special Account (Item 0820-001-0015)	–716,000
(14)	Amount payable from the Fingerprint Fees Account, General Fund (Item 0820-001-0017)	–32,146,000
(15)	Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 0820-001-0044)	–18,288,000
(16)	Amount payable from the Department of Justice Sexual Habitual Offender Fund, General Fund (Item 0820-001-0142)	–1,556,000
(17)	Amount payable from the Travel Seller Fund (Item 0820-001-0158)	–396,000
(18)	Amount payable from the Restitution Fund (Item 0820-001-0214)	–62,000
(19)	Amount payable from the Sexual Predator Public Information Account (Item 0820-001-0256)	–53,000
(20)	Amount payable from the False Claims Act Fund (Item 0820-001-0378)	–2,911,000
(21)	Amount payable from the Dealers' Record of Sale Special Account, General Fund (Item 0820-001-0460)	–7,161,000
(22)	Amount payable from the Toxic Substances Control Account (Item 0820-001-0557)	–1,757,000
(23)	Amount payable from the DOJ Child Abuse Fund (Item 0820-001-0566)	–334,000

Item	Amount
(24) Amount payable from the Gambling Control Fund (Item 0820-001-0567)	−4,182,000
(25) Amount payable from the Gambling Control Fines and Penalties Account (Item 0820-001-0569)	−1,000
(26) Amount payable from the Federal Trust Fund (Item 0820-001-0890)	−35,155,000
(27) Amount payable from the Federal Asset Forfeiture Account, Special Deposit Fund (Item 0820-001-0942)	−1,305,000
(28) Amount payable from the State Asset Forfeiture Account, Special Deposit Fund (Item 0820-011-0942)	−447,000

Provisions:

1. The Attorney General shall submit to the Legislature, the Department of Finance, and the Governor the quarterly and annual reports that he or she submits to the federal government on the activities of the Medi-Cal Fraud Unit.
2. Notwithstanding any other provision of law, the Department of Justice may purchase or lease vehicles of any type or class that, in the judgment of the Attorney General or his or her designee, are necessary to the performance of the investigatory and enforcement responsibilities of the Department of Justice, from the funds appropriated for that purpose in this item.
3. Notwithstanding Section 28.50 of this act, the Attorney General may augment the reimbursement authority provided by this item by up to an aggregate of 10 percent above the amount approved in this act for the Civil Law Division and the Public Rights Division in cases where the legal representation needs of client agencies are secured by an interagency agreement or letter of commitment and the corresponding expenditure authority has not been provided in this item. The Attorney General shall notify the chairpersons of the budget committees, the Joint Legislative Budget Committee and the Department of Finance within 15 days after the augmentation is made as to the amount and justification of the augmentation, and the program that has been augmented.

Item	Amount
4. Of the amount appropriated in this item, $2,112,000 is for the legal defense costs of the state in cases arising from claims of property losses due to floods. Any funds not used for this purpose shall revert to the General Fund.	
5. Of the funds appropriated by this item, $596,000 shall be available only for necessary expenditures related to defending the state in the Casmalia superfund lawsuit. Any of these funds not expended for this purpose shall revert to the General Fund.	
6. Of the funds appropriated in this item, $266,000 is available for the Northern California pilot program for investigating inactive homicide cases. Any funds not used for this purpose shall revert to the General Fund.	
7. Of the funds appropriated by this item, $150,000 shall support the California Youth Violence Prevention Authority pursuant to legislation enacted during the 1997–98 Regular Session.	
0820-001-0012—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Attorney General Antitrust Account, General Fund	1,050,000
0820-001-0014—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Hazardous Waste Control Account, General Fund	1,663,000
0820-001-0015—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Firearms Safety Training Fund Special Account	716,000
0820-001-0017—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Fingerprint Fees Account, General Fund, pursuant to subdivision (e) of Section 11105 of the Penal Code	32,146,000
0820-001-0044—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Motor Vehicle Account, State Transportation Fund	18,288,000
0820-001-0142—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Department of Justice Sexual Habitual Offender Fund, General Fund	1,556,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and	

Item	Amount
penalties imposed as specified in Government Code Section 13332.18.	
0820-001-0158—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Travel Seller Fund	396,000
0820-001-0214—For support of Department of Justice, for payment to Item 0820-001-0001, payable from Restitution Fund	62,000
0820-001-0256—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Sexual Predator Public Information Account	53,000
0820-001-0378—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the False Claims Act Fund	2,911,000
0820-001-0460—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Dealers' Record of Sale Special Account, General Fund	7,161,000
Provisions:	
1. Dealers' Record of Sale fees collected pursuant to the state law for the registration of assault weapons shall not exceed $20 per registrant.	
0820-001-0557—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Toxics Substances Control Account	1,757,000
0820-001-0566—For support of Department of Justice, for payment to Item 0820-001-0001, payable from DOJ Child Abuse Fund	334,000
0820-001-0567—For support of Department of Justice, for payment to Item 0820-001-0001, payable from Gambling Control Fund	4,182,000
0820-001-0569—For support of Department of Justice, for payment to Item 0820-001-0001, payable from Gambling Control Fines and Penalties Account	1,000
0820-001-0890—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Federal Trust Fund	35,155,000
0820-001-0942—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the Federal Asset Forfeiture Account, Special Deposit Fund	1,305,000
0820-011-0942—For support of Department of Justice, for payment to Item 0820-001-0001, payable from the State Asset Forfeiture Account, Special Deposit Fund	447,000

Item	Amount
0820-101-0001—For local assistance, Department of Justice	8,520,000

Schedule:

(a) 25-Executive Programs 2,915,000
(b) 40-Criminal Law 3,355,000
(c) 50-Law enforcement 900,000
(d) 60-Criminal Justice Information Services 1,350,000

Provisions:

1. The funds appropriated in Schedule (a) are for allocation to community-based violence prevention activities related to the California Gang, Crime and Violence Prevention Partnership Program, pursuant to Chapter 885, Statutes of 1997.
2. The funds appropriated in Schedule (b) are for allocation to district attorneys for vertical prosecution activities related to implementation of the Battered Women Protection Act of 1994, pursuant to Chapter 140, Statutes of 1994.
3. The funds appropriated in Schedule (c) are for allocation to the Sexual Assault Felony Enforcement Task Force.

0820-101-0214—For local assistance, Department of Justice, payable from the Restitution Fund	2,938,000

Schedule:

(a) 50-Law Enforcement 2,938,000

Provisions:

1. The funds appropriated in Schedule (a) are for allocation in support of the California Witness Protection Program, pursuant to Chapter 507 of the Statutes of 1997. Any funds not expended for this specific purpose shall revert to the Restitution Fund.
2. The Department of Justice shall establish, in consultation with the Bureau of State Audits, appropriate policies and procedures for the submittal and review of claims to the California Witness Protection Program. Of the amount appropriated in this item and the amount appropriated in Item 0820-001-0214, the department may expend up to $150,000 for the purposes of this provision and the administration of the California Witness Protection Program.
3. The Bureau of State Audits shall audit the Department of Justice's claims review process for the California Witness Protection Program to ensure that all criteria for program eligibility are met and

Item		Amount
shall report to the Legislature by January 1, 1999, and annually thereafter, on the results of its audits. The bureau shall also recommend changes to criteria for the program to ensure accountability as part of its annual report to the Legislature.		
0820-101-0460—For local assistance, Department of Justice payable from Dealers' Record of Sale Special Account, General Fund		85,000
Schedule:		
(a) 50-Law Enforcement	85,000	
0820-295-0001—For local assistance, Department of Justice, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		10,959,000
Schedule:		
(1) 98.01.139.976-Custody of Minors (Ch. 1399, Stats. 1976)	9,683,000	
(2) 98.01.033.790-Stolen Vehicle Notification (Ch. 337, Stats. 1990)	334,000	
(3) 98.01.110.592-Misdemeanors: Booking/Fingerprinting (Ch. 1105, Stats. 1992)	942,000	
Provisions:		
1. Allocation of funds provided in this item to the appropriate local entities shall be made by the Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated by this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.		
0820-301-0001—For capital outlay, Department of Justice		5,166,000
Schedule:		
(0.5) 85.50.080.980-Riverside Replacement Laboratory—Acquisition	314,000	

Item	Amount
(1) 85.60.010-Santa Barbara Replacement Laboratory—Acquisition and Preliminary Plans	646,000
(2) 85.60.020-Santa Rosa Replacement Laboratory—Acquisition and Preliminary Plans	542,000
(3) 85.60.030-Fresno Replacement Laboratory—Preliminary Plans	397,000
(4) 85.60.040-Eureka Replacement Laboratory—Acquisition	1,500,000
(5) 85.60.050-Hawkins Data Center—Replace/Upgrade Computer Room Emergency Power Configuration—Preliminary Plans, Working Drawings, Construction and Equipment	1,767,000

Provisions:

1. For the project in Schedule (3) in this item, the department shall be allowed to construct a one-story laboratory on the California State University, Fresno, campus.

0820-402—In the event the bonds authorized for the projects scheduled in Item 0820-301-0660 Budget Act of 1997 are not sold, the Department of Justice shall commit a sufficient portion of its support appropriation provided for in this Budget Act to repay any interim financing costs including but not limited to loans from the Pooled Money Investment Account. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until outstanding interim financing costs are repaid either through the sale of bonds or from an appropriation.

0820-490—Reappropriation, Department of Justice.

Notwithstanding any other provision of law, the balance of funds provided in the following citation are reappropriated on the effective date of this act for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriations, and shall be available for expenditure until June 30, 1999.

0001-General Fund

(1) The balance of the $350,000 appropriated from Item 0820-001-0001, Budget Act of 1997, for the necessary expenditures pursuant to the trial of State ex rel State Lands Commission v. City of Los Angeles in accordance with Provision 4 of that item.

Item	Amount
0820-491—Reappropriation, Department of Justice. The balances of the appropriations provided for in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations. The amount available for reappropriation in this item, for construction of the Riverside Crime Laboratory, shall be equal to the original appropriation as reduced by the amount expended in Schedule (.5) of Item 0820-301-0001: 0660—Public Building Construction Fund Item 0820-301-0660, Budget Act of 1997 (1) 85.50.070-Central Valley Crime Laboratory—Construction (2) 85.50.080-Riverside Crime Laboratory—Construction	
0840-001-0001—For support of State Controller.....	61,793,000
Schedule:	
(a) 100000-Personal Services 65,844,000	
(b) 300000-Operating Expenses and Equipment 32,348,000	
(c) Reimbursements .....–28,089,000	
(d) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0840-001-0061)..... –2,904,000	
(e) Amount payable from the Highway Users Tax Account, Transportation Tax Fund (Item 0840-001-0062)... –818,000	
(f) Amount payable from the Local Revenue Fund (Item 0840-001-0330)..... –397,000	
(g) Amount payable from the State School Building Lease-Purchase Fund (Item 0840-001-0344)..... –716,000	
(h) Amount payable from the Federal Trust Fund (Item 0840-001-0890). –1,289,000	
(i) Amount payable from the State Penalty Fund (Item 0840-001-0903)... –933,000	
(j) Amount payable from nongovernmental cost funds, (Retail Sales Tax Fund) (Item 0840-001-0988).. –181,000	
(k) Amount payable from various special funds (Item 0840-011-0494)... –181,000	
(*l*) Amount payable from various bond funds (Item 0840-011-0797)..... –715,000	

Item	Amount
(m) Amount payable from various non-governmental cost funds (Item 0840-011-0988).....	−176,000

Provisions:

1. The appropriation made by this item shall be in lieu of the appropriation in Section 1564 of the Code of Civil Procedure for all costs, expenses, or obligations connected with the administration of the Unclaimed Property Law, with the exception of payment of owners' or holders' claims pursuant to Section 1540, 1542, 1560, or 1561 of the Code of Civil Procedure, or of payment of the costs of compensating contractors for locating and recovering unclaimed property due the state.
2. Of the claims received for reimbursement of court-ordered or voluntary desegregation programs pursuant to Sections 42243.6, 42247, and 42249 of the Education Code, the Controller shall pay only those claims that have been subjected to audit by school districts in accordance with the Controller's procedures manual for conducting audits of education desegregation claims. Furthermore, the Controller shall pay only those past-year actual claims for desegregation program costs that are accompanied by all reports issued by the auditing entity, unless the auditing entity was the Controller.
3. No less than 0.9 personnel-year in the Audits Division shall be used to audit education desegregation claims.
4. The Controller may, with the concurrence of the Director of Finance and the Chairperson of the Joint Legislative Budget Committee, bill affected state departments for activities required by Section 20050 of the State Administrative Manual, relating to the administration of federal pass-through funds.

   No billing may be sent to affected departments sooner than 30 days after the Chairperson of the Joint Legislative Budget Committee has been notified by the Director of Finance that he or she concurs with the amounts specified in the billings.
5. (a) Notwithstanding subdivision (b) of Section 1531 of the Code of Civil Procedure, the Controller may publish notice in any manner that the Controller determines reasonable, provided that: (1) none of the moneys used for

Item Amount

this purpose may be redirected from funding for the Controller's audit activities, (2) no photograph is used in the publication of notice, and (3) no elected official's name is used in the publication of notice.

(b) No funds appropriated by this act may be expended by the Controller to provide information to the public, other than holders of unclaimed property (as defined in subdivision (e) of Section 1501 of the Code of Civil Procedure), concerning the unclaimed property program or possible existence of unclaimed property held by the Controller's office, except for informational announcements to the news media or through the exchange of information on electronic bulletin boards.

6. The Controller's Office shall, through audits of Medi-Cal program and providers, enhance the General Fund resources or reduce the General Fund expenditures in the amount of $22,100,000, through identification of overpayments, cost avoidance, and other appropriate measures.

7. Of the moneys appropriated to the Controller by this act, the Controller shall not expend more than $500,000 to conduct post eligibility fraud audits of the Supplemental Security Income/State Supplementary Payment Program (SSI/SSP).

8. The Commission on State Mandates shall provide, in applicable parameters and guidelines, as follows:

(a) If a local agency or school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual costs that would necessarily have been incurred for that purpose if performed by employees of the local agency or school district.

(b) The maximum amount of reimbursement provided in subdivision (a) may be exceeded only if the local agency or school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished

Item Amount

without incurring the additional costs claimed by the local agency or school district.

9. The funds appropriated to the Controller by this act may not be expended for any performance review or performance audit except pursuant to specific statutory authority. It is the intent of the Legislature that audits conducted by the Controller, or under the direction of the Controller, shall be fiscal audits that focus on claims and disbursements, as provided for in Section 12410 of the Government Code. Any report, audit, analysis, or evaluation issued by the Controller for the 1998–99 fiscal year shall cite the specific statutory or constitutional provision authorizing the preparation and release of the report, audit, analysis, or evaluation.
10. The Controller shall deliver his or her monthly report on General Fund cash receipts and disbursements within 10 days after the close of each month to the Joint Legislative Budget Committee, the fiscal committees of the Legislature, the Department of Finance, the Treasurer's office, and the Office of the Legislative Analyst.
11. For purposes of the review and payment of any claim for reimbursement by local government submitted pursuant to Section 54954.4 of the Government Code, the Controller shall use the procedures that were in effect at the time the claim was submitted.
12. The Controller shall not release a Request for Proposal for an automated statewide travel expense reimbursement system until the Controller has declared, as part of the monthly reporting process to the Department of Information Technology, that all mission-critical Year 2000 projects are complete and that no further Year 2000 activity for mission critical systems is foreseen.

    Once the Request for Proposal is released, the Director of Finance may allocate funds from Item 9903-001-0988 for the hiring of external consultants to develop and implement this system.

0840-001-0061—For support of State Controller, for payment to Item 0840-001-0001, payable from the Motor Vehicle Fuel Account, Transportation Tax Fund 2,904,000

Item	Amount
0840-001-0062—For support of State Controller, for payment to Item 0840-001-0001, payable from the Highway Users Tax Account, Transportation Tax Fund	818,000
0840-001-0330—For support of State Controller, for payment to Item 0840-001-0001, payable from the Local Revenue Fund	397,000
0840-001-0344—For support of State Controller, for payment to Item 0840-001-0001, payable from the State School Building Lease-Purchase Fund	716,000
0840-001-0890—For support of Controller, for payment to Item 0840-001-0001, payable from the Federal Trust Fund	1,289,000
0840-001-0903—For support of State Controller, for payment to Item 0840-001-0001, payable from the State Penalty Fund	933,000
0840-001-0988—For support of State Controller, for payment to Item 0840-001-0001, payable from non-governmental cost funds (Retail Sales Tax Fund)	181,000
0840-011-0494—For support of Controller, for payment to Item 0840-001-0001, payable from the various special funds	181,000
Provisions:	
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures in excess of the amount appropriated by this item not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
0840-011-0797—For support of Controller, for payment to Item 0840-001-0001, payable from the various bond funds	715,000
Provisions:	
1. Notwithstanding any other provision of law, the Director of the Department of Finance may authorize expenditures in excess of the amount appropriated by this item not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than what-	

Item	Amount
ever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
0840-011-0988—For support of Controller, for payment to Item 0840-001-0001, payable from the various nongovernmental cost funds	176,000
Provisions:	
1. Notwithstanding any other provision of law, the Director of the Department of Finance may authorize expenditures in excess of the amount appropriated by this item not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
0840-101-0071—For local assistance, payable from the Yosemite Foundation Account in the California Environmental License Plate Fund	456,000
Provisions:	
1. There is hereby appropriated to the Controller for allocation to the Yosemite Foundation all moneys deposited in the account for activities authorized pursuant to Article 8.4 (commencing with Section 5060) of Chapter 1 of Division 3 of the Vehicle Code (Ch. 1273, Stats. 1992).	
0840-101-0979—For allocation by the Controller from the California Firefighters' Memorial Fund	95,000
Provisions:	
1. The funds appropriated in this item are to be allocated as follows:	
(a) To the Franchise Tax Board and Controller for reimbursement of costs incurred in connection with duties under Article 9 (commencing with Section 18801) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code.	
(b) To the California Fire Foundation the balance in that fund for the construction of a memorial as authorized in that article.	
0845-001-0001—For support of Department of Insurance	750,000
Schedule:	
(a) 30-Tax Collection and Audit 750,000	

Item		Amount
0845-001-0217—For support of Department of Insurance, payable from the Insurance Fund		95,365,000
Schedule:		
(a) 10-Regulation of Insurance Companies and Insurance Producers	52,018,000	
(ax) 12-Consumer Protection	21,656,000	
(b) 20-Fraud Control	22,401,000	
(c) 50.01-Administration	14,476,000	
(d) 50.02-Distributed Administration	–14,476,000	
(e) Reimbursements	–710,000	
Provisions:		
1. Of the funds appropriated in this item, the Controller shall transfer $1,923,000 as of July 1, 1998, to the Department of Aging for support of the Health Insurance Counseling and Advocacy Program.		
2. Of the funds appropriated in this item, the Controller shall transfer $478,000 as of July 1, 1998, to the State and Consumer Services Agency for support of the Office of Insurance Advisor, to provide assistance to the Governor on insurance related matters.		
3. Of the funds appropriated in this item, an amount not to exceed $600,000 shall be used solely to cover intervenor compensation costs allowable under subdivision (b) of Section 1861.10 of the Insurance Code.		
0845-001-0548—For support of Department of Insurance, payable from the Title Insurance Fund		250,000
Schedule:		
(a) 10-Regulation of Insurance Companies and Insurance Producers	250,000	
0845-101-0217—For local assistance, Department of Insurance, Program 20-Fraud Control, payable from the Insurance Fund		26,259,000
0855-001-0567—For support of the California Gambling Control Commission, payable from the Gambling Control Fund		615,000
Schedule:		
(a) 10-California Gambling Control Commission	615,000	
0860-001-0001—For support of State Board of Equalization		184,673,000
Schedule:		
(a) 100000-Personal Services	216,163,000	
(b) 300000-Operating Expenses and Equipment	79,429,000	

Item	Amount
(c) Reimbursements	–86,661,000
(d) Amount payable from the Breast Cancer Fund (Item 0860-001-0004)	–101,000
(e) Amount payable from the State Emergency Telephone Number Special Account, General Fund (Item 0860-001-0022)	–676,000
(f) Amount payable from the Motor Vehicle Fuel Account, Transportation Tax Fund (Item 0860-001-0061)	–16,210,000
(g) Amount payable from the Occupational Lead Poisoning Prevention Account, General Fund (Item 0860-001-0070)	–492,000
(h) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 0860-001-0080)	–577,000
(j) Amount payable from the Cigarette and Tobacco Products Surtax Fund (Item 0860-001-0230)	–1,214,000
(k) Amount payable from the Oil Spill Prevention and Administration Fund (Item 0860-001-0320)	–227,000
(*l*) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 0860-001-0387)	–351,000
(m) Amount payable from the Underground Storage Tank Cleanup Fund, (Item 0860-001-0439)	–1,264,000
(n) Amount payable from the Energy Resources Programs Account, General Fund (Item 0860-001-0465)	–165,000
(o) Amount payable from the Federal Trust Fund (Item 0860-001-0890)	–194,000
(p) Amount payable from the Timber Tax Fund (Item 0860-001-0965)	–2,787,000

Provisions:

1. Notwithstanding any other provision of law, each member of the State Board of Equalization may, using the existing staff allocation for that board member office, employ two persons at the level of Tax Counsel III (Specialist).

Item	Amount
0860-001-0004—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Breast Cancer Fund	101,000
Provisions:	
1. Notwithstanding Section 30461.6 of the Revenue and Taxation Code, or any other provision of law, sufficient funds to cover the costs of the State Board of Equalization for the collection and enforcement of fees to be deposited in the Breast Cancer Fund shall be retained in the fund, and be available to be appropriated to the board.	
0860-001-0022—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the State Emergency Telephone Number Special Account, General Fund	676,000
0860-001-0061—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Motor Vehicle Fuel Account, Transportation Tax Fund	16,210,000
0860-001-0070—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Occupational Lead Poisoning Prevention Account, General Fund	492,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified by Section 13332.18 of the Government Code.	
0860-001-0080—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Childhood Lead Poisoning Prevention Fund	577,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified by Section 13332.18 of the Government Code.	
0860-001-0230—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Cigarette and Tobacco Products Surtax Fund	1,214,000
0860-001-0320—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Oil Spill Prevention and Administration Fund	227,000

Item	Amount
0860-001-0387—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Integrated Waste Management Account, Integrated Waste Management Fund	351,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified by Section 13332.18 of the Government Code.	
0860-001-0439—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Underground Storage Tank Cleanup Fund	1,264,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
0860-001-0465—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Energy Resources Programs Account, General Fund	165,000
0860-001-0890—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Federal Trust Fund	194,000
0860-001-0965—For support of State Board of Equalization, for payment to Item 0860-001-0001, payable from the Timber Tax Fund	2,787,000
0890-001-0001—For support of Secretary of State	22,826,000
Schedule:	
(a) 100000-Personal Services 20,629,768	
(b) 300000-Operating Expenses and Equipment 18,343,232	
(c) Special Item of Expense-Election Related Costs 9,223,000	
(d) Reimbursements ..... –6,126,000	
(e) Amount payable from the Secretary of State Business Fees Fund (Item 0890-001-0228) .....–18,873,000	
(f) Amount payable from the Business Reinvestment Fund (Item 0890-001-0274) ..... –371,000	
Provisions:	
1. Of the funds appropriated in this item, $972,000 shall be available for support of the California Gold Discovery to Statehood Sesquicentennial Commission.	

Item		Amount
0890-001-0228—For support of Secretary of State, for payment to Item 0890-001-0001, payable from the Secretary of State Business Fees Fund		18,873,000
Provisions:		
1. Notwithstanding any other provision of law, the Secretary of State may expend an amount not to exceed $538,000 of the funds appropriated by this item for the investigation and prosecution of voter fraud in California.		
0890-001-0274—For support of Secretary of State, for payment to Item 0890-001-0001, payable from the Business Reinvestment Fund		371,000
0890-003-0001—For support of Secretary of State for rental payments on lease revenue bonds		89,000
Schedule:		
(a) Base Rental and Fees	9,549,000	
(b) Structural Insurance	44,000	
(c) Reimbursements	−9,504,000	
0890-003-0228—For support of Secretary of State for rental payments on lease revenue bonds, payable from the Secretary of State Business Fees Fund		27,000
Schedule:		
(a) Base Rental and Fees	2,949,000	
(b) Structural Insurance	13,000	
(c) Reimbursements	−2,935,000	
0890-295-0001—For local assistance, Secretary of State, for reimbursement, in accordance with Section 6 of Article XIII B of the California Constitution or Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		7,669,000
Schedule:		
(1) 98.01.007.778-Absentee ballots (Ch. 77, Stats. 78)	5,968,000	
(2) 98.01.039.188-Brendon Maguire Act (Ch. 391, Stats. 88)	1,000	
(3) 98.01.049.479-Handicapped voter access (Ch. 494, Stats. 79)	0	
(4) 98.01.070.475-Voter registration procedures (Ch. 704, Stats. 75)	1,383,000	
(5) 98.01.101.381-Local elections (Ch. 1013, Stats. 81)	0	
(6) 98.01.140.176-Voter registration roll purge (Ch. 1401, Stats. 76)	0	
(7) 98.01.142.282-Permanent absent voters (Ch. 1422, Stats. 82)	317,000	

Item	Amount
(8) 98.01.160.382-Democratic presidential delegates (Ch. 1603, Stats. 82)	0
(9) 98.01.104.285-Election materials (Ch. 1042, Stats. 85)	0

Provisions:

1. Except as provided in Provision 2 of this item, allocations of funds provided in this item to the appropriate local entities shall be made by the State Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated in this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.
2. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the State Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any other scheduled amounts in this item. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.
3. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:
   (a) Handicapped voter access (Ch. 494, Stats. 1979).
   (b) Local elections (Ch. 1013, Stats. 1981).
   (c) Voter registration roll purge (Ch. 1401, Stats. 1976).
   (d) Democratic presidential delegates (Ch. 1603, Stats. 1982, and Ch. 8, Stats. 1988).
   (e) Election materials (Ch. 1042, Stats. 1985)

Item		Amount
0950-001-0001—For support of State Treasurer		6,722,000
Schedule:		
(a) 100000-Personal Services	13,482,000	
(b) 300000-Operating Expenses and Equipment	6,328,000	
(c) Reimbursements	–12,747,000	
(d) Amount payable from the Local Agency Deposit Security Fund (Item 0950-001-0240)	–341,000	

Provisions:

1. The State Treasurer shall seek to increase the reimbursement rates charged to those departments or programs that receive services from the State Treasurer's Office's Item Processing system by an amount sufficient to recover from those departments or programs, over a five-year period, beginning not later than fiscal year 1999–2000, their fair share of the $3.78 million cost of upgrading the system to be Year 2000-compliant. Those departments or programs include, but are not limited to, the Department of Health Services' Women, Infant and Children's Program, and the Employment Development Department's Unemployment and Disability Insurance Program.

0950-001-0240—For support of the State Treasurer, for payment to Item 0950-001-0001, payable from the Local Agency Deposit Security Fund		341,000
0956-001-0171—For support of California Debt and Investment Advisory Commission, payable from the California Debt and Investment Advisory Commission Fund		1,588,000
Schedule:		
(a) 10-California Debt and Investment Advisory Commission	1,688,000	
(b) Reimbursements	–100,000	

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Debt and Investment Advisory Commission in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.

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0959-001-0169—For support of California Debt Limit Allocation Committee, payable from the California Debt Limit Allocation Committee Fund..... 555,000

Schedule:

(a) 10-Debt Limit Allocation Committee..... 555,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Debt Limit Allocation Committee in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.
2. Of the amount appropriated in this item, the amount of $48,000 shall be used for all of the following purposes:
   (a) Developing a database that tracks the income groups served by each agency receiving housing bond authority from the California Debt Limit Allocation Committee.
   (b) Identifying the income groups most in need of housing assistance in each of the state's regions.
   (c) Recommending findings to the California Debt Limit Allocation Committee based on the compiled data.

0965-001-0215—For support of California Industrial Development Financing Advisory Commission, payable from the Industrial Development Fund..... 447,000

Schedule:

(a) 10-Industrial Development Financing Advisory Commission..... 447,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Industrial Development Financing Advisory Commission in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser

Item	Amount
time the chairperson of the committee, or his or her designee, may in each instance determine.	
0968-001-0448—For support of California Tax Credit Allocation Committee, payable from the Occupancy Compliance Monitoring Account	563,000
Schedule:	
(a) 10-California Tax Credit Allocation Committee 563,000	
Provisions:	
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Tax Credit Allocation Committee in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
0968-001-0457—For support of California Tax Credit Allocation Committee, payable from the Tax Credit Allocation Fee Account	1,158,000
Schedule:	
(a) 10-California Tax Credit Allocation Committee 1,188,000	
(b) Reimbursements ..... −30,000	
Provisions:	
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Tax Credit Allocation Committee in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
0971-001-0528—For support of California Alternative Energy and Advanced Transportation Financing Authority, payable from the California Alternative Energy Authority Fund	125,000
Schedule:	
(a) 10-California Alternative Energy and Advanced Transportation Financing Authority 125,000	

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Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the California Alternative Energy and Advanced Transportation Financing Authority in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

STATE AND CONSUMER SERVICES

1100-001-0001—For support of California Science Center 11,097,629

Schedule:

(a) 10-Education 11,281,000
(b) 30-California African-American Museum 3,448,629
(c) 40.01-Administration 1,038,000
(d) 40.02-Distributed Administration ... −1,038,000
(e) Reimbursements ..... −1,462,000
(f) Amount payable from the Exposition Park Improvement Fund (Item 1100-001-0267) ..... −2,170,000

Provisions:

1. The Director of General Services shall not approve a contract, permit, or lease agreement by the museum (excluding those for museum exhibits) that reduces state revenues or increases state costs by $25,000 or more unless, not sooner than 30 days prior to giving his or her approval, the director submits in writing to the Chairperson of the Joint Legislative Budget Committee notification of the director's intent to approve that contract, permit, or lease, or not sooner than such lesser time as the chairperson may in each instance determine. This provision shall have no effect as to those contracts that the legislative fiscal committees have examined as part of the budget process or otherwise.
2. The Legislature recognizes that specialized functions, such as exhibit maintenance and educational and guest service programs, may require in-

Item		Amount
dividual skills not generally available in state service. It is the intent of the Legislature to allow the California Science Center to acquire these services from its auxiliary partner, the California Museum Foundation. The California Science Center may transfer funds for these services from the Personal Services Account to the Operating Expense and Equipment Account, not sooner than 30 days after notice thereof to the Joint Legislative Budget Committee.		
3. The California Science Center may borrow funds from the Architectural Revolving Fund for special repair projects authorized in this item and funded from the County of Los Angeles, the Federal Emergency Management Agency, and the Foundation of the California African-American Museum. Any such loan shall be repaid to the Architectural Revolving Fund by the California Science Center by June 30, 1999.		
4. By February 1, 1999, the California Science Center shall report to the Joint Legislative Budget Committee, the fiscal committees of each house of the Legislature, and the Assembly Select Committee on Exposition Park its response to the final recommendations of the Exposition Park Strategic Plan study. It is the intent of the Legislature to consider the study recommendations and the California Science Center's response during the review of the budget for the 1999–2000 fiscal year.		
1100-001-0267—For support of California Science Center for payment to Item 1100-001-0001, payable from the Exposition Park Improvement Fund		2,170,000
1100-003-0001—For support of the California Science Center for rental payments on lease revenue bonds.		2,429,000
Schedule:		
(a) Base rental	2,404,000	
(b) Insurance	25,000	
1100-301-0001—For capital outlay, California Science Center		10,000,000
Schedule:		
(1) 11.00.001—Renovation of California African American Museum (CAAM)—preliminary plans, working drawings, construction	25,000	

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(2) 1100.00.002-Masterplan Parking Facility, Phase I—Preliminary plans, working drawings, and construction 10,000,000

(3) Reimbursements ..... –25,000

Provisions:

1. The California Science Center (CSC) may borrow funds from the Architectural Revolving Fund for the projects authorized in Schedule (1) of this item. Any such loan shall be repaid to the Architectural Revolving Fund by the CSC by June 30, 1999.
2. Funds appropriated for the Masterplan Parking Facility identified in Schedule (2) may not be expended until approved by the Department of Finance.
3. As a condition of the expenditure of funds appropriated in Schedule (2), no state funds shall be expended until the federal funds appropriated in Item 1100-301-0890 are available for expenditure.
4. All revenues from the operation of the project, net budgeted expenditures for public safety and maintenance, as defined and established in the 1998–99 budget year, shall be deposited to the General Fund until the amount of the state's contribution for the project has been repaid. After repayment, all revenues shall be deposited to the Exposition Park Improvement Fund.

1100-301-0890—For capital outlay, California Science Center 19,500,000

Schedule:

(1) 11.00.002-Masterplan Parking Facility, Phase I—preliminary plans, working drawings and construction 19,500,000

Provisions:

1. If the federal funds for this project are appropriated to a local jurisdiction rather than the California Science Center, reimbursement expenditure authority for the project shall be available in lieu of federal fund expenditure authority.

1111-001-0069—For transfer by the State Controller from the Barbering and Cosmetology Fund to the Consumer Affairs Fund 8,670,000

Provisions:

1. The amount appropriated in this item may include revenues derived from the assessment of fines and

Item	Amount
penalties imposed as specified in Section 13332.18 of the Government Code.	
1111-001-0166—For transfer by the State Controller from the Certification Account to the Consumer Affairs Fund	574,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0239—For transfer by the State Controller from the Private Security Services Fund to the Consumer Affairs Fund	5,339,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0260—For transfer by the State Controller from the Nursing Home Administrators' State License Examining Board Fund to the Consumer Affairs Fund	452,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0305—For transfer by the State Controller from the Private Postsecondary and Vocational Education Administration Fund to the Consumer Affairs Fund	8,352,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
1111-001-0325—For transfer by the Controller from the Electronic and Appliance Repair Fund to the Consumer Affairs Fund	1,493,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0421—For transfer by the State Controller from the Vehicle Inspection and Repair Fund to the Consumer Affairs Fund	93,407,000

Item	Amount
Provisions:	
1. The funds appropriated by this item are scheduled as follows:	
(a) Education	738,000
(b) Smog Quality Assurance and Engineering	34,976,000
(c) Licensing	1,477,000
(d) Intake	7,201,000
(e) Mediation	5,372,000
(f) Enforcement	14,880,000
(g) Special Projects/PBB	4,499,000
(h) Consumer Protection Operations	24,264,000
(i) Administration	(11,564,000)

2. The amount appropriated for each of the programs scheduled under Provision 1 may be increased or decreased by an amount not to exceed 25 percent of the amount scheduled for that program.
3. The funds appropriated for transfer in this item shall only be available for expenditure pursuant to Provisions 1 and 2.
4. Of the amount transferred pursuant to Provision 1(b), no more than $5,300,000 shall be expended for the purpose of implementing a remote sensing detection program that audits vehicular emissions. If the Department of Consumer Affairs is unable to find a qualified vendor to perform the audit function, the department may use the funds to undertake this procedure. In either instance, the department shall proceed with an implementation plan not sooner than 30 days after notification in writing is provided to the chairperson of the committee in each house of the Legislature which considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.
5. Of the funds appropriated by this item, $975,000 shall be expended for increased enforcement activities associated with the expanded role of Gold Shield stations, as specified in legislation enacted in the 1997–98 Regular Session of the Legislature.
6. Of the funds provided in Provision 1 (a) of this item, $60,000 shall be expended to revise the Department of Consumer Affairs' brochure for con-

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sumers whose vehicles have failed smog inspection.

7. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

1111-001-0582—For transfer by the State Controller from the High Polluter Repair or Removal Account to the Consumer Affairs Fund 65,282,000

Provisions:

1. The funds appropriated by this item are scheduled as follows:

(a) Education	98,000
(b) Smog Quality Assurance and Engineering	4,692,000
(c) Intake	1,526,000
(d) Enforcement	3,086,000
(e) Low Income Repair Assistance	20,000,000
(f) Accelerated Vehicle Retirement	32,880,000
(g) Dynamometer Cost Mitigation	3,000,000

2. Each of the programs in (a), (b), (c), and (d) scheduled under Provision 1 above may be increased or decreased by an amount not to exceed 25 percent of the total scheduled for that program in this item.
3. The funds appropriated for transfer in this item shall only be available for expenditure pursuant to Provisions 1 and 2.
4. Of the funds appropriated by this item, $325,000 shall be expended for increased enforcement activities associated with the expanded role of the Gold Shield stations, as specified in legislation to be enacted in the 1997–98 Regular Session.
5. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

1111-001-0717—For transfer by the State Controller from the Cemetery Fund to the Consumer Affairs Fund 1,087,000

Provisions:

1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.

Item	Amount
1111-001-0750—For transfer by the State Controller from the State Funeral Directors and Embalmers Fund to the Consumer Affairs Fund	804,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0752—For transfer by the State Controller from the Bureau of Home Furnishings and Thermal Insulation Fund to the Consumer Affairs Fund	3,209,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0769—For transfer by the State Controller from the Private Investigator Fund to the Consumer Affairs Fund	572,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-001-0890—For transfer by the State Controller from the Federal Trust Fund to the Consumer Affairs Fund	1,000,000
Provisions:	
1. Notwithstanding any other provision of law, the Federal Trust Fund Account of the Bureau for Private Postsecondary and Vocational Education may borrow from the Private Postsecondary and Vocational Education Administration Fund an amount not to exceed a cumulative total of $500,000 for the purpose of meeting cash-flow needs for the purposes funded by this item due to delays in collecting federal funds. Any loan made pursuant to this provision shall be made only upon approval of the Department of Finance, and only if the Bureau demonstrates and certifies that a sufficient surplus exists in the Private Postsecondary and Vocational Education Administration Fund to support the amount of the loan, and that funds will be available from the federal government to repay the loan. All money transferred shall be repaid to the fund as	

Item	Amount
soon as possible, but not later than one year from the date of the loan.	
1111-001-0960—For transfer by the State Controller from the Student Tuition Recovery Fund to the Consumer Affairs Fund	(312,000)
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1111-010-0702—For support of Department of Consumer Affairs—Administrative and Consumer Services; Bureau of Automotive Repair; Bureau of Electronic and Appliance Repair; Bureau of Home Furnishings and Thermal Insulation; Bureau of Security and Investigative Services; Arbitration Review Program; Cemetery Program; Funeral Program; Barbering and Cosmetology Program; Bureau of Private Postsecondary and Vocational Education; and Nursing Home Administrator's Program—payable from the Consumer Affairs Fund	190,553,000
Schedule:	
(a) 01.01-Support for Department of Consumer Affairs—Administrative and Consumer Services; Bureau of Automotive Repair; Bureau of Electronic and Appliance Repair; Bureau of Home Furnishings and Thermal Insulation; Bureau of Security and Investigative Services; Arbitration Review Program; Cemetery Program; Funeral Program; Barbering and Cosmetology Program; Bureau of Private Postsecondary and Vocational Education; and Nursing Home Administrator's Program	216,256,000
(b) Reimbursements	–25,703,000
Provisions:	
1. Each transfer from Items 1111-001-0069, 1111-001-0166, 1111-001-0239, 1111-001-0260, 1111-001-0305, 1111-001-0325, 1111-001-0421, 1111-001-0582, 1111-001-0717, 1111-001-0750, 1111-001-0752, 1111-001-0769, 1111-001-0890, and 1111-001-0960 may be increased or decreased by an amount not to exceed 15 percent of the total of each transfer, without further authorization, to reflect the actual distributed costs of the	

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program. In no case shall the total transfers exceed the total appropriation in this item.

2. Provisions 1 to 3, inclusive, of Item 1111-001-0421 also apply to this item.
3. Provisions 1 to 3, inclusive, of Item 1111-001-0582 also apply to this item.
4. The funds transferred in the items specified in Provision 1 shall be used only for the purposes authorized under current law.
5. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.
6. The funds transferred to the Consumer Affairs Fund pursuant to Item 1111-001-0069 shall not be used for expenses associated with the relocation of existing Barbering and Cosmetology licensing examination facilities, unless the Department of Consumers Affairs has first provided a cost-benefit analysis report to the Joint Legislative Budget Committee and the Department of Finance. This report shall include information on the adequacy of the current facility and the service improvements to be gained by relocation.

1120-001-0704—For support of Board of Accountancy, payable from the Accountancy Fund 9,526,000

Schedule:

(a) 3-Board of Accountancy 9,730,000
(b) Reimbursements ..... –204,000

Provisions:

1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

1130-001-0706—For support of California State Board of Architectural Examiners, payable from the California State Board of Architectural Examiners' Fund 2,998,000

Schedule:

(a) 6-Board of Architectural Examiners 3,003,000
(b) Reimbursements ..... –5,000

Provisions:

1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

Item		Amount
1130-001-0757—For support of Landscape Architect Technical Committee, payable from California Board of Architectural Examiners-Landscape Architects Fund		572,000
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1140-001-0001—For support of State Athletic Commission		769,000
Schedule:		
(a) 9-State Athletic Commission	936,000	
(b) Amount payable from the Boxer's Pension Account (Item 1140-002-0008)	−75,000	
(c) Amount payable from the Boxer's Neurological Examinations Account (Item 1140-001-0492)	−92,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1140-001-0492—For support of State Athletic Commission, for payment to Item 1140-001-0001, payable from the Boxer's Neurological Examination Account		92,000
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1140-002-0008—For support of State Athletic Commission, for payment to Item 1140-001-0001, payable from the Boxer's Pension Account		75,000
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1170-001-0773—For support of Board of Behavioral Science Examiners of the State of California, payable from the Behavioral Science Examiners Fund		4,147,000

Item		Amount
Schedule:		
(a) 18-Board of Behavioral Science Examiners	4,323,000	
(b) Reimbursements	−176,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1230-001-0093—For support of Contractors' State License Board, for payment to Item 1230-001-0735, payable from the Construction Management Education Account, Contractors' License Fund		15,000
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1230-001-0735—For support of Contractors' State License Board, payable from the Contractors' License Fund		41,911,000
Schedule:		
(a) 30-Contractors' State License Board	42,179,000	
(b) Reimbursements	−253,000	
(c) Amount payable from the Construction Management Education Account, Contractors' License Fund (Item 1230-001-0093)	−15,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1260-001-0741—For support of Board of Dental Examiners of California, payable from the State Dentistry Fund		5,782,000
Schedule:		
(a) 36-Board of Dental Examiners	5,851,000	
(b) Reimbursements	−69,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		

Item	Amount
1270-001-0380—For support of Board of Dental Examiners of California, payable from the Dental Auxiliary Fund	1,223,000
Schedule:	
(a) 36-Board of Dental Examiners..... 1,445,000	
(b) Reimbursements..... –222,000	
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
1340-001-0205—For support of State Board of Registration for Geologists and Geophysicists, Program 51, payable from the Geology and Geophysics Fund....	934,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
1350-001-0024—For support of State Board of Guide Dogs for the Blind, Program 54, payable from the Guide Dogs for the Blind Fund	93,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1390-001-0175—For support of Dispensing Opticians, Medical Board of California, for payment to Item 1390-001-0758, payable from the Dispensing Opticians Fund	280,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
1390-001-0210—For support of Outpatient Settings, Medical Board of California, for payment to Item 1390-001-0758, payable from the Outpatient Setting Fund	26,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	

Item		Amount
1390-001-0758—For support of Medical Board of California, payable from the Contingent Fund of the Medical Board of California		32,684,000
Schedule:		
(a) 63.10.010-Medical Board of California	33,829,000	
(b) 63.15-Registered Dispensing Opticians	280,000	
(c) 63.17-Outpatient Setting	26,000	
(e) 63.10.020-Distributed Medical Board of California	–838,000	
(f) Reimbursements	–307,000	
(g) Amount payable from the Dispensing Opticians Fund (Item 1390-001-0175)	–280,000	
(h) Amount payable from the Outpatient Setting Fund (Item 1390-001-0210)	–26,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
400-001-0108—For support of Acupuncture Examining Committee, Medical Board of California, payable from the Acupuncturists Fund		1,450,000
Schedule:		
(a) 63.20-Acupuncture Committee	1,473,000	
(b) Reimbursements	–23,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1410-001-0208—For support of Hearing Aid Dispensers Examining Committee, Medical Board of California, payable from the Hearing Aid Dispensers Fund		439,000
Schedule:		
(a) 63.30-Hearing Aid Dispensers Examining Committee	448,000	
(b) Reimbursements	–9,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		

Item		Amount
1420-001-0759—For support of Physical Therapy Examining Committee, Medical Board of California, payable from the Physical Therapy Fund		1,785,000
Schedule:		
(a) 63.40-Physical Therapy Examining Committee	1,884,000	
(b) Reimbursements	−99,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1430-001-0280—For support of Physician Assistant Examining Committee, Medical Board of California, payable from the Physician Assistant Fund		806,000
Schedule:		
(a) 63.50-Physician Assistant Examining Committee	814,000	
(b) Reimbursements	−8,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1440-001-0295—For support of California Board of Podiatric Medicine, payable from the Podiatry Fund		1,005,000
Schedule:		
(a) 63.60-Board of Podiatric Medicine.	1,009,000	
(b) Reimbursements	−4,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1450-001-0310—For support of Board of Psychology, Medical Board of California, payable from the Psychology Fund		2,791,000
Schedule:		
(a) 63.70-Board of Psychology	2,830,000	
(b) Reimbursements	−39,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		

Item		Amount
1455-001-0319—For support of Respiratory Care Examining Committee, Medical Board of California, payable from the Respiratory Care Fund		1,737,000
Schedule:		
(a) 63.75-Respiratory Care Examining Committee	1,803,000	
(b) Reimbursements	−66,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1460-001-0376—For support of Speech Pathology and Audiology Examining Committee, Medical Board of California, payable from the Speech Pathology and Audiology Examining Committee Fund		347,000
Schedule:		
(a) 63.80-Speech Pathology and Audiology Committee	359,000	
(b) Reimbursements	−12,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1480-001-0763—For support of State Board of Optometry, payable from the State Optometry Fund		1,047,000
Schedule:		
(a) 69-Board of Optometry	1,053,000	
(b) Reimbursements	−6,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1490-001-0767—For support of California State Board of Pharmacy, payable from the Pharmacy Board Contingent Fund		5,654,000
Schedule:		
(a) 72-Board of Pharmacy	5,864,000	
(b) Reimbursements	−210,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		

Item	Amount
1500-001-0770—For support of State Board of Registration for Professional Engineers and Land Surveyors, payable from the Professional Engineers' and Land Surveyors' Fund	7,127,000
Schedule:	
(a) 75-State Board of Registration for Professional Engineers and Land Surveyors 7,143,000	
(b) Reimbursements ..... −16,000	
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
1510-001-0761—For support of Board of Registered Nursing, payable from the Board of Registered Nursing Fund	12,319,000
Schedule:	
(a) 78-Board of Registered Nursing..... 12,862,000	
(b) Reimbursements ..... −543,000	
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
1520-001-0771—For support of Court Reporters Board of California, payable from the Court Reporters' Fund	533,000
Schedule:	
(a) 81-Court Reporters Board 534,000	
(b) Reimbursements ..... −1,000	
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
1530-001-0399—For support of Structural Pest Control Board, for payment to Item 1530-001-0775, payable from the Structural Pest Control Education and Enforcement Fund	270,000
Provisions:	
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	

Item		Amount
1530-001-0775—For support of Structural Pest Control Board, payable from the Structural Pest Control Fund		3,308,000
Schedule:		
(a) 84-Structural Pest Control Board	3,580,000	
(b) Reimbursements	–2,000	
(c) Amount payable from the Structural Pest Control Education and Enforcement Fund (Item 1530-001-0399)	–270,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1560-001-0777—For support of Veterinary Medical Board and the Registered Veterinary Technician Committee, payable from the Veterinary Medical Board Contingent Fund		1,354,000
Schedule:		
(a) 90.10.010-Veterinary Medical Board	1,380,000	
(b) Reimbursements	–26,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
1590-001-0779—For support of Board of Vocational Nurse and Psychiatric Technician Examiners of the State of California, payable from the Vocational Nurse and Psychiatric Technician Examiners' Fund, Vocational Nurses Account		3,418,000
Schedule:		
(a) 91.10.010-Vocational Nurses	3,679,000	
(b) 91.10.020-Distributed Vocational Nurses	–37,000	
(c) Reimbursements	–224,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		

Item		Amount
1600-001-0780—For support of Board of Vocational Nurse and Psychiatric Technician Examiners of the State of California, payable from the Vocational Nurse and Psychiatric Technician Examiners Fund, Psychiatric Technicians Account		978,000
Schedule:		
(a) 91-Board of Vocational Nurse and Psychiatric Technician Examiners.	989,000	
(b) Reimbursements	−11,000	
Provisions:		
1. The funds appropriated by this item are from the moneys deposited pursuant to Section 4547 of the Business and Professions Code.		
2. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
1700-001-0001—For support of Department of Fair Employment and Housing		14,846,000
Schedule:		
(a) 50-Administration of Civil Rights Law	18,837,000	
(b) Reimbursements	−15,000	
(c) Amount payable from the Federal Trust Fund (Item 1700-001-0890).	−3,976,000	
Provisions:		
1. The Director of Finance may allocate funds from Provision 2 of Item 9903-001-0001 for the purchase of data processing hardware, software, related equipment, and services to enable the Department of Fair Employment and Housing to implement the necessary automation enhancements to its existing information systems, upon at least 30 days' notice to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house of the Legislature that considers the budget.		
1700-001-0890—For support of Department of Fair Employment and Housing, for payment to Item 1700-001-0001, payable from the Federal Trust Fund		3,976,000
1705-001-0001—For support of the Fair Employment and Housing Commission		1,099,000
Schedule:		
(a) 10-Fair Employment and Housing Commission	1,249,000	
(b) Reimbursements	−150,000	

Item		Amount
1730-001-0001—For support of Franchise Tax Board ...		347,313,000
Schedule:		
(a) 10-Tax Programs	341,826,000	
(b) 20-Homeowners and Renters Assistance	2,220,000	
(c) 30-Political Reform Audit (1,271,000)	0	
(d) 40-Child Support Collections	11,051,000	
(e) 50-DMV Collections	7,927,000	
(f) 60-Court Collections	815,000	
(g) 70-Contract Work	6,272,000	
(h) 80.01-Administration	21,370,000	
(i) 80.02-Distributed Administration	–21,370,000	
(j) Reimbursements	–13,564,000	
(k) Amount payable from the State Highway Account, State Transportation Fund (Item 1730-001-0042)	–2,000	
(*l*) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 1730-001-0044)	–2,792,000	
(m) Amount payable from the Motor Vehicle License Fee Account, Transportation Tax Fund (Item 1730-001-0064)	–5,133,000	
(n) Amount payable from the Delinquent Tax Collection Fund (Section 19378 of the Revenue and Taxation Code)	–404,000	
(o) Amount payable from the Rare Fish, Wildlife, and Plant Species Conservation and Enhancement Account, Fish and Game Preservation Fund (Item 1730-001-0200)	–13,000	
(p) Amount payable from the Court Collection Account (Item 1730-001-0242)	–815,000	
(r) Amount payable from the State Children's Trust Fund (Item 1730-001-0803)	–11,000	
(s) Amount payable from the California Alzheimer's Disease and Related Disorders Research Fund (Item 1730-001-0823)	–11,000	
(t) Amount payable from the California Military Museum Fund (Item 1730-001-0875)	–6,000	

Item	Amount
(u) Amount payable from the D.A.R.E. California (Drug Abuse Resistance Education) Fund (Item 1730-001-0876)	–6,000
(v) Amount payable from the California Seniors Special Fund (Item 1730-001-0886)	–4,000
(w) Amount payable from the California Election Campaign Fund (Item 1730-001-0905)	–5,000
(x) Amount payable from the California Breast Cancer Research Fund (Item 1730-001-0945)	–7,000
(y) Amount payable from the Public Schools Library Protection Fund (Item 1730-001-0975)	–11,000
(z) Amount payable from the Firefighters' Memorial Fund (Item 1730-001-0979)	–7,000
(aa) Amount payable from the California Seniors Fund (Item 1730-001-0983)	–7,000

Provisions:

1. It is the intent of the Legislature that the Franchise Tax Board resolve tax controversies, without litigation, on a basis that is fair to both the state and the taxpayer and in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the board.
2. During the 1998–99 fiscal year, the collection cost recovery fee for purposes of subparagraph (A) of paragraph (1) of subdivision (a) of Section 19254 of the Revenue and Taxation Code shall be $103, and the filing enforcement cost recovery fee for purposes of subparagraph (A) of paragraph (2) of that subdivision shall be $71.
3. During the 1998–99 fiscal year, the collection cost recovery fee for purposes of subparagraph (B) of paragraph (1) of subdivision (a) of Section 19254 of the Revenue and Taxation Code shall be $147, and the filing enforcement cost recovery fee for purposes of subparagraph (B) of paragraph (2) of that subdivision shall be $82.
4. Prior to awarding any contract for development of an Integrated Nonfiler Tax Compliance System, the Franchise Tax Board shall submit a feasibility study report for review and approval by the De-

Item	Amount
partment of Information Technology and the Department of Finance. No contract shall be awarded any sooner than 30 days after the notification of that approval of the feasibility study report is provided to the Joint Legislative Budget Committee by the Department of Finance.	
1730-001-0042—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the State Highway Account, State Transportation Fund	2,000
1730-001-0044—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the Motor Vehicle Account, State Transportation Fund	2,792,000
1730-001-0064—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the Motor Vehicle License Fee Account, Transportation Tax Fund	5,133,000
1730-001-0200—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the Rare Fish, Wildlife, and Plant Species Conservation and Enhancement Account, Fish and Game Preservation Fund	13,000
1730-001-0242—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the Court Collection Account	815,000
1730-001-0803—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the State Children's Trust Fund	11,000
1730-001-0823—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California Alzheimer's Disease and Related Disorders Research Fund	11,000
1730-001-0875—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California Military Museum Fund	6,000
1730-001-0876—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California (D.A.R.E.) Drug Abuse Resistance Education Fund	6,000
1730-001-0886—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California Seniors Special Fund	4,000
1730-001-0905—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California Election Campaign Fund	5,000

Item		Amount
1730-001-0945—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California Breast Cancer Research Fund		7,000
1730-001-0975—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the Public Schools Library Protection Fund		11,000
1730-001-0979—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the Firefighters' Memorial Fund		7,000
1730-001-0983—For support of Franchise Tax Board, for payment to Item 1730-001-0001, payable from the California Seniors Fund		7,000
1730-002-0001—For support of the Franchise Tax Board for rental payments on lease revenue bonds		5,816,000
(a) Central Office—Building 1 and 2	5,726,000	
(b) Insurance	90,000	
1730-295-0001—For local assistance, Franchise Tax Board, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		3,600,000
Schedule:		
(1) 98.01.149.084—Business Tax Reporting Requirements (Ch. 1490, Stats. 1984)	3,600,000	
(2) 98.01.023.874—Substandard Housing (Ch. 238, Stats. 1974)	0	
Provisions:		
1. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:		
(b) Substandard Housing (Ch. 238, Stats. 1974).		
1730-301-0001—For capital outlay, Franchise Tax Board		1,089,000
Schedule:		
(1) 90.00.010-Major Projects, Sacramento Central Office Security Improvements—Preliminary plans, working drawings, and construction	1,089,000	

Item	Amount
1760-001-0001—For support of Department of General Services, for payment to Item 1760-001-0666	9,025,000
Provisions:	
1. In addition to the funds appropriated by this item, any amounts received from the sale of the Governor's Budget and related publications funded from this item are available for expenditure.	
1760-001-0002—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Property Acquisition Law Account, General Fund.....	2,517,000
1760-001-0003—For support of Department of General Services, for payment to Item 1760-001-0666, payable from Motor Vehicle Parking Facilities Moneys Account, General Fund	4,652,000
1760-001-0006—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Access for Handicapped Account, General Fund.....	1,807,000
1760-001-0022—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the State Emergency Telephone Number Account, General Fund	1,245,000
1760-001-0026—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the State Motor Vehicle Insurance Account, General Fund	3,787,000
Provisions:	
1. Notwithstanding any other provision of law, Section 16379 of the Government Code shall govern the payment of claims for the purposes of this item.	
1760-001-0344—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the State School Building Lease-Purchase Fund	9,562,000
Provisions:	
1. Notwithstanding Item 9840-001-0494, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code for the purposes of this item.	
1760-001-0450—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Seismic Gas Valve Certification Fund	77,000

Item		Amount
1760-001-0465—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Energy Resources Programs Account, General Fund		1,301,000
1760-001-0602—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Architecture Revolving Fund		20,298,000
1760-001-0666—For support of Department of General Services, payable from the Service Revolving Fund		362,847,000
Schedule:		
(a) Program support	469,483,000	
(b) Distributed services	–14,406,000	
(c) Amount payable from the General Fund (Item 1760-001-0001)	–9,025,000	
(d) Amount payable from the General Fund (Item 1760-011-0001)	–4,836,000	
(e) Amount payable from the Property Acquisition Law Account, General Fund (Item 1760-001-0002)	–2,517,000	
(f) Amount payable from the Motor Vehicle Parking Facilities Moneys Account, General Fund (Item 1760-001-0003)	–4,652,000	
(g) Amount payable from the Access for Handicapped Account, General Fund (Item 1760-001-0006)	–1,807,000	
(h) Amount payable from the State Emergency Telephone Number Account, General Fund (Item 1760-001-0022)	–1,245,000	
(i) Amount payable from the State Motor Vehicle Insurance Account, General Fund (Item 1760-001-0026)	–3,787,000	
(j) Amount payable from the State School Building Lease-Purchase Fund (Item 1760-001-0344)	–9,562,000	
(k) Amount payable from the Seismic Gas Valve Certification Fund (Item 1760-001-0450)	–77,000	
(*l*) Amount payable from the Energy Resources Programs Account, General Fund (Item 1760-001-0465)	–1,301,000	

Item	Amount
(m) Amount payable from the Architecture Revolving Fund (Item 1760-001-0602)	–20,298,000
(n) Amount payable from the New Prison Construction Fund (Item 1760-001-0723)	–379,000
(o) Amount payable from the Prison Construction Fund, 1986 (Item 1760-001-0746)	–1,821,000
(p) Amount payable from the Prison Construction Fund, 1988 (Item 1760-001-0747)	–841,000
(q) Amount payable from the 1990 Prison Construction Fund (Item 1760-001-0751)	–1,017,000
(r) Amount payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990 (Item 1760-001-0768)	–723,000
(s) Amount payable from the State School Deferred Maintenance Fund (Item 1760-001-0961)	–137,000
(t) Amount payable from the Service Revolving Fund (Item 1760-002-0666)	–25,528,000
(u) Amount payable from Property Acquisition Law Account, General Fund (Item 1760-015-0002)	–1,575,000
(v) Amount payable from the Motor Vehicle Parking Facilities Money Account, General Fund (Item 1760-002-0003)	–1,102,000

Provisions:

1. The Department of General Services is authorized to collect rent from the tenants of the buildings at 1020 N Street and 1021 O Street in Sacramento. These rents shall be deposited in the Service Revolving Fund and shall be available for maintenance and operation of the buildings by the Building and Property Management Branch.
2. Notwithstanding any other provision of law, revenues from the sale of legislative bills and publications received by the Bill Room shall be deposited in the Service Revolving Fund.
3. Notwithstanding any other provision of law, if the Director of the Department of General Services determines in writing that there is insufficient

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cash in a special fund under his or her authority to make one or more payments currently due and payable, he or she may order the transfer of moneys to that special fund in the amount necessary to make payment or payments, as a loan from the Service Revolving Fund. That loan shall be subject to all of the following conditions:

(a) No loan shall be made that would interfere with the carrying out of the object for which the Service Revolving Fund was created.

(b) The loan shall be repaid as soon as there is sufficient money in the recipient fund to repay the amount loaned, but no later than 18 months after the date of the loan, except that the loan to the Motor Vehicle Parking Fund shall be repaid no later than five years after the date of the loan. The Department of General Services may impose a parking rate increase as necessary for the repayment of the loan only if the increase is approved by a memorandum of understanding entered into by each collective bargaining unit that represents state employees to be affected by the increase, and the memorandum of understanding is ratified by statute. Any parking rate increase imposed pursuant to this provision shall apply equally to state employees who are affected by the increase whether or not they are represented by a collective bargaining unit. The amount loaned shall not exceed the amount that the fund or program is authorized at the time of the loan to expend during the 1998–99 fiscal year from the recipient fund except as otherwise provided in Provisions 5 and 6 of this item.

(c) The terms and conditions of the loan are approved, prior to the transfer of funds, by the Department of Finance pursuant to appropriate fiscal standards.

4. Notwithstanding any other provision of law, the Director of the Department of General Services may authorize a loan from the Service Revolving Fund to the Public School Planning, Design and Construction Review Revolving Fund for the purpose of meeting the cash needs of the Structural Safety and Fire and Life Safety Sections in the Division of the State Architect. The loan shall not

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exceed $4,000,000. As a condition of the loan, the Division of the State Architect shall reduce its school plan review and inspection staff to a level commensurate with expected workload, and shall maintain that staffing level. This loan shall be repaid as soon as there is sufficient money in the recipient fund to repay the amount loaned, but no later than June 30, 2001. No loan shall be made that would interfere with the carrying out of the objectives for which the Service Revolving Fund was created.

5. Notwithstanding Item 9840-001-0988, Item 9840-001-0494, and Section 27.00 of this act, the Director of General Services may augment this item or any of Items 1760-001-0002, 1760-001-0003, 1760-001-0006, 1760-001-0026, and 1760-001-0602, by up to an aggregate of 10 percent in cases where (a) the Legislature has approved funds for a customer for the purchase of services or equipment through the Department of General Services (DGS) and the corresponding expenditure authority has not been provided in this item or (b) a local government entity or the federal government has requested services from the DGS. Any augmentation that is deemed to be necessary on a permanent basis shall be identified in the Governor's Budget for the subsequent fiscal year. If the Director of the Department of General Services augments this item or Item 1760-001-0002, 1760-001-0003, 1760-001-0006, 1760-001-0026, or 1760-001-0602 the DGS shall notify the Department of Finance within 30 days after that augmentation is made as to the amount, justification, and the program augmented. Any augmentation made in accordance with this provision shall not result in an increase in any rate charged to other departments for services or the purchase of goods without the prior written consent of the Department of Finance.

6. Notwithstanding Item 9840-001-0988, Item 9840-001-0494, and Section 27.00 of this act, if this item or Item 1760-001-0002, 1760-001-0003, 1760-001-0006, 1760-001-0026, or 1760-001-0602, is augmented pursuant to Provision 5 by the maximum allowed under that provision, the Director of Finance may further augment the item or items in cases where (a) the Legislature has ap-

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proved funds for a customer for the purchase of services or equipment through the DGS and the corresponding expenditure authority has not been provided in these items, or (b) a local government entity or the federal government has requested services from the DGS. Any augmentation that is deemed to be necessary on a permanent basis shall be identified in the Governor's Budget for the subsequent fiscal year.

7. Notwithstanding Item 9840-001-0988, Item 9840-001-0494, and Section 27.00 of this act, the Director of General Services may augment this item and Items 1760-001-0026 and Item 1760-001-0003 to increase authorized expenditures by the Office of State Printing, the Office of Information Services, the Office of Risk and Insurance Management, the Office of Fleet Administration, the Energy Assessments Section of the Professional Services Branch, and the Telecommunications Division's Public Safety Radio Services Section. The augmentation shall be for the specific purpose of enabling the Office of State Printing, the Office of Risk and Insurance Management, the Office of Information Services, the Office of Fleet Administration, the Energy Assessments Section of the Professional Services Branch, and the Telecommunications Division's Public Safety Radio Services Section to provide competitive services to their customers (including local government entitles or the federal government) and may be made only if the office has sufficient operating reserves available to fund the augmentation. If the Director of General Services augments either of the items in this provision, the DGS shall notify the Department of Finance within 30 days after that augmentation is made as to the amount, justification, and the office augmented. Any augmentation that is necessary on a permanent basis shall be identified in the Governor's Budget for the subsequent fiscal year.
8. Any augmentation made pursuant to Provision 5, 6, or 7 of this item shall be reported in writing to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee within 30 days of the date the augmentation is approved. This notification shall

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identify the amount of, and justification for, the augmentation, and the program that has been augmented.

9. Notwithstanding any other provision of law, the Director of General Services or his or her designee, in lieu of the Director of Finance, is authorized to carry out the provisions of Section 26.00 of this act as it pertains to category transfers.

10. Notwithstanding any other provision of law, the Director of General Services or his or her designee, in lieu of the Director of Finance, is authorized to approve Budget Revision, Standard Form 26.

11. Notwithstanding any other provision of law, the Director of General Services or his or her designee, in lieu of the Director of Finance, is authorized to carry out Section 31.00 of this act as it pertains to the positions funded by this act and is not required to notify the Chairperson of the Joint Legislative Budget Committee regarding any position authorizations, blanket transfers, or reclassification of positions.

12. Notwithstanding any other provision of law, commencing July 1, 1998, in addition to the annual report of the Department of General Services on small business participation in public contracting, required in accordance with Section 14840 of the Government Code, the department shall also include the following data:

(a) Statistical data regarding ethnicity and gender of small business bidders participating in public contracting and procurement, including dollar values of contract awards, for the following categories of contracts:

(1) Construction.

(2) Purchases of materials, supplies, and equipment.

(3) Professional services.

(4) All contracts with a dollar amount of less than $25,000.

1760-001-0723—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the New Prison Construction Fund 379,000

1760-001-0746—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Prison Construction Fund, 1986..... 1,821,000

Item	Amount
1760-001-0747—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Prison Construction Fund, 1988.....	841,000
1760-001-0751—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the 1990 Prison Construction Fund.....	1,017,000
1760-001-0768—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990.....	723,000
1760-001-0961—For support of Department of General Services for payment to Item 1760-001-0666, payable from the State School Deferred Maintenance Fund.....	137,000
1760-002-0003—For support of Department of General Services, for rental payments on lease revenue bonds for payment to Item 1760-001-0666, payable from the Motor Vehicle Parking Facilities Moneys Account, General Fund.....	1,102,000
Provisions:	
1. The funds appropriated in this item are for the following:	
(a) Base Rental and Fees..... 1,097,000	
(b) Insurance..... 5,000	
1760-002-0666—For support of Department of General Services, for rental payments on lease revenue bonds, for payment to Item 1760-001-0666, payable from the Service Revolving Fund.....	25,528,000
Provisions:	
1. The funds appropriated in this item are for the following:	
(a) Base rental and fees..... 25,479,000	
(b) Insurance..... 473,000	
(c) Reimbursements ..... –424,000	
1760-011-0001—For support of Department of General Services, for payment to Item 1760-001-0666	4,836,000
Provisions:	
1. The funds appropriated in this item are for the following:	
(a) Asbestos Abatement..... 1,638,000	
(b) PCB Program..... 237,000	
(c) Underground Storage Tank Program..... 2,961,000	
2. The funds appropriated by this item may also be used for purposes related to the remediation of toxic sites for which the state is responsible, provided that proposals to transfer funds between	

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these programs or for such other purposes shall be submitted in accordance with Section 26.00 of this act. These proposals shall detail the reasons for the transfer and the impact on the programs for which the transfer is proposed.

3. The unencumbered balance of any funds transferred from this item into the Architecture Revolving Fund will be reverted at the close of the fiscal year.

1760-015-0002—For support of Department of General Services, for payment to Item 1760-001-0666, payable from the Property Acquisition Law Account, General Fund 1,575,000

Provisions:

1. The funds appropriated by this item are for strategic assessments of properties that have been identified in the State Surplus Property Inventory, in the dollar amounts indicated as follows:
   (a) State Department of Developmental Services
      (1) Agnews Developmental Center 1,000,000
      (2) Sonoma Developmental Center 100,000
      (3) Fairview Developmental Center 100,000
   (b) Department of General Services
      (1) Long Beach State Building 50,000
   (c) Department of Corrections
      (1) California Institution for Men—Chino 250,000
   (d) California Highway Patrol
      (1) Sacramento (Meadowview). 75,000
2. Funds appropriated by this item may be transferred by the Department of General Services between and among the projects identified in Provision 1 as necessary.
3. Funds appropriated in this item for the former California Highway Patrol Academy in Sacramento shall be available only if the property is not acquired by the City of Sacramento.

1760-101-0001—For local assistance, Department of General Services 2,200,000

Schedule:

(1) Marin County Civic Center 2,000,000

Item		Amount
(2) Butte County 911 Dispatch Center for the Americans with Disabilities Act (ADA) and equipment upgrades	200,000	
1760-101-0022—For local assistance, Department of General Services, for reimbursement of local agencies and service suppliers or communications equipment companies for costs incurred pursuant to Sections 41137, 41137.1, 41138, and 41140 of the Revenue and Taxation Code, payable from the State Emergency Telephone Number Account, General Fund		79,018,000
1760-101-0768—For local assistance, Department of General Services, payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990		2,526,371
Schedule:		
(1) 4225-San Leandro, Alameda: Fire Station #3	116,810	
(2) 4224-San Leandro, Alameda: Fire Station #2	110,858	
(3) 4204-Culver City, Los Angeles: Culver City Fire Station Retrofit	162,020	
(4) 4203-Grover Beach, San Bernardino: Grover Beach Police Facility	259,775	
(5) 4193-Citrus Heights, Sacramento: Citrus Heights Fire Station #23	40,088	
(6) 4160-Los Altos, Santa Clara: Sequoia Fire Station	213,654	
(7) 4127-Bolinas, Marin: Bolinas Fire Station	37,851	
(8) 4073-San Ramon, Contra Costa: Dougherty Fire Station	161,555	
(9) 4072-Danville, Contra Costa: Fire Station #35	73,196	
(10) 4071-San Ramon, Contra Costa: Fire Station #34	49,153	
(11) 4043-Orinda, Contra Costa: Orinda Fire Station #43	62,811	
(12) 4042-Orinda, Contra Costa: Fire Station #44	57,671	
(13) 4029-Oakland, Alameda: Oakland Police Administration Retrofit	500,000	
(14) 4028-Oakland, Alameda: Fire Station #27	60,519	
(15) 4027-Oakland, Alameda: Fire Station #19	70,080	

Item		Amount
(16) 4026-Oakland, Alameda: Fire Station #16	64,860	
(17) 4025-Oakland, Alameda: Fire Station #6	74,355	
(18) 4024-Oakland, Alameda: Fire Station #23	106,257	
(19) 4022-Oakland, Alameda: Fire Station #21	131,880	
(20) 4020-Oakland, Alameda: Fire Station #14	172,978	
1760-301-0001—For Capital Outlay, Department of General Services		9,550,000
Schedule:		
(1) 50.10.052-Property Contiguous to Franchise Tax Board—Acquisition	7,000,000	
(2) 50.10.140-Food & Agriculture Building Renovation, 1220 N Street, Sacramento—Preliminary plans and working drawings	1,450,000	
(3) 50.10.141-Purchase Employment Development Department Sacramento Warehouse Facility	1,100,000	

Provisions:

1. The Director of the Department of General Services is hereby authorized to purchase the warehouse facility operated by the Employment Development Department located at 805 R Street in Sacramento. This authority is consistent with the Capitol Area Plan as approved by the Legislature.
2. The funds appropriated in Schedule (1) for the acquisition of property contiguous to the Franchise Tax Board are contingent upon enactment of legislation that will amend the provisions of Chapter 1152 of the Statutes of 1996.
3. If planning for a project included in the Sacramento Regional Facilities Plan is not undertaken in three years, the Director of General Services shall seek authorization to surplus and dispose of the property in Schedule (1), including properties located in Sacramento County of approximately 2.5 acres near the northwest corner of the intersection of Folsom Boulevard and Mayhew Road and of approximately 29 acres near the northeast corner of Folsom Boulevard and Butterfield Road, or any portion determined to be excess, pursuant to Section 11011 of the Government Code.

Item		Amount
1760-301-0002—For capital outlay, Department of General Services, payable from the Property Acquisition Law Account		309,000
Schedule:		
(1) 50.50.001-Hazardous Materials Abatement, 107 South Broadway, Los Angeles—preliminary plans and working drawings	309,000	
Provisions:		
1. In the event there are insufficient funds in the Property Acquisition Law Account, the Department of Finance may authorize expenditures for this project from the General Fund.		
1760-301-0768—For capital outlay, Department of General Services, payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990		64,645,000
Schedule:		
(1) 50.99.029—Program management	723,000	
(1.2) 50.99.030—DSA 3-Employment Development Department, 800 Capitol Mall Structural Retrofit—Construction	9,811,000	
(2) 50.99.031—DSA 48-Department of General Services, Legislative Office Building Annex Demolition—Construction	2,004,000	
(3) 50.99.026—Building Risk Assessments	250,000	
(3.5) 50.99.033—DSA 4337-Department of Corrections, Tehachapi G-Educational and Vocational Structural Retrofit—Construction	763,000	
(4) 50.99.034—DSA 421301, 02-Department of Corrections, San Quentin, South Block: Structural Retrofit-Construction	8,540,000	
(5) 50.99.035—DSA 421501, 02-Department of Corrections, San Quentin, West Block: Structural Retrofit-Construction	5,332,000	
(5.5) 50.99.036—DSA 4339-Department of Corrections, Tehachapi J-Kitchen/Laundry: Structural Retrofit—Construction	674,000	

Item	Amount
(7) 50.99.051—DSA 4211-Department of Corrections, San Quentin, Neumiller Infirmary: Structural Retrofit—Working drawings and construction	6,283,000
(8) 50.99.052—DSA 4152-Department of Corrections, San Quentin, North Block: Structural Retrofit—Working drawings and construction	4,035,000
(9) 50.99.053—DSA 3275, 3276 and 3277-Department of Developmental Services, Fairview, Wards D1516, E3014, F1112: Structural Retrofit—Working drawings and construction	4,369,000
(10) 50.99.056—DSA 11169-Department of the Military, Sacramento Meadowview Armory: Structural Retrofit—Working drawings and construction	1,421,000
(11) 50.99.057—DSA 4406-Department of Corrections, Folsom, Officers and Guards: Structural Retrofit-Working drawings and construction	4,462,000
(12) 50.99.058—DSA 347601-04-Department of Developmental Services, Sonoma, Media Center, Gym, Adult Education School: Structural Retrofit—Working drawings and construction	1,028,000
(13) 50.99.059—DSA 872 and 876-Department of Corrections, DVI Tracy, Wings L & R: Structural Retrofit—Working drawings and construction	1,675,000
(14) 50.99.061—DSA 10788, 10795 and 10819-Department of Corrections, Soledad, North Facility Gym/Dining/Kitchen, VS-1 and Wing V Ed: Structural Retrofit—Working drawings and construction	2,320,000

Item	Amount
(15) 50.99.062—DSA 11178-Department of the Military, Ventura Armory: Structural Retrofit—Working drawings and construction	1,932,000
(17) 50.99.065—DSA 3963-Department of Mental Health, Napa, McGrath School: Structural Retrofit—Working drawings and construction	970,000
(18) 50.99.069—DSA 4348-Department of Corrections, Tehachapi, Van Weston Hall: Structural Retrofit—Working drawings and construction	1,595,000
(19) 50.99.071—DSA 3551-Department of Veterans Affairs, Yountville, Theater/Dining: Structural Retrofit—Working drawings and construction	2,092,000
(20) 50.99.072—DSA 406201-05-Department of Corrections, Chino, Central Guidance Center A: Structural Retrofit—Working drawings and construction	3,766,000
(22) 50.99.047—Statewide Advance—Preliminary plans	600,000

Provisions:

1. The funds appropriated in Schedule (3) for Building Risk Assessments shall be used for risk assessments of those state buildings that, based on previous analyses, could be risk level V, VI, or VII, as defined by the Real Estate Services Division. If, as a result of these assessments, a building is determined to be a risk level V, VI, or VII, the Real Estate Services Division may use the funds appropriated in that schedule to develop proposed retrofit solutions and cost estimates.
2. The funds appropriated in Schedule (22) shall be available for expenditure after the department has completed the building risk assessments pursuant to Provision 1 of this item and has reported its findings to the Chairperson of the Joint Legislative Budget Committee and the chair of the fiscal committee in each house that considers appropriations. These funds shall be used to develop preliminary plans and associated cost estimates for

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projects identified by the department as the highest priority risk level V, VI, or VII buildings for which funds have not been previously appropriated, and for which funds from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990 will be available to complete the working drawings and construction phases of the projects.

3. The Department of General Services shall make every effort to ensure that, to the extent that the structural retrofit of the 800 Capitol Mall building increases the value of the building, the state will retain 100 percent equity in the increased value.

1760-301-0942—For capital outlay, Department of General Services, payable from the New Governor's Mansion Account, Special Deposit Account..... 2,945,000

Schedule:

(a) 50.10.155-New Governor's Mansion 2,945,000

Provisions:

1. Funds appropriated by this item shall be available on or after January 15, 1999, for acquisition of a site and development and construction of a Governor's Official Residence within the distance of four miles from the Capitol building pursuant to subdivision (c) of Section 8174 of the Government Code.

1760-302-0768—For capital outlay, Department of General Services, payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990.. 7,067,000

Schedule:

(1) 50.99.038-DSA #24, DGS Santa Ana Office Bldg. Structural Retrofit—Construction 10,949,000

(2) Reimbursements..... –3,882,000

Provisions:

1. If any augmentations are required to complete the projects scheduled under this item, the Department of General Services shall seek the maximum allowable reimbursements for these augmentations.

1760-401—In the event the bonds authorized for the Capital Area Plan project in Chapter 761, Statutes 97 are not sold, the Department of General Services shall commit a sufficient portion of its support appropriation, as determined by the Department of Finance, which is provided for in this Budget Act to repay any interim financing. It is the intent of the

Item	Amount
Legislature that this commitment shall be included in future Budget Acts until all interim financing is repaid either through the proceeds from the sale of bonds or from an appropriation.	
1760-491—Reappropriation, Department of General Services. Notwithstanding any other provision of law, the balance, as of June 30, 1998, of the funds made available pursuant to Item 1760-101-768 of Section 2.00 of the Budget Act of 1994 (Ch. 139, Stats. 1994) is reappropriated for the projects in the following schedule, listed in descending order of priority, and shall be available for expenditure through June 30, 1999.	
Schedule:	
(1) 3011-Redwood City, San Mateo: Old Courthouse	418,873
(2) 3033-Hayward, Alameda: Highlands Reservoir Emergency Generator	31,000
(3) 3036-Hayward, Alameda: EOC & Corp. Yard Emergency Generator	14,100
(4) 3088-Big Bear Lake, San Bernardino: Headquarters Fire Station	280,160
(5) 3089-Big Bear Lake, San Bernardino: Emergency Power Generator Replacement	58,271
(6) 3116-Richmond, Contra Costa: City Hall	1,149,975
(7) 3117-Richmond, Contra Costa: Hall of Justice	1,183,613
(8) 3151-Milpitas, Santa Clara: Fire Station #1	148,110
(9) 3164-Berkeley, Alameda: Equipment Maintenance Building at Corp. Yard	618,157
(10) 3175-Sonoma, Sonoma: Schell-Vista Fire Station	479,029
(11) 3193-Berkeley, Alameda: Fire Department Headquarters	3,356,885
(12) 3292-Torrance, Los Angeles: Harbor UCLA Medical Center	1,800,000
(13) 4002-Azusa, Los Angeles: Police Facility ECC/EOC	500,000
(14) 4005-Carmel, Monterey: Fire Station/EOC	335,768
(15) 4008-Grover Beach, San Luis Obispo: Fire Facility	279,418

Item	Amount
(16) 4012-Los Altos, Santa Clara: Loyola Fire Station	167,039
(17) 4013-Oakland, Alameda: Fire Station #1	151,592
(18) 4018-Oakland, Alameda: Fire Station #8	184,010
(19) 4019-Oakland, Alameda: Fire Station #10	175,196
(20) 4021-Oakland, Alameda: Fire Station #12	140,851
(21) 4023-Oakland, Alameda: Fire Station #17	157,103
(22) 4036-Placentia, Orange: Station #34	114,164
(23) 4037-Placentia, Orange: Station #35	64,088
(24) 4044-Rancho Santa Fe, San Diego: Fire Station #1	500,000
(25) 4113-Tiburon, Marin: Police Station/EOC	166,808
(26) 4114-Tiburon, Marin: Fire Station #10	42,354
(27) 4159-Corte Madera, Marin: Fire Station #13	118,500
(28) 4162-Oxnard, Ventura: ECC/ Public Safety Bldg.	489,745
(29) 4165-Camarillo, Ventura: Fire Comm. Center, Bldg. #2	175,725
(30) 4179-Port Hueneme, Ventura: Fire Station #53, Seismic Retrofit	336,600
(31) 4180-Camarillo, Ventura: Fire Comm. Center, Bldg. #1	60,162
(32) 4192-Stinson Beach, Marin: Fire Station #1/ECC	66,461
(33) 4194-Orinda, Contra Costa: Fire Station #45	186,973

1760-493—Reappropriation, for capital outlay, Department of General Services. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided for in that appropriation, and shall be available for encumbrance and expenditure until June 30, 1999.

0768—Earthquake Safety and Public Buildings Rehabilitation Fund of 1990

(1) Item 1760-301-0768, Schedule (14), Budget Act of 1995, as reappropriated by Item 1760-492, Budget Act of 1997, 50.99.014—DSA 22-

Item	Amount
Department of General Services, Los Angeles Junipero Serra State Office Building: Relocation of Public Safety and Emergency Communications Microwave Center—Construction.	
1760-494—Reversion, Department of General Services. As of June 30, 1998, the unencumbered balances of the appropriations provided in the following citations shall revert to the Earthquake Safety and Public Building Rehabilitation Fund.	
0768—Earthquake Safety and Public Buildings Rehabilitation Fund of 1990	
(1) 1760-301-0768—Schedule (4.5) Budget Act of 1997, 50.99.030—DSA 3-EDD, 800 Capitol Mall Building: Structural Retrofit—Construction	
(2) 1760-302-0768-Schedule (2) Budget Act of 1997, 50.99.038—DSA 24-DGS, Santa Ana Office Building: Structural Retrofit—Construction.	
1760-495—Reversion, Department of General Services. As of June 30, 1998, the unencumbered balances of the appropriations provided in the following citations shall revert to the Earthquake Safety and Public Building Rehabilitation Fund.	
0768—Earthquake Safety and Public Building Rehabilitation Fund of 1990	
(1) Item 1760-301-0768—Schedule (6) Budget Act of 1997, 50.99.033—DSA 4337-Department of Corrections, Tehachapi Educational and Vocational: Structural Retrofit—Construction.	
(2) Item 1760-301-0768-Schedule (9) Budget Act of 1997, 50.99.036—DSA 4339-Department of Corrections, Tehachapi Kitchen/Laundry: Structural Retrofit—Construction.	
1880-001-0001—For support of State Personnel Board. Schedule:	6,229,000
(a) 10-Merit System Administration 13,829,000	
(b) 40-Local Government Services 1,957,000	
(c) 50.01-Administrative Services..... 3,845,000	
(d) 50.02-Distributed Administrative Services..... –3,261,000	
(e) Reimbursements..... –10,141,000	
1900-001-0950—For support of Board of Administration of the Public Employees' Retirement System, payable from the Public Employees' Contingency Reserve Fund	7,442,000

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Provisions:

1. The appropriation made by this item is for support of the Board of Administration pursuant to Section 22840 of the Government Code.

1900-003-0830—For support of the Board of Administration of the Public Employees' Retirement System, payable from the Public Employees' Retirement Fund ..... (64,732,000)

Provisions:

1. The amount displayed in this item is based on the estimate by the Public Employees' Retirement System of expenditures for external investment advisers to be made during the 1998–99 fiscal year pursuant to Section 20210 of the Government Code. The Board of Administration of the Public Employees' Retirement System shall report to the fiscal committees of the Legislature and the Joint Legislative Budget Committee on or before January 10, 1999, regarding any revision of this estimate, including an accounting and explanation of changes, and the amount of, and basis for, investment adviser expenditures proposed for the 1999–2000 fiscal year. The Board of Administration of the Public Employees' Retirement System shall report on or before January 10, 2000, on the final expenditures under this item, including an accounting and explanation of changes from estimates previously reported to the Legislature.
2. Each of the two reports described in Provision 1 also shall include all of the following:
   (a) A summary and comparison of the externally managed portfolios, the internally managed portfolios, and the total fund. This information shall include the value of the assets, the gross and net returns, the benchmark returns, and the costs, by dollars and basis points, for these portfolios.
   (b) A description of the actions the Public Employees' Retirement System will take to ensure that any future expenditures for outside advisers will result in a greater return on investments, including costs for these advisers, than if in-house advisers were used.
   (c) Separate listings of adviser contracts in effect, and approved, during the 1997–98 and 1998–99 fiscal years, with (1) amounts (total

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contract and annual basis) for each contract for base fees and performance-based fees, and (2) summary statements of the purposes of each contract.

1900-015-0815—For support of Board of Administration of the Public Employees' Retirement System, payable from the Judges' Retirement Fund ..... (354,000)

Provisions:

1. Notwithstanding any other provision of law, the Board of Administration of the Public Employees' Retirement System (PERS), in accordance with all applicable provisions of the California Constitution, shall submit to the Controller, the Department of Finance, the Joint Legislative Budget Committee, and the fiscal committees of the Legislature, all of the following:
   (a) No later than January 10, 1999, a copy of the proposed budget for PERS for the 1999–2000 fiscal year as included with the Governor's Budget.
   (b) No later than May 15, 1999, a copy of the proposed budget for PERS for the 1999–2000 fiscal year as approved by the Board of Administration.
   (c) The revisions to the proposed budget for PERS for the 1998–99 fiscal year, as recommended by the PERS Finance Committee, at least 30 days prior to the consideration of those revisions by the Board of Administration.
   (d) Commencing October 1, 1998, all expenditure and performance workload data provided to the Board of Administration, as updated on a quarterly basis. This quarterly update information is to be submitted to the Joint Legislative Budget Committee and the fiscal committees of the Legislature, and shall be in sufficient detail to be useful for legislative oversight purposes and to sustain a thorough ongoing review of Public Employees' Retirement System expenditures.

900-015-0820—For support of Board of Administration of the Public Employees' Retirement System, payable from the Legislators' Retirement Fund ..... (202,000)

Provisions:

1. Notwithstanding any other provisions of law, the Board of Administration of the Public Employees'

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Retirement System, in accordance with all applicable provisions of the California Constitution, shall submit to the Controller, the Department of Finance, the Joint Legislative Budget Committee, and the fiscal committees of the Legislature all of the following:

(a) A copy of the proposed budget for the Public Employees' Retirement System for the 1999–2000 fiscal year by January 10, 1999, as included with the Governor's Budget.

(b) A copy of the proposed budget for the Public Employees' Retirement System for the 1999–2000 fiscal year as approved by the Board of Administration by May 15, 1999.

(c) The revisions to the proposed budget for the Public Employees' Retirement System for the 1998–99 fiscal year as recommended by the Public Employees' Retirement System Finance Committee at least 30 days prior to consideration of those revisions by the Board of Administration.

(d) Commencing October 1, 1998, all expenditure and performance workload data provided to the Board of Administration, updated on a quarterly basis, shall be submitted to the Joint Legislative Budget Committee and the fiscal committees of the Legislature. The quarterly update information submitted to the Legislature shall be in sufficient detail to be useful for legislative oversight purposes and to sustain a thorough ongoing review of the expenditures of the Public Employees' Retirement System.

1900-015-0830—For support of Board of Administration of the Public Employees' Retirement System, payable from the Public Employees' Retirement Fund..... (132,432,000)

Provisions:

1. Notwithstanding any other provision of law, the Board of Administration of the Public Employees' Retirement System, in accordance with all applicable provisions of the California Constitution, shall submit to the Controller, the Department of Finance, the Joint Legislative Budget Committee,

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and the fiscal committees of the Legislature, all of the following:

(a) A copy of the proposed budget for the Public Employees' Retirement System for the 1999–2000 fiscal year by January 10, 1999, as included with the Governor's Budget.

(b) A copy of the proposed budget for the Public Employees' Retirement System for the 1999–2000 fiscal year as approved by the Board of Administration by May 15, 1999.

(c) The revisions to the proposed budget for the Public Employees' Retirement System for the 1998–99 fiscal year as recommended by the Public Employees' Retirement System Finance Committee at least 30 days prior to consideration of those revisions by the Board of Administration.

(d) Commencing October 1, 1998, all expenditure and performance workload data provided to the Board of Administration, updated on a quarterly basis, shall be submitted to the Joint Legislative Budget Committee and the fiscal committees of the Legislature. The quarterly update information submitted to the Legislature shall be in sufficient detail to be useful for legislative oversight purposes and to sustain a thorough ongoing review of the expenditures of the Public Employees' Retirement System.

1900-015-0962—For support of Board of Administration of the Public Employees' Retirement System, payable from the Volunteer Firefighters' Length of Service Award System Fund ..... (76,000)

Provisions:

1. Notwithstanding any other provision of law, the Board of Administration of the Public Employees' Retirement System, in accordance with all applicable provisions of the California Constitution, shall submit to the Controller, the Department of Finance, the Joint Legislative Budget Committee, and the fiscal committees of the Legislature, all of the following:

(a) A copy of the proposed budget for the Public Employees' Retirement System for the 1999–2000 fiscal year by January 10, 1999, as included with the Governor's Budget.

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(b) A copy of the proposed budget for the Public Employees' Retirement System for the 1999–2000 fiscal year as approved by the Board of Administration by May 15, 1999.

(c) The revisions to the proposed budget for the Public Employees' Retirement System for the 1998–99 fiscal year recommended by the Public Employees' Retirement System Finance Committee, at least 30 days prior to consideration of those revisions by the Board of Administration.

(d) Commencing October 1, 1998, all expenditure and performance workload data provided to the Board of Administration, updated on a quarterly basis, shall be submitted to the Joint Legislative Budget Committee and the fiscal committees of the Legislature. The quarterly update information submitted to the Legislature shall be in sufficient detail to be useful for legislative oversight purposes and to sustain a thorough ongoing review of the expenditures of the Public Employees' Retirement System.

920-001-0835—For support of State Teachers' Retirement System, payable from the State Teachers' Retirement Fund 44,722,000

Schedule:

(a) 10-Services to Members and Employers 45,124,000

(b) Reimbursements ..... –339,000

(c) Amount payable from the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund pursuant to Section 22954 of the Education Code ..... –63,000

Provisions:

1. This item shall not be subject to the requirements of subdivision (b), (c), (d), or (e) of Section 31.00 of this act. Nothing in this provision shall be construed as exempting this item from requirements of the State Civil Service Act or from requirements of laws, rules, and regulations administered by the Department of Personnel Administration.
2. From the funds appropriated by this item, $50,000 shall be expended for an actuarial evaluation of

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the Teachers' Retirement System as of June 30, 1998, which shall be completed on or before April 1, 1999.

1920-002-0835—For external investment advisers, payable from the State Teachers' Retirement Fund..... (52,600,000)

Provisions:

1. The amount displayed in this item is for informational purposes only, and is based on the current estimate by the State Teachers' Retirement System (STRS) of expenditures for external investment advisers to be made during the 1998–99 fiscal year pursuant to Section 22353 of the Education Code. The STRS shall report to the fiscal committees of the Legislature and the Joint Legislative Budget Committee no later than January 10, 1999, regarding any revision of this estimate, including an accounting and explanation of the changes, and regarding the amount of, and basis for, investment adviser expenditures proposed for the 1999–2000 fiscal year. The STRS shall report on or before January 10, 2000, on the final expenditures under this item, including an accounting and explanation of changes from estimates previously reported to the Legislature.
2. Each of the two reports described in Provision 1 also shall include all of the following:
   (a) A summary and comparison of the externally managed portfolios, the internally managed portfolios, and the total fund. This information shall include the value of the assets, the gross and net returns, the benchmark returns, and the costs by dollars and basis points for these portfolios.
   (b) A description of the actions the State Teachers' Retirement System will take to ensure that any future expenditures for outside advisers will result in a greater return on investments, including costs for these advisors, than if in-house advisers were used.
   (c) Separate listings of adviser contracts in effect, and approved, during the 1997–98 and 1998–99 fiscal years, with (1) amounts (total contract and annual basis) for each contract for base fees and performance-based fees, (2) summary statements of the purposes of each contract.

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1920-011-0001—For transfer by the State Controller to the Teachers' Retirement Fund from the General Fund..... (726,475,000)

Schedule:

(a) Elder Full Funding..... (642,525,000)

(b) Supplemental Benefit Maintenance Account (SBMA)..... (403,950,000)

(c) SBMA Expenditure Reduction—Elk Hills..... (–320,000,000)

Provisions:

1. The estimated amount referenced in Schedule (a) is the state's contribution required by Section 22955 of the Education Code.
2. The estimated amount referenced in Schedule (b) is the state's contribution required by Section 22954 of the Education Code.
3. Upon order of the Department of Finance, the State Controller shall reduce the State's SBMA contribution referenced in Schedule (b) by the amount referenced in Schedule (c) pursuant to Chapter 939, Statutes of 1997.

920-490—Reappropriation, State Teachers' Retirement System (STRS). Notwithstanding any other provision of law, up to $1,142,000 of the balance as of June 30, 1998, of the appropriation identified in the following citation is reappropriated, subject to the limitations set forth in Provision 1, and shall be available for encumbrance and expenditure until June 30, 1999. Any amount of this reappropriation that is not expended in 1998–99 shall be carried over to 1999–2000 and is hereby reappropriated. In no event shall the total amounts reappropriated for the 1999–2000 Budget exceed three percent of STRS' 1998–99 appropriation.

835—State Teachers' Retirement Fund

(1) Item 1920-001-835, Budget Act of 1997.

Provisions:

1. The funds reappropriated in this item shall be available for expenditure by the State Teachers' Retirement System for the purposes of meeting unanticipated system costs and promoting better service to the system's membership. The funds may not be encumbered without advance approval of the State Teachers' Retirement Board. The board shall report to the Legislature on a quarterly basis throughout the 1998–99 fiscal year on expenditures made pursuant to this item.

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BUSINESS, TRANSPORTATION AND HOUSING

2100-001-0081—For support of Department of Alcoholic Beverage Control, payable from Alcohol Beverage Control Fund 31,012,000

Schedule:

(a) 10.10-Licensing 16,918,000
(b) 10.20-Compliance 14,963,000
(c) 10.30.010-Administration 2,855,000
(d) 10.30.020-Distributed Administration ..... –2,855,000
(e) Reimbursements ..... –869,000

2100-101-0081—For local assistance, Department of Alcoholic Beverage Control, Program 10.20-Compliance, for grants to local law enforcement agencies payable from Alcohol Beverage Control Fund 1,500,000

Provisions:

1. Notwithstanding any other provisions of law, the Department of Alcoholic Beverage Control is authorized to grant funds to local law enforcement agencies for the purpose of enhancing enforcement of alcoholic beverage control laws in the local jurisdiction.
2. Notwithstanding any other provisions of law, at the discretion of the Director, Department of Alcoholic Beverage Control, the Department may advance grant funds to local law enforcement agencies.
3. Notwithstanding any other provisions of law, at the discretion of the Director, Department of Alcoholic Beverage Control, title to any authorized equipment purchased by the local law enforcement agency pursuant to the grant may be vested in the local law enforcement agency at the conclusion of the grant period.

2120-001-0117—For support of Alcoholic Beverage Control Appeals Board, Program 10, payable from the Alcoholic Beverage Control Appeals Fund 727,000

2150-001-0298—For support of the Department of Financial Institutions, payable from the Financial Institutions Fund 15,758,000

Schedule:

(a) 10-Licensing and Supervision of Banks and Trust Companies 14,302,000
(b) 20-Payment Instruments 515,000
(c) 30-Certification of Securities 10,000

Item		Amount
(e) 50-Supervision of California Business and Industrial Development Corporations	28,000	
(f) 60-Credit Unions	2,248,000	
(g) 70-Savings and Loan	105,000	
(h) 80-Industrial Loan Companies	957,000	
(i) 90.01-Administration	3,289,000	
(j) 90.02-Distributed Administration	−3,289,000	
(k) Reimbursements	−159,000	
(m) Amount payable from the Credit Union Fund (Item 2150-001-0299).	−2,248,000	
2150-001-0299—For support of the Department of Financial Institutions, for payment to Item 2150-001-0298, payable from the Credit Union Fund		2,248,000
2180-001-0067—For support of Department of Corporations, payable from the State Corporations Fund		36,216,000
Schedule:		
(a) 10-Investment Program	13,315,098	
(b) 20-Lender-Fiduciary Program	7,194,428	
(c) 30-Health Care Program	15,706,474	
(d) 50.01-Administration	5,667,000	
(e) 50.02-Distributed Administration	−5,667,000	

Provisions:

1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.
2. The Director of Finance may allocate funds from Item 9903-001-0494 for the purchase of data processing software, hardware, related equipment, and services to implement a document management system that will provide the public and staff of the Department of Corporations immediate electronic access to the department's mission-critical files, ensure confidential file security, establish file integrity, and provide full disaster recovery if at least 30 days prior to that allocation, the director provides written notice to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house of the Legislature that considers the Budget Bill.

2240-001-0001—For support of the Department of Housing and Community Development		4,580,000
Schedule:		
(a) 10-Codes and Standards Program	20,234,000	
(b) 20-Community Affairs Program	12,168,000	

Item		Amount
(c) 30.01-Housing Policy Development Program	1,274,000	
(d) 30.02-Distributed Housing Policy Development Program	−122,000	
(e) 50.01-Administration	8,734,000	
(f) 50.02-Distributed Administration	−8,734,000	
(g) Reimbursements	−395,000	
(h) Amount payable from the Mobilehome Park Revolving Fund (Item 2240-001-0245)	−3,604,000	
(i) Amount payable from the Mobilehome Park Purchase Fund (Item 2240-001-0530)	−586,000	
(j) Amount payable from the Rural Predevelopment Loan Fund (Item 2240-001-0635)	−132,000	
(k) Amount payable from the Mobilehome-Manufactured Home Revolving Fund (Item 2240-001-0648)	−15,243,000	
(*l*) Amount payable from the Self-Help Housing Fund (Item 2240-001-0813)	−188,000	
(m) Amount payable from the Federal Trust Fund (Item 2240-001-0890)	−4,897,000	
(n) Amount payable from the Housing Rehabilitation Loan Fund (Item 2240-001-0929)	−2,569,000	
(o) Amount payable from the Rental Housing Construction Fund (Item 2240-001-0938)	−898,000	
(p) Amount payable from the Emergency Housing Assistance Fund (Item 2240-001-0985)	−462,000	
2240-001-0245—For support of Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Mobilehome Park Revolving Fund		3,604,000
2240-001-0530—For support of Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Mobilehome Park Purchase Fund		586,000
2240-001-0635—For support of the Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Rural Predevelopment Loan Fund		132,000

Item	Amount
2240-001-0648—For support of the Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Mobilehome-Manufactured Home Revolving Fund	15,243,000
Provisions:	
1. Notwithstanding Section 18077 of the Health and Safety Code, or any other provision of law, the first $2,388,000 in revenues collected by the Department of Housing and Community Development from manufactured home license fees shall be deposited in the Mobilehome-Manufactured Home Revolving Fund, and shall be available to the department for the support, collection, administration, and enforcement of manufactured home license fees.	
2. Notwithstanding Section 18077.5 of the Health and Safety Code, or any other provision of law, the Department of Housing and Community Development is not required to comply with the reporting requirement of Section 18077.5 of the Health and Safety Code.	
2240-001-0813—For support of the Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Self-Help Housing Fund	188,000
2240-001-0890—For support of Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Federal Trust Fund	4,897,000
2240-001-0929—For support of Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Housing Rehabilitation Loan Fund	2,569,000
2240-001-0938—For support of Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Rental Housing Construction Fund	898,000
2240-001-0985—For support of the Department of Housing and Community Development, for payment to Item 2240-001-0001, payable from the Emergency Housing Assistance Fund	462,000
2240-013-0474—For support of the Department of Housing and Community Development, payable from the Child Care and Development Facilities Loan Guaranty Fund	105,000

Item	Amount
2240-014-0472—For support of the Department of Housing and Community Development, payable from the Child Care and Development Facilities Direct Loan Fund	105,000
2240-101-0001—For local assistance, Department of Housing and Community Development	4,629,000
Schedule:	
(a) 20-Community Affairs 103,629,000	
(b) Amount payable from the Federal Trust Fund (Item 2240-101-0890) ..... –99,000,000	
Provisions:	
1. Of the amount appropriated in this item, $200,000 shall be used for assistance grants provided through the California Indian Assistance Program.	
2240-101-0843—For local assistance, Department of Housing and Community Development, payable from the California Housing Trust Fund	(2,000,000)
Schedule:	
(a) For transfer to the Emergency Housing Assistance Fund (0985) .. (2,000,000)	
2240-101-0890—For local assistance, Department of Housing and Community Development, for payment to Item 2240-101-0001, payable from the Federal Trust Fund	99,000,000
Provisions:	
1. Notwithstanding any other provision of law, federal funds appropriated by this act but not encumbered by June 30 may be expended in the subsequent fiscal year.	
2240-102-0001—For local assistance, Department of Housing and Community Development, for transfer to the Special Deposit Fund-Office of Migrant Services (0942)	9,887,000
Provisions:	
1. Of the funds appropriated by this item, $5,000,000 shall be expended to reconstruct the first eligible migrant housing project in Kern County. If federal funds are received during the 1998–99 fiscal year to finance all or a portion of that first project, the remainder of the $5,000,000 shall be expended to finance the second eligible project in Kern County. If federal funds are received to finance all or a portion of the second eligible project, any remaining balance of the $5,000,000 shall revert to the General Fund.	

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2. Notwithstanding Section 28.00 of this act or any other provision of law, any federal funds received by the Office of Migrant Services during the 1998–99 fiscal year for the purposes specified in Provision 1 of this item are hereby appropriated for those purposes.

2240-103-0001—For local assistance, Department of Housing and Community Development, for transfer to the Self-Help Housing Fund (0813) 2,000,000

2240-103-0813—For local assistance, Department of Housing and Community Development, payable from the Self-Help Housing Fund 2,928,000

Provisions:

1. The funds appropriated by this item shall be expended pursuant to paragraph (1) of subdivision (b) of Section 50696 of the Health and Safety Code for group mutual self-help housing for any low-income owner-builder who contributes substantial labor to build his or her principal residence.
2. Notwithstanding any other provision of law, funds appropriated by this act but not encumbered by June 30, 1999 may be expended in the 1999–2000 fiscal year.
3. The Department of Housing and Community Development may use not more than $72,000 of the amount appropriated in this item for the cost of administering grants funded with moneys appropriated in this item.

2240-104-0001—For local assistance, Department of Housing and Community Development, for transfer to the Farmworker Housing Grant Fund (0927)..... 6,000,000

Provisions:

1. The Department of Housing and Community Development may use up to $350,000 of the amount appropriated in this item for administration of the grants funded by this item.

2240-105-0001—For local assistance, Department of Housing and Community Development, for transfer to the California Housing Rehabilitation Loan Fund (0929) 15,000,000

Provisions:

1. The funds transferred by this item to the California Housing Rehabilitation Loan Fund shall be used for the purposes set forth in Section 50668.5 of the Health and Safety Code to finance multifamily affordable housing units that receive assis-

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tance under federal programs specified in subdivision (a) of Section 65863.10 of the Government Code and that are eligible for termination of their use as low-income housing in the next 3 years due to termination of subsidy contracts, mortgage prepayment, or expiration of an affordability restriction. The Department of Housing and Community Development may use funds appropriated by this item to compensate local government agencies or other public or nonprofit agencies for the cost of monitoring compliance with the regulatory agreement required by the program. The department may waive the requirements of Section 50668.5 of the Health and Safety Code and any regulations adopted thereunder that are in conflict with the provisions of this item or that are necessary for prompt and effective implementation of the program funded by this item.

2. The department may use up to $660,000 of the amount appropriated by this item, but no more than $330,000 per fiscal year, for the cost of administering funds appropriated by this item.

2240-105-0929—For local assistance, Department of Housing and Community Development, payable from the California Housing Rehabilitation Loan Fund 14,670,000

Provisions:

1. The funds appropriated in this item shall be used for preservation of at-risk housing.

2240-106-0001—For local assistance, Department of Housing and Community Development, for transfer to the Rental Housing Construction Fund (0938).... 10,000,000

Provisions:

1. The funds appropriated by this item shall be deposited in the Family Housing Demonstration Account and shall be used for the purposes set forth in Chapter 15 (commencing with Section 50880) of Part 2 of Division 31 of the Health and Safety Code to finance construction of community housing developments and congregate housing developments, with child care and a job training program to assist families with children moving from welfare to work. The housing shall be located on a main transportation system. Sponsors shall provide evidence that a development funded by this program is consistent with the welfare reform plan required by Section 10531 of the Welfare and

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Institutions Code. The funds shall be used to assist housing developments serving families that qualify for benefits under the CalWORKs program and experience the greatest difficulty moving from welfare to work. This service-enriched program shall be administered as a transitional program with timelines established by the Department of Housing and Community Development. Participating households shall receive assistance from this program during the job training and preparation period and then shall be assisted in locating and moving to affordable housing. The department may waive any requirements of Chapter 15 (commencing with Section 50880) of Part 2 of Division 31 of the Health and Safety Code and any regulations adopted thereunder that are in conflict with the provisions of this item or that are necessary for prompt and effective implementation of the program described in this item.

2. The department may use up to $375,000 of the funds appropriated by this item, but not more than $220,000 per fiscal year, for the cost of administering funds appropriated by this item.

2240-107-0001—For local assistance, Department of Housing and Community Development, for transfer to the Emergency Housing Assistance Fund (0985). 7,000,000

Provisions:

1. The minimum amount of a grant made with funding appropriated in this item shall be $40,000, except that no more than two grants in an amount of less than $40,000 may be awarded in each county.
2. Of the amount transferred to the Emergency Housing Assistance Fund pursuant to this item, $5,000,000 shall be allocated to assist the construction of permanent local homeless shelters.

2240-295-0001—For local assistance, Department of Housing and Community Development, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, for allocation by Controller..... 950,000

Schedule:

(1) 98.01.114.380—Regional Housing Needs Assessments (Ch. 1143, Stats. 1980) 950,000

Item		Amount
2240-490—Reappropriation, Department of Housing and Community Development. The balance of the appropriations provided in the following citations are reappropriated for local assistance for the purposes provided for those appropriations and shall be available for encumbrance and expenditure as specified.		
0472-Child Care and Development Facilities Direct Loan Fund:		
Item 2240-014-0472, Budget Act of 1997		
Year of completion: June 30, 1999		
0927-Farmworker Housing Grant Fund		
Item 2240-104-0927, Budget Act of 1997		
Year of completion: June 30, 1999		
0474-Child Care and Development Facilities Loan Guaranty Fund:		
Item 2240-013-0474, Budget Act of 1997		
Year of completion: June 30, 2018		
2310-001-0400—For support of the Office of Real Estate Appraisers payable from the Real Estate Appraisers Regulation Fund		3,967,000
Schedule:		
(a) 10-Administration of the Real Estate Appraisers Program	4,042,000	
(b) Reimbursements	−75,000	
2320-001-0317—For support of Department of Real Estate, payable from the Real Estate Fund		27,609,000
Schedule:		
(a) 10-Licensing and Education	6,077,000	
(b) 20-Enforcement and Recovery	17,236,054	
(c) 30-Subdivisions	5,065,721	
(d) 40.10-Administration	6,090,225	
(e) 40.20-Distributed Administration	−6,110,000	
(f) Reimbursements	−750,000	
2600-001-0042—For support of California Transportation Commission, for payment to Item 2600-001-0046, payable from the State Highway Account, State Transportation Fund		176,000
2600-001-0046—For support of California Transportation Commission, payable from the Public Transportation Account, State Transportation Fund		1,261,000
Schedule:		
(a) 10-Administration of California Transportation Commission	1,437,000	
(b) Amount payable from the State Highway Account, State Transportation Fund (Item 2600-001-0042)	−176,000	

Item	Amount
2600-101-0001—For local assistance, California Transportation Commission	2,000,000

Provisions:

1. The funds appropriated by this item shall be available for allocation by the California Transportation Commission to the North Coast Railroad Authority (NCRA) pursuant to the following:

(a) The funds shall be available to provide for the immediate and critical needs of the NCRA, including, but not limited to, the following:

(1) Implementing an accounting system that complies with commission requirements for receipt of state and federal funds.

(2) Addressing environmental concerns raised by the Departments of Fish and Game, Toxic Substance Control, and Justice.

(3) Payment to contractors and vendors for services rendered prior to June 30, 1998, excluding any contractual obligations to Railways, Inc.

(b) Any remaining funds shall be available for additional needs of the NCRA, including, but not limited to, the following:

(1) Necessary actions to meet the requirements of the compliance order of the Federal Rail Administration concerning the operation of the railroad.

(2) Necessary capital improvements to safely operate and maintain the rail service.

(3) Any other expenditure necessary to comply with the findings or recommendations of the commission or any other government agency with jurisdiction or involvement with NCRA activities.

(c) The funds appropriated by this item shall not be used as repayment of the so-called "Q-Fund" loan.

(d) All funds allocated pursuant to this provision shall be subject to the conditions contained in the other provisions of this item.

2. Within 60 days of enactment of the 1998 Budget Act, the California Transportation Commission shall hire an independent consultant to act as a Special Rail Master to monitor implementation of commission recommendations for allocation of funds pursuant to this item. Support for the Special Rail Master shall be provided with funds ap-

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propriated by this item. Prior to hiring the Special Rail Master, the North Coast Railroad Authority may submit a written request to the commission for allocation of funds pursuant to subdivision (a) of Provision 1 of this item.

3. The California Transportation Commission shall report on or before December 31, 1999, to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of the Legislature on how the funds allocated pursuant to this item have been expended by the North Coast Railroad Authority (NCRA) and any state agency that received an allocation of funds for expenditure. Further, the report shall include recommendations by the California Transportation Commission, if any, for additional actions by the state to help maintain rail freight service, passenger service, or both, on the rail lines currently being served by the North Coast Railroad Authority.
4. Notwithstanding any other provision of law, an amount not to exceed $25,000 may be transferred from this item to Item 2600-001-0046 to support costs of the California Transportation Commission, including costs related to hiring a Special Rail Master, to implement the provisions of this item.
5. Funds appropriated by this item shall be available for encumbrance by the California Transportation Commission until June 30, 2000.

2640-101-0046—For local assistance, Special Transportation Programs, notwithstanding Section 99312 of the Public Utilities Code, for allocation by the Controller, payable from the Public Transportation Account, State Transportation Fund 100,259,000

Provisions:

1. Notwithstanding Sections 99313 and 99314 of the Public Utilities Code, not more than $59,912 of the amount appropriated by this item shall reimburse the Controller for expenditures for administration of State Transportation Assistance funds.
2. In addition to the amounts allocated pursuant to Section 99312 of the Public Utilities Code, the Controller shall disburse sufficient funds from the balance of the Public Transportation Account to provide a total of $100,259,000 to eligible regional transportation planning agencies, county

Item	Amount
transportation commissions, and transit agencies pursuant to Sections 99313 and 99314 of the Public Utilities Code for support of the State Transit Assistance Program.	
2660-001-0041—For support of Department of Transportation, for payment to Item 2660-001-0042, payable from the Aeronautics Account, State Transportation Fund	2,558,000
2660-001-0042—For support of Department of Transportation, payable from the State Highway Account, State Transportation Fund	1,524,625,000
Schedule:	
(a) 10-Aeronautics	2,883,000
(b) 20.10-Highway Transportation—Capital Outlay Support	774,653,000
(c) 20.30-Highway Transportation—Local Assistance	12,755,000
(d) 20.40-Highway Transportation—Program Development	76,535,000
(e) 20.65-Highway Transportation—Legal	62,150,000
(f) 20.70-Highway Transportation—Operations	137,000,000
(g) 20.80-Highway Transportation—Maintenance	693,520,000
(h) 30-Mass Transportation	83,105,000
(i) 40-Transportation Planning	25,157,000
(j) 50.00-Administration	216,492,000
(k) 60.10-Equipment Service Center	145,390,000
(*l*) 60.20-Distributed Equipment Service Center	−145,390,000
(m) Reimbursements	−137,793,000
(n) Amount payable from the Aeronautics Account, State Transportation Fund (Item 2660-001-0041)	−2,558,000
(o) Amount payable from the Bicycle Lane Account, State Transportation Fund (Item 2660-001-0045)	−10,000
(p) Amount payable from the Public Transportation Account, State Transportation Fund (Item 2660-001-0046)	−94,573,000
(q) Amount payable from the Federal Trust Fund (Item 2660-001-0890)	−324,691,000

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Provisions:

1. For purposes of the funds appropriated in Schedules (b) to (g), inclusive, Program 20—Highway Transportation. Upon approval of the Department of Finance, the Department of Transportation shall notify the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee at least 20 days prior to spending funds to expand activities above budgeted levels or to implement a new activity not identified in this act, including any of those expenditures to be funded through a transfer of money from other expenditure categories or programs, except in the case of emergency work increases caused by snow, storm, or earth movement damage.
2. From funds appropriated by this item, the Department of Transportation may enter into interagency agreements with the Department of the California Highway Patrol to compensate that department for the cost of work performed by patrol officers at or near state highway construction projects so as to reduce the risk of occurrence of serious motor vehicle accidents.
3. (a) Notwithstanding any other provision of law, funds appropriated by this item from the State Highway Account may be reduced and replaced by an equivalent amount of federal funds determined by the department to be available and necessary to comply with Section 8.50 of this act and the most effective management of state transportation resources. Not more than 30 days after replacing the state funds with federal funds, the Director of Finance shall notify in writing the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee of this action.

   (b) To the extent that moneys in the State Highway Account are reduced pursuant to this provision, the Department of Transportation may transfer, with the approval of the Business, Transportation and Housing Agency, and upon authorization by the Director of Finance, all or part of the savings to Item 2660-301-0042 for capital outlay projects approved by the California Transportation Commis-

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sion. The Director of Finance shall authorize the transfer not sooner than 30 days after notification in writing to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee.

4. Notwithstanding any other provision of law, funds appropriated in Schedules (a) to (*l*), inclusive, of this item for equipment rental service may be transferred between those schedules to allow for the proper recording of expenditures as they relate to equipment rental service.
5. Notwithstanding any other provision of law, funding appropriated in this item may be transferred to Item 2660-005-0042 to pay for any necessary insurance, debt service, and other expenditures for department-owned office buildings in District 4 and District 8. Any transfer will require the prior approval of the Department of Finance.
7. The Department of Transportation shall employ state staff to undertake bridge inspections and bridge "scour" evaluations, and may reduce up to $2,119,000 in Items 2660-101-0042 and 2660-101-0890 combined, and transfer these amounts to Items 2660-001-0042 and 2660-001-0890 respectively for this purpose. The department shall conduct bridge inspection and scour evaluation for local bridges unless a local agency, upon written notification to the department, requests to conduct the work on its own.
8. Of the funds appropriated by this item, $400,000 shall be available to maintain the "floating vehicle" congestion management program in District 4.
9. Of the funds appropriated in this item, $1,400,000 is available for the Rural Intelligent Transportation System Showcase, but only if federal funds are approved therefor by the Federal Highway Administration.
10. Any savings in personal services resulting from an inability to fill the proposed new positions for support of the capital outlay program for a full year shall revert to the appropriate funds on June 30, 1999.
11. Notwithstanding any other provision of law, the Department of Transportation shall sell Parcel Nos. 1773-01-01 and 6515-01-01, which are lo-

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cated in the town of Middletown and have been designated as surplus property by the state, to the South Lake County Fire Protection District (district) for an amount not to exceed the original cost to the department for the purchase of the properties. The transfer of ownership shall take place no later than January 1, 1999, and shall be subject to the following conditions:

(a) Should the district wish to discontinue ownership of the property prior to January 1, 2019, then ownership of the property would revert to the department.

(b) The property may only be used by a taxpayer supported agency and may not be leased or subleased to a nontaxpayer supported entity prior to January 1, 2019.

(c) The district shall allow for the temporary storage of any maintenance vehicles or equipment owned and operated by the department as necessary to provide for the timely and efficient maintenance of local highways that are the responsibility of the department. The intent of this subdivision shall remain in effect until January 1, 2019.

12. (a) The Department of Transportation shall not expend any funds for the support, right-of-way, or construction of the Hatton Canyon Freeway Project located on State Route 1, except those funds as are necessary to design the project and obtain all necessary permits, unless the department has complied with all applicable requirements of Division 20 (commencing with Section 30000) of the Public Resources Code.

(b) The department shall report to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of each house of the Legislature when all of the required permits have been approved by each local, state, or federal agency responsible for issuing any of the required permits.

13. It is the intent of the Legislature that, upon completion of an interim lease in the Manchester area, the Department of Transportation shall permanently site the future consolidated District 6 Headquarters Building in the downtown area of

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the City of Fresno, which is defined by the area bordered by Routes 41, 99, and 180.

The department shall provide a status report to the Legislature no later than December 1, 1999, on its plans for construction of the consolidated District 6 Headquarters Building. The status report shall provide an update on efforts by the department to identify and acquire a building site and methods used to include community input for the design and location of the building.

14. Prior to the commencement of construction on the Bay Bridge/West Anchorage Reconstruction Project within the City and County of San Francisco, the Department of Transportation shall enter into a noise and dust mitigation agreement with the City and County of San Francisco or other local government agency, as appropriate.

15. Of the funds appropriated in this item, $500,000 shall be available for the Department of Transportation to provide matching funds for the 1998 federal Transportation Enhancement Activity (TEA-21) fund available for the Norman Y. Mineta International Institute for Surface Transportation Policy Studies at San Jose University, and $300,000 shall be available for matching TEA-21 funds for the new transportation research center at the University of Southern California Jointly with California State University at Long Beach.

2660-001-0045—For support of Department of Transportation, for payment to Item 2660-001-0042, payable from the Bicycle Lane Account, State Transportation Fund 10,000

2660-001-0046—For support of Department of Transportation, for payment to Item 2660-001-0042, payable from the Public Transportation Account, State Transportation Fund 94,573,000

Provisions:

1. For Program 30—Mass Transportation. Of the $63,642,000 appropriated by this item for intercity rail, $54,997,000 shall be available to support existing service on the three state-supported intercity rail routes. Of the remaining balance, $4,055,000 is intended for the expansion of the fifth San Joaquin Corridor from Bakersfield to Sacramento and $4,590,000 is intended for the fifth and sixth expansion Capitol Corridor trains.

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Any funds not expended on these services by June 30, 1999, shall revert to the Public Transportation Account. If any intercity rail service is transferred to a local Joint Power Authority during the 1998–99 fiscal year, the department shall, in conjunction with the Secretary of Business, Transportation and Housing, advise the Joint Legislative Budget Committee of the cost to provide the transferred service by the Joint Powers Authority, as agreed upon pursuant to the Interagency Transfer Agreement for the service, and this item shall be adjusted accordingly to reflect the agreed upon funding level for the transferred service. The California Transportation Commission and the Secretary of Business, Transportation and Housing shall not allocate any of the $63,642,000 identified in this provision for any purpose other than those identified in this provision without the prior written approval of the Department of Finance, and no sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

2660-001-0608—For support of Department of Transportation, payable from the Equipment Service Fund... 145,390,000

2660-001-0890—For support of Department of Transportation, for payment to Item 2660-001-0042, payable from the Federal Trust Fund 324,691,000

Provisions:

1. For Program 20—Highway Transportation. For purposes of the Streets and Highways Code, all expenditures from this item shall be deemed to be expenditures from the State Highway Account, State Transportation Fund.
2. For Program 20—Highway Transportation. Federal funds may be received from any federal source, and shall be deposited in the Federal Trust Fund. Any federal reimbursements shall be credited to the account from which the expenditures were originally made.
3. Notwithstanding any other provision of law, the Director of Finance may augment this item with additional federal funds in conjunction with an equivalent offsetting reduction in State Highway

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Account funds in Item 2660-001-0042, pursuant to Provision 3 of that item.

2660-005-0042—For support of the Department of Transportation, for building insurance, debt service, and other costs for department-owned office buildings in District 4 and District 8, payable from the State Highway Account, State Transportation Fund 14,869,000

Provisions:

(1) Notwithstanding any other provision of law, funds provided in Item 2660-001-0042 may be transferred to this item to pay for any necessary insurance, debt service, and other expenditures for the department-owned office buildings in District 4 and District 8. Any transfer shall require the prior approval of the Department of Finance.

2660-007-0042—For support of Department of Transportation, payable from the State Highway Account, State Transportation Fund 46,587,000

Schedule:

(a) 20-Highway Transportation 46,569,000

(b) 50-Administration 18,000

Provisions:

1. The funds appropriated by this item may be expended only to attain compliance with the stormwater discharge provisions of the National Pollutant Discharge Elimination System permits as promulgated by the State Water Resources Control Board or regional water quality control boards, or as ordered by the federal courts.

2660-011-0041—For transfer by the State Controller from the Aeronautics Account, State Transportation Fund, to the Public Transportation Account, State Transportation Fund, as prescribed by Section 21682.5 of the Public Utilities Code ..... (30,000)

2660-011-0042—For transfer by the State Controller from the State Highway Account, State Transportation Fund, to the Toll Bridge Seismic Retrofit Account, State Transportation Fund ..... (101,521,000)

2660-012-0042—For augmentation for emergencies relating to a state of emergency declared by the Governor, subject to all provisions of Item 9840-001-0001, payable from the State Highway Account ..... (40,000,000)

Provisions:

1. No deficiencies shall be authorized by the Director of Finance in any appropriation of money from

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this item under the provisions of Section 11006 of the Government Code. Required notification to the Legislature of deficiency appropriations pursuant to this item shall include, in addition to all other required information, (a) an estimate of federal funds or other funds that the department may receive for the same purposes as the proposed deficiency appropriation, and (b) explanation of the necessity of the proposed deficiency appropriation given anticipated federal funds or other funds.	
2660-013-0042—For transfer by the State Controller from the State Highway Account, State Transportation Fund, to the Public Transportation Account, State Transportation Fund to fund the Transit Capital Improvement Program.	(30,510,000)
2660-013-0046—For transfer by the State Controller from the Public Transporation Account, State Transportation Fund, to the Toll Bridge Seismic Retrofit Account, State Transportation Fund	(10,000,000)
2660-021-0042—For transfer by the State Controller from the State Highway Account, State Transportation Fund, to the Public Transportation Account, State Transportation Fund, as prescribed by Section 194 of the Streets and Highways Code	(13,470,000)
2660-022-0042—For transfer by the State Controller from the State Highway Account, State Transportation Fund, to the Environmental Enhancement and Mitigation Demonstration Account, State Transportation Fund, as prescribed by Chapter 106, Statutes of 1989	(9,000,000)
2660-101-0001—For local assistance, Department of Transportation	3,600,000
Provisions:	
1. Of the funds appropriated by this item, $600,000 shall be available to the San Francisco Port Authority for purposes of matching local funds to support the Water Transit Blue Ribbon Advisory Task Force, as endorsed by Senate Resolution 19 of the 1997–98 Regular Session.	
2. Funds appropriated by this item, except as provided in Provision 1, shall be used to award grants to local communities and regional telecommunications networks for purposes of providing resources, on a competitive basis, to cities and counties, to support planning and development of "smart communities." A 50 percent cash or in-	

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kind match of local funds shall be required. The Department of Transportation shall utilize these funds to augment an existing interagency agreement (#51X717) with San Diego State University Foundation and the California Institute for Smart Communities within the International Center for Communications at the San Diego State University for purposes of administering this grant program. The department, in collaboration with the California Institute for Smart Communities, shall, not later than September 1, 1998, develop criteria for these competitive grant awards.

2660-101-0041—For local assistance, Department of Transportation, payable from the Aeronautics Account, State Transportation Fund 34,000

Provisions:

1. The funds appropriated by this item shall only be available for subvention to the City of South Lake Tahoe to support air traffic control tower operations at the Lake Tahoe Airport (Airport). It is the intent of the Legislature that these funds are provided on a one-time basis to provide bridge funding to the Airport pending appeal to the federal government to reestablish participation by the Airport in the Federal Contract Tower Program administered by the Federal Aviation Administration.

2660-101-0042—For local assistance, Department of Transportation, payable from the State Highway Account, State Transportation Fund 668,517,000

Schedule:

(a) 20.25-Highway Transportation—State Local Partnership 200,000,000
(b) 20.30-Local Assistance 156,342,000
(c) 30-Mass Transportation 310,175,000
(d) 40-Transportation Planning 2,000,000

Provisions:

1. Funds appropriated in item (a) shall be available for allocation by the California Transportation Commission in the 1998–99 fiscal year. Allocation funds shall be available for expenditures in the 1998–99, 1999–2000, 2000–2001, and 2001–2002 fiscal years.
2. Funds appropriated in item (b) and (c) shall be available for allocation by the California Transportation Commission in the 1998–99, 1999–2000, and 2000–2001 fiscal years.

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3. Notwithstanding other provisions of law, funds appropriated within Schedule (b) may be transferred to Schedule (c), and funds appropriated within Schedule (c) may be transferred to Schedule (b). These transfers shall require the prior approval of the California Transportation Commission and the Department of Finance. These funds shall be available for allocation by the Commission in 1998–99, 1999–2000, 2000–2001.	
4. Notwithstanding other provisions of law, funds scheduled in items (b) or (c) may be transferred to Item 2660-301-0042. These transfers shall require the prior approval of the California Transportation Commission and the Department of Finance. The Department of Finance shall authorize any transfer pursuant to this provision not sooner than 30 days after notification in writing to the chairpersons in each house which considers appropriations and the Chairperson of the Joint Legislative Budget Committee. Such transfers shall be available for allocation by the commission in the 1998–99, 1999–2000, and 2000–2001 fiscal years.	
6. The department shall employ state staff to undertake bridge inspections and bridge "scour" evaluations, and may reduce up to $2,119,000 in Items 2660-101-0042 and 2660-101-0890 combined, and transfer these amounts to Items 2660-001-0042 and 2660-001-0890, respectively, for this purpose. The department shall conduct bridge inspection and scour evaluation for local bridges unless local agencies, upon written notification to the department, request to conduct the work on their own.	
2660-101-0045—For local assistance, Department of Transportation, Program 20—Highway Transportation, payable from the Bicycle Lane Account, State Transportation Fund	1,000,000
2660-101-0183—For local assistance, Department of Transportation, Program 20—Highway Transportation, payable from the Environmental Enhancement and Mitigation Demonstration Program Fund	10,000,000
2660-101-0890—For local assistance, Department of Transportation, payable from the Federal Trust Fund	650,112,000

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Schedule:

(a) 20-Highway Transportation 564,112,000

(b) 30-Mass Transportation 46,000,000

(c) 40-Transportation Planning 40,000,000

Provisions:

1. For Program 20—Highway Transportation. For purposes of the Streets and Highways Code, all expenditures from this item shall be deemed to be expenditures from the State Highway Account, State Transportation Fund.
2. For Program 20—Highway Transportation. Federal funds may be received from any federal source and shall be deposited in the Federal Trust Fund. Any federal reimbursements shall be credited to the account from which the expenditures were originally made.
3. Notwithstanding other provisions of law, funds appropriated within Schedule (a) may be transferred to Schedule (b), and funds appropriated within Schedule (b) may be transferred to Schedule (a). Funds appropriated within Schedules (a) and (b) may be transferred to Item 2660-301-0890. These transfers shall require the prior approval of the Department of Finance and the California Transportation Commission. These funds shall be available for allocation by the commission and shall be available for expenditure in the 1998–99, 1999–2000, and 2000–2001 fiscal years.
5. The Department of Transportation shall employ state staff to undertake bridge inspections and bridge "scour" evaluations, and may reduce up to $2,119,000 in Items 2660-101-0042 and 2660-101-0890 combined, and transfer these amounts to Items 2660-001-0042 and 2660-001-0890, respectively, for this purpose. The department shall conduct bridge inspection and scour evaluation for local bridges unless a local agency, upon written notification to the department, request to conduct the work on its own.

2660-103-0046—For local assistance, Department of Transportation, payable from the Public Transportation Account, State Transportation Fund 185,000

Schedule:

(b) 30-Mass Transportation 185,000

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Provisions:

1. The funds appropriated by this item shall be expended only to reimburse the Capitol Corridor Joint Powers Board for administrative costs related to the preparation and implementation of an interagency transfer agreement (ITA) with the state for the operation of the capitol corridor Intercity Rail Service. These moneys shall be available only if the ITA is executed in the 1997–98 or 1998–99 fiscal year. Any funds appropriated by this item that are not expended for this purpose shall revert to the Public Transportation Account on June 30, 1999.

2660-301-0042—For capital outlay, Department of Transportation, payable from the State Highway Account, State Transportation Fund 830,000,000

Schedule:

(a) 20-Highway Transportation 1,620,460,000
  (1) State Highway Operation and Protection Program ..... (474,264,000)
  (2) Regional Improvements ..... (251,804,000)
  (3) Interregional Improvements ..... (103,932,000)
  (4) Reimbursements ..... (790,460,000)
(b) Reimbursements ..... –790,460,000

Provisions:

1. For Program 20—Highway Transportation. Notwithstanding any other provision of law, up to five percent of the amounts scheduled in this item may be transferred to Item 2660-101-0042 of this act only under emergency situations, for implementation of cost savings programs, or to maximize the use of federal funds. These transfers shall require the prior approval of the California Transportation Commission and the Department of Finance.
2. For Program 20—Highway Transportation. For each capital outlay appropriation, the department shall determine for reversion the difference between the appropriation and the total amount needed for encumbered projects, encumbered right-of-way, and projects still to be scheduled for encumbrance against the appropriations. On or before December 15, 1998, the department shall submit to the Controller the estimated amounts to

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be reverted as of June 30, 1998, from the 1995–96 and 1996–97 and 1997–98 fiscal year appropriations.

3. For Program 20—Highway Transportation. Notwithstanding any other provision of law, funds appropriated by this item may be transferred to Item 2660-101-0042, Schedule (b), by agreement with those agencies described by subdivision (g) of Section 182.6 of the Streets and Highways Code for federally apportioned highway bridge replacement and rehabilitation projects and Hazard Elimination Safety Program projects, on a dollar-for-dollar basis. Transferred and exchanged funds shall only be used for projects selected for these programs. These transfers shall require the prior approval of the California Transportation Commission and the Department of Finance.

2660-301-0890—For capital outlay, Department of Transportation, payable from the Federal Trust Fund 1,112,048,000

Schedule:

(a) 20—Highway Transportation.... 1,107,000,000

(b) 30-Mass Transportation 5,048,000

Provisions:

1 For Program 20—Highway Transportation. Notwithstanding any other provision of law, up to five percent of the amounts appropriated by this item may be transferred to Item 2660-101-0890 only under emergency situations, for implementation of cost savings programs or to maximize the use of federal funds. These transfers shall require the prior approval of the California Transportation Commission and the Department of Finance.

2. Provision 2 of Item 2660-301-0042 is also applicable to this item.

3. For Program 20—Highway Transportation. For purposes of the Streets and Highways Code, all expenditures from this item shall be deemed to be expenditures from the State Highway Account, State Transportation Fund.

4. For Program 20—Highway Transportation. Federal funds may be received from any federal source and shall be deposited in the Federal Trust Fund. Any federal reimbursements shall be credited to the account from which the expenditures were originally made.

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2660-302-0046—For capital outlay, Department of Transportation, payable from the Public Transportation Account, State Transportation Fund	0
Schedule:	
(a) 30-Mass Transportation 50,000,000	
(b) Reimbursements.....–50,000,000	
2660-311-0042—For capital outlay, Department of Transportation, payable from the State Highway Account, State Transportation Fund	3,033,000
Schedule:	
(1) 20.20.508-Sacramento Headquarters Annex: Seismic Retrofit—Construction 3,033,000	
Provisions:	
1. For Program 20—Highway Transportation. Up to 20 percent of the funds appropriated in (1) of this item may be transferred from Item 2660-301-0042 of this act to enable the California Transportation Commission to allocate supplemental funds to projects within this item. The transfer may be made only with the approval of the commission. Also, the Department of Finance shall be notified of the transfer prior to the commission's approval of any transfer or allocation of those funds to any project.	
2660-399-0042—For the Department of Transportation, for final cost accounting of projects for which appropriations have expired, for state operations, local assistance, or capital outlay, payable from the State Highway Account, State Transportation Fund. Funds appropriated in this item shall be available for expenditure until June 30, 1999	5,000,000
2660-491—Reappropriation, Department of Transportation. Notwithstanding any other provision of law, the unliquidated encumbrances for the appropriations provided in the following citations, are reappropriated until June 30, 1999. The unencumbered balance shall not be available for encumbrance.	
0042—State Highway Account	
(1) Item 2660-301-042, Budget Act of 1989	
(2) Item 2660-301-042, Budget Act of 1990	
(3) Item 2660-125-042, Budget Act of 1995	
0045—Bicycle Lane Account	
(1) Item 2660-101-045, Budget Act of 1995	
0183—Environmental Enhancement and Mitigation Demonstration Program Fund	
(1) Item 2660-125-183, Budget Act of 1995	

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0853—Petroleum Violation Escrow Account
(1) Chapter 1427, Statutes of 1988
(2) Chapter 1434, Statutes of 1988
(3) Chapter 1435, Statutes of 1988
(4) Chapter 1648, Statutes of 1990
(5) Chapter 960, Statutes of 1991
(6) Item 2660-101-853, Budget Act of 1992
(7) Chapter 1159, Statutes of 1993
0890—Federal Trust Fund
(1) Item 2660-101-890, Budget Act of 1993
0056—Seismic Safety Retrofit Account
(1) Chapter 18, Statutes of 1989
(4) Item 2660-101-890, Budget Act of 1990
(5) Item 2660-101-890, Budget Act of 1992

2660-492—Reappropriation, Department of Transportation. Notwithstanding any other provision of law, the balance as of June 30, 1998, of the appropriations in the following citations, are appropriated for the purposes provided for in those appropriations and shall be available for expenditure until June 30, 1999.
0042—State Highway Account
(1) Item 2660-301-042, Budget Act of 1994
(2) Item 2660-301-042, Budget Act of 1995
0890-Federal Trust Fund
(1) 2660-301-890, Budget Act of 1994
(2) 2660-301-890, Budget Act of 1995

2660-493—Reappropriation, Department of Transportation. Notwithstanding any other provision of law, the appropriations in the following citations are reappropriated to enable the collection of outstanding federal reimbursements as of the end of June 30, 1998. These appropriations are not available for encumbrance or liquidation and shall revert on June 30, 1999:
0890—Federal Trust Fund
(1) Item 2660-001-890, Budget Act of 1985
(2) Item 2660-001-890, Budget Act of 1986
(3) Item 2660-001-890, Budget Act of 1987
(4) Item 2660-001-890, Budget Act of 1988
(5) Item 2660-001-890, Budget Act of 1989
(6) Item 2660-001-890, Budget Act of 1990
(7) Item 2660-001-890, Budget Act of 1991
(8) Item 2660-001-890, Budget Act of 1992
(9) Item 2660-001-890, Budget Act of 1993

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2660-495—Reversion, Department of Transportation. As of June 30, 1997, the unencumbered balances of the appropriations provided in the following citations shall revert to the balance in the fund from which the appropriation was made:	
0042—State Highway Account	
(1) Item 2660-301-042, Budget Act of 1988	
(2) Item 2660-301-042, Budget Act of 1989	
0890—Federal Trust Fund	
(1) Item 2660-301-890, Budget Act of 1988	
2660-496—Reversion, Department of Transportation. As of June 30, 1999, pursuant to the September 1996 audit findings prepared by the Department of Finance, the unencumbered balances in the following items shall revert to the Petroleum Violation Escrow Account to repay any remaining interest earned in the Transportation Planning and Development Account during 1996–97 on Transit Capital Improvement Projects financed by Petroleum Violation Escrow Account funds.	
0046—Transportation Planning and Development Account	
(1) Item 2660-101-046, Budget Act of 1986 as amended by Chapter 890, Statutes of 1986	
(2) Item 2660-101-046, Budget Act of 1997 except for the encumbered balance in the Amtrak Bakersfield Project which is funded by the Transportation Planning and Development Account, STF	
(3) Item 2660-301-046, Budget Act of 1988	
2665-001-0046—For support of the High-Speed Rail Authority, payable from the Public Transportation Account, State Transportation Fund	3,000,000
2700-001-0044—For support of Office of Traffic Safety, payable from the Motor Vehicle Account, State Transportation Fund	336,000
Schedule:	
(a) 10-California Traffic Safety 14,908,000	
(b) Amount payable from the Federal Trust Fund (Item 2700-001-0890)	–14,572,000
2700-001-0890—For support of Office of Traffic Safety, for payment to Item 2700-001-0044, payable from the Federal Trust Fund, not subject to the provisions of Section 28.00	14,572,000

Item		Amount
2700-101-0890—For local assistance, Office of Traffic Safety, payable from the Federal Trust Fund, not subject to the provisions of Section 28.00		10,682,000
2720-001-0042—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the State Highway Account, State Transportation Fund		21,914,000
2720-001-0044—For support of Department of the California Highway Patrol, payable from the Motor Vehicle Account, State Transportation Fund		783,967,000
Schedule:		
(a) 10-Traffic Management	738,144,000	
(b) 20-Regulation and Inspection	83,182,000	
(c) 30-Vehicle Ownership Security	22,454,000	
(d) 35-Protective Services	29,317,000	
(e) 40.01-Administration	135,634,000	
(f) 40.02-Distributed Administration	−135,634,000	
(g) Reimbursements	−29,008,000	
(h) Amount payable from the State Highway Account (Item 2720-001-0042)	−21,914,000	
(i) Amount payable from the Protective Services Fund (Item 2720-001-0246)	−26,120,000	
(j) Amount payable from the Motor Carrier Permit Fund (Item 2720-001-0292)	−1,554,000	
(k) Amount payable from the Motor Carrier Safety Improvement Fund (Item 2720-001-0293)	−1,468,000	
(*l*) Amount payable from the California Motorcyclist Safety Fund (Item 2720-001-0840)	−1,541,000	
(m) Amount payable from the Federal Trust Fund (Item 2720-001-0890)	−5,323,000	
(n) Amount payable from the Hazardous Substance Account, Special Deposit Fund (Item 2720-001-0942)	−200,000	
(o) Amount payable from the Asset Forfeiture Account, Special Deposit Fund (Item 2720-011-0942)	−2,002,000	

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Provisions:

1. Pursuant to Section 14669 of the Government Code, the Department of General Services, acting on behalf of the California Highway Patrol, may enter into a lease-purchase agreement or a lease with an option to purchase, with an initial option purchase price over $2,000,000, to provide adequate office and parking facilities for the Los Angeles Communication Center and to acquire facilities for the Central Los Angeles Area Office. The lease agreement shall be submitted to the Department of Finance for review and approval of the proposed lease prior to beginning lease negotiations, with an economic analysis detailing the cost benefit of the project. The Director of Finance shall approve or disapprove any lease-purchase agreement submitted to the Department of Finance pursuant to this provision not sooner than 30 days after written notification to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of the Legislature.
2. In addition to the funds already appropriated in this item, it is the intent of the Legislature that the amount of $54,000,000 shall be reserved for allocation to Item 9800-001-0494 for salary increases for sworn uniformed California Highway Patrol officers in accordance with Section 19827 of the Government Code.
3. Notwithstanding Provision 2 of Item 2720-011-0042 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997), the $35,000,000 loan from the State Highway Account to the Motor Vehicle Account shall not be required to be repaid by June 30, 1999.
4. No funds shall be expended by the Department of the California Highway Patrol to construct a fence around the Capitol Building.

2720-001-0246—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the Protective Services Fund 26,120,000

2720-001-0292—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the Motor Carrier Permit Fund 1,554,000

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2720-001-0293—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the Motor Carrier Safety Improvement Fund	1,468,000
2720-001-0840—For support of the Department of the California Highway Patrol, for transfer to Item 2720-001-0044, payable from the California Motorcyclist Safety Fund	1,541,000
2720-001-0890—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the Federal Trust Fund	5,323,000
2720-001-0942—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the Hazardous Substance Account, Special Deposit Fund	200,000
2720-011-0942—For support of Department of the California Highway Patrol, for payment to Item 2720-001-0044, payable from the Asset Forfeiture Account, Special Deposit Fund	2,002,000
2720-021-0044—For Department of the California Highway Patrol, for advance authority for the department to incur automotive equipment purchase obligations in an amount not to exceed $5,000,000 during the 1998–99 fiscal year, for delivery beginning in the 1999–2000 fiscal year, payable from the Motor Vehicle Account, State Transportation Fund	(5,000,000)
2720-301-0001—For capital outlay, Department of the California Highway Patrol	150,000
2720-301-0044—For capital outlay, Department of the California Highway Patrol, payable from the Motor Vehicle Account, State Transportation Fund	140,000
Schedule:	
(1) 50.01.001-Minor Projects 36,000	
(2) 50.90.900-Statewide: Property Options and Appraisals 40,000	
(3) 50.90.901-Studies, Preplanning, and Budget Packages 100,000	
(4) Reimbursements ..... –36,000	
2720-495—Reversion, Department of the California Highway Patrol. As of June 30, 1998, $1,600,000 of the appropriation provided in the following citation for the purposes of constructing a fence around the State Capitol shall revert to the balance in the fund from which the appropriation was made.	
0001—General Fund	
(1) Item 2720-031-0001, Budget Act of 1997 (Ch. 282, Stats. 1997)	

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2740-001-0001—For support of Department of Motor Vehicles, for payment to Item 2740-001-0044		340,000
Provisions:		
1. Of the funds appropriated by this item $60,000 is available for the Anatomical Donor Designation program and $280,000 is available for the Tehachapi field office.		
2740-001-0042—For support of Department of Motor Vehicles, for payment of Item 2740-001-0044, payable from the State Highway Account, State Transportation Fund		37,913,000
2740-001-0044—For support of Department of Motor Vehicles, payable from the Motor Vehicle Account, State Transportation Fund		317,601,000
Schedule:		
(a) 11-Vehicle/Vessel Identification and Compliance	329,305,000	
(b) 22-Driver Licensing and Personal Identification	162,877,000	
(c) 25-Driver Safety	73,524,000	
(d) 32-Occupational Licensing and Investigative Services	32,511,000	
(e) 35-New Motor Vehicle Board	1,520,000	
(f) 41.01-Administration	66,574,000	
(g) 41.02-Distributed Administration ...	–66,574,000	
(h) Reimbursements	–6,746,000	
(i) Amount payable from the General Fund (Item 2740-001-0001).....	–340,000	
(ix) Amount payable from the State Highway Account, State Transportation Fund (Item 2740-001-0042).....	–37,913,000	
(j) Amount payable from the New Motor Vehicle Board Account, State Transportation Fund (Item 2740-001-0054)	–1,520,000	
(k) Amount payable from the Motor Vehicle License Fee Account, Transportation Tax Fund (Item 2740-001-0064)	–230,854,000	
(*l*) Amount payable from Motor Carriers Permit Fund (Item 2740-001-0292).....	–2,865,000	
(m) Amount payable from the Harbors and Watercraft Revolving Fund (Item 2740-001-0516)	–1,898,000	

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Provisions:

1. The Department of Motor Vehicles shall not divert any resources away from its year-2000 efforts for any of its information technology projects unless the project is a component of the department's plan to become year-2000 compliant or the department certifies that it has completed all year-2000 efforts for its mission critical systems.
2. Of the amount appropriated in this item, $2,726,000 shall be used for the redesign of the department's vehicle registration database and $4,404,000 shall be used to replace the department's occupational licensing system. The department shall certify to the Department of Information Technology and to the Joint Legislative Budget Committee that it has completed Phase II (Redesign) of its Business Process Reengineering study for vehicle registration and occupational licensing, respectively, no later than 20 days prior to the expenditure of funds provided for the redesign of the respective databases.
3. Of the amount appropriated in this item, $253,000 shall be used for the replacement of the department's headquarters' "3270" terminals with new terminals on a three-year lease. One terminal may be replaced with a personal computer (PC), provided that PC functionality is immediately required at the corresponding workstation.
4. Of the amount appropriated in this item, $1,152,253 shall be used for the replacement of the department's field office terminals with new terminals. Up to 3 percent of these terminals may be replaced with PCs, provided that PC functionality is immediately required at the corresponding workstation.
5. Of the amount appropriated in this item, $1,162,000 may be used to replace the department's telephone system with hardware, software, and services that are made available by the vendor who is awarded the contract for replacement of the Calnet system.
6. Of the amount appropriated by this item, $350,000 shall be used to modify the computer systems of the Department of Motor Vehicles to provide that, in cases in which a smog check certificate is the only outstanding registration requirement, vehicle registration stickers be auto-

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matically mailed to the owner once the vehicle passes its smog check test. It is the intent of the Legislature that this change be completed by January 1, 1999.

7. Of the amount appropriated by this item, $200,000 shall be used by the Department of Motor Vehicles and the Department of Consumer Affairs, through an interagency agreement, to implement a joint public awareness program informing consumers that sellers are required by law to provide a valid smog certificate of compliance prior to sale of a vehicle, pursuant to Section 24007 of the Vehicle Code.

2740-001-0054—For support of Department of Motor Vehicles, for payment to Item 2740-001-0044, payable from the New Motor Vehicle Board Account, State Transportation Fund 1,520,000

2740-001-0064—For support of Department of Motor Vehicles, for payment to Item 2740-001-0044, payable from the Motor Vehicle License Fee Account, Transportation Tax Fund 230,854,000

2740-001-0292—For support of Department of Motor Vehicles, for payment to Item 2740-001-0044, payable from the Motor Carriers Permit Fund 2,865,000

2740-001-0516—For support of Department of Motor Vehicles, for payment to Item 2740-001-0044, payable from the Harbors and Watercraft Revolving Fund 1,898,000

Provisions:

1. The funds appropriated by this item are for undocumented vessel registration and fee collection.

2740-011-0044—For payment of deficiencies in appropriations for the Department of Motor Vehicles which may be authorized by the Director of Finance, payable from the Motor Vehicle Account, State Transportation Fund..... (1,000,000)

Provisions:

1. The Director of Finance shall report allocations from this appropriation in the same manner as required for reporting allocations from Item 9840-001-0494 of this act.

2740-101-0042—For local assistance, Department of Motor Vehicles, payable from the State Highway Account, State Transportation Fund..... 25,000,000

Provisions:

1. The funds appropriated by this item shall be allocated to the Department of Motor Vehicles for dis-

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bursement to counties by the Controller in the form of loans in an amount no greater than each county could have received under subdivision (b) of Section 9250.19 of the Vehicle Code for the 1998–99 fiscal year, which loans shall be for the purpose of allowing local law enforcement agencies to upgrade automated mobile and fixed location fingerprint identification equipment.

2. The loans shall be repaid by each county, without interest, in accordance with a repayment schedule established by the Department of Finance that ensures that each loan will be repaid within five years from the date that the actual collection of the one dollar ($1) fee commences pursuant to subdivision (a) of Section 9250.19 of the Vehicle Code. Repayment of the loans shall be made by the withholding of money by the Controller, in accordance with that repayment schedule, from funds otherwise required to be disbursed under subdivision (b) of Section 9250.19 of the Vehicle Code.
3. The Controller shall report no later than March 1 of each year to the Chairperson of the Joint Legislative Budget Committee on the status of the repayment of all outstanding loans made to counties with moneys appropriated by this item.
4. All counties that pass a resolution pursuant to Section 9250.19 of the Vehicle Code no later than September 1, 1998, shall be eligible to receive a loan, pursuant to the provisions of this item, in an amount not less than the amount that the county would have received under subdivision (b) of Section 9250.19 of the Vehicle Code for the calendar year in which the loan was made.

2740-301-0044—For capital outlay, Department of Motor Vehicles, payable from the Motor Vehicle Account, State Transportation Fund 12,474,000

Schedule:

(1) 71.03.015-Sacramento Headquarters: 7th Floor Asbestos Removal—Construction 1,318,000

(2) 71.03.016-Sacramento Headquarters: Lower Level Asbestos Removal—Working drawings, construction 704,000

Item		Amount
(3) 71.03.017-Sacramento Headquarters: 4th Floor Asbestos Removal—Preliminary plans, working drawings	505,000	
(4) 71.22.010-Statewide: Studies, preplanning and budget packages	100,000	
(5) 71.37.010-Oakland-Claremont: Field Office replacement project—Construction	5,289,000	
(6) 71.39.010-Long Beach: Field Office—Purchase of leased facility	4,558,000	
2780-001-0683—For support of Stephen P. Teale Data Center, Business, Transportation and Housing Agency, payable from the Stephen P. Teale Data Center Revolving Fund		86,004,000
Schedule:		
(a) Support	86,166,000	
(b) Reimbursements (Human Resources Information System)	−162,000	
Provisions:		
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the Stephen P. Teale Data Center in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.		

TRADE AND COMMERCE

2920-001-0001—For support of California Trade and Commerce Agency		26,145,000
Schedule:		
(a) 10-Economic Development	11,651,000	
(b) 20-International Trade and Investment	4,654,000	
(c) 25-Marketing and Communications.	674,000	
(d) 30-Tourism	8,011,000	
(e) 40-Contracts, Grants, and Loans	847,000	
(f) 60-Economic Research and Strategic Planning	1,487,000	
(g) 70.01-Administration	4,434,476	

Item	Amount
(h) 70.02-Distributed Administration ... −4,434,476	
(i) Reimbursements ..... −1,179,000	
Provisions:	
1. The Secretary of Trade and Commerce, by January 1, 1999, shall remove any lien placed on property owned by the United States Olympic Committee in connection with the loan authorized pursuant to Section 7591 of the Government Code. The removal of the lien does not signify a legislative intent to relieve the obligation of the San Diego National Sports Training Foundation from repaying the loan made pursuant to Section 7591 of the Government Code.	
2920-001-0123—For support of California Trade and Commerce Agency, Program 10, payable from the Rural Economic Development Fund	145,000
2920-001-0145—For support of California Trade and Commerce Agency, payable from the Commerce Marketing Fund	106,000
Schedule:	
(a) 10-Economic Development 52,000	
(b) 30-Tourism 54,000	
2920-001-0440—For support of California Trade and Commerce Agency, payable from the Petroleum Underground Storage Tank Financing Account	1,506,000
Schedule:	
(a) 10-Economic Development 1,031,000	
(b) 40-Contracts, Grants and Loans 475,000	
2920-001-0633—For support of California Trade and Commerce Agency, Program 10, payable from the California Economic Development Financing Authority Fund	347,000
2920-001-0649—For support of California Trade and Commerce Agency, payable from the California Infrastructure and Economic Development Bank Fund	459,000
Schedule:	
(a) 10-Economic Development 365,000	
(b) 40-Contracts, Grants and Loans 94,000	
2920-001-0801—For support, California Trade and Commerce Agency, Program 10—Economic Development, payable from the California Small Business Development Center Fund	250,000
2920-001-0890—For support, California Trade and Commerce Agency, Program 10—Economic Development, payable from the Federal Trust Fund	937,000

Item		Amount
2920-002-0393—For support of California Trade and Commerce Agency, payable from the Job Creation Investment Fund		500,000
Schedule:		
(a) 10-Economic Development	362,000	
(b) 40-Contracts, Grants, and Loans	138,000	
(d) 70.01-Administration	70,000	
(e) 70.02-Distributed Administration	–70,000	
2920-011-0001—For support of California Trade and Commerce Agency		4,662,000
Schedule:		
(a) For transfer to the Small Business Expansion Fund (0918)	4,662,000	
(b) For transfer to the California Export Promotion Account (0824)	0	
2920-012-0001—For support of California Trade and Commerce Agency, Foreign Trade Offices		5,906,000
Schedule:		
(a) Taiwan	348,000	
(b) Africa	443,000	
(c) Germany	564,000	
(d) Hong Kong	956,000	
(e) London	490,000	
(f) Mexico City	1,353,000	
(g) Japan	1,152,000	
(h) Shanghai	300,000	
(i) Calgary	150,000	
(j) Philippines	150,000	
2920-101-0001—For local assistance, California Trade and Commerce Agency		30,957,000
Schedule:		
(a1) 10.10-Economic Development (Small Business Development Centers)	1,000,000	
(a) 10.30-Economic Development (Strategic Technology Program)	23,467,000	
(b) 10.40-Economic Development (Defense Adjustment Projects)	3,000,000	
(c) 10.50-Economic Development (Small Business Development Centers)	3,015,000	
(d) 20-International Trade and Investment	225,000	
(e) 30-Tourism	250,000	

Provisions:

1. Of the amount appropriated by this item, the Trade and Commerce Agency shall allocate

Item Amount

$6,300,000 to implement the California Space Flight Competitive Grant Program administered by the California Space and Technology Alliance (CSTA) pursuant to subdivision (p) of Section 15333.3 of the Government Code. The CSTA may expend up to $875,000 for program administration.

2. Of the amount appropriated by this item, the Trade and Commerce Agency shall allocate $2,200,000 to implement the Highway to Space Competitive Grant Program administered by the Western Commercial Space Center (WCSC) pursuant to Section 15333.4 of the Government Code. The WCSC may expend up to $200,000 for program administration.
3. Of the funds appropriated by this item, $500,000 shall be allocated to Kern County for activities within the Southwest Military Defense Complex.
4. Of the funds appropriated by this item, $500,000 shall be allocated for the purpose of establishing pilot programs linking education, employability skills, and job opportunities for at-risk youth in Kings, Kern, and/or Madera County. Funded pilot programs shall: (1) work in collaboration with local school districts and businesses; (2) provide at-risk youths with tangible skills in career development, job attainment, leadership, and self-development linked to work-based activities; (3) provide a followup component to participants after completion of the program; (4) include a community service component; and (5) develop an ongoing career network for disadvantaged adolescents.

2920-101-0439—For local assistance, California Trade and Commerce Agency, payable from the Underground Storage Tank Cleanup Fund, for transfer to the Petroleum Underground Storage Tank Financing Account ..... (33,000,000)

2920-101-0801—For local assistance, California Trade and Commerce Agency, Program 10—Economic Development, payable from the California Small Business Development Center Fund 1,000,000

2920-101-0890—For local assistance, California Trade and Commerce Agency, Program 10—Economic Development, payable from the Federal Trust Fund. 7,114,000

Item	Amount
2920-111-0001—For local assistance, California Trade and Commerce Agency	50,000,000
Schedule:	
(1) For transfer to the California Infrastructure and Economic Development Bank Fund (0649) 50,000,000	
Provisions:	
1. Of the amounts transferred by this item, up to $8,500,000 may be used for private technology development projects.	
2. Of the amounts transferred by this item, up to $1,500,000 shall be used for the extension of point-of-presence fiber optic networks.	
2920-112-0001—For local assistance, California Trade and Commerce Agency, for transfer to the Job Creation Investment Fund	6,500,000
2920-112-0393—For local assistance, California Trade and Commerce Agency, payable from the Job Creation Investment Fund	6,500,000
2920-490—Reappropriation, Trade and Commerce Agency. The balance of appropriations provided in the following item is reappropriated.	
0001—General Fund	
(1) Item 2920-101-0001, of Ch. 282, Stats. 1997, as augmented by Section 14 of Chapter 928 of the Statutes of 1997.	

RESOURCES

3110-001-0001—To the Resources Agency, Special Resources Program, Program 30—Sea Grant Program, for grants to public and private higher education for use as a maximum of two-thirds of the local matching share for projects under the National Sea Grant College Program Act, as amended	319,000
3110-001-0140—To the Resources Agency, Special Resources Program, Program 30-Sea Grant Program, for a grant to the University of California for support of the Sea Grant Marine Advisory Program, payable from the California Environmental License Plate Fund	112,000
3110-101-0001—For local assistance, Special Resources Program, Program 10—Tahoe Regional Planning Agency	1,701,000

Item		Amount
3110-101-0140—For local assistance, Special Resources Program, Program 10—Tahoe Regional Planning Agency, payable from the California Environmental License Plate Fund		247,000
3125-001-0001—For support of California Tahoe Conservancy		3,097,000
Schedule:		
(a) 10-Tahoe Conservancy	3,426,000	
(b) Reimbursements	−33,000	
(c) Amount payable from California Environmental License Plate Fund (Item 3125-001-0140)	−106,000	
(d) Amount payable from Habitat Conservation Fund (Item 3125-001-0262)	−17,000	
(e) Amount payable from the Lake Tahoe Conservancy Account (Item 3125-001-0286)	−1,000	
(g) Amount payable from the Tahoe Conservancy Fund (Item 3125-001-0568)	−172,000	
Provisions:		
1. The funds appropriated in Schedule (d) of this item shall be used for purposes consistent with the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.		
2. Of the amount appropriated by this item, $200,000 is available for Tahoe Regreen purposes.		
3125-001-0140—For support of California Tahoe Conservancy, for payment to Item 3125-001-0001, payable from the California Environmental License Plate Fund		106,000
3125-001-0262—For support of California Tahoe Conservancy, for payment to Item 3125-001-0001, payable from the Habitat Conservation Fund		17,000
3125-001-0286—For support of California Tahoe Conservancy, for payment to Item 3125-001-0001, payable from the Lake Tahoe Conservancy Account		1,000
3125-001-0568—For support of California Tahoe Conservancy, for payment to Item 3125-001-0001, payable from the Tahoe Conservancy Fund		172,000
Provisions:		
1. Of this amount, pursuant to Section 66908.3 of the Government Code, the conservancy shall pay $40,390 to the County of Placer, and $2,610 to the County of El Dorado.		

Item	Amount
2. Fifty percent (50%) of the amounts pursuant to Provision 1 above shall be used by the Counties of Placer and El Dorado for soil erosion control projects in the Lake Tahoe region, as defined in Section 66905.5 of the Government Code.	
3125-011-0383—For transfer by the State Controller to the Habitat Conservation Fund, payable from the Natural Resources Infrastructure Fund.....	(17,000)
Provisions:	
1. The funds transferred by this item shall be used for purposes consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.	
3125-101-0001—For local assistance, California Tahoe Conservancy, Program 10—Tahoe Conservancy, for soil erosion control grants.....	2,400,000
Provisions:	
1. Notwithstanding any other provision of law, this appropriation shall be available for encumbrance until June 30, 2001.	
2. Of the funds appropriated by this item, the amount of $2,000,000 is available for soil erosion control grants and the amount of $400,000 is available for construction of the Rocky Point bicycle and pedestrian trail.	
3125-101-0140—For local assistance, California Tahoe Conservancy, Program 10—Tahoe Conservancy, for soil erosion control grants, payable from the California Environmental License Plate Fund.....	2,000,000
Provisions:	
1. Notwithstanding any other provision of law, this appropriation shall be available for encumbrance until June 30, 2001.	
3125-301-0001—For capital outlay, California Tahoe Conservancy.....	6,000,000
Schedule:	
(1) 50.30.002-Land acquisition and site improvements—public access and recreation pursuant to Title 7.42 (commencing with Section 66905) of the Government Code..... 2,830,000	
(2) 50.30.004-Land acquisition and site improvements—stream environment zones and watershed restorations pursuant to Title 7.42 (commencing with Section 66905) of the Government Code..... 1,164,000	

Item		Amount
(3) 50.30.005-Land acquisition pursuant to Section 66907 of the Government Code	2,250,000	
(4) Reimbursements	–244,000	

Provisions:

1. The acquisition of real property or interests with funds appropriated by this item is not subject to the Property Acquisition Law when the value is $250,000 or less, and, therefore, is not subject to approval by the State Public Works Board.
2. The amount appropriated by this item is available for expenditure for capital outlay or for local assistance. Expenditures of funds for grants to public agencies and grants to nonprofit organizations, as authorized by subdivision (a) of Section 66907.7 of the Government Code, are exempt from review by the State Public Works Board.

3125-301-0140—For capital outlay, California Tahoe Conservancy, payable from the California Environmental License Plate Fund 3,280,000

Schedule:

(a) 50.30.003-Acquisition, restoration, and enhancement of habitat	500,000	
(b) 50.30.004-Land acquisition and site improvements—stream environment zone and watershed restoration	2,780,000	

Provisions:

1. The acquisition of real property or interests with funds appropriated by this item is not subject to the Property Acquisition Law when the value is less than $250,000 and, therefore, is not subject to Public Works Board approval.
2. The amount appropriated by this item is available for expenditure for capital outlay or for grants. Expenditures of funds for grants to public agencies and grants to nonprofit organizations, as authorized by subdivision (a) of Section 66907.7 of the Government Code, are exempt from Public Works Board review.

3125-301-0262—For capital outlay, California Tahoe Conservancy, payable from the Habitat Conservation Fund 483,000

Schedule:

(1) 50.30.003-Acquisition, restoration, and enhancement of habitat	483,000	

Item Amount

Provisions:

1. The acquisition of real property or interests with funds appropriated by this item is not subject to the Property Acquisition Law when the value is less than $250,000 and, therefore, is not subject to Public Works Board approval.
2. The amount appropriated by this item is available for expenditure for capital outlay or for local assistance. Expenditures of funds for grants to public agencies and grants to nonprofit organizations, as authorized by subdivision (a) of Section 66907.7 of the Government Code, are exempt from Public Works Board review.
3. The funds appropriated by this item shall be used for purposes consistent with the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.

3125-301-0286—For capital outlay, California Tahoe Conservancy, payable from the Lake Tahoe Conservancy Account..... 210,000

Schedule:

(1) 50.30.002-Land acquisition and site improvements—Public access and recreation pursuant to Title 7.42 (commencing with Section 66905) of the Government Code..... 105,000

(2) 50.30.004-Land acquisition and site improvements—Stream environment zones and watershed restorations pursuant to Title 7.42 (commencing with Section 66905) of the Government Code..... 105,000

Provisions:

1. The acquisition of real property or interests with funds appropriated by this item is not subject to the Property Acquisition Law when the value is $250,000 or less, and, therefore, is not subject to Public Works Board approval.
2. The amount appropriated by this item is available for expenditure for capital outlay or for local assistance. Expenditures of funds for grants to public agencies and grants to nonprofit organizations, as authorized by subdivision (a) of Section 66907.7 of the Government Code, are exempt from Public Works Board review.

Item Amount

3125-301-0443—For capital outlay, California Tahoe Conservancy, payable from the Lake Tahoe Water Quality Subaccount 5,000,000

Schedule:

(1) 50.30.007-Lake Tahoe Water Quality Program..... 5,000,000

Provisions:

1. The acquisition of real property or an interest in real property with funds appropriated by this item is not subject to the Property Acquisition Law when the value is less than $250,000 and, therefore, the acquisition is not subject to Public Works Board approval.
2. The funds appropriated by this item are available for expenditure for capital outlay or grants. Expenditures of funds for grants to public agencies and grants to nonprofit organizations, as authorized by subdivision (a) of Section 66907.7 of the Government Code, are exempt from Public Works Board review.

3125-311-0383—For transfer by the State Controller to the Habitat Conservation Fund, payable from the Natural Resources Infrastructure Fund ..... (483,000)

Provisions:

1. The funds transferred by this item shall be used for purposes consistent with the requirements of the National Resources Infrastructure Fund and the Habitat Conservation Fund.

3125-490—Reappropriation, California Tahoe Conservancy. The balances of the appropriation provided in the following citation is reappropriated for the purposes provided for in that appropriation, and shall be available for liquidation until June 30, 1999:

0001—General Fund

(1) Item 3125-101-164, Budget Act of 1993, as transferred to the General Fund per Section 16346 of the Government Code.

(2) Item 3125-301-001(a), Budget Act of 1993.

3340-001-0001—For support of California Conservation Corps 42,450,000

Schedule:

(a) 10-Training and Work Program..... 49,561,000

(b) 10.55-Administration..... (6,872,000)

(c) 10.55-Distributed Administration..... (–6,872,000)

Item	Amount
(d) Amount payable from the California Environmental License Plate Fund (Item 3340-001-0140)	−294,000
(e) Amount payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (Item 3340-001-0235)	−252,000
(f) Amount payable from the Energy Resources Programs Account, General Fund (Item 3340-001-0465)	−6,070,000
(g) Amount payable from the Federal Trust Fund (Item 3340-001-0890)	−495,000

Provisions:

1. Notwithstanding Section 14316 of the Public Resources Code, the Department of Finance may make a loan from the General Fund to the California Conservation Corps for the purposes of this item, in the amount of 25 percent of the reimbursements anticipated in the Collins-Dugan Reimbursement Account to be received by the California Conservation Corps from each client agency, not to exceed an aggregate total of $6,998,000, to meet cash-flow needs due to delays in collecting reimbursements. Any loan made by the Department of Finance pursuant to this provision shall only be made if the California Conservation Corps has a valid contract or certification signed by the client agency, which demonstrates that sufficient funds will be available to repay the loan. All money so transferred shall be repaid to the General Fund as soon as possible, but not later than one year from the date of the loan. On and after a date 90 days after the end of that year, the Department of Finance shall charge interest to the California Conservation Corps, at the rate earned in the Pooled Money Investment Fund, on any portion of the loan that has not been repaid.
2. The funds appropriated by this act for the support of the California Conservation Corps are subject to the conditions set forth in this item, the Memorandum of Understanding as adopted by the Legislature as a part of the annual budget process, and the Supplemental Report of the 1998 Budget Act.

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Of the funds appropriated by this item, $2,725,000 shall be available for use by the California Conservation Corps to respond to natural disasters and other emergencies, including the fighting of forest fires. The Director of Finance may adjust this amount to the extent indicated by corrections identified by the director in the reports of the past expenditures of the California Conservation Corps upon which the amounts appropriated by this item are based. The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee at least 30 days prior to making that adjustment.

To the extent that funds in excess of the amount identified in Provision 3 are necessary in order for the California Conservation Corps to respond to one or more emergencies declared by the Governor, the Department of Finance shall transfer, from the funds available pursuant to Section 8609.6 of the Government Code, an amount not to exceed $1,500,000 as necessary to fund that response. If, after the Department of Finance has transferred funds pursuant to this provision, the California Conservation Corps receives reimbursements or other amounts in payment of its costs of response to one or more declared emergencies, those amounts shall be deposited in the General Fund.

Of the amount appropriated by this item, $5,000,000 shall be available for the acquisition and development of the San Francisco Bay Trail. The California Conservation Corps shall work in consultation with the Association of Bay Area Governments to identify projects to receive grants from this appropriation.

3340-001-0140—For support of California Conservation Corps, for payment to Item 3340-001-0001, payable from the California Environmental License Plate Fund 294,000

3340-001-0235—For support of California Conservation Corps, for payment to Item 3340-001-0001, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund 252,000

3340-001-0465—For support of California Conservation Corps, for payment to Item 3340-001-0001, payable from the Energy Resources Programs Account, General Fund 6,070,000

Item	Amount
3340-001-0853—For support of California Conservation Corps, payable from Petroleum Violation Escrow Account	9,737,000
3340-001-0890—For support of California Conservation Corps, for payment to Item 3340-001-0001, payable from the Federal Trust Fund	495,000
3340-301-0001—For capital outlay, California Conservation Corps	1,100,000
Schedule:	
(1) 20.10.135-Sequoia Base Center Kitchen Expansion/Office Relocation—Preliminary plans, working drawings, and construction 1,100,000	
3360-001-0001—For support of State Energy Resources Conservation and Development, for payment to Item 3360-001-0465	1,600,000
Provisions:	
1. Of the funds appropriated in this item, $1,600,000 shall be used for an Environmental, Energy, and Highway Research Test Track.	
3360-001-0044—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Motor Vehicle Account, State Transportation Fund	117,000
3360-001-0314—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Diesel Emission Reduction Fund	1,006,000
Provisions:	
1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item shall be available for expenditure during the 1998–99 and 1990–00 fiscal years.	
2. Notwithstanding Section 16304.1 of the Government Code, funds appropriated by this item shall be available for liquidation of encumbrances until June 30, 2004.	
3. Notwithstanding any other provision of law, funds appropriated by this item may be used by the State Energy Resources, Conservation and Development Commission to provide grants, loans, or repayable research contracts. When the commission evaluates proposals, a high-point scoring method may be used in lieu of lowest cost. Repayment terms shall be determined by the commission.	

Item	Amount
3360-001-0381—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Public Interest Research, Development and Demonstration Programs Fund	65,119,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item shall be available for expenditure during the 1998–99 and 1999–00 fiscal years.
2. Notwithstanding Section 16304.1 of the Government Code, funds appropriated by this item shall be available for liquidation of encumbrances until June 30, 2004.
3. Notwithstanding any other provision of law, funds appropriated by this item may be used by the State Energy Resources, Conservation and Development Commission to provide grants, loans, or repayable research contracts. When the commission evaluates proposals, a high-point scoring method may be used in lieu of lowest cost. Repayment terms shall be determined by the commission.

3360-001-0382—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from Renewable Resource Trust Fund	1,436,000
3360-001-0465—For support of State Energy Resources, Conservation and Development Commission, payable from the Energy Resources Programs Account, General Fund	34,698,000

Schedule:

(a) 10-Regulatory and Planning	19,065,000
(b) 20-Energy Resources Conservation	11,112,000
(c) 30-Development	89,597,000
(d) 40.01-Policy, Management and Administration	8,495,000
(e) 40.02-Distributed Policy, Management and Administration	−8,358,000
(f) Reimbursements	−1,236,000
(fx) Amount payable from the General Fund (Item 3360-001-0001)	−1,600,000
(g) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 3360-001-0044)	−117,000

Item	Amount
(h) Amount payable from the Diesel Emission Reduction Fund (Item 3360-001-0314)	−1,006,000
(i) Amount payable from the Public Interest Research, Development and Demonstration Programs Fund (Item 3360-001-0381)	−65,119,000
(j) Amount payable from the Renewable Resource Trust Fund (Item 3360-001-0382)	−1,436,000
(k) Amount payable from Energy Technologies Research Development and Demonstration Account (Item 3360-001-0479)	−1,269,000
(*l*) Amount payable from Local Government Geothermal Resources Revolving Subaccount, GRDA (Item 3360-001-0497)	−257,000
(m) Amount payable from Petroleum Violation Escrow Account (Item 3360-001-0853)	−2,931,000
(n) Amount payable from Katz Schoolbus Fund (Item 3360-001-0854)	−1,606,000
(o) Amount payable from the Federal Trust Fund (Item 3360-001-0890)	−8,474,000
(p) Amount payable from Energy Resources Programs Account, General Fund (Public Resources Code Section 25402.1)	−162,000

Provisions:

1. Notwithstanding any other provision of law, funds appropriated by this item for the purposes of providing customer credits for purchases of renewable energy pursuant to paragraph (1) of subdivision (e) of Section 383.5 of the Public Utilities Code shall, for a period of six months after enactment of the Budget Act of 1998, be made available for purchases of in-state renewable generation without regard to ownership of the generation source.
2. Of the funds appropriated by this item, $1,600,000 shall be used for Solar Hot Water Heaters and Solar Electricity program.

Item Amount

3. Of the funds appropriated by this item from the Energy Resources Programs Account, $200,000 shall be used for the development and support of Consumer Electric Users Cooperatives. The commission may utilize these funds to hire staff and consultant support as it deems necessary.

3360-001-0479—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Energy Technologies Research, Development and Demonstration Account for the purpose of funding loans, grants and contracts to provide a variety of research projects 1,269,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item shall be available for expenditure during the 1998–99 and 1999–00 fiscal years.
2. Notwithstanding Section 16304.1 of the Government Code, funds appropriated by this item shall be available for liquidation of encumbrances until June 30, 2002.
3. Notwithstanding any other provision of law, funds appropriated by this item may be used by the State Energy Resources, Conservation and Development Commission to provide grants, loans, or repayable research contracts. When the commission evaluates proposals, a high-point scoring method may be used in lieu of lowest cost. Repayment terms shall be determined by the commission.

3360-001-0497—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Local Government Geothermal Resources Revolving Subaccount, GRDA 257,000

3360-001-0853—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from Petroleum Violation Escrow Account 2,931,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item shall be available for expenditure during the 1998–99 and 1999–00 fiscal years.

Item Amount

2. Notwithstanding Section 16304.1 of the Government Code, funds appropriated by this item shall be available for liquidation of encumbrances until June 30, 2002.
3. Notwithstanding any other provision of law, funds appropriated by this item may be used by the State Energy Resources, Conservation and Development Commission to provide grants, loans, or repayable research contracts. When the commission evaluates proposals, a high-point scoring method may be used in lieu of lowest cost. Repayment terms shall be determined by the commission.

3360-001-0854—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Katz Schoolbus Fund created by Section 17911 of the Education Code 1,606,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item shall be available for expenditure during the 1998–99 and 1999–00 fiscal years.
2. Notwithstanding Section 16304.1 of the Government Code, funds appropriated by this item shall be available for liquidation of encumbrances until June 30, 2002.
3. Notwithstanding any other provision of law, funds appropriated by this item may be used by the State Energy Resources, Conservation and Development Commission to provide grants, loans, or repayable research contracts. When the commission evaluates proposals, a high-point scoring method may be used in lieu of lowest cost. Repayment terms shall be determined by the commission.

3360-001-0890—For support of State Energy Resources, Conservation and Development Commission, for payment to Item 3360-001-0465, payable from the Federal Trust Fund 8,474,000

3360-101-0497—For local assistance, State Energy Resources, Conservation and Development Commission, pursuant to Section 3822 of the Public Resources Code, payable from the Local Government Geothermal Resources Revolving Subaccount, General Fund 4,500,000

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Schedule:

(a) 30-Development 4,500,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item shall be available for expenditure during the 1998–99 and 1999–00 fiscal years.
2. Notwithstanding Section 16304.1 of the Government Code, funds appropriated by this item shall be available for liquidation of encumbrances until June 30, 2002.
3. The Commission shall undertake a competitive solicitation for the allocation, in the form of grants from the Geothermal Resources Development Account (GRDA), of the funds appropriated by this item and the amount, as of June 30, 1997, of the unexpended funds appropriated by Item 3360-001-0497 of Section 2.00 of the Budget Act of 1997. Eligible projects are those geothermal related reservoir recharge projects not otherwise qualifying for funds under SB 90 (Ch. 905, Stats. 1997) as Renewable or Public Interest Energy Research projects.

   The State Energy Resources Conservation and Development Commission shall establish terms and conditions for funding agreements that provide funding conditioned on the submittal of technical data and analysis on the performance of reservoir recharge and resulting production of eletricity for the eligible geothermal related reservoir recharge projects.

3360-490—Reappropriation, State Energy Resources, Conservation and Development Commission. The balance of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations, and shall be available for encumbrance and expenditure until June 30, 1999:

0381—Public Interest Research, Development and Demonstration Fund:

(1) Item 3360-001-0381, Budget Act of 1997.

0853—Petroleum Violation Escrow Account:

(1) Chapter 980, Statutes of 1995, Section 1(D)(3), Provide Loans for the Farm Energy Loan Program and Section 1(D)(4), Provide Technical Assistance for the Farm Energy Loan Program.

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3360-491—Extension of liquidation period, State Energy Resources, Conservation and Development Commission. Notwithstanding any other provision of law, funds appropriated in the following citations shall be available for liquidation until June 30, 1999:		
0497—Local Government Geothermal Resources Subaccount:		
(1) Item 3360-101-0497, Budget Act of 1994.		
Notwithstanding any other provisions of law, the funds appropriated in the following citations shall be available for liquidation until June 30, 2000:		
0853—Petroleum Violation Escrow Account:		
(1) Chapter 1159, Statutes of 1993, Section 6(K)(9), Yosemite National Park Alternative, as reappropriated by Item 3360-490 and Item 3360-492, Budget Act of 1994.		
Notwithstanding any other provisions of law, the funds appropriated in the following citations shall be available for liquidation until June 30, 2002.		
0381—Public Interest Research, Development and Demonstration Fund:		
(1) Item 3360-001-0381, Budget Act of 1997.		
3460-001-0001—For support of Colorado River Board of California		209,000
Schedule:		
(a) 10-Protection of California's Colorado River Rights and Interests	1,076,000	
(b) Reimbursements	−851,000	
(c) Amount payable from the California Environmental License Plate Fund (Item 3460-001-0140)	−16,000	
3460-001-0140—For support of Colorado River Board of California, for payment to Item 3460-001-0001, payable from the California Environmental License Plate Fund		16,000
Provisions:		
1. The funds appropriated by this item are for the Salinity Control Forum.		
3480-001-0001—For support of Department of Conservation		16,120,000
Schedule:		
(a) 10-Geologic Hazards and Mineral Resources Conservation	22,203,000	
(b) 20-Oil, Gas, and Geothermal Resources	11,701,000	
(c) 30-Land Resource Protection	2,255,000	
(d) 40.01-Administration	8,582,000	

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(e) 40.02-Distributed Administration ...	−8,582,000
(f) 50-Beverage Container Recycling and Litter Reduction Program	20,933,000
(g) Reimbursements.....	−8,266,000
(h) Amount payable from the Surface Mining and Reclamation Account, General Fund (Item 3480-001-0035).....	−2,401,000
(i) Amount payable from the State Highway Account, State Transportation Fund (Item 3480-001-0042).	−12,000
(j) Amount payable from the California Beverage Container Recycling Fund (Item 3480-001-0133).....	−20,858,000
(k) Amount payable from the California Environmental License Plate Fund (Item 3480-001-0140).....	−55,000
(*l*) Amount payable from the Soil Conservation Fund (Item 3480-001-0141).....	−998,000
(m) Amount payable from Hazardous and Idle-Deserted Well Abatement Fund (Section 3206, Public Resources Code)	−55,000
(n) Amount payable from Mine Reclamation Account (Item 3480-001-0336).....	−1,244,000
(o) Amount payable from Seismic Hazards Identification Fund (Item 3480-001-0338)	−1,826,000
(p) Amount payable from the Strong Motion Instrumentation Special Fund (Item 3480-001-0398).....	−2,740,000
(q) Amount payable from the Agricultural Land Stewardship Program Fund (Item 3480-001-0867).....	−100,000
(r) Amount payable from the Federal Trust Fund (Item 3480-001-0890).	−2,417,000

Provisions:

1. Notwithstanding any other provision of law, upon approval and order of the Director of Finance, the Department of Conservation may borrow sufficient funds, from special funds that otherwise provide support for the department, to meet cash-flow needs due to delays in collecting reimbursements. Any loan made by the Department of Finance pursuant to this provision may be

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made only if the Department of Conservation has a valid contract or certification signed by the client agency, which demonstrates that sufficient funds will be available to repay the loan. All money so transferred shall be repaid to the special fund as soon as possible, but not later than one year from the date of the loan.	
3480-001-0035—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Surface Mining and Reclamation Account, General Fund	2,401,000
3480-001-0042—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the State Highway Account, State Transportation Fund	12,000
Provisions:	
1. The funds appropriated by this item are for the state's share of costs of the California Institute of Technology seismograph network.	
3480-001-0133—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the California Beverage Container Recycling Fund	20,858,000
3480-001-0140—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the California Environmental License Plate Fund	55,000
3480-001-0141—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Soil Conservation Fund	998,000
3480-001-0336—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Mine Reclamation Account	1,244,000
3480-001-0338—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Seismic Hazards Identification Fund	1,826,000
Provisions:	
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures from the Seismic Hazard Identification Fund in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefore is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his designee, may in each in-	

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stance determine. When exercising this provision, the department must maintain a minimum 10 percent reserve balance in the Seismic Hazards Identification Fund at all times and not exceed a total program expenditure level of $2,300,000. This provision may also be used to reduce expenditures below the amount appropriated by this item should revenues be unable to maintain an adequate balance.	
2. (a) If, on or before September 1, 1998, the Department of Conservation receives additional funds from the Federal Emergency Management Agency for the mapping of seismic hazard areas related to the Northridge Earthquake of 1994, then not more than $1,250,000 of the funds appropriated in this item shall be used to publish maps for seismic hazard areas in the Counties of Los Angeles, Orange, and Ventura, and the remainder of the funds appropriated in this item, including any additional funds approved pursuant to Provision 1 and including an additional appropriation of $400,000, shall be used to publish maps of seismic hazard areas associated with the Peninsula Segment of the San Andreas Fault, the Hayward Fault, and the Calaveras Fault in the Counties of Alameda, Contra Costa, San Mateo, and Santa Clara and in the City and County of San Francisco, prioritized considering earthquake hazards and populations at risk.	
(b) If, on or before September 1, 1998, the department does not receive the federal funds described in (a) above, then all of the funds appropriated by this item, including any additional funds approved pursuant to Provision 1 and including an additional appropriation of $84,000, shall be used to publish maps of seismic hazard areas associated with the Peninsula Segment of the San Andreas Fault, the Hayward Fault, and the Calaveras Fault in the Counties of Alameda, Contra Costa, San Mateo, and Santa Clara and in the City and County of San Francisco, prioritized considering earthquake hazards and populations at risk.	

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3480-001-0398—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Strong Motion Instrumentation Special Fund	2,740,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures from the Strong Motion Instrumentation Special Fund in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefore is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his designee, may in each instance determine. When exercising this provision, the department must maintain a minimum ten percent reserve balance in the Strong Motion Instrumentation Special Fund at all times and not exceed a total program expenditure level of $5,000,000. This provision may also be used to reduce expenditures below the amount appropriated by this item should revenues be unable to maintain an adequate balance.

3480-001-0867—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Agricultural Land Stewardship Program Fund	100,000

Provisions:

1. Funds appropriated by this item shall be used for purposes consistent with the requirements of the Agricultural Land Stewardship Program Fund and the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.
2. Notwithstanding any other provision of law, this appropriation shall be available for encumbrance until June 30, 2000.

3480-001-0890—For support of Department of Conservation, for payment to Item 3480-001-0001, payable from the Federal Trust Fund	2,417,000
3480-002-0001—For support of the Department of Conservation	934,000

Provisions:

1. Funds appropriated by this item shall be available for expenditure by the department only if, on or before September 1, 1998, the department receives additional funds from the Federal Emer-

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gency Management Agency for the mapping of seismic hazard areas related to the Northridge Earthquake of 1994, in which case the funds appropriated by this item shall be used to publish maps of seismic hazard areas associated with the Peninsula Segment of the San Andreas Fault, the Hayward Fault, and the Calaveras Fault in the counties of Alameda, Contra Costa, San Mateo, and Santa Clara and in the City and County of San Francisco, prioritized considering earthquake hazards and populations at risk.

3480-011-0235—For transfer by the State Controller to the Agricultural Land Stewardship Program Fund, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund..... 100,000

Provisions:

1. The funds transferred by this item shall be available to the Department of Conservation to fund the Agricultural Land Stewardship Program pursuant to Chapter 931 of the Statutes of 1995, and shall be used for purposes consistent with the requirements of the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.

3480-101-0001—For local assistance, Department of Conservation 8,120,000

Provisions:

1. The amount of $8,000,000 of the funds appropriated by this item shall be used for the Agricultural Land Stewardship Program.
2. Notwithstanding any other provision of law, this appropriation shall be available for encumbrance until June 30, 2001.
3. Notwithstanding any other provision of law, when the Department of Conservation evaluates proposals, priority shall be given to projects with matching funds.

3480-101-0141—For local assistance, Department of Conservation, Program—30 Land Resource Protection, payable from the Soil Conservation Fund for the Agricultural Land Stewardship Program..... 2,000,000

Provisions:

1. Funds appropriated by this item shall be used for the purposes authorized by the Agricultural Land Stewardship Program.
2. Funds are appropriated by this item only to the extent that those funds are available in the 1998–99 fiscal year from the balance of the cancellation

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fees not transferred to the Soil Conservation Fund subsequent to the appropriation made by Item 3480-001-0141.

3. Notwithstanding any other provision of law, this appropriation shall be available for encumbrance until June 30, 2001.
4. Notwithstanding any other provision of law, when the Department of Conservation evaluates proposals, priority shall be given to projects with matching funds.

3480-101-0867—For local assistance, Department of Conservation, payable from the Agricultural Land Stewardship Program Fund 3,600,000

Schedule:

(c) 30-Land Resource Protection 3,600,000

Provisions:

1. Funds appropriated by this item shall be used for purposes consistent with the requirements of the Agricultural Land Stewardship Program Fund, the California Environmental License Plate Fund and the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.
2. Notwithstanding any other provision of law, this appropriation shall be available for encumbrance until June 30, 2001.

3480-111-0140—For transfer by the State Controller to the Agricultural Land Stewardship Program Fund, payable from the California Environmental License Plate Fund 1,700,000

Provisions:

1. The funds transferred by this item shall be available to the Department of Conservation to fund the Agricultural Land Stewardship Program pursuant to Chapter 931 of the Statutes of 1995, and shall be used for purposes consistent with the requirements of the California Environmental License Plate Fund.

3480-111-0235—For transfer by the State Controller to the Agricultural Land Stewardship Program Fund, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund 1,900,000

Provisions:

1. The funds transferred by this item shall be available to the Department of Conservation to fund the Agricultural Land Stewardship Program pursuant to Chapter 931 of the Statutes of 1995, and shall be used for purposes consistent with the re-

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quirements of the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.		
3480-295-0001—For local assistance, Department of Conservation, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		0
Schedule:		
(1) 98.01.113.175-Mineral resources policies (Ch. 1131, Stats. 1975)	0	
Provisions:		
1. Pursuant to Section 17581 of the Government Code, the mandate identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision is specifically identified by the Legislature for suspension during the 1998–99 fiscal year:		
(a) Mineral resources policies (Ch. 1131, Stats. 1975)		
3540-001-0001—For support of Department of Forestry and Fire Protection		280,783,000
Schedule:		
(a) 100000-Personal services	311,444,000	
(b) 300000-Operating expenses and equipment	140,862,000	
(c) Reimbursements	−114,159,000	
(d) Amount payable from the General Fund (Item 3540-006-0001)	−20,000,000	
(e) Less funding provided by capital outlay	−1,687,000	
(f) Amount payable from the State Fire Marshal Licensing and Certification Fund (Item 3540-001-0102)	−1,797,000	
(g) Amount payable from the California Environmental License Plate Fund (Item 3540-001-0140)	−862,000	
(h) Amount payable from the California Fire and Arson Training Fund (Item 3540-001-0198)	−1,386,000	
(i) Amount payable from the Hazardous Liquid Pipeline Safety Fund (Item 3540-001-0209)	−1,854,000	

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(j) Amount payable from the Hazardous Liquid Pipeline Safety Fund (Chapter 814, Statutes of 1997)....	–271,000
(k) Amount payable from the Insurance Fund (Ch. 420, Stats. 1994).....	–340,000
(*l*) Amount payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (Item 3540-001-0235)	–325,000
(m) Amount payable from the Professional Forester Registration Fund (Item 3540-001-0300)	–170,000
(n) Amount payable from the California Wildlife, Coastal, and Park Land Conservation Fund of 1988 (Item 3540-001-0786)	–26,000
(o) Amount payable from the Federal Trust Fund (Item 3540-001-0890).....	–9,133,000
(p) Amount payable from the Forest Resources Improvement Fund (Item 3540-001-0928).....	–19,486,000
(q) Amount payable from the Timber Tax Fund (Item 3540-001-0965)...	–27,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize the temporary or permanent redirection of funds from this item for purposes of emergency fire suppression and detection costs and related emergency revegetation costs.
2. Notwithstanding any other provision of law, the Department of Forestry and Fire Protection is authorized to collect up to $300,000 in reimbursements from nursery sale receipts for State Nursery operations.
3. Notwithstanding any other provision of law, the Department of Forestry and Fire Protection shall remit as General Fund revenue any nursery sale receipts collected during the period July 1, 1998, through June 30, 1999, in excess of the amount needed to reimburse the costs of operating the State Nursery.
4. Of the amount appropriated in Schedule (p) of this item, $8,421,000 shall be available only for expenditure for those purposes set forth in Section 4799.13 of the Public Resources Code, except that

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no funds shall be expended for the purposes set forth in paragraph (8) of subdivision (a) of that section.	
3540-001-0102—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the State Fire Marshal Licensing and Certification Fund	1,797,000
3540-001-0140—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the California Environmental License Plate Fund	862,000
3540-001-0198—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the California Fire and Arson Training Fund	1,386,000
3540-001-0209—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the Hazardous Liquid Pipeline Safety Fund	1,854,000
3540-001-0235—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund	325,000
3540-001-0300—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the Professional Forester Registration Fund	170,000
3540-001-0786—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the California Wildlife, Coastal, and Park Land Conservation Fund of 1988 for the California Wildlife, Coastal, and Park Land Conservation Program	26,000
3540-001-0890—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the Federal Trust Fund	9,133,000
3540-001-0928—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the Forest Resources Improvement Fund	11,065,000
Provisions:	
1. Notwithstanding any other provision of law, $1,192,000 of the amount appropriated by this item shall be available for forest wildlife habitat assessment, biodiversity, forest and rangeland and research, and forest and range resources assessment programs.	

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2. Of the amount appropriated by this item, $633,000 shall be available for urban forestry grants pursuant to Chapter 2 (commencing with Section 4799.06) of Part 2.5 of Division 4 of the Public Resources Code.	
3. Of the amount appropriated by this item, $2,200,000 shall be available for forest improvement programs pursuant to Chapter 1 (commencing with Section 4790) of Part 2.5 of Division 4 of the Public Resources Code.	
4. Of the amount appropriated by this item, $120,000 shall be available for the purpose of establishing two positions to assist local landowner groups in performing watershed assessments and assisting in educating landowners and other governmental agencies in the use of watershed information.	
5. Of the amount appropriated by this item, $2,100,000 shall be expended for the control of the pitch canker fungus in accordance with the provisions of Senate Bill 1712, if enacted during the 1997–98 Regular Legislative Session.	
3540-001-0965—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001, payable from the Timber Tax Fund.....	27,000
3540-006-0001—For support of Department of Forestry and Fire Protection, for payment to Item 3540-001-0001.....	20,000,000
Provisions:	
1. The funds appropriated by this item shall be available for emergency fire suppression and detection costs and related emergency revegetation costs and may be used for these purposes to reimburse the main support appropriation (Item 3540-001-0001) only upon approval by the Director of Finance.	
2. The Director of Forestry and Fire Protection shall furnish quarterly reports on expenditures for emergency fire suppression activities to the Director of Finance, as well as to the chairperson of the committee of each house of the Legislature that considers appropriations and to the Chairperson of the Joint Legislative Budget Committee.	

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3540-011-0928—For transfer to the General Fund, no more than the amount of nursery sale receipts collected during the period July 1, 1998, through June 30, 1999, for the actual costs of State Nursery operations, payable from the Forest Resources Improvement Fund		(300,000)
3540-101-0001—For local assistance, Department of Forestry and Fire Protection		465,000
Schedule:		
(a) Lake Nacimiento Fire and Rescue Boat	65,000	
(b) Stokes Mountain Solar Powered Repeater	400,000	
3540-101-0786—For local assistance, Department of Forestry and Fire Protection, Program 12.10-Resources Protection and Improvement, payable from the California Wildlife, Coastal, and Park Land Conservation Fund of 1988 for the California Wildlife, Coastal, and Park Land Conservation Program.		400,000
3540-301-0001—For capital outlay, Department of Forestry and Fire Protection		32,286,000
Schedule:		
(1) 30.10.005-Alma Helitack Base: Replace Facility—Preliminary plans and working drawings	218,000	
(2) 30.10.010-Sonoma Air Attack Base: Replace Facility—Construction and equipment	1,937,000	
(3) 30.10.030-Bridgeville Forest Fire Station: Relocation Facility—Acquisition	149,000	
(4) 30.10.035-Stevens Creek Forest Fire Station: Replace Facility—Preliminary plans and working drawings	123,000	
(5) 30.10.050-Rohnerville Air Attack Base: Replace Facility—Construction and equipment	1,479,000	
(6) 30.10.055-Ukiah Air Attack Base: Replace Facility—Acquisition	670,000	
(7) 30.10.090-Pacheco Forest Fire Station: Replace Facility—Preliminary plans and working drawings	131,000	

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(8) 30.20.020-Lassen-Modoc Ranger Unit Headquarters: Replace Apparatus Building and Auto Shop—Preliminary plans and working drawings	174,000
(9) 30.20.025-Ogo Forest Fire Station: Relocate Facility—Preliminary plans and working drawings	104,000
(10) 30.20.030-Harts Mills Forest Fire Station: Relocate Facility—Acquisition	172,000
(11) 30.20.040-Manton Forest Fire Station: Relocate Facility—Acquisition	147,000
(12) 30.20.045-Weaverville Forest Fire Station: Relocate Facility—Acquisition	208,000
(13) 30.20.070-Truckee Forest Fire Station: Relocate Facility—Construction	1,100,000
(14) 30.20.075-Tehama-Glenn Ranger Unit Headquarters—Acquisition	160,000
(15) 30.20.090-Alder Conservation Camp: Replace Wastewater and Water System/Construct Access Road—Preliminary plans	111,000
(16) 30.30.030-Riverside Ranger Unit Headquarters: Replace Emergency Command Center—Construction and equipment	1,741,000
(17) 30.30.035-San Bernardino Ranger Unit Headquarters: Replace Emergency Command Center—Construction and equipment	1,591,000
(18) 30.30.045-Hesperia Forest Fire Station: Relocate Facility—Preliminary plans and working drawings	114,000
(19) 30.30.050-Ramona Air Attack Base: Replace Facility—Construction and equipment	2,291,000
(20) 30.30.060-Hemet-Ryan Air Attack Base: Replace Facility—Preliminary plans and working drawings	330,000

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(21) 30.30.065-San Marcos Forest Fire Station: Relocate Facility—Acquisition	222,000
(22) 30.30.070-Valley Center Forest Fire Station: Relocate Facility—Acquisition	368,000
(23) 30.30.110-Owens Valley Conservation Camp: Expand Wastewater System/Construct Apparatus Building—Preliminary plans and working drawings	84,000
(24) 30.30.130-San Bernardino Ranger Unit Headquarters—Acquisition	500,000
(25) 30.40.010-Piedra Forest Fire Station—Acquisition	60,000
(26) 30.40.015-Sonora Forest Fire Station: Relocate Facility—Acquisition	322,000
(27) 30.40.020-Batterson Forest Fire Station: Relocate Facility—Preliminary plans and working drawings	103,000
(28) 30.40.035-Sand Creek Forest Fire Station: Relocate Facility—Acquisition	223,000
(29) 30.40.040-Hammond Forest Fire Station: Relocate Facility—Preliminary plans and working drawings	114,000
(30) 30.40.055-Coalinga Forest Fire Station: Relocate Facility—Construction and equipment	1,579,000
(31) 30.50.010-Aviation Management Unit: Relocate Facility—Study	148,000
(32) 30.60.035-Statewide: Construct Telecommunication Towers and Vaults, Phase 2—Preliminary plans, working drawings, and construction	9,148,000
(33) 30.80-Minor Capital Outlay	6,465,000

Provisions:

1. The funds appropriated in Schedule (13) represent 100 percent of the state's share of acquisition and construction costs for a joint facility with the Truckee Fire Protection District. While the project will be managed by the local district, the project is subject to the review of the State Public Works

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Board and requires authorization to proceed to bid by the Department of Finance. Funds may also be used by the Department of Forestry and Fire Protection or Department of General Services for project monitoring.

2. The funds appropriated by Schedules (15), (23) and (33) of this item include funding for construction and preconstruction activities, including, but not limited to, study, site search, acquisition, environmental documents, preliminary plans, working drawings, equipment, and other costs relating to the design and construction of facilities, to be performed by Department of Forestry and Fire Protection personnel in completion of the projects.
3. Funds appropriated in Schedule (31) include funds for development of program criteria for the Aviation Management Program facility needs. Prior to commencing with the balance of the study, the Department of Forestry and Fire Protection shall submit the criteria to the Department of Finance for review and concurrence.
4. The funds appropriated in Schedule (32) of this item only may be expended upon completion by the Department of Forestry and Fire Protection of a master plan for the repair and replacement of its communication towers and vaults. The Department of Forestry and Fire Protection shall submit this master plan to the chairpersons of the committees, and appropriate subcommittees thereof, in each house of the Legislature that consider the Budget Bill, and the Chairperson of the Joint Legislative Budget Committee. The Director of the Department of Forestry and Fire Protection shall, no sooner than 30 days after submission of the master plan, notify the chairs of these legislative committees of the intention of the department to initiate the design process.

3540-301-0928—For capital outlay, Department of Forestry and Fire Protection, payable from the Forest Resources Improvement Fund 5,700,000

(1) 30.10.145 Jackson State Forest—Acquisition 5,000,000

(2) 30.10.150 Soquel Demonstration State Forest—Acquisition 700,000

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3540-401—Of the amount appropriated to the Special Fund for Economic Uncertainties, the Director of Finance may allocate a sufficient amount, not to exceed ten million dollars ($10,000,000), to the Department of Forestry and Fire Protection for emergency fire suppression for the 1998–99 fiscal year.

3540-402—In the event the bonds authorized for the project scheduled in Item 3540-301-660, Budget Act of 1995, as reappropriated by Item 3540-490, Budget Act of 1996, are not sold, the Department of Forestry and Fire Protection shall commit a sufficient portion of its support appropriation provided for in this Budget Act to repay any loans from the Pooled Money Investment Account. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until outstanding loans are repaid either through the sale of bonds or from an appropriation.

3540-490—Reappropriation, California Department of Forestry and Fire Protection. Notwithstanding any other provision of law, the balances of the amount appropriated in the following citations are reappropriated to the Department of Forestry and Fire Protection for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

0001—General Fund

(1) Item 3540-301-001, Schedule (6), Budget Act of 1995 (Ch. 303, Stats. 1995), 30.10.070—Mt. St. Helena Lookout and Radio Vault: Acquire Leased Site—Acquisition.

(2) Item 3540-301-001, Schedule (7), Budget Act of 1995 (Ch. 303, Stats. 1995), 30.10.075—Castle Rock Forest Fire Station: Relocation—Acquisition, preliminary plans, working drawings, construction, and equipment.

3560-001-0001—For support of State Lands Commission 9,414,000

Schedule:

(a) 10-Mineral Resources Management	6,269,000
(b) 20-Land Management	6,619,000
(c) 30.01-Executive and Administration	2,694,000
(d) 30.02-Distributed Administration	–2,694,000
(e) 40-Marine Facilities Management	4,733,000
(f) Reimbursements	–3,144,000

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(g) Amount payable from the Oil Spill Prevention and Administration Fund (Item 3560-001-0320)..... –5,063,000

Provisions:

1. Notwithstanding subdivision (d) of Section 4 of Chapter 138 of the Statutes of 1964, 1st Extraordinary Session, all commission costs for administering Long Beach Tidelands, exclusive of any Attorney General charges, shall be included in revenues deposited into the General Fund pursuant to paragraph (1) of subdivision (a) of Section 6217 of the Public Resources Code.
2. All costs incurred to manage state school lands shall be deducted from the revenues produced by those lands and deposited into the General Fund pursuant to Section 24412 of the Education Code.

3560-001-0320—For support of State Lands Commission, for payment to Item 3560-001-0001, payable from the Oil Spill Prevention and Administration Fund 5,063,000

Provisions:

1. Funds appropriated by this item shall not be expended to monitor or inspect marine bunkering operations from barges or any marine lightering operations.

3580-001-0001—For support of Seismic Safety Commission..... 782,000

Schedule:

(a) 10-Seismic Safety Commission..... 1,124,000
(b) Reimbursements..... –75,000
(c) Amount payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990 (Item 3580-011-0768)..... –267,000

3580-011-0768—For support of Seismic Safety Commission, for payment to Item 3580-001-0001, payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990..... 267,000

3600-001-0001—For support of Department of Fish and Game, for payment to Item 3600-001-0200..... 21,013,000

Provisions:

1. Of the funds appropriated in this item, $2,100,000 is available for expenditure for the sediment dredging project at the Upper Newport Bay Ecological Reserve.

Item		Amount
3600-001-0140—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the California Environmental License Plate Fund		11,413,000
Provisions:		
1. Of the funds appropriated by this item, $500,000 is for reimbursement to the University of California at Santa Barbara for a Natural Center for Ecological Analysis and Synthesis.		
3600-001-0200—For support of Department of Fish and Game payable from the Fish and Game Preservation Fund		79,194,000
Schedule:		
(a) 10-Enforcement of Laws and Regulations	35,935,000	
(b) 15-Legal Services	640,000	
(c) 35-Wildlife and Natural Heritage Management	46,238,000	
(d) 55-Fisheries Management	87,705,000	
(e) 60-Environmental Services	18,732,000	
(f) 65-Oil Spill Prevention and Response Program	17,541,000	
(g) 70.01-Administration	25,624,000	
(h) 70.02-Distributed Administration	–25,624,000	
(i) Reimbursements	–20,074,000	
(j) Amount payable from the General Fund (Item 3600-001-0001)	–21,013,000	
(k) Amount payable from the California Environmental License Plate Fund (Item 3600-001-0140)	–11,413,000	
(*l*) Amount payable from the Fish and Wildlife Pollution Account (Item 3600-001-0207)	–1,483,000	
(m) Amount payable from the Waterfowl Habitat Preservation Account, Fish and Game Preservation Fund (Item 3600-001-0211)	–200,000	
(n) Amount payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (Item 3600-001-0235)	–6,695,000	
(o) Amount payable from the Oil Spill Prevention and Administration Fund (Item 3600-001-0320)	–18,027,000	
(p) Amount payable from the Oil Spill Response Trust Fund (Item 3600-001-0321)	–188,000	

Item	Amount
(q) Amount payable from the Environmental Enhancement Fund (Item 3600-001-0322)	−100,000
(s) Amount payable from the Salmon and Steelhead Trout Restoration Account (Item 3600-001-0384)	−8,000,000
(t) Amount payable from the Central Valley Project Improvement Subaccount (Item 3600-001-0404)	−12,189,000
(u) Amount payable from the California Wildlife, Coastal, and Park Land Conservation Fund of 1988 (Item 3600-001-0786)	−1,300,000
(v) Amount payable from the Federal Trust Fund (Item 3600-001-0890)	−26,656,000
(w) Amount payable from the Renewable Resources Investment Fund (Item 3600-001-0940)	−259,000

Provisions:

1. The funds appropriated by this item may be increased with the approval of, and under the conditions set by, the Department of Finance to meet current obligations proposed to be funded in Schedules (i) and (v). The funds appropriated by this item shall not be increased until the Department of Fish and Game has a valid contract, signed by the client agency, that provides sufficient funds to finance the increased authorization. This increased authorization may not be used to expand services or create new obligations.

   Reimbursements received under Schedules (i) and (v) shall be used in repayment of any funds used to meet current obligations pursuant to this provision.
2. Of the funds appropriated by Schedule (i), $1,500,000 shall be available in accordance with Chapter 851 of the Statutes of 1991.
3. Of the funds appropriated in this item, $203,000 is for reimbursement to the State Department of Health Services for shellfish monitoring activities.
4. If federal reimbursements are received for the Steelhead Trout Management Program, the Department of Finance may authorize an augmentation of Item 3600-001-0890 and reduce an equal amount in savings from this item. The Depart-

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ment of Finance shall notify the chairperson of the fiscal committee of each house of the legislature and the Chairperson of the Joint Legislative Budget Committee within 30 days of the authorization.

5. The Legislative Analyst and the Department of Fish and Game jointly shall identify the specific amount of funds being used for the department's reorganization plan, including funds being redirected as a result of the reorganization. Of the amount appropriated by this item, the amount identified by the Legislative Analyst and the department may not be expended sooner than 90 days after the department submits a report to the Joint Legislative Budget Committee on the department's reorganization as described in the Supplemental Report of the Budget Act of 1998, unless the Joint Legislative Budget Committee approves a sooner time.
6. The funds appropriated by Schedule (s) of this item only may be expended on projects for which the department makes a finding that there is a reasonable assurance that the projects will not be degraded by subsequent land use activities within the watershed.
7. The funds appropriated by Schedule (s) of this item may not be used to repair damage to streambeds or stream corridors, caused by a violation of the Z'berg-Nejedly Forest Practice Act of 1973 (Article 1 (commencing with Section 4511) of Chapter 8 of Part 2 of Division 4 of the Public Resources Code) or Section 1603 of the Fish and Game Code.
8. A mandatory riparian "no cut" buffer equivalent to 1 site-potential tree on Class I streams, and an equivalent buffer of ⅔ the height of the site-potential tree on Class II streams shall be maintained for projects on state or federally owned land funded from the appropriation by Schedule (s) of this item, within the watershed where the project is located.
9. Of the funds appropriated by Schedule (d), $400,000 is for reimbursement to the California Conservation Corps for salmon habitat restoration projects that are mutually agreed to by the Corps and the department.

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10. Of the funds appropriated by Schedule (d), up to $120,000 can be used to support consultant contracts for salmon and steelhead trout restoration watershed coordinators to assist in the implementation of Section 6217.1 of the Public Resources Code or for contract management.	
3600-001-0207—For support of the Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Fish and Wildlife Pollution Account	1,483,000
3600-001-0211—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Waterfowl Habitat Preservation Account, Fish and Preservation Fund	200,000
3600-001-0235—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund	6,695,000
3600-001-0320—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Oil Spill Prevention and Administration Fund	18,027,000
3600-001-0321—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Oil Spill Response Trust Fund	188,000
Provisions:	
1. Notwithstanding Chapter 7.4 (commencing with Section 8670.1) of Division 1 of Title 2 of the Government Code, the appropriation made by this item shall not result in the imposition of uniform oil spill response fees.	
3600-001-0322—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Environmental Enhancement Fund	100,000
3600-001-0384—For Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Salmon and Steelhead Trout Restoration Account	8,000,000
3600-001-0404—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Central Valley Project Improvement Subaccount	12,189,000
3600-001-0786—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the California Wildlife, Coastal, and Park Land Conservation Fund of 1988	1,300,000

Item	Amount
Provisions:	
1. The funds appropriated by this item shall not be expended until approval by the Legislature of a plan for their expenditure in accordance with Section 5922 of the Public Resources Code.	
3600-001-0890—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Federal Trust Fund	26,656,000
3600-001-0940—For support of Department of Fish and Game, for payment to Item 3600-001-0200, payable from the Renewable Resources Investment Fund	259,000
3600-002-0001—For support of Department of Fish and Game	3,320,000
Provisions:	
1. Of the amount appropriated by this item, $3,300,000, consisting of $1,800,000 from the General Fund and $1,500,000 from authorized reimbursements, is for expenditure for the dredging project at the Upper Newport Bay Ecological Reserve.	
2. Of the amount appropriated by this item, $20,000 is for the Suisun Resource Conservation District mosquito abatement project.	
3600-002-0140—For support of Department of Fish and Game, payable from the California Environmental License Plate Fund	786,000
Provisions:	
1. Of the amount appropriated by this item, $500,000 is for the Santa Rosa Creek Restoration Program.	
2. Of the amount appropriated by this item, $286,000 is for the San Diego County Sweetwater Reservoir Fishing Facility.	
3600-002-0320—For support of Department of Fish and Game, payable from the Oil Spill Prevention and Administration Fund	1,800,000
Provisions:	
1. Of the amount appropriated by this item, $1,800,000 is for the Santa Barbara Emergency Operations & Oil Spill Response Center.	
3600-011-0001—For support of Department of Fish and Game (reimbursement of free fishing licenses), for transfer to the Fish and Game Preservation Fund	17,000
3600-101-0001—For local assistance, Department of Fish and Game, Program 35-Wildlife and Natural Heritage Management Program	1,600,000

Item	Amount
Provisions:	
1. No funds may be expended pursuant to this item for the Natural Community Conservation Program, unless the funds are allocated to approved Natural Community Conservation Plans in Orange and San Diego Counties or unless a statute is enacted that establishes scientific and procedural standards for natural community conservation plans.	
3600-101-0207—For local assistance, Department of Fish and Game, Program 65-Oil Spill Prevention and Response Program, payable from the Fish and Wildlife Pollution Account	33,000
3600-101-0320—For local assistance, Department of Fish and Game, Program 65—Oil Spill Prevention and Response, payable from the Oil Spill Prevention and Administration Fund	2,459,000
3600-101-0890—For local assistance, Department of Fish and Game, Program 35-Wildlife and Natural Heritage Management Program, payable from the Federal Trust Fund	2,000,000
Provisions:	
1. No funds may be expended pursuant to this item for the Natural Community Conservation Program, unless the funds are allocated to approved Natural Community Conservation Plans in Orange and San Diego Counties or unless a statute is enacted that establishes scientific and procedural standards for natural community conservation plans.	
3600-301-0200—For capital outlay, Department of Fish and Game, payable from the Fish and Game Preservation Fund	1,239,000
Schedule:	
(1) 90.07.100-Minor Projects 1,493,000	
(2) 90.88.020-Project Planning 50,000	
(3) 90.98.001-Napa Sonoma Marsh WLA Water Control Structures—Preliminary Plans, Working Drawings, Construction 145,000	
(4) Reimbursements-Minor Projects .... –449,000	
Provisions:	
1. Of the amount appropriated in Schedule (1) of this item, $449,000 shall be used for purposes consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.	

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2. Of the funds appropriated by Schedule (1) of this item, $449,000 shall be available in accordance with Chapter 851 of the Statutes of 1991.
3. The funds appropriated in Schedule (3) of this item are to be available in accordance with the agreement between the Department of Fish and Game and Ducks Unlimited, Inc., a nonprofit corporation. Ducks Unlimited will provide project funding of $155,000. Notwithstanding the Public Contract Code, Ducks Unlimited will provide all engineering, design, and construction services for this project subject to the authority of the State Public Works Board.
4. The funds appropriated in Schedule (3) of this item shall not be expended until the Department of Fish and Game submits to the Joint Legislative Budget Committee certification by the Department of General Services that the estimated cost of the water control structures to be constructed under this appropriation is $300,000 or more. Costs to be certified pursuant to this provision shall only include the costs of preliminary plans, working drawings, and construction.
5. The funds appropriated in Schedule (3) of this item shall not be augmented.

3600-301-0786—For capital outlay, Department of Fish and Game, payable from the California Wildlife, Coastal and Park Land Conservation Fund of 1988. 550,000

Schedule:

(2) 90.98.004-Heenan Lake Water Right—Acquisition 550,000

Provisions:

3. The funds appropriated in this item shall not be expended until approval by the Legislature of a plan for their expenditure in accordance with Section 5922 of the Public Resources Code.

3600-490—Reappropriation, Department of Fish and Game. The balances of the appropriations provided for in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

0200—Fish and Game Preservation Fund.

(1) Item 3600-301-0200(1) Budget Act of 1997. 90.07.100 Minor Projects-Utilities and Road, Chino Fish and Wildlife Base; Reconstruct Bird Exclosure, Fish Springs Hatchery; provided

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funds may be used for construction activities including, but not limited to, costs related to work performed by Department of Fish and Game personnel.	
0320—Oil Spill Prevention and Administration Fund.	
(1) Item 3600-301-0320(1), Budget Act of 1997. 90.07.100—Minor Projects-Storage Shed	
3640-001-0140—For support of the Wildlife Conservation Board, payable to Item 3640-001-0447, from the California Environmental License Plate Fund	276,000
3640-001-0262—For support of the Wildlife Conservation Board, for payment to Item 3640-001-0447, payable from the Habitat Conservation Fund	3,040,000
Provisions:	
1. Of the amount appropriated by this item, $315,000 shall be available to the Wildlife Conservation Board for administrative costs associated with the California Wildlife Protection Act of 1990, the Unallocated Account (Cigarette and Tobacco Products Surtax Fund) and the Habitat Conservation Fund.	
2. Of the amount appropriated by this item, $2,725,000 shall be available to the Department of Fish and Game to fund:	
(a) $725,000 for the Yolo Bypass Wildlife Area, consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.	
(b) $2,000,000 for the Comprehensive Wetlands Habitat Program, consistent with the requirements of the Natural Resources Infrastructure Fund, the Unallocated Account (Cigarette and Tobacco Products Surtax Fund) and the Habitat Conservation Fund.	
3640-001-0447—For support of the Wildlife Conservation Board, payable from the Wildlife Restoration Fund	733,000
Schedule:	
(a) 10-Wildlife Conservation Board..... 4,049,000	
(b) Amount payable from the California Environmental License Plate Fund (Item 3640-001-0140)..... −276,000	
(c) Amount payable from the Habitat Conservation Fund (Item 3640-001-262)..... −3,040,000	

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3640-011-0383—For transfer by the State Controller to the Habitat Conservation Fund, payable from the Natural Resources Infrastructure Fund.....	(1,446,000)

Provisions:

1. The funds transferred by this item shall be used for purposes consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.

3640-301-0001—For capital outlay, Wildlife Conservation Board.....	39,938,000

Schedule:

(1) 80.10.060-Acquisition and restoration for habitat or open space..... 39,938,000

Provisions:

1. No funds may be expended pursuant to this item for the Natural Community Conservation Program unless they are allocated to approved Natural Community Conservation Plans in Orange and San Diego Counties or unless a statute is enacted which establishes scientific and procedural standards for natural community conservation plans.
2. Priority shall be placed on acquisitions which contribute to the restoration of habitat for threatened and endangered species.
3. The funds appropriated by this item are provided in accordance with the provisions of the Wildlife Conservation Law of 1947 and, therefore, shall not be subject to review by the State Public Works Board.
4. The amount appropriated by this item is available for expenditure for capital outlay or local assistance.
5. Of the funds appropriated by this item $10,955,000 is available to the Wildlife Conservation Board to fund the following:
   (a) $250,000 for the North Bay Riparian Station.
   (b) $2,000,000 for the Mattole Redwoods acquisition.
   (c) $200,000 for the Cache Creek Nature Center.
   (d) $500,000 for the Stough Canyon Nature Center.
   (e) $100,000 for the Sky Ranch acquisition.
   (f) $155,000 for the Newhall Bike Trail.
   (g) $200,000 for the Clayton Ranch acquisition.
   (h) $450,000 for the Mid-Peninsula Trail.
   (i) $5,000,000 for the Rim of the Valley.

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(j) $1,000,000 for the Bombay Project in the Santa Cruz Greenbelt.

(k) $100,000 for habitat restoration on the Palos Verdes Peninsula.

(l) $1,000,000 for the Inlands Wetlands Conservation Program.

3640-301-0262—For capital outlay, Wildlife Conservation Board, payable from the Habitat Conservation Fund 17,960,000

Provisions:

1. The funds appropriated by this item for the purposes described in Provisions 3 and 4 of this item are provided in accordance with the Wildlife Conservation Law of 1947 and, therefore, shall not be subject to Public Works Board review.
2. The amount appropriated in this item is available for expenditure for capital outlay or local assistance.
3. Of the amount appropriated by this item, $449,000 shall be available to the Department of Fish and Game for minor capital outlay projects consistent with the requirements of the Natural Resources Infrastructure Fund, the Habitat Conservation Fund and in accordance with Chapter 851, Statutes of 1991.
4. Of the amount appropriated by this item, $17,511,000 shall be available to the Wildlife Conservation Board to fund:
   (a) $6,400,000 for land acquisition for the Natural Community Conservation Planning (NCCP) Program as defined in Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code, consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund. Expenditure of these funds shall be limited to projects that are part of approved NCCP plans in San Diego and Orange Counties.
   (b) $1,000,000 for the Inland Wetlands Conservation Program pursuant to Section 1411 of the Fish and Game Code, and consistent with the requirements of the Unallocated Account (Cigarette and Tobacco Products Surtax Fund) and the Habitat Conservation Fund.

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(c) $10,111,000 for wildlife habitat acquisition projects, consistent with the requirements of the Unallocated Account (Cigarette and Tobacco Products Surtax Fund), the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.	
3640-301-0447—For capital outlay, Wildlife Conservation Board, payable from the Wildlife Restoration Fund, in lieu of the appropriation made by the Wildlife Conservation Law of 1947	5,898,000
Schedule:	
(1) 80.10.010-Minor Projects 1,198,000	
(2) 80.10.030-Land Acquisitions 200,000	
(3) 80.10.050-NCCP Land Acquisition..... 4,500,000	
Provisions:	
1. The funds appropriated in this item are provided in accordance with the provisions of the Wildlife Conservation Law of 1947 and, therefore, shall not be subject to Public Works Board review.	
2. The amount appropriated in this item is available for expenditure for capital outlay or local assistance.	
3640-301-0516—For capital outlay, Wildlife Conservation Board, payable from the Harbors and Watercraft Revolving Fund	325,000
Schedule:	
(a) 80.10.030-Land Acquisitions..... 325,000	
3640-311-0001—For transfer by the State Controller to the Habitat Conservation Fund	7,401,000
Provisions:	
1. The funds transferred by this item shall be used for purposes consistent with the requirements of the Habitat Conservation Fund.	
3640-311-0383—For transfer by the State Controller to the Habitat Conservation Fund, payable from the Natural Resources Infrastructure Fund	(9,298,000)
Provisions:	
1. The funds transferred by this item shall be used for purposes consistent with the requirements of the Natural Resources Infrastructure Fund and the Habitat Conservation Fund.	
3680-001-0516—For support of Department of Boating and Waterways, payable from the Harbors and Watercraft Revolving Fund	12,506,000

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Schedule:	
(a) 10-Boating Facilities	8,700,000
(b) 20-Boating Operations	5,712,000
(c) 30-Beach Erosion Control	262,000
(d) 40.01-Administration	1,855,000
(e) 40.02-Distributed Administration	−1,855,000
(f) Reimbursements	−15,000
(g) Amount payable from the Federal Trust Fund (Item 3680-001-0890).	−2,153,000

Provisions:

1. Notwithstanding Section 85.2 of the Harbors and Navigation Code, $262,000 of the funds appropriated by this item shall be expended for support of the Department of Boating and Waterways beach erosion control program.
2. Of the funds appropriated by this item, $250,000 is for a boating gas tax study. The study shall be performed in accordance with the following:
   (a) Notwithstanding Section 85.2 of the Harbors and Navigation Code and Section 8352.4 of the Revenue and Taxation Code, funds appropriated by this item shall be made available to the Department of Boating and Waterways for the purpose of contracting for an update or revision, or both, of the formula and method of the December 1972 Final Report on the State Gasoline Tax Paid on Gasoline Used in Propelling Boats During the 1971 Calendar Year, prepared for the purpose of estimating the amount of motor vehicle fuel used or usable per annum in propelling vessels.
   (b) The contractor shall be required to consult with the Department of Boating and Waterways, the Department of Finance, the Department of Motor Vehicles, the Department of Transportation, and the State Board of Equalization. Proposals in response to the Request for Proposal shall be approved by the Department of Finance by July 1, 1999. Each proposal shall specify sampling methodologies in detail. Upon approval of a research design by the Department of Finance, the contractor shall be required to submit a final report not later than July 1, 2000.

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3. Of the funds appropriated by this item, $400,000 is for a grant for the San Francisco Fisherman's Wharf Harbor Pollution Prevention and Water Quality project.	
4. Of the funds appropriated by this item, $200,000 shall be used for a contract for the development of a business plan for the operation of the Spud Point Marina.	
3680-001-0890—For support of Department of Boating and Waterways, for payment to Item 3680-001-0516, payable from the Federal Trust Fund.....	2,153,000
3680-101-0516—For local assistance, Department of Boating and Waterways, payable from the Harbors and Watercraft Revolving Fund.....	41,638,000
Schedule:	
(a) 10-Boating Facilities..... 28,591,000	
Launching Facility Grants..... (12,318,000)	
1) Anderson Lake..... (400,000)	
2) Lake Cachuma .. (1,000,000)	
3) Lake Casitas ..... (150,000)	
4) Clearlake Oaks..... (140,000)	
5) Donner Lake..... (308,000)	
6) Don Pedro ..... (187,000)	
7) Eastside Reservoir..... (3,700,000)	
8) El Capitan Reservoir..... (480,000)	
9) Elkhorn Launching (100,000)	
10) Floating Restrooms (500,000)	
11) Hell Hole..... (186,000)	
12) Hensley Lake..... (91,000)	
13) Huntington Lake ... (270,000)	
14) Long Beach (Davies)..... (450,000)	
15) Mission Bay-Ski Beach ..... (521,000)	
16) Moss Landing..... (500,000)	
17) Oceanside..... (2,000,000)	
18) Lake Piru..... (100,000)	
19) Ramp Repairs ..... (500,000)	
20) Rollins Lake ..... (100,000)	
21) Santa Barbara..... (408,000)	
22) Sardine Lake..... (77,000)	
23) Signs ..... (50,000)	
24) Vessel Pumpout..... (100,000)	

Item	Amount
Public Small Craft Harbors Loans	(8,676,000)
1) Eastside Reservoir ..... (1,499,000)	
2) Emergency Loans.. (200,000)	
3) Long Beach Shoreline ..... (700,000)	
4) Long Beach Basin 8 ..... (450,000)	
5) Marina del Rey ..... (227,000)	
6) Planning Loans ..... (200,000)	
7) Santa Monica Breakwater ..... (2,200,000)	
8) South Beach Harbor ..... (3,000,000)	
9) Ventura Harbor Village Marina..... (200,000)	
Private Marina Loans	(6,000,000)
Clean Vessel Act Grant Program.....	(1,253,000)
Aquatic Weed Control Project (Lake County)	(44,000)
Boating Trails	(300,000)
(b) 20-Boating Operations.....	9,975,000
(bx) 30-Beach Erosion Control.....	6,500,000
(c) Amount payable from the Abandoned Watercraft Abatement Fund (Item 3680-101-0577).....	−1,000,000
(d) Amount payable from the Federal Trust Fund (Item 3680-101-0890)..	−2,428,000

Provisions:

1. Notwithstanding Section 16304.1 of the Government Code, funds identified in Schedule (a) for Private Marina Loans shall be available for liquidation for three years following the last day the appropriation is available for encumbrance upon certification to the Department of Finance by the Department of Boating and Waterways that exigent circumstances exist resulting in projects delays.
2. Of the funds appropriated in Schedule (b), $8,100,000 is for boating safety and enforcement programs pursuant to Section 663.7 of the Harbors and Navigation Code.
3. Of the funds appropriated for the Clean Vessel Act Grant Program in Schedule (a), the Department of Boating and Waterways may transfer funds between the construction and education programs.

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4. Of the amounts appropriated to Redwood City pursuant to Chapter 886, Statutes of 1997, disposal of vessels includes, but is not limited to, the identification, notification, removal, storage, and disposal of abandoned, wrecked, or dismantled vessels, or parts thereof, or any partially submerged object and related debris, and measures undertaken with regard to code enforcement to prevent future abandonment of vessels.
5. Of the funds appropriated in Schedule (bx) of this item, $2,500,000 shall be expended for priority beach erosion management and nourishment projects.
6. Of the funds appropriated in Schedule (bx) of this item, $4,000,000 is available for a grant to the San Diego Association of Governments for project costs associated with the construction of beach enhancement, restoration, or nourishment of public beaches with placement of sand on the beach or in the nearshore. The appropriation shall be limited to the amounts returned to the funds specified in Item 3680-495 of Section 2.00 of this act.

3680-101-0577—For local assistance, Department of Boating and Waterways, for payment to Item 3680-101-0516, payable from the Abandoned Watercraft Abatement Fund 1,000,000

3680-101-0890—For local assistance, Department of Boating and Waterways, for payment to Item 3680-101-0516, payable from the Federal Trust Fund..... 2,428,000

Provisions:

1. Of the amount appropriated by this item, $875,000 shall be for grants to local governments for boating safety and law enforcement, 15 percent of which shall be allocated according to the department's discretion, and 85 percent of which shall be allocated by the department in accordance with the following priorities:

   First—To local governments that are eligible for state aid because they are spending all their local boating revenue on boating enforcement and safety, but are not receiving sufficient state funds to meet their calculated need as defined in Section 663.7 of the Harbors and Navigation Code.

   Second—To local governments that are not spending all local boating revenue on boating enforcement and safety, and whose boating revenue does not equal their calculated need. Local assis-

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tance shall not exceed the difference between the calculated need and local boating revenue.	
Third—To local governments whose boating revenue exceeds their need, but who are not spending sufficient local revenue to meet their calculated need.	
2. Of the amount appropriated by this item, $1,253,000 shall be available to fund construction and educational programs consistent with the Clean Vessel Act Grant Program.	
3680-101-0940—For local assistance, Department of Boating and Waterways, payable from the Renewable Resources Investment Fund	700,000
Schedule:	
(a) 30-Beach Erosion Control..... 700,000	
Provisions:	
1. Of the funds appropriated in Schedule (a) of this item, $700,000 is available for a grant to the San Diego Association of Governments for project costs associated with the construction of beach enhancement, restoration, or nourishment of public beaches with placement of sand on the beach or in the nearshore. The appropriation shall be limited to the amounts that revert to the funds specified in Item 3680-495 of this act.	
3680-102-0516—For transfer by the State Controller to the Abandoned Watercraft Abatement Fund, payable from the Harbors and Watercraft Revolving Fund...	1,000,000
3680-301-0516—For capital outlay, Department of Boating and Waterways, payable from the Harbors and Watercraft Revolving Fund	6,100,000
Schedule:	
(1) 50.04.020-Lake Oroville SRA, Spillway: Boat launching facility—Working drawings 132,000	
(2) 50.10.010-Millerton Lake SRA, Crows Nest Area: Boat Launching Facility—Preliminary plans 101,000	
(3) 50.19.011-Castaic Lake SRA, East Ramp Area: Boat Launching Facility—Preliminary plans and working drawings 249,000	
(4) 50.19.030-Pyramid Lake SRA-Emigrant Landing: Boat Launching Facility—Working drawings... 83,000	

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(5) 50.33.030-Lake Perris SRA: Areas 6 and 7, Boating Facility Improvements—Working drawings	69,000
(6) 50.34.030-Lake Natoma, Nimbus Flat, Boating Instruction and Safety Center—Preliminary plans.	123,000
(7) 50.37.010-Silver Strand State Beach, Crown Cove: Boat Instruction and Safety Center—Construction	1,493,000
(8) 50.99.010-Project Planning	100,000
(9) 50.99.020-Minor Projects	3,750,000

Provisions:

1. Funds appropriated in Schedule (8) are available for allocation by the Department of Finance to be used to develop design information or cost information for new construction projects for which funds have not been appropriated previously, but which are anticipated to be included in the Governor's Budget for the 1999–2000 or 2000–2001 fiscal year.

3680-490—Reappropriation, Department of Boating and Waterways. Notwithstanding any other provision of law, the balance of the amount appropriated in the following citation is hereby reappropriated to the Department of Boating and Waterways for the purposes and subject to the limitations, unless otherwise specified, provided for in that appropriation:

0516—Harbors and Watercraft Revolving Fund

(1) Item 3680-301-0516, Schedule (4) of the Budget Act of 1997 (Ch. 282, Stats. 1997), 50.24.020—San Luis SRA, O'Neill Forebay, Boat Launching Facility—Construction

3680-495—Reversion, Department of Boating and Waterways. The balance, as of June 30, 1998, of the appropriations provided in the following citation shall revert to the fund balance of the fund from which the appropriation was made:

(1) Chapter 606, Statutes of 1995, Section 1(a)(1), for a grant to the San Diego Association of Governments to pay for costs associated with the United States Navy Aircraft Carrier Homeporting Project in the San Diego Harbor. The reversion is limited to $700,000.

(2) Item 3680-101-0516(c), Budget Act of 1996, for a grant to the San Diego Association of Govern-

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ments to pay for costs associated with the United States Navy Aircraft Carrier Homeporting Project in the San Diego Harbor as described in Chapter 606, Statutes of 1995. The reversion is limited to $1,650,000.	
(3) Item 3680-101-0516(c), Budget Act of 1997, for a grant to the San Diego Association of Governments to pay for costs associated with the United States Navy Aircraft Carrier Homeporting Project in the San Diego Harbor as described in Chapter 606, Statutes of 1995. The reversion is limited to $1,650,000.	
(4) Chapter 928, Statutes of 1997, Section 22, to fund a grant to the San Diego Association of Governments to pay for costs associated with the United States Navy Aircraft Carrier Homeporting Beach Nourishment Project in the San Diego Harbor as described in Chapter 606, Statutes of 1995. The reversion is limited to $700,000.	
3720-001-0001—For support of California Coastal Commission	8,368,000
Schedule:	
(a) 10-Coastal Management Program... 10,558,000	
(b) 20-Coastal Energy Program 526,000	
(c) 30.01-Administration 2,067,000	
(d) 30.02-Distributed Administration ... −1,244,000	
(e) Reimbursements ..... −465,000	
(ex) Amount payable from California Beach and Coastal Enhancement Account (Item 3720-001-0371)..... −66,000	
(g) Amount payable from the Federal Trust Fund (Item 3720-001-0890). −3,008,000	
3720-001-0371—For support of California Coastal Commission, for payment to Item 3720-001-0001, payable from the California Beach and Coastal Enhancement Account, California Environmental License Plate Fund	66,000
3720-001-0890—For support of California Coastal Commission, for payment to Item 3720-001-0001, payable from the Federal Trust Fund	3,008,000
3720-101-0001—For local assistance, California Coastal Commission	500,000
Schedule:	
(a) 10-Coastal Management Program... 500,000	

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3720-101-0371—For local assistance, California Coastal Commission, payable from California Beach and Coastal Enhancement Account, California Environmental License Plate Fund		130,000
Schedule:		
(a) 10-Coastal Management Program...	130,000	
3720-295-0001—For local assistance, California Coastal Commission, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		0
Schedule:		
(1) 98.01.133.076-Local coastal plans (Ch. 1330, Stats. 1976)	0	
Provisions:		
1. Pursuant to Section 17581 of the Government Code, the mandate identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision is specifically identified by the Legislature for suspension during the 1998–99 fiscal year:		
(a) Local coastal plans (Ch. 1330, Stats. 1976)		
3760-001-0001—For support of the State Coastal Conservancy, for payment to Item 3760-001-0565		160,000
Provisions:		
1. The funds appropriated by this item only may be expended for activities associated with the acquisition, enhancement, or restoration of wetlands.		
3760-001-0565—For support of State Coastal Conservancy, payable from the State Coastal Conservancy Fund of 1976		2,776,000
Schedule:		
(a) 15—Coastal Resource Development	2,683,000	
(b) 25—Coastal Resource Enhancement	1,647,000	
(c) 90.01—Administration and Support	1,487,000	
(d) 90.02—Distributed Administration	−1,487,000	
(e) Reimbursements	−97,000	
(f) Amount payable from the General Fund (Item 3760-001-0001)	−160,000	

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(g) Amount payable from the Parklands Fund of 1980 (Item 3760-001-0721)	−196,000	
(h) Amount payable from the State Coastal Conservancy Fund of 1984 (Item 3760-001-0730)	−454,000	
(i) Amount payable from the California Wildlife, Coastal and Park Land Conservation Fund of 1988 (Item 3760-001-0786)	−471,000	
(j) Amount payable from the Federal Trust Fund (Item 3760-001-0890)	−176,000	
3760-001-0721—For support of the State Coastal Conservancy, for payment to Item 3760-001-0565, payable from the Parklands Fund of 1980		196,000
3760-001-0730—For support of the State Coastal Conservancy, for payment to Item 3760-001-0565, payable from the State Coastal Conservancy Fund of 1984		454,000
3760-001-0786—For support of the State Coastal Conservancy, for payment to Item 3760-001-0565, payable from the California Wildlife, Coastal and Park Land Conservation Fund of 1988		471,000
3760-001-0890—For support of the State Coastal Conservancy, for payment to Item 3760-001-0565, payable from the Federal Trust Fund		176,000
3760-301-0001—For capital outlay, State Coastal Conservancy		33,090,000
Schedule:		
(0.1) 80.93.015-Coastal Resource Development	20,000,000	
(1) 80.97.060—Natural Community Conservation Planning Program	5,000,000	
(2) 80.97.070—Ocean and Coastal Initiative	8,090,000	

Provisions:

1. The conservancy shall not enter into a grant contract with a nonprofit organization or local government for property acquisition which provides for either of the following:
   (a) A reversionary interest to the state, unless the grant contract specifies that the property shall not revert to the state without review and approval by the conservancy and the State Public Works Board.

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(b) A state leasehold interest in property acquired by a nonstate public agency with conservancy grant funds, unless the lease terms are approved by the Director of General Services. Except to the extent above, the expenditures of funds for grants to public agencies and nonprofit organizations shall be exempt from State Public Works Board review.

2. The amount appropriated by this item is available for encumbrance for either capital outlay or local assistance through fiscal year 2000–01.
3. Of the funds appropriated in Schedule (2) of this item, $5,590,000 may only be expended for acquisition, enhancement, and restoration of wetlands.
4. The funds available in Schedule (0.1) are available for activities consistent with Division 21 (commencing with Section 31000) of the Public Resources Code for the following projects: Coast Dairies, $5,000,000; Bay Area Conservancy, $5,000,000; Imperial Beach, $219,000; Montezuma Wetlands, $2,000,000; Bolinas Lagoon, $500,000; Paradise Creek Education Park, $700,000; Moss Landing, $450,000; Estero Bay, $2,500,000; Caspar State Beach, $1,800,000; South Spit restoration and enhancement, $500,000; and $1,331,000 for unspecified projects.

3760-301-0262—For capital outlay, State Coastal Conservancy, payable from the Habitat Conservation Fund 4,000,000

Schedule:

(1) 80.93.025—Coastal Resource Enhancement 4,900,000

(2) Reimbursements ..... –900,000

Provisions:

1. The State Coastal Conservancy shall not enter into a grant contract with a nonprofit organization or local government for property acquisition that provides for either of the following:
   a. A reversionary interest to the State, unless the grant contract specifies that the property shall not revert to the State without review and approval by the conservancy and the State Public Works Board.
   b. A state leasehold interest in property acquired by a nonstate public agency with conservancy

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grant funds, unless the lease terms are approved by the Director of General Services. Except to the extent above, the expenditures of funds for grants to public agencies and nonprofit organizations shall be exempt from State Public Works Board review.

2. The funds appropriated by this item are available for encumbrance for either capital outlay or local assistance without regard to fiscal year.
3. Of the funds appropriated by this item, $4,000,000 shall be used for purposes consistent with the Unallocated Account, Cigarette and Tobacco Products Surtax Fund and the Habitat Conservation Fund.

3760-301-0565—For capital outlay, State Coastal Conservancy, payable from the State Coastal Conservancy Fund of 1976 625,000

Schedule:

(1) 80.93.015—Coastal Resource Development 1,025,000
(2) 80.97.070—Ocean and Coastal Initiative 500,000
(3) Reimbursements ..... –900,000

Provisions:

1. The conservancy shall not enter into a grant contract with a nonprofit organization or local government for property acquisition which provides for either of the following:
   (a) A reversionary interest to the state, unless the grant contract specifies that the property shall not revert to the state without review and approval by the conservancy and the State Public Works Board.
   (b) A state leasehold interest in property acquired by a nonstate public agency with conservancy grant funds, unless the lease terms are approved by the Director of General Services. Except to the extent above, the expenditures of funds for grants to public agencies and nonprofit organizations shall be exempt from State Public Works Board review.
2. The amount appropriated by this item is available for encumbrance for either capital outlay or local assistance through fiscal year 2000–01.

3760-301-0593—For capital outlay, State Coastal Conservancy, payable from the Coastal Access Account of the State Coastal Conservancy Fund of 1976 225,000

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Schedule:

(1) 80.97.070-Ocean and Coastal Initiative..... 225,000

Provisions:

1. The conservancy shall not enter into a grant contract with a nonprofit organization or local government for property acquisition which provides for either of the following:
   (a) A reversionary interest to the state, unless the grant contract specifies that the property shall not revert to the state without review and approval by the conservancy and the State Public Works Board.
   (b) A state leasehold interest in property acquired by a nonstate public agency with conservancy grant funds, unless the lease terms are approved by the Director of General Services. Except to the extent above, the expenditures of funds for grants to public agencies and nonprofit organizations shall be exempt from State Public Works Board review.
2. The amount appropriated by this item is available for encumbrance for either capital outlay or local assistance through fiscal year 2000–01.

3760-301-0890—For capital outlay, State Coastal Conservancy, payable from the Federal Trust Fund..... 2,000,000

Schedule:

(1) 80.93.015-Coastal Resource Development 1,000,000

(2) 80.93.025-Coastal Resource Enhancement..... 1,000,000

Provisions:

1. The State Coastal Conservancy shall not enter into a grant contract with a nonprofit organization or local government for property acquisition that provides for either of the following:
   (a) A reversionary interest to the state, unless the grant contract specified that the property shall not revert to the state without review and approval by the State Coastal Conservancy and the Public Works Board.
   (b) A state leasehold acquired by a nonstate public agency with grant funds of the State Coastal Conservancy, unless the lease terms are approved by the Director of General Services. Except as specified in paragraph (a), the expenditure of funds for grants to public

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agencies and nonprofit organizations is exempt from the review of the Public Works Board.

2. The funds appropriated by this item are available for encumbrance for either capital outlay or local assistance through the 2000–01 fiscal year.

3760-301-0940—For capital outlay, State Coastal Conservancy, payable from the Renewable Resources Investment Fund 2,500,000

Schedule:

(1) 80.97.070-Ocean and Coastal Initiative 2,500,000

Provisions:

1. The conservancy shall not enter into a grant contract with a nonprofit organization or local government for property acquisition which provides for either of the following:
   (a) A reversionary interest to the state, unless the grant contract specifies that the property shall not revert to the state without review and approval by the conservancy and the State Public Works Board.
   (b) A state leasehold interest in property acquired by a nonstate public agency with conservancy grant funds, unless the lease terms are approved by the Director of General Services. Except to the extent above, the expenditures of funds for grants to public agencies and nonprofit organizations shall be exempt from State Public Works Board review.
2. The amount appropriated by this item is available for encumbrance for either capital outlay or local assistance through fiscal year 2000–01.

3760-490—Reappropriation, State Coastal Conservancy. The balance of the amounts appropriated in the following citations are hereby reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

0001—General Fund

(1) Item 3760-301-164, Schedule (2), Budget Act of 1993 (Ch. 55, Stats. 1993), as transferred to the General Fund (Item 3760-801-001) pursuant to Section 16346 of the Government Code.
80.93.025-Coastal Resource Enhancement, provided that the entire appropriation is available through June 30, 2001, and that $296,000 shall

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continue to be available for liquidation through June 30, 2017, to allow completion of a project monitoring and remediation contract with the U.S. Army Corps of Engineers through June 30, 2017.	
(2) Section 23 of Chapter 928 of the Statutes of 1997.	
80.93.015-Coastal Resource Development, provided funds may be available for encumbrance for either capital outlay or local assistance through June 30, 2000.	
3790-001-0001—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392.....	98,088,000
Provisions:	
1. Of the amount appropriated by this item, $93,000 is to be used for the California Recreational Trails System update.	
2. Of the amount appropriated by this item, $60,000 shall be used to contract with the Orange County Conservation Corps for El Nino storm damage repair at state parks and beaches.	
3790-001-0140—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the California Environmental License Plate Fund.....	105,000
3790-001-0235—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.....	11,670,000
3790-001-0263—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Off-Highway Vehicle Trust Fund	14,076,000
3790-001-0392—For support of Department of Parks and Recreation, payable from the State Park and Recreation Fund.....	81,322,000
Schedule:	
(a) For support of the Department of Parks and Recreation 225,519,000	
(b) Reimbursements.....–14,223,000	
(c) Amount payable from the General Fund (Item 3790-001-0001).....–98,088,000	
(d) Amount payable from the California Environmental License Plate Fund (Item 3790-001-0140)..... –105,000	

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(e) Amount payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (Item 3790-001-0235)	–11,670,000
(f) Amount payable from the Off-Highway Vehicle Trust Fund (Item 3790-001-0263)	–14,076,000
(h) Amount payable from the Winter Recreation Fund (Item 3790-001-0449)	–175,000
(i) Amount payable from the Harbors and Watercraft Revolving Fund (Item 3790-001-0516)	–548,000
(j) Amount payable from the Parkland Fund of 1980 (Item 3790-001-0721)	–2,417,000
(k) Amount payable from the Recreational Trails Fund (Item 3790-001-0858)	–150,000
(*l*) Amount payable from the Federal Trust Fund (Item 3790-001-0890)	–2,745,000

Provisions:

1. Of the funds appropriated by this act from state general funds and special funds, other than the Off-Highway Vehicle Trust Fund and bond funds, to the Department of Parks and Recreation for local assistance grants to local agencies, the department may allocate an amount not to exceed 1.5 percent of each project's allocation to provide for the department's costs to administer these grants.
2. The funds appropriated by this act for the support of the Department of Parks and Recreation shall be expended as authorized by this item and as set forth in the Memorandum of Understanding as adopted by the Legislature as a part of the annual budget process, and as reflected in the Supplemental Report of the 1998 Budget Act.
3. The Department of Parks and Recreation shall provide to the Joint Legislative Budget Committee:
   (a) Written notification and copies of any proposed operating plan and any proposed amendments, revisions, or additions to an existing operating plan at least 30 days prior to (1) the department's approval of that plan, amendments, revisions, or additions and (2)

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prior to the implementation of the plan, amendments, revisions, or additions.	
(b) Notification in writing, of any and all proposed rate increases, operational policy and guest service changes, and implemenation of new service charges at least 30 days prior to the department's approval of the increases, changes, and new service charges and prior to the implementation of the increases, changes, and new service charges.	
3790-001-0449—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Winter Recreation Fund	175,000
3790-001-0516—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Harbors and Watercraft Revolving Fund	548,000
3790-001-0721—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Parkland Fund of 1980.....	2,417,000
3790-001-0858—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Recreational Trails Fund	150,000
3790-001-0890—For support of Department of Parks and Recreation, for payment to Item 3790-001-0392, payable from the Federal Trust Fund.....	2,745,000
3790-011-0062—For support of Department of Parks and Recreation, for transfer by the State Controller to the State Parks and Recreation Fund, as prescribed by subdivision (a) of Section 2107.7 of the Streets and Highways Code, for expenditure by the department for maintenance and repair of highways in units of the state park system, payable from the Highway Users Tax Account, Transportation Tax Fund.....	(3,400,000)
3790-012-0061—For transfer by the State Controller from the Motor Vehicle Fuel Account, Transportation Tax Fund, to the State Parks and Recreation Fund	(11,649,000)
Provisions:	
1. Notwithstanding any other provision of law, of the amount that would have transferred to the Harbors and Watercraft Revolving Fund from the Motor Vehicle Fuel Account, Transportation Tax Fund, the amount of this item shall be available for transfer from the Motor Vehicle Fuel Account, Transportation Tax Fund to the State Parks and Recreation Fund.	

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3790-101-0001—For local assistance, Department of Parks and Recreation, to be available for expenditure during the 1998–99, 1999–2000, and 2000–01 fiscal years	7,500,000
Schedule:	
(a) 50.20.786-Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Grants 7,500,000	
3790-101-0262—For local assistance, Department of Parks and Recreation, payable from the Habitat Conservation Fund, to be available for expenditure during the 1998–99, 1999–2000 and 2000–2001 fiscal years	2,000,000
Schedule:	
(1) 80.25-Local Grants-Habitat Conservation Fund Program 2,000,000	
Provisions:	
1. The funds appropriated by this item shall be available only for projects submitted to the Department of Parks and Recreation for consideration during the evaluation process for the Habitat Conservation Fund Program.	
2. The funds appropriated by this item shall be used for purposes consistent with the requirements of the Habitat Conservation Fund, and the Unallocated Account, Cigarette and Tobacco Products Surtax Fund.	
3790-101-0263—For grants to cities, counties, or special districts, as specified in Division 5 (commencing with Section 5001) of the Public Resources Code, Department of Parks and Recreation, payable from the Off-Highway Vehicle Trust Fund, to be available for expenditure during the 1998–99, 1999–2000 and 2000–2001 fiscal years	13,118,000
Schedule:	
(1) 80.12-Off-Highway Motor Vehicle Recreation Fund-Grants..... 13,118,000	
3790-101-0858—For local assistance, Department of Parks and Recreation, payable from the Recreational Trails Fund, to be available for expenditure during the 1998–99, 1999–2000 and 2000–2001 fiscal years	3,572,000
Schedule:	
(1) 80.12-Off-Highway Motor Vehicle Recreation-Grants..... 1,072,000	
(2) 80.25-Local Grants..... 2,500,000	

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Provisions:	
1. The funds appropriated in Schedules (1) and (2) shall be available for expenditure for local assistance or capital outlay.	
3790-101-0890—For local assistance, Department of Parks and Recreation, payable from the Federal Trust Fund, to be available for expenditure during the 1998–99, 1999–2000 and 2000–2001 fiscal years	2,375,000
Schedule:	
(1) 80.25-Local Grants..... 2,000,000	
(2) 80.30-Historic Preservation Grants. 375,000	
3790-102-0001—For local assistance, Department of Parks and Recreation, to be available for expenditure during the 1998–99, 1999–2000, and 2000–01 fiscal years	44,727,000
Schedule:	
(a) 80.25-Local Grants..... 44,727,000	
(2) City of Anaheim: Community Center (100,000)	
(3) City of Anaheim: Support for the Boys and Girls Club..... (45,000)	
(4) City of Artesia: Artesia Park Acquisition ..... (350,000)	
(4.1) City of Bakersfield: Police Activities League Youth Center..... (25,000)	
(4.2) Bear Mountain Parks and Recreation District: Repavement of Basketball Courts..... (18,000)	
(5) City of Bell Gardens: Bell Gardens Pool ..... (200,000)	
(6) City of Bell Gardens: Ford Park Renovations..... (200,000)	
(7) City of Bellflower: Bellflower Recreational Park..... (100,000)	
(8) City of Bellflower: Bellflower Skateboard Park..... (250,000)	

Item	Amount
(8.1) Butte County: Courthouse Remodel	(200,000)
(8.2) City of Calexico: Nosotros Park	(250,000)
(8.3) City of Calabasas: Calabasas-Agoura Hills Community Center	(1,000,000)
(8.4) City of Chino: Youth Museum	(150,000)
(8.5) City of Chino: Cypress Park Picnic Pavilion	(85,000)
(8.6) City of Chino: Cypress Park Playground Equipment.	(63,000)
(8.7) City of Chino: Monte Vista Park Upgrade	(40,000)
(8.8) City of Chino Hills: Western Hills Park Acquisition and Equipment	(300,000)
(9) City of Chula Vista: 3 Park Projects	(504,000)
(9.1) City of Clearlake: Clearlake Senior Center	(250,000)
(10) City of Cloverdale: Senior Center	(350,000)
(11) City of Coachella: Restroom Facilities for 3 Parks	(50,000)
(11.1) Coalinga-Huron Parks and Recreation District: New Keck Park Irrigation System	(9,000)
(11.2) Coalinga-Huron Parks and Recreation District: New Olsen Park Irrigation System	(11,000)

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(11.3) Coalinga-Huron Parks and Recreation District: New Chesnut Park Irrigation System.....	(5,000)
(11.4) City of Corcoran: Boswell Community Park Tennis Courts.....	(2,000)
(11.5) City of Corcoran: Boswell Community Park: Inline Hockey Rink construction	(9,000)
(11.6) City of Corcoran: Boswell Park Tennis Court Lighting	(10,000)
(11.7) City of Corcoran: Community Pool Retrofit.....	(4,000)
(11.8) City of Corcoran: Marrot Park Swing Installation.	(3,000)
(12) City of Corona: Gymnasium Project Retrofit and ADA Upgrades	(130,000)
(13) City of Cypress: Completion of Roller Hockey Rink and Skateboard Park.....	(120,000)
(14) City of Daly City: Thornton Beach Access.....	(300,000)
(14.1) City of Delano: Cecil Park Playground Equipment.	(25,000)
(14.2) City of Delano: Cecil Park Lighting	(20,000)

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(15) City of Desert Hot Springs: Repair Boys and Girls Club Swimming Pool	(50,000)
(16) East Bay Regional Park District: Arroyo del Valle Outdoor Education Center	(4,500,000)
(17) City of El Cajon: 5 Park Projects	(278,000)
(18) City of El Monte: El Monte Community Center	(500,000)
(19) City of Exeter: Boys and Girls Club Facility Repairs	(51,000)
(20) City of Glendale: College View School Park	(250,000)
(21) City of Half Moon Bay: Pilarcitos Creek Bike Trail	(300,000)
(21.1) City of Hanford: Community Pool	(4,000)
(21.2) City of Hanford: Lacey Park Construction	(20,000)
(22) City of Healdsburg: Carson Warner Memorial Park	(92,000)
(23) City of Hemet: Development of New Youth Baseball Fields	(55,000)
(23.1) City of Huntington Beach: Lifeguard Tower Repair	(250,000)
(24) City of King City: Construction of a 10-acre Community Park	(350,000)

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(25) City of King City: Refurbishing 2 Community Tennis Courts	(50,000)
(27) City of La Mesa: 3 Park Projects	(176,000)
(28) City of Lafayette: Establishment of Community Park	(25,000)
(28.1) City of Lamont: Lamont Park Concession Stand	(10,000)
(28.2) City of Lancaster: National Soccer Complex Restrooms	(200,000)
(29) City of Lemon Grove: 3 Park Projects	(136,000)
(30) City of Linden: Swimming Pool	(25,000)
(31) City of Livingston: Livingston Soccer Field	(221,000)
(32) City of Lockeford: Community Park	(100,000)
(33) City of Lompoc: Alan Hancock Bikeway Extension	(402,000)
(34) City of Los Angeles: Griffith Park Replumbing	(1,500,000)
(34.1) City of Los Angeles: Korean American Museum	(250,000)
(35) County of Mariposa: Bridge Project Phase II	(185,000)
(35.1) City of Mendota: Dump Truck Acquisition	(5,000)
(36) City of Montclair: Sunset Park Amphitheater Project	(75,000)

Item	Amount
(37) City of National City: 2 Park Projects	(275,000)
(37.1) City of Norco: Gymnasium Project	(130,000)
(38) City of Ojai: Parks Improvement	(250,000)
(38.1) City of Ontario: De Anza Park Restroom and Storage Facilities	(150,000)
(39) City of Ontario: Relighting of Ontario Ballfield	(98,000)
(40) City of Oxnard: Rio de Valle Gymnasium/ Community Complex	(100,000)
(41) City of Pacifica: Milagra Creek Erosion Control Project	(300,000)
(42) City of Palmdale: Maintenance and Repair for McAdam Park Swimming Pool	(100,000)
(43) City of Rancho Cucamonga: After School Drop-In Program	(30,000)
(44) City of Rancho Palos Verdes: Development of Hesse Park Site	(150,000)
(45) City of Redondo Beach: Redondo Beach Park	(80,000)
(46) City of Richmond: Richmond Trail	(40,000)
(47) City of Riverside: Cesar Chavez Community Center	(235,000)

Item	Amount
(48) City of Riverside: Villegas Park Swimming Pool Rehabilitation	(157,000)
(50) City of Salinas: Soccer Complex Facilities	(600,000)
(51) City of San Buenaventura: Repairs to the Ventura Pier	(750,000)
(52) City of San Diego: 7 Park Projects	(499,000)
(53) City of San Diego: Alcott School Tot Lot	(115,000)
(54) City of San Diego: La Jolla Cove Erosion Project	(540,000)
(54.1) City of San Diego: Coast to Crest Trail	(300,000)
(55) City of San Diego: Lake Murray Community Park Comfort Station	(115,000)
(56) City of San Diego: Ocean Beach Tot Lot	(80,000)
(57) City of San Diego: Sandburg Park Tot Lot Upgrade	(135,000)
(58) City of San Diego: Tierrasanta Community Park Tot Lot Upgrade	(80,000)
(59) County of San Diego: New Spring Valley Family Health Center	(51,000)
(60) City of San Fernando: Las Palmas Youth/Senior Activity Center Demolition Tot Lot	(800,000)

Item	Amount
(61) City and County of San Francisco: Asian Art Museum	(5,000,000)
(62) City and County of San Francisco: Bayview Playground Swimming Pool	(500,000)
(63) City and County of San Francisco: Collingwood Park Acquisition	(500,000)
(64) City and County of San Francisco: Conservatory of Flowers—Plans and working drawings	(2,000,000)
(65) City and County of San Francisco: Glen Canyon Park.	(50,000)
(66) City and County of San Francisco: Golden Gate Park—Lakes Restoration	(200,000)
(67) City and County of San Francisco: Lake Merced Restoration	(200,000)
(68) City and County of San Francisco: McClaren Park	(100,000)
(69) City and County of San Francisco: Pine Lake Park	(200,000)
(70) City of San Jose: Guadalupe River Parkway—South Trail Project	(1,000,000)
(71) City of San Jose: Mexican Cultural Heritage Garden and Plaza	(500,000)

Item	Amount
(72) City of San Jose: Vietnamese Cultural Garden	(500,000)
(73) City of Santa Ana: Completion of Concession Stand at Santa Ana Santiago Little League	(125,000)
(73.1) City of Sanger: Sanger Swimming Pool	(500,000)
(74) City of Santa Ana: Graffiti Removal and Park Maintenance Van	(50,000)
(75) County of Santa Barbara: Bowl Renovation	(3,100,000)
(76) City of Santa Clarita: Auditorium Rehabilitation	(350,000)
(77) City of South San Francisco: Community Theater Renovation	(300,000)
(77.1) City of Shafter: Westside Park Irrigation System	(25,000)
(77.2) City of Shafter: Westside Park Playground Equipment	(25,000)
(78) City of South San Francisco: Multi-Use Park Planning.	(400,000)
(79) Templeton Community Services District: Gibson Park Youth	(150,000)
(79.1) City of Taft: A street Park Irrigation and Landscaping	(20,000)
(80) City of Turlock: Ella Johnson Community Center	(322,000)

Item		Amount
(81) City of Walnut Creek: Completion of Phase I of Civic Arts Education Shadelands Campus Master Plan....	(207,000)	
(82) City of West Hollywood: West Hollywood Park Pool.	(150,000)	
(82.1) City of Wasco: Swimming Pool Repairs.....	(25,000)	
(82.2) City of Wasco: Filbern Avenue Bike Trail Irrigation System.....	(25,000)	
(82.3) City of Watsonville: Child Care Facility.....	(400,000)	
(83) City of West Hollywood: William S. Hart House Renovation.....	(125,000)	
(84) Western Center Community Foundation: Western Center for Archaeology and Paleontology.....	(5,000,000)	
(85) City of Willits: Willits Soccer Field	(280,000)	
(86) City of Yucaipa: Park Facilities.....	(1,000,000)	
3790-102-0140—For local assistance, Department of Parks and Recreation, payable from the California Environmental License Plate Fund, to be available for expenditure during the 1998–99, 1999–2000, and 2000–01 fiscal years.....		1,215,000
Schedule:		
(1) 80.25-Local Grants.....	1,215,000	
(a) City of San Diego: Bayview Terrace Elementary School—Joint Use Park Facility.....	(1,165,000)	

Item		Amount
(b) City of San Francisco: Palace of Fine Arts	(50,000)	
3790-301-0001—For capital outlay, Department of Parks and Recreation		7,411,000
Schedule:		
(1) 90.CB.600-Morro Bay SP: Campground and Day Use Rehabilitation—Preliminary plans	188,000	
(1.5) 90.G1.205-Red Rock Canyon SP: Storm damage—Minor projects	270,000	
(2) 90.H6.605-Cuyamaca Rancho SP: Rehabilitation of Paso Picacho Campground—Preliminary plans and working drawings	199,000	
(3) 90.I6.605-San Elijo SB: Public Use Facilities—Working drawings and construction	3,648,000	
(4) 90.RS.205-Statewide: State Park System—Minor Projects	2,779,000	
(5) 90.RS.220-Statewide: Disasters Program—Minor Projects	500,000	
(6) 90.RS.810-Capital Outlay Projects	2,786,000	
(7) 90.3F.605-Benbow Lake SRA: Benbow Dam Repair—Preliminary plans and working drawings	86,000	
(8) 90.8J.600-Columbia SHP: Knapp Block Rehabilitation—Study and preliminary plans	180,000	
(9) Reimbursements	–3,225,000	

Provisions:

1. Notwithstanding any other provision of law, the Department of Parks and Recreation may borrow funds from the State Parks and Recreation Fund in order to provide advance cash for fully authorized reimbursement-funded projects. The loan shall be requested in writing by the Department of Parks and Recreation to the Controller's office as needed for cash-flow and will not be subject to any interest.
2. In the event the Department of Parks and Recreation receives additional unanticipated reimbursements from any agency of any local government or the federal government for other capital outlay projects, expenditure may be authorized in accordance with Section 28.50 of this act.

Item		Amount
3790-301-0262—For capital outlay, Department of Parks and Recreation, payable from the Habitat Conservation Fund		2,500,000
Schedule:		
(1) 90.RS.406-Habitat Conservation: Proposed Additions—Acquisition	1,000,000	
(2) 90.RS.407-Santa Lucia Mountains: Proposed Additions—Acquisition	1,500,000	
Provisions:		
1. The funds appropriated in Schedule (1) of this item shall be expended for state park acquisitions located in the Klamath-Siskiyou, Sierra Foothills and Low Coastal Mountain, Southwest Mountain and Valley, and Sierra Nevada Landscape Provinces.		
2. The funds appropriated in Schedules (1) and (2) of this item shall be used for purposes consistent with the Unallocated Account, Cigarette and Tobacco Products Surtax Fund and the Habitat Conservation Fund.		
3790-301-0263—For capital outlay, Department of Parks and Recreation, payable from the Off-Highway Vehicle Trust Fund		5,345,000
Schedule:		
(1) 90.C7.401-Ocotillo Wells SVRA: Eastern Acquisition—Acquisition	3,600,000	
(2) 90.RS.206-Statewide: OHV Minors—Minor Projects	650,000	
(3) 90.RS.403-Statewide: Opportunity Purchase—Acquisition	300,000	
(4) 90.RS.404-Statewide: Prebudget Appraisal Costs—Planning	50,000	
(5) 90.RS.601-Fresno Area/Southern San Joaquin Valley—OHV Site Planning and Acquisition	295,000	
(7) 90.RS.605-Statewide: Budget Package/Schematic Planning—Planning	50,000	
(9) 90.7K.601-Carnegie SVRA: Tesla and Alameda—Planning	400,000	
Provisions:		
1. Funds appropriated in Schedule (7) shall be used to develop design information or cost information for new projects for which funds have not been appropriated previously, but which are anticipated		

Item Amount

to be included in the Governor's Budget for the 1999–2000 or 2000–2001 fiscal year.

2. Funds appropriated in Schedule (4) shall be used to develop cost information for new acquisition projects for which funds have not been appropriated previously, but which are anticipated to be included in the Governor's Budget for the 1999–2000 or 2000–2001 fiscal year. In addition, these funds also may be used for other acquisition-related administrative costs.
3. Funds appropriated in Schedule (3) shall be available for inholding acquisitions, parcels adjacent to existing state vehicular recreation areas or parcels available through tax default that fall within the department's five-year plan for program expansion.
4. Of the funds appropriated in Schedule (5), $100,000 may be used to purchase an option for property.

3790-301-0545—For capital outlay, Department of Parks and Recreation, payable from the River Parkway Subaccount 1,000,000

Schedule:

(1) 90.RS.811-River Parkway Program—Minor Projects 1,000,000

3790-301-0786—For capital outlay, Department of Parks and Recreation, payable from the California Wildlife, Coastal and Park Land Conservation Fund of 1988 457,000

Schedule:

(1) 90.RS.260-Statewide: Recreational Trails—Minor Projects 250,000
(2) 90.RS.230-Statewide: Stewardship Program—Minor Projects 207,000

Provisions:

1. Funds appropriated in Schedule (2) of this item shall be available for expenditure until June 30, 2001.

3790-301-0890—For capital outlay, Department of Parks and Recreation, payable from the Federal Trust Fund 600,000

Schedule:

(1) 90.RS.801-Federal Trust Fund: Acquisition and development 600,000

3790-302-0001—For capital outlay, Department of Parks and Recreation 5,737,000

Item	Amount
Schedule:	
(1) 90.B2.205-Auburn State Recreation Area: Quarry Road Stabilization—Minor Project	47,000
(2) 90.E4.400-Chino Hills State Park: Coal Canyon Biological Corridor—Acquisition	3,000,000
(3) 90.FB.100-Pio Pico State Park: Restoration—Preliminary plans, working drawings, and construction	750,000
(4) 90.5N.205-Mount Diablo State Park: Construction of Observatory—Minor Project	60,000
(5) 90.5N.400-Mount Diablo State Park: Acquisition of Turtle Rock Ranch—Acquisition	200,000
(6) 90.6L.400-Tomales Bay State Park: Scenic Lands, Millerton Point Acquisition—Acquisition	1,300,000
(7) 90.6U.205-Annadel State Park: ADA Compliant Restrooms—Minor Project	40,000
(8) 90.99.205-San Luis Reservoir State Recreation Area: Los Banos Creek Bridge—Minor Project	340,000

3790-401—For the 1998–99 fiscal year, the balance as of July 1, 1998, deposits in, and accruals to the Conservation and Enforcement Services Account in the Off-Highway Vehicle Trust Fund shall be transferred by the State Controller to the Off-Highway Vehicle Trust Fund. All funds transferred pursuant to this item shall be available for expenditure by the Department of Parks and Recreation for purposes of conservation and enforcement activities pursuant to Sections 23 and 25 of Chapter 1027, Statutes of 1987 which are authorized for expenditure within Items 3790-001-0263, 3790-101-0263, and 3790-301-0263. The State Controller shall make the transfers quarterly or at such intervals as determined necessary to meet the cash-flow needs of the Off-Highway Vehicle Trust Fund.

3790-490—Reappropriation, Department of Parks and Recreation. The balances of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless

Item	Amount
otherwise specified, provided for in the appropriations:	
0001—General Fund	
(1) Item 3790-301-0001(1), Budget Act of 1997, Reimbursements-Transportation Enhancement Activities Program.	
(2) Item 3790-301-0001(2), Budget Act of 1997. Reimbursements-Environmental Enhancement and Mitigation Demonstration Program.	
(3) Item 3790-301-0001(3), Budget Act of 1997, 90.RS.101, Statewide: California Coastal Trail Improvements-Preliminary plans, working drawings, and construction.	
(4) Item 3790-301-0001(4), Budget Act of 1997, 90.94.101, Stanford Mansion State Historical Park Preservation-Preliminary plans, working drawings, and construction.	
(5) Item 3790-301-0001(5), Budget Act of 1997, 90.FB.101, Pio Pico-Preliminary plans, working drawings, and construction.	
(6) Item 3790-301-0001(6), Budget Act of 1997, 90.BN.280, Point Sur Lighthouse Restoration-Minor project.	
(7) Item 3790-301-0001(7), Budget Act of 1997, 90.8U.101, Alder Creek Bike Trail/Bridge-Preliminary plans, working drawings, and construction.	
(8) Item 3790-301-0001(8), Budget Act of 1997, 90.RS.280, Coastal Bicycle Trail Improvements-Minor project.	
(9) Item 3790-301-0001(9), Budget Act of 1997, 90.9B.101, Railtown SHP: Rehabilitate Railroad Shops-Preliminary plans, working drawings, and construction.	
(10) Item 3790-301-0001(10), Budget Act of 1997, 90.9H.280, Allensworth SHP: Railroad Station Restoration-Minor project.	
(11) Item 3790-301-0001(11), Budget Act of 1997, 90.9M.280, American River Trail-Minor project.	
(12) Item 3790-301-0001(12), Budget Act of 1997, 90.FO.280, Huntington and Bolsa Chica SB: Rehabilitate Recreational Facilities-Minor project.	
(13) Item 3790-301-0001(13), Budget Act of 1997, 90.CO.280, Henry W. Coe SP: Entrance Development-Minor project.	

Item	Amount
(14) Item 3790-301-0001(14), Budget Act of 1997, 90.8P.280, Emerald Bay SP: Trail Development-Minor project.	
(15) Item 3790-301-0001(15), Budget Act of 1997, 90.42.280, Pudding Creek Trestle and Coastal Dune Restoration-Minor project.	
(16) Item 3790-301-0001(16), Budget Act of 1997, 90.FJ.280, Los Liones Canyon Roadside Restoration and Recreation Improvements-Minor project.	
(18) Item 3790-301-0001(19), Budget Act of 1997, 90.GI.280, Crystal Cove SP: Improvements-Minor project.	
(19) Item 3790-301-0001(20), Budget Act of 1997, 90.9R.280, Fort Tejon SHP. Grapevine Creek Restoration and Stabilization-Minor project.	
(20) Item 3790-301-0001(21), Budget Act of 1997, 90.8P.281, Eagle Falls Pedestrian Access Enhancement-Minor project.	
(21) Item 3790-301-0001(22), Budget Act of 1997, 90.6U.280, Annadel SP: Trails Restoration-Minor project.	
(22) Item 3790-301-0001(23), Budget Act of 1997, 90.5X.280, Marconi Conference Center SHP: Improvements-Minor project.	
(23) Item 3790-301-0001(24), Budget Act of 1997, 90.3B.280, Avenue of the Giants Auto Tour Improvements-Minor project.	
(24) Item 3790-301-0001(25), Budget Act of 1997, 90.8I.280, Calaveras Big Trees SP: Entrance Improvements-Minor project.	
(25) Item 3790-301-0001(26), Budget Act of 1997, 90.8Q.280, Brannan Island SRA: Enhance Roadside-Minor project.	
0263-Off-Highway Vehicle Trust Fund	
(1) Item 3790-301-263(2), Budget Act of 1995, 90.C7.400, Ocotillo Wells SVRA: Northern Acquisition-Acquisition, with the exception of a partial reversion as shown in Item 3790-495-0263(1).	
(2) Item 3790-301-263(5), Budget Act of 1995, 90.RS.403, Statewide: Opportunity Purchases-Acquisition.	
(3) Item 3790-301-263(8), Budget Act of 1995, as reappropriated by Item 3790-490, Budget Acts of 1996 and 1997. 90.RS.606 San Diego, OHV Area: Site Planning.	

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0392-State Parks and Recreation Fund

(1) Item 3790-301-392(1), Budget Act of 1995, as reappropriated by Item 3790-490, Budget Acts of 1996 and 1997. 90.GI.110 Crystal Cove SP: Historic District Rehabilitation-Study, preliminary plans, working drawings.

(2) Item 3790-301-392(2), Budget Act of 1995, as reappropriated by Item 3790-490, Budget Acts of 1996 and 1997. 90.RS.810 Capital Outlay Projects.

(3) Item 3790-301-392(3), Budget Act of 1995, as reappropriated by Item 3790-490, Budget Acts of 1996 and 1997. Reimbursements-Capital Outlay Projects.

0545-River Parkway Subaccount

(1) Item 3790-301-0545(2), Budget Act of 1997, 90.38.290, Richardson Grove SP: Durphy Creek Fisheries Rehabilitation.

(2) Item 3790-301-0545(3), Budget Act of 1997, 90.2X.290, Humboldt Lagoons SP: Mcdonald Creek Restoration.

(3) Item 3790-301-0545(4), Budget Act of 1997, 90.3X.290, Russian Gulch Creek Trail Rehabilitation.

(4) Item 3790-301-0545(5), Budget Act of 1997, 90.3B.290, Humboldt Redwoods SP: South Fork, Eel River, and Bull Creek Watershed/Trail Rehabilitation.

0722-Parklands Fund of 1984

(1) Item 3790-301-722(10.1), Budget Act of 1985, as reappropriated by Item 3790-490, Budget Acts of 1992 and 1995, 90.EA.400.852, Chino Hills SP: Brea Olinda wilderness acquisition, provided that the amount of this reappropriation shall not exceed $780,000.

0786-California Wildlife, Coastal, and Park Land Conservation Fund of 1988

(1) Item 3790-301-786(7), Budget Act of 1994, as reappropriated by Item 3790-490, Budget Acts of 1995, 1996 and 1997. 90.RS.615 Statewide: CEQA Filing Fees-Planning.

(2) Item 3790-301-786(4), Budget Act of 1995, as reappropriated by Item 3790-490-786(18), Budget Acts of 1996 and 1997. 90.RS.405 Statewide: Relocation Assistance; provided that funds reappropriated in this item may be used for relocation

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assistance, acquisition costs, and/or prebudget appraisals costs.

(3) Item 3790-301-0786(2), Budget Act of 1996, as reappropriated by Item 3790-490, Budget Act of 1997. 90.RS.260 Statewide: Recreational Trails-Minor Projects.

(4) Item 3790-301-0786(5), Budget Act of 1996, as reappropriated by Item 3790-490, Budget Act of 1997. 90.RS.608. Statewide: Budget Packages/ Schematic Planning, and Topographic Surveys.

3790-495—Reversion, Department of Parks and Recreation. As of June 30, 1998, the unencumbered balances of the appropriations provided in the following citations shall revert to the fund balance of the fund from which the appropriation was made:

0263-Off-Highway Vehicle Trust Fund

(1) Item 3790-301-263(2), Budget Act of 1995, 90.C7.400, Ocotillo Wells SVRA: Northern Acquisition-Acquisition—Partial reversion—except that the amount to be reverted shall be limited to $500,000.

0392—State Parks and Recreation Fund

(1) Item 3790-402 of Section 2.00 of Chapter 162 of the Statutes of 1996 as modified by Item 3790-403 of Section 2.00 of Chapter 282 of the Statutes of 1997. Revert transfer and appropriation authority. Funds shall revert to the New Governor's Mansion Account within the Special Deposit Fund.

3810-001-0001—For support of the Santa Monica Mountains Conservancy, for payment to Item 3810-011-0941 50,000

Provisions:

1. Funds appropriated by this item are available for reimbursement to local conservation corps for corps services for the programs authorized in Division 23 (commencing with Section 33000) of the Public Resources Code.

3810-001-0140—For support of the Santa Monica Mountains Conservancy, for payment to Item 3810-011-0941, payable from the California Environmental License Plate Fund 107,000

3810-011-0941—For support of Santa Monica Mountains Conservancy, payable from the Santa Monica Mountains Conservancy Fund 447,000

Item	Amount
Schedule:	
(a) 10-Santa Monica Mountains Conservancy	644,000
(b) Reimbursements	–40,000
(bx) Amount payable from the General Fund (Item 3810-001-0001)	–50,000
(d) Amount payable from the California Environmental License Plate Fund (Item 3810-001-0140)	–107,000

Provisions:

1. Notwithstanding Article 4 (commencing with Section 11040) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code, the Attorney General shall continue to provide legal services to the Santa Monica Mountains Conservancy consistent with the manner in which the Attorney General provides legal services to state agencies that are funded by appropriations made from the General Fund.
2. (a) The Santa Monica Mountains Conservancy shall not encumber state appropriated funds for the purchase or acquisition of real property directly or through any public agency intermediary, including the State Public Works Board, that requires the payment of interest costs, or late fees or penalties, unless the conservancy certifies all of the following: (1) that the purchase is necessary to implement an acquisition identified in the high priority category of the work program submitted annually to the Legislature pursuant to Section 33208 of the Public Resources Code, or amendments made thereto, (2) that the purchase agreement does not involve interest payments or terms in excess of those that the State Public Works Board may enter into pursuant to Section 15854.1 of the Government Code, and (3) that the purchase agreement does not commit the state to future appropriations.

   (b) The Santa Monica Mountains Conservancy shall report periodically to the Legislature, but no less frequently than twice yearly, concerning the status of any purchases certified as required in (a) and the amount of state funds thus far encumbered for interest, penalties, or other principal surcharges.

Item	Amount
3810-301-0001—For capital outlay, Santa Monica Mountains Conservancy	10,000,000

Schedule:

(1) 50.20.001-Acquisition, restoration and improvements for the Los Angeles and San Gabriel Rivers and tributaries 10,000,000

Provisions:

1. Funds appropriated in this item shall be used for the purposes of restoring or improving the Los Angeles River and San Gabriel River. These funds may be expended for planning, including river restoration planning, acquisition in watersheds, restoration projects, and water quality and storm water improvement efforts. Priority shall be given to projects with multiple beneficial effects; plans or programs which restore natural ecology, conserve water, reduce storm water runoff, provide recreation and community development opportunities and contribute to environmentally sound flood control.
2. The amount appropriated in this item is available for encumbrance for either capital outlay or local assistance through fiscal year 2000–01.

3820-001-0001—For support of San Francisco Bay Conservation and Development Commission	1,972,000

Schedule:

(a) 10-Bay Conservation and Development 2,750,000
(b) Reimbursements ..... –574,000
(c) Amount payable from the Federal Trust Fund (Item 3820-001-0890). –106,000
(d) Amount payable from the Bay Fill Clean-up and Abatement Fund (Item 3820-001-0914) ..... –98,000

Provisions:

1. Of the funds appropriated in this item, $73,000 shall be for the purpose of updating the wetland protection, marshes, and mudflats policies of the San Francisco Bay Plan, which shall include public outreach and public participation in the formulation and implementation of the policies.
2. None of the funds appropriated in this item shall be used to establish or operate a mitigation bank.

Item	Amount
3820-001-0890—For support of San Francisco Bay Conservation and Development Commission, for payment to Item 3820-001-0001, payable from the Federal Trust Fund	106,000
3820-001-0914—For support of San Francisco Bay Conservation and Development Commission, for payment to Item 3820-001-0001, payable from the Bay Fill Clean-up and Abatement Fund	98,000
3830-001-0001—For support of the San Joaquin River Conservancy, for payment to Item 3830-001-0140	50,000
Provisions:	
1. Funds appropriated in this item shall be made available for reimbursement to the local conservation corps for corps services for the programs authorized in Division 22.5 (commencing with Section 32500) of the Public Resources Code.	
3830-001-0140—For support of the San Joaquin River Conservancy, payable from the California Environmental License Plate Fund	185,000
Schedule:	
(a) 10-San Joaquin River Conservancy. 245,000	
(b) Reimbursements −10,000	
(c) Amount payable from the General Fund (Item 3830-001-0001) −50,000	
Provisions:	
1. Acquisitions and enhancements administered pursuant to this item shall not be undertaken if they would require increased state funds for management purposes.	
3830-301-0104—For capital outlay, San Joaquin River Conservancy, payable from the San Joaquin River Conservancy Fund	0
Schedule:	
(1) 20—Capital Outlay Acquisition and Enhancement Projects 5,000,000	
(2) Reimbursements −5,000,000	
Provisions:	
1. Acquisitions and enhancements pursuant to this item shall not be undertaken if they would require increased state funds for management purposes.	
2. Notwithstanding any other provision of law, the funds appropriated by this item are available for encumbrance for either capital outlay or local assistance through the 2000–01 fiscal year.	
3. Notwithstanding any other provision of law, upon approval and order of the Director of Finance, loans may be made to the San Joaquin River Con-	

Item	Amount
servancy Fund from the California Environmental License Plate Fund to meet cash-flow needs due to delays in collecting reimbursements. Any loan authorized by the Department of Finance pursuant to this provision shall only be made if the Conservancy has a valid contract or certification which demonstrates that sufficient funds will be available to repay the loan. All money so transferred shall be repaid to the special fund as soon as possible, but not later than the end of the fiscal year.	
3840-001-0140—For support of the Delta Protection Commission, payable from the California Environmental License Plate Fund	39,000
3840-001-0176—For support of the Delta Protection Commission, payable from the Delta Flood Protection Fund	67,000
3840-001-0516—For support of the Delta Protection Commission, payable from the Harbors and Watercraft Revolving Fund	66,000
3850-001-0140—For support of the Coachella Valley Mountains Conservancy, payable from the California Environmental License Plate Fund	133,000
Schedule:	
(a) 10-Coachella Valley Mountains Conservancy 263,000	
(b) Reimbursements ..... –100,000	
(c) Amount payable from the Coachella Valley Mountains Conservancy Fund (Item 3850-001-0296) ..... –30,000	
Provisions:	
1. Acquisitions and enhancements administered pursuant to this item shall not be undertaken if they would require increased state funds for management purposes.	
3850-001-0296—For support of the Coachella Valley Mountains Conservancy, for payment to Item 3850-001-0140, payable from the Coachella Valley Mountains Conservancy Fund	30,000
3850-301-0296—For capital outlay, Coachella Valley Mountains Conservancy, payable from the Coachella Valley Mountains Conservancy Fund	40,000
Schedule:	
(a) 20-Coachella Valley Mountains, Acquisition and Enhancement Projects and Costs 540,000	
(b) Reimbursements ..... –500,000	

Item	Amount
Provisions:	
1. Acquisitions and enhancements pursuant to this item shall not be undertaken if they would require increased state funds for management purposes.	
2. Notwithstanding any other provision of law, the funds appropriated by this item are available for encumbrance for either capital outlay or local assistance through the 2000–01 fiscal year.	
3. Notwithstanding any other provision of law, upon approval and order of the Director of Finance, loans may be made to the Coachella Valley Mountains Conservancy Fund from the California Environmental License Plate Fund to meet cash-flow needs due to delays in collecting reimbursements. Any loan authorized by the Department of Finance pursuant to this provision shall only be made if the Conservancy has a valid contract or certification which demonstrates that sufficient funds will be available to repay the loan. All money so transferred shall be repaid to the special fund as soon as possible, but not later than the end of the fiscal year.	
3860-001-0001—For support of Department of Water Resources	56,460,000
Schedule:	
(a) 10-Continuing Formulation of the California Water Plan 53,700,000	
(b) 20-Implementation of the State Water Resources Development System 2,050,000	
(c) 30-Public Safety and Prevention of Damage 34,886,000	
(d) 40-Services 4,861,000	
(e) 50.01-Management and Administration 48,620,000	
(f) 50.02-Distributed Management and Administration ..... –48,620,000	
(g) Reimbursements ..... –9,741,000	
(gx) Less funding provided by capital outlay (Item 3860-301-0001) ..... –500,000	
(h) Amount payable from the California Environmental License Plate Fund (Item 3860-001-0140) ..... –751,000	
(i) Amount payable from the Central Valley Project Improvement Subaccount (Item 3860-001-0404) ..... –15,000,000	

Item	Amount
(j) Amount payable from the Delta Levee Rehabilitation Subaccount (Item 3860-001-0409)	−1,714,000
(k) Amount payable from the Feasibility Projects Subaccount (Item 3860-001-0445)	−2,008,000
(*l*) Amount payable from the Water Conservation and Groundwater Recharge Subaccount (Item 3860-001-0446)	−362,000
(m) Amount payable from the Energy Resources Programs Account (Item 3860-001-0465)	−1,659,000
(n) Amount payable from the Local Projects Subaccount (Item 3860-001-0543)	−381,000
(o) Amount payable from the Sacramento Valley Water Management and Habitat Protection Subaccount (Item 3860-001-0544)	−353,000
(p) Amount payable from the 1984 State Clean Water Bond Fund (Item 3860-001-0740)	−10,000
(q) Amount payable from the 1986 Water Conservation and Water Quality Bond Fund (Item 3860-001-0744)	−343,000
(r) Amount payable from the 1988 Water Conservation Fund (Item 3860-001-0790)	−343,000
(s) Amount payable from the Federal Trust Fund (Item 3860-001-0890)	−5,222,000
(t) Amount payable from the Renewable Resources Investment Fund (Item 3860-001-0940)	−650,000

Provisions:

1. The amounts appropriated in Items 3860-001-0001 to 3860-001-0940, inclusive, shall be transferred to the Water Resources Revolving Fund (0691) for direct expenditure in such amounts as the Department of Finance may authorize, including cooperative work with other agencies.
2. Of the amount appropriated by this item, $6,000,000 shall be available for support of the CALFED process. However, no public agency, including a state or local agency, may expend any money for the development and implementation of an isolated transmission facility that is recom-

Item	Amount
mended by the CALFED Bay-Delta program, until the Legislature specifically approves such a facility.	
3. Of the amount appropriated by this item, $1,490,000 shall be available to pay settlement agreements from litigation on the overpayment of interest on loans from the 1976 water bond. Of this amount, $90,000 shall be used to pay the settlement of Paradise Irrigation District v. Department of Water Resources, Sacramento Superior Court Case No. 97AS03923, and $1,400,000 shall be used to pay the settlement of Bolinas Public Utilities District, et al. v. Department of Water Resources, Los Angeles County Superior Court Case No. BC 173016.	
4. Of the amount appropriated by this item, $10,000,000 may be expended for feasibility and environmental studies pertaining to the Sites Reservoir site.	
3860-001-0140—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the California Environmental License Plate Fund	751,000
3860-001-0404—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Central Valley Project Improvement Subaccount	15,000,000
3860-001-0409—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Delta Levee Rehabilitation Subaccount	1,714,000
3860-001-0445—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Feasibility Projects Subaccount	2,008,000
3860-001-0446—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Water Conservation and Groundwater Recharge Subaccount	362,000
3860-001-0465—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Energy Resources Programs Account	1,659,000
3860-001-0543—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Local Projects Subaccount	381,000

Item	Amount
3860-001-0544—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Sacramento Valley Water Management and Habitat Protection Subaccount	353,000
3860-001-0740—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the 1984 State Clean Water Bond Fund	10,000
3860-001-0744—For support of the Department of Water Resources, for payment to Item 3860-001-0001, payable from the 1986 Water Conservation and Water Quality Bond Fund	343,000
3860-001-0790—For support of the Department of Water Resources, for payment to Item 3860-001-0001, payable from the 1988 Water Conservation Fund	343,000
3860-001-0890—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Federal Trust Fund	5,222,000
3860-001-0940—For support of Department of Water Resources, for payment to Item 3860-001-0001, payable from the Renewable Resources Investment Fund	650,000
3860-101-0001—For local assistance, Department of Water Resources	40,000,000

Provisions:

1. The Department of Water Resources shall allocate funds on a pro rata basis to pay for the state's share of the nonfederal costs of flood control projects, which have been adopted and authorized in accordance with one or more of the following provisions of law:
   (a) State Water Resources Law of 1945 (Ch. 1 (commencing with Sec. 12570) and Ch. 2 (commencing with Sec. 12639), Pt. 6, Div. 6, Wat. C.).
   (b) Flood Control Law of 1946 (Ch. 3 (commencing with Sec. 12800), Pt. 6, Div. 6, Wat. C.).
   (c) California Watershed Protection and Flood Prevention Law (Ch. 4 (commencing with Sec. 12850), Pt. 6, Div. 6, Wat. C.).
2. The funds shall be used to pay for costs for which valid written claims that have been submitted to the department as of June 17, 1998, and for estimated claims in fiscal year 1998–99, as determined by the department as of June 17, 1998. Funds, which are made available in this act, shall be allocated on a pro rata basis to projects in the

Item	Amount
counties of: Contra Costa, Fresno, Kern, Los Angeles, Marin, Napa, Orange, Riverside, San Bernardino, San Diego, Santa Clara, Sonoma, and Ventura.	
3860-101-0176—For local assistance, Department of Water Resources, payable from the Delta Flood Protection Fund	5,040,000
Schedule:	
(a) 30.20-Flood Control Subventions... 5,040,000	
3860-101-0409—For local assistance, Department of Water Resources, payable from the Delta Levee Rehabilitation Subaccount	4,086,000
3860-101-0446—For local assistance, Department of Water Resources, payable from the Water Conservation and Groundwater Recharge Subaccount	7,250,000
3860-101-0543—For local assistance, Department of Water Resources, payable from the Local Projects Subaccount	10,000,000
3860-101-0544—For local assistance, Department of Water Resources, payable from the Sacramento Valley Water Management and Habitat Protection Subaccount	2,845,000
3860-101-0740—For local assistance, Department of Water Resources, Program 10.29—Conservation Loans, payable from the 1984 State Clean Water Bond Fund	20,000
3860-101-0744—For local assistance, Department of Water Resources, Program 10.29—Conservation Loans, payable from the 1986 Water Conservation and Water Quality Bond Fund	10,000,000
3860-101-0790—For local assistance, Department of Water Resources, Program 10.29—Conservation Loans, payable from the Water Conservation Bond Fund of 1988	5,000,000
3860-102-0001—For local assistance, Department of Water Resources	17,786,000
Schedule:	
(a) Delano-Earlimart Irrigation District Gauging Station 15,000	
(b) Dredging Projects 15,700,000	
(c) Middle Creek Marsh Restoration Project Feasibility Study 371,000	
(d) Salton Sea 1,500,000	
(e) Caliente Creek Warning System 170,000	
(f) Mendota Drinking Water Wells 30,000	

Item		Amount
Provisions:		
1. Funds appropriated in Schedule (b) are available on a one-time basis for the following projects: Crescent City Harbor, $135,000; Humboldt Harbor and Bay, $1,612,000; Los Angeles Harbor, $7,016,000; Oakland Harbor, $2,401,000; Port of Long Beach, $1,612,000; Richmond Harbor, $2,318,000; San Francisco Bay to Stockton, $67,000; Santa Monica Breakwater, $404,000; and Silver Strand Shoreline/Imperial Beach, $135,000.		
2. Funds appropriated in Schedule (e) are for a local assistance grant to the City of Lemont for the Caliente Creek Warning System.		
3. Funds appropriated in Schedule (f) are for a local assistance grant to the City of Mendota for the drilling of test wells related to the preparation of an environmental impact report.		
3860-301-0001—For capital outlay, Department of Water Resources		27,460,000
Schedule:		
(1) 30.95.010-Sacramento Riverbank Protection Project	2,500,000	
(1.1) 30.95.111-1997 Flood Damage Repair Projects	7,100,000	
(2) 30.95.115-American River Flood Control Project Phase 1: Common Elements	10,900,000	
(2.1) 30.95.150-West Sacramento Levee Reconstruction Project	2,400,000	
(3) 30.95.205-Sutter County Bridge Replacement	370,000	
(4) 30.95.210-Tisdale Bridge Replacement	1,800,000	
(6) 30.95.230-San Joaquin River Watershed Management Study	1,500,000	
(7) 30.95.235-Sacramento River Watershed Management Study	1,400,000	
(8) 30.95.250-Yuba River-Preconstruction Engineering and Design Work	300,000	
(9) 30.95.255-Eastside Bypass, Lower San Joaquin River	2,000,000	
(9.1) 30.95.280-Terminus Dam, Lake Kaweah Project	2,500,000	
(9.3) 30.95.285-Colusa Basin Drainage District, Flood Control Project	1,000,000	
(9.9) Reimbursements	–2,950,000	

Item	Amount
(10) Reimbursements-American River Flood Control Project Phase 1: Common Elements	-3,270,000
(12) Reimbursements-Yuba River-Preconstruction Engineering and Design Work	-90,000

Provisions:

1. The funds appropriated by this item may be expended for the acquisition of land, easements, and rights-of-way, including, but not limited to, borrow pits, spoil areas, and easements for levees, clearing, flood control works, and flowage, and for appraisals, surveys, and engineering studies necessary for the completion or operation of the projects in the Sacramento and San Joaquin watersheds as authorized by Section 8617.1 and Chapters 1 (commencing with Section 12570), 2 (commencing with Section 12639), 3 (commencing with Section 12800), 3.5 (commencing with Section 12840), and 4 (commencing with Section 12850) of Part 6 of Division 6 of the Water Code.
2. The amounts appropriated in this item are also for advances to the federal government or payments to the federal government or others for incidental construction or reconstruction items that are an obligation of the state in connection with the completion or operation of the projects and for materials and necessary construction, reconstruction, relocation, or alterations to highways, railroads, bridges, powerlines, communication lines, pipelines, irrigation works, and other structures and facilities and for appraisals, surveys, and engineering studies incidental thereto.
3. The funds appropriated in this item include funding for preliminary plans, working drawings, construction supervision, contract administration, and other work activities to be performed by Department of Water Resources personnel in completion of the projects.
4. Notwithstanding Section 26.00 of this act, funds may be transferred, with the approval of the Department of Finance, between projects specified in this item and other Department of Water Resources major capital outlay projects with an active appropriation. The Director of Finance shall notify, in writing, the chairperson of the committee in each house that considers appropriations

Item		Amount
and the Chairperson of the Joint Legislative Budget Committee, within 30 days, or such lesser time as the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may determine, prior to any transfer.		
3860-301-0413—For capital outlay, Department of Water Resources, payable from the South Delta Barriers Subaccount		1,650,000
Schedule:		
(1) 10.95.015 South Delta Barriers Program	1,650,000	

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

3900-001-0001—For support of State Air Resources Board, for payment to Item 3900-001-0044		48,137,000
Provisions:		
1. Of the funds appropriated by this item, the amount of $25,000,000 shall be available for expenditure for the purposes specified in Assembly Bill 1368 and Senate Bill 1857, of the 1997–98 Regular Session.		
3900-001-0044—For support of State Air Resources Board, payable from the Motor Vehicle Account, State Transportation Fund		50,934,000
Schedule:		
(a) 15-Mobile Source	95,126,000	
(b) 25-Stationary Source	43,494,000	
(c) 30.01-Program Direction and Support	9,503,000	
(d) 30.02-Distributed Program Direction and Support	–9,503,000	
(e) Reimbursements	–4,920,000	
(f) Amount payable from the General Fund (Item 3900-001-0001)	–48,137,000	
(g) Amount payable from the Air Pollution Control Fund (Item 3900-001-0115)	–9,474,000	
(h) Amount payable from the Vehicle Inspection and Repair Fund (Item 3900-001-0421)	–9,520,000	
(i) Amount payable from the Air Toxics Inventory and Assessment Account, General Fund (Item 3900-001-0434)	–1,478,000	

Item	Amount
(j) Amount payable from the Rice Straw Demonstration Project Fund (Item 3900-001-0489) ..... –2,500,000	
(k) Amount payable from the High Polluter Repair or Removal Account (Item 3900-001-0582) ..... –780,000	
(*l*) Amount payable from the Federal Trust Fund (Item 3900-001-0890).–10,877,000	
Provisions:	
1. Of the amount appropriated in this item, $1,000,000 shall be used to contract with, and may be advanced to, the San Joaquin Valleywide Air Pollution Study Agency for the California Regional Particulate Matter Air Quality Study.	
3900-001-0115—For support of State Air Resources Board, for payment to Item 3900-001-0044, payable from the Air Pollution Control Fund	9,474,000
3900-001-0421—For support of State Air Resources Board, for payment to Item 3900-001-0044, payable from the Vehicle Inspection and Repair Fund	9,520,000
3900-001-0434—For support of State Air Resources Board, for payment to Item 3900-001-0044, payable from the Air Toxics Inventory and Assessment Account, General Fund	1,478,000
3900-001-0489—For support of State Air Resources Board, for payment to Item 3900-001-0044, payable from the Rice Straw Demonstration Project Fund...	2,500,000
3900-001-0582—For support of State Air Resources Board, for payment to Item 3900-001-0044, payable from the High Polluter Repair or Removal Account	780,000
3900-001-0890—For support of State Air Resources Board, for payment to Item 3900-001-0044, payable from the Federal Trust Fund	10,877,000
3900-011-0001—For transfer by the State Controller to the Rice Straw Demonstration Project Fund	2,300,000
3900-101-0044—For local assistance, State Air Resources Board, for assistance to counties in the operation of local air pollution control districts, payable from the Motor Vehicle Account, State Transportation Fund	7,511,000
Schedule:	
(a) 35-Subvention 7,511,000	
3910-001-0100—For support of California Integrated Waste Management Board, for payment to Item 3910-001-0387, payable from the California Used Oil Recycling Fund	3,853,000

Item Amount

Provisions:

1. Notwithstanding subdivision (c) of Section 48653 of the Public Resources Code, the aggregate of appropriations from the California Used Oil Recycling Fund may exceed $3,000,000 during the 1998–99 fiscal year.

3910-001-0226—For support of California Integrated Waste Management Board, for payment to Item 3910-001-0387, payable from the California Tire Recycling Management Fund 4,372,000

Provisions:

1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.
2. Notwithstanding Section 42889 of the Public Resources Code, expenditures for administration of the Tire Recycling Program may exceed the limits set forth in subdivisions (a) and (b) of Section 42889 of the Public Resources Code.

3910-001-0281—For support of California Integrated Waste Management Board, for payment to Item 3910-001-0387, payable from the Recycling Market Development Revolving Loan Account 4,936,000

Provisions:

1. Notwithstanding Section 42010 of the Public Resources Code, $4,000,000 of the funds appropriated in this item shall be available for expenditure, until June 30, 2001, for market development activities undertaken pursuant to Chapter 672 of the Statutes of 1997, including the development of recycled content product specifications, the promotion of procurement of recycled content products, the creation of regional cooperative efforts for market development, and the enhancement of recycled market development zone administration.

3910-001-0386—For support of California Integrated Waste Management Board, for payment to Item 3910-001-0387, payable from the Solid Waste Disposal Site Cleanup Trust Fund 411,000

Provisions:

1. Notwithstanding Section 48020 of the Public Resources Code, expenditures for administration of the Solid Waste Cleanup Trust Fund Program may

Item		Amount
exceed the limits set forth in paragraph (2) of subdivision (c) of Section 48020 of the Public Resources Code.		
3910-001-0387—For support of California Integrated Waste Management Board, payable from the Integrated Waste Management Account, Integrated Waste Management Fund		28,342,000
Schedule:		
(a) 10-Planning and Enforcement	18,523,000	
(b) 15-Disposal Site Cleanup and Maintenance	411,000	
(c) 20-Waste Reduction and Resource Recovery	34,270,000	
(d) 25-Tire Recycling	4,372,000	
(e) 30.01-Administration	8,124,000	
(f) 30.02-Distributed Administration	–8,124,000	
(g) Reimbursements	–480,000	
(h) Amount payable from California Used Oil Recycling Fund (Item 3910-001-0100)	–3,853,000	
(i) Amount payable from California Used Oil Recycling Fund (paragraph (4) of subdivision (a) of Section 48653 of the Public Resources Code)	–3,000,000	
(j) Amount payable from California Used Oil Recycling Fund (paragraph (1) of subdivision (a) of Section 48653 of the Public Resources Code)	–2,500,000	
(k) Amount payable from California Tire Recycling Management Fund (Item 3910-001-0226)	–4,372,000	
(*l*) Amount payable from Recycling Market Development Revolving Loan Account (Item 3910-001-0281)	–4,936,000	
(m) Amount payable from Recycling Market Development Revolving Loan Account (Section 42010 of the Public Resources Code)	–8,574,000	
(n) Amount payable from Solid Waste Disposal Site Cleanup Trust Fund (Item 3910-001-0386)	–411,000	

Item	Amount
(o) Amount payable from the Farm and Ranch Solid Waste Cleanup and Abatement Account (Item 3910-001-0558)	–555,000
(p) Amount payable from Federal Trust Fund (Item 3910-001-0890)	–553,000

Provisions:

1. Notwithstanding Section 42010 of the Public Resources Code, the California Integrated Waste Management Board may offset the costs of administering the revolving loan program for Recycling Market Development Zones with funds appropriated by this item.
2. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3910-001-0558—For support of California Integrated Waste Management Board, for payment to Item 3910-001-0387, payable from the Farm and Ranch Solid Waste Cleanup and Abatement Account 555,000

Provisions:

1. Notwithstanding Section 48100 of the Public Resources Code, expenditures for administration of the Farm and Ranch Solid Waste Cleanup and Abatement Grant Program may exceed the limits set forth in paragraph (3)(A) of subdivision (c) of Section 48100 of the Public Resources Code.

3910-001-0890—For support of California Integrated Waste Management Board, for payment to Item 3910-001-0387, payable from the Federal Trust Fund 553,000

3910-003-0100—For transfer by the State Controller to the Farm and Ranch Solid Waste Cleanup and Abatement Account pursuant to paragraph (2)(A) of subdivision (c) of Section 48100 of the Public Resources Code, payable from the California Used Oil Recycling Fund ..... (250,000)

3910-003-0226—For transfer by the State Controller to the Farm and Ranch Solid Waste Cleanup and Abatement Account pursuant to paragraph (2)(A) of subdivision (c) of Section 48100 of the Public Resources Code, payable from the California Tire Recycling Management Fund ..... (250,000)

Item	Amount
3910-003-0387—For transfer by the State Controller to the Recycling Market Development Revolving Loan Account as a loan pursuant to subdivision (e) of Section 42010 of the Public Resources Code, payable from the Integrated Waste Management Account....	(5,000,000)
3910-004-0387—For transfer by the State Controller to the Solid Waste Disposal Site Cleanup Trust Fund pursuant to paragraph (1) of subdivision (b) of Section 48027 of the Public Resources Code, payable from the Integrated Waste Management Account....	(5,000,000)
3910-005-0387—For transfer by the State Controller to the Farm and Ranch Solid Waste Cleanup and Abatement Account pursuant to paragraph (2)(A) of subdivision (c) of Section 48100 of the Public Resources Code, payable from the Integrated Waste Management Account	(55,000)
3910-101-0226—For local assistance, California Integrated Waste Management Board, payable from the California Tire Recycling Management Fund.....	500,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
3910-101-0387—For local assistance, California Integrated Waste Management Board, payable from the Integrated Waste Management Account, Integrated Waste Management Fund.....	4,500,000
3910-101-0890—For local assistance, California Integrated Waste Management Board, payable from the Federal Trust Fund	1,500,000
3930-001-0001—For support of Department of Pesticide Regulation.....	12,449,000
Schedule:	
(a) 12-Registration and Health Evaluation..... 12,987,000	
(b) 17-Enforcement, Environmental Monitoring and Data Management..... 26,398,000	
(c) 20.10-Executive and Administrative Services..... 4,980,000	
(d) 20.20-Distributed Executive and Administrative Services..... –4,980,000	
(e) Reimbursements..... –564,000	
(f) Amount payable from the Department of Pesticide Regulation Fund (Item 3930-001-0106)..... –21,636,000	

Item	Amount
(g) Amount payable from the California Environmental License Plate Fund (Item 3930-001-0140).....	–487,000
(h) Amount payable from the Food Safety Account (Item 3930-001-0224).....	–1,996,000
(i) Amount payable from the Federal Trust Fund (Item 3930-001-0890).....	–2,253,000

Provisions:

1. Of the amount appropriated by this item, $1,000,000 shall be allocated by the Department of Pesticide Regulation to the University of California, Sustainable Agriculture Research and Education Program for Biologically Integrated Farming Systems demonstration projects.
2. Of the amount appropriated by this item, $1,000,000 shall be allocated by the Department of Pesticide Regulation to the University of California, Sustainable Agriculture Research and Education Program for research, outreach, and demonstration projects related to alternatives to methyl bromide.

3930-001-0106—For support of Department of Pesticide Regulation, for payment to Item 3930-001-0001, payable from the Department of Pesticide Regulation Fund	21,636,000

Provisions:

1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3930-001-0140—For support of Department of Pesticide Regulation, for payment to Item 3930-001-0001, payable from the California Environmental License Plate Fund.....	487,000
3930-001-0224—For support of Department of Pesticide Regulation, for payment to Item 3930-001-0001, payable from the Food Safety Account.....	1,996,000

Provisions:

1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3930-001-0890—For support of Department of Pesticide Regulation, for payment to Item 3930-001-0001, payable from the Federal Trust Fund.....	2,253,000

Item		Amount
3930-003-0106—For transfer by the State Controller to the Food Safety Account pursuant to Section 12846.5 of the Food and Agricultural Code, payable from the Department of Pesticide Regulation Fund..		(1,623,000)
3930-101-0001—For local assistance, Department of Pesticide Regulation		2,449,000
Schedule:		
(a) 17-Enforcement, Environmental Monitoring and Data Management	12,185,000	
(b) Amount payable from the Department of Pesticide Regulation Fund (Item 3930-101-0106)	–466,000	
(c) Amount payable from the Department of Pesticide Regulation Fund (Section 12844 of the Food and Agricultural Code)	–9,270,000	
3930-101-0106—For local assistance, Department of Pesticide Regulation, for payment to Item 3930-101-0001, payable from the Department of Pesticide Regulation Fund		466,000
Provisions:		
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.		
3930-490—Reappropriation, Department of Pesticide Regulation. Notwithstanding any other provision of law, $430,000 of the unencumbered balance of the funds appropriated by Item 3930-001-0001 of the Budget Act of 1997 is hereby appropriated for the purposes set forth in Provision 1 of that item, and shall be available for expenditure until June 30, 1999.		
3940-001-0001—For support of State Water Resources Control Board.....		46,014,000
Schedule:		
(a) 10-Water Quality	287,421,000	
(b) 20-Water Rights	9,639,000	
(c) 30.01-Administration	13,443,000	
(d) 30.02-Distributed Administration ...	–13,443,000	
(e) Reimbursements	–7,808,000	
(f) Amount payable from the Leaking Underground Storage Tank Cost Recovery Fund (Item 3940-001-0025).....	–5,530,000	

Item	Amount
(g) Amount payable from the Unified Program Account (Item 3940-001-0028)	–599,000
(h) Amount payable from the Waste Discharge Permit Fund (Item 3940-001-0193)	–15,659,000
(i) Amount payable from the Environmental Protection Trust Fund (Item 3940-001-0225)	–1,600,000
(j) Amount payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (Item 3940-001-0235)	–1,655,000
(*l*) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 3940-001-0387)	–4,937,000
(m) Amount payable from the State Revolving Fund Loan Subaccount (Item 3940-001-0417)	–442,000
(n) Amount payable from the Small Communities Grant Subaccount (Item 3940-001-0418)	–434,000
(o) Amount payable from the Water Recycling Subaccount (Item 3940-001-0419)	–140,000
(p) Amount payable from the Drainage Management Subaccount (Item 3940-001-0422)	–66,000
(q) Amount payable from the Delta Tributary Watershed Subaccount (Item 3940-001-0423)	–224,000
(r) Amount payable from the Seawater Intrusion Control Subaccount (Item 3940-001-0424)	–34,000
(s) Amount payable from the Underground Storage Tank Tester Account (Item 3940-001-0436)	–51,000
(t) Amount payable from the Underground Storage Tank Cleanup Fund (Item 3940-001-0439)	–185,823,000
(u) Amount payable from the Underground Storage Tank Fund (Item 3940-001-0475)	–435,000
(v) Amount payable from the 1984 State Clean Water Bond Fund (Item 3940-001-0740)	–1,001,000

Item	Amount
(w) Amount payable from the 1988 Clean Water and Water Reclamation Fund (Item 3940-001-0764)...	−148,000
(x) Amount payable from the Federal Trust Fund (Item 3940-001-0890).....	−23,855,000
(y) Amount payable from the Special Deposit Fund (Item 3940-001-0942).....	−605,000

Provisions:

1. Notwithstanding any other provision of law, upon approval and order of the Director of Finance, the State Water Resources Control Board may borrow sufficient funds, from special funds that otherwise provide support for the board, for cash purposes. Any such loans are to be repaid with interest at the rate earned in the Pooled Money Investment Account.
2. Of the amount appropriated by this item, $272,000 shall be used to review applications for a hydroelectric project license for compliance with the federal Clean Water Act. Any fees received from applicants shall be used to reduce expenditures from the General Fund.
3. Of the amount appropriated by this item, (a) $1,000,000 shall be used to develop, implement, and enforce a coastal nonpoint source pollution control program enacted by Senate Bill 1453 of the 1997–98 Regular Session, (b) $250,000 shall be used for the Resource Conservation District of Greater San Diego County to implement nonpoint source pollution education in San Diego County, (c) $1,000,000 shall be used by the San Francisco Regional Water Quality Control Board for a nonpoint source pollution prevention grant program, of which $200,000 is to be used to provide fish and shellfish monitoring and public notification as required in Assembly Bill 2231 of the 1997–98 Regular Session, (d) $500,000 shall be used by the San Diego Regional Water Quality Control Board for a nonpoint source pollution prevention grant program, (e) $500,000 shall be used by the Los Angeles Regional Water Quality Control Board for a nonpoint source pollution prevention grant program, and (f) $2,500,000 shall be used to fund the City of San Diego Recycled Water for Industry Project to demonstrate that recycled waste-

Item	Amount
water can be repurified sufficiently to be suitable for various industrial purposes.	
3940-001-0025—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Leaking Underground Storage Tank Cost Recovery Fund	5,530,000
3940-001-0028—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Unified Program Account	599,000
Provisions:	
1. It is intended that the total funding provided by this item and Item 3940-001-0475 be maintained in 1998–99 for the state underground storage tank regulatory activities. In the event that revenues for the Unified Program Account are insufficient to support the appropriation in this item because of delays in shifting programmatic responsibilities to certified unified program agencies, this item may be reduced and a corresponding increase may be made to Item 3940-001-0475, upon approval of the Department of Finance.	
Any funding adjustments to this item or to Item 3940-001-0475 which would result in a total expenditure authorization exceeding the cumulative appropriation amount of these two items remain subject to the provisions of Section 27.00.	
3940-001-0193—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Waste Discharge Permit Fund	15,659,000
3940-001-0225—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Environmental Protection Trust Fund	1,600,000
3940-001-0235—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund	1,655,000
3940-001-0387—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Integrated Waste Management Account, Integrated Waste Management Fund	4,937,000
3940-001-0417—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the State Revolving Fund Loan Subaccount	442,000

Item	Amount
3940-001-0418—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Small Communities Grant Subaccount	434,000
3940-001-0419—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Water Recycling Subaccount	140,000
3940-001-0422—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Drainage Management Subaccount	66,000
3940-001-0423—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Delta Tributary Watershed Subaccount	224,000
3940-001-0424—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Seawater Intrusion Control Subaccount	34,000
3940-001-0436—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Underground Storage Tank Tester Account	51,000
3940-001-0439—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Underground Storage Tank Cleanup Fund	185,823,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
3940-001-0475—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Underground Storage Tank Fund	435,000
Provisions:	
1. Pursuant to subdivision (b) of Section 25287 of the Health and Safety Code, the surcharge to be included in the fee paid to a local agency by each person who submits an application for a permit to operate an underground storage tank shall be $56 per tank, during the 1998–99 fiscal year. This surcharge shall be transmitted to the State Water Resources Control Board and deposited in the Underground Storage Tank Fund.	

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3940-001-0740—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the 1984 State Clean Water Bond Fund		1,001,000
3940-001-0764—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the 1988 Clean Water and Water Reclamation Fund		148,000
3940-001-0890—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Federal Trust Fund		23,855,000
3940-001-0942—For support of State Water Resources Control Board, for payment to Item 3940-001-0001, payable from the Special Deposit Fund		605,000
3940-011-0740—For transfer by the State Controller from the 1984 State Clean Water Bond Fund to the State Water Pollution Control Revolving Fund		1,213,000
3940-101-0001—For local assistance, State Water Resources Control Board		4,525,000
Schedule:		
(a) City of Mendota Wastewater Treatment Plant Upgrades	2,500,000	
(b) Lake County Sanitation District, Phase II of the Regional Wastewater Recycling Program: Clearlake Basin 2000 Project	2,000,000	
(c) Compton Municipal Water District: Chlorination Facility Upgrades	25,000	
3940-101-0744—For local assistance, State Water Resources Control Board, payable from the 1986 Water Conservation and Water Quality Bond Fund		13,000,000
3940-102-0422—For local assistance, State Water Resources Control Board, payable from the Drainage Management Subaccount		2,500,000

3940-490—Reappropriation, State Water Resources Control Board. Notwithstanding any other provision of law and without regard to whether the Yucaipa Valley Water District exhausts all administrative remedies, $280,000 of the amount appropriated in Item 3940-001-0383 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997) is hereby reappropriated for the purpose specified in Section 36 of Chapter 928 of the Statutes of 1997, to the State Water Resources Control Board to reimburse the Yucaipa Valley Water District for disputed audit repayments. The board shall transfer $280,000 to the Yucaipa Valley

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Water District, pursuant to Section 36 of Chapter 928 of the Statutes of 1997, on the operative date of this section.	
3960-001-0001—For support of Department of Toxic Substances Control, for payment to Item 3960-001-0014	17,474,000
Provisions:	
1. The Director of the Department of Toxic Substances Control may expend $11,072,000 from this item for the following activities at the Stringfellow Federal Superfund site: (1) operation and maintenance of pretreatment plants to treat contaminated groundwater extracted from the site, (2) site maintenance and groundwater monitoring, and (3) implementation of work to stabilize the site.	
3960-001-0013—For support of Department of Toxic Substances Control, for payment to Item 3960-001-0014, payable from the Federal Receipts Account, Hazardous Waste Control Account	1,074,000
Provisions:	
1. Upon request of the Department of Toxic Substances Control, and approval of the Department of Finance, the Controller shall augment this item in an amount not to exceed the proceeds of federal hazardous waste control fees deposited in the Federal Receipts Account in the 1998–99 fiscal year, pursuant to Section 25174.8 of the Health and Safety Code.	
3960-001-0014—For support of Department of Toxic Substances Control, payable from the Hazardous Waste Control Account	25,319,000
Schedule:	
(a) 12-Site Mitigation	70,630,000
(b) 13-Hazardous Waste Management	36,725,000
(c) 15-Statewide Support	3,731,000
(d) 19.01-Administration	24,071,000
(e) 19.02-Distributed Administration	–24,071,000
(f) 20-Science, Pollution Prevention and Technology	9,914,000
(g) Reimbursements	–10,864,000
(h) Amount payable from General Fund (Item 3960-001-0001)	–17,474,000
(i) Amount payable from Federal Receipts Account, HWCA (Item 3960-001-0013)	–1,074,000

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(j) Amount payable from Illegal Drug Lab Cleanup Account (Item 3960-001-0065) ..... –10,427,000

(k) Amount payable from California Used Oil Recycling Fund (Item 3960-001-0100) ..... –224,000

(*l*) Amount payable from Toxic Substances Control Account (Item 3960-001-0557) ..... –28,252,000

(m) Amount payable from Federal Trust Fund (Item 3960-001-0890) ..... –27,366,000

Provisions:

1. This item appropriates $617,000 less than the amount requested by the Department of Toxic Substances Control in the Governor's Budget. The amount of the reduction equals the sum of the amount, as reported by the Department of Toxic Substances Control pursuant to paragraph (8) of subdivision (d) of Section 25174 of the Health and Safety Code, budgeted by the department for the 1998–99 fiscal year to fund the initiative known as the Regulatory Structure Update described on page EP32 of the Governor's Budget, 1998–99. The reduction of this item by this total amount is a formal action of the Legislature within the meaning of Section 13332.15 of the Government Code. The Legislature declares its intent to (a) deny funding for the initiative known as the Regulatory Structure Update and (b) prohibit the use of any other appropriation to fund the initiative known as the Regulatory Structure Update.
2. In addition to the funds otherwise appropriated by this item, the sum of $1,000,000 is hereby appropriated from the Hazardous Waste Control Account for a new hazardous waste manifest tracking system within the Department of Toxic Substances Control. The department shall follow an alternative procurement process in which it states its business requirements and accepts proposals from the vendor community for a new hazardous waste manifest tracking system. The business requirements for the system design shall include, but not be limited to, collection of all data fields contained on the Uniform Hazardous Waste Manifest form. Up to $100,000 may be expended

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to contract with an independent vendor to assist the department in developing its procurement documents and choosing a solution contained in the bids received. After choosing a proposal, the department must submit a Feasibility Study Report to the Department of Information Technology and the Department of Finance for review and approval. Funds may be expended to implement a manifest tracking system no sooner than 30 days after the department provides the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the legislative fiscal committees of each house with (a) the chosen design and (b) written approval by the Department of Information Technology and the Department of Finance.		
3960-001-0018—For support of Department of Toxic Substances Control, payable from the Site Remediation Account		6,750,000
Schedule:		
(a) 12.10.030.190—Frontier Fertilizer: Soil and Groundwater	300,000	
(b) 12.10.030.195—McCormick and Baxter	1,500,000	
(c) 12.10.030.200—Modesto Groundwater	25,000	
(d) 12.10.030.205—San Gabriel-Richwood	40,000	
(e) 12.10.030.210—Selma Pressure Treating: Groundwater	25,000	
(f) 12.10.030.215—Selma Pressure Treating: Soil	500,000	
(g) 12.10.030.220—DC Metals	825,000	
(h) 12.10.030.225—Hard Chrome Products	550,000	
(i) 12.10.030.230—Gardena Valley 1 & 2	2,000,000	
(j) 12.10.030.235—Aero Quality Plating	250,000	
(k) 12.10.030.240—Precision Media	260,000	
(*l*) 12.10.030.245—Lava Cap Mine	475,000	
Provisions:		
1. Notwithstanding any other provisions of this act, the Director of the Department of Toxic Substances Control may transfer amounts to or from projects scheduled in this item, reduce projects, schedule additional projects, or remove scheduled projects as long as the total amount expended un-		

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der the item does not exceed the amount appropriated by the item, including any augmentation authorized under Provision 3.

2. The Director of the Department of Toxic Substances Control shall report, in writing, not later than 30 days after the end of the fiscal year to the Chairperson of the Joint Legislative Budget Committee, the chairperson of the legislative fiscal committees that act on the department's budget, the chairperson of the Environmental Safety and Toxic Materials policy committee of the Assembly and the chairperson of the Environmental Quality policy committee of the Senate any actions taken under Provision 1.

3. Upon request of the Director of the Department of Toxic Substances Control, and approval of the Department of Finance, the Controller shall augment this item in an amount which does not exceed the amount transferred to the Site Remediation Account pursuant to Item 3960-012-0557.

4. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3960-001-0065—For support of Department of Toxic Substances Control, for payment to Item 3960-001-0014, payable from the Illegal Drug Lab Cleanup Account 10,427,000

3960-001-0100—For support of Department of Toxic Substances Control, for payment to Item 3960-001-0014, payable from the California Used Oil Recycling Fund 224,000

3960-001-0456—For support of Department of Toxic Substances Control, payable from the Expedited Site Remediation Trust Fund 1,260,000

Provisions:

1. Notwithstanding any other provisions of law, upon request of the Department of Toxic Substances Control, the Department of Finance may augment the amount available for expenditure in this item to pay costs associated with orphan shares at sites selected for the Expedited Site Remediation Pilot Program from any uncommitted funds in the Expedited Site Remediation Trust Fund not sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house of the Legislature

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that considers appropriations, the chairpersons of the committees and the appropriate subcommittees in each house that consider the budget, and the Chairperson of the Joint Legislative Budget Committee.

2. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3960-001-0557—For support of Department of Toxic Substances Control, payable from the Toxic Substances Control Account 28,252,000

Provisions:

1. Of the funds appropriated by this item, $750,000 shall be used for the purposes of emergency response activity pursuant to Section 25354 of the Health and Safety Code, in lieu of any appropriation made pursuant to that section.
2. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.
3. The first $540,000 in fines and penalties deposited in the Toxic Substances Control Account in the 1998–99 fiscal year pursuant to Article 8 (commencing with Section 25180) of Chapter 6.5 of Division 20 of the Health and Safety Code, exclusive of fines and penalties transferred to the Hazardous Substance Account pursuant to Section 25192 of the Health and Safety Code for expenditure in accordance with Section 25385.9 of the Health and Safety Code, shall be transferred to the Expedited Site Remediation Trust Fund, and any amount in excess of $540,000 shall be transferred to either the Site Remediation Account or the Expedited Site Remediation Trust Fund for expenditure for hazardous substance release site projects, including National Priority List sites, state orphan sites, and orphan share sites selected for the Expedited Site Remediation Pilot Program. The department shall assign priority to these projects on the basis of economic benefit and relative threat to the public health and the environment. Any contract funds to be expended for National Priority List sites or state orphan sites shall be transferred to the Site Remediation Account. Any funds to be expended on orphan shares

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for sites selected for the Expedited Site Remediation Pilot Program shall be transferred to the Expedited Site Remediation Trust Fund.	
4. Notwithstanding paragraph (a)(5) of Section 25173.7 of the Health and Safety Code, the Director of the Department of Toxic Substances Control may expend up to $550,000 from this item for the purposes of entering into an interagency agreement with the Board of Equalization for administration and collection of environmental fees and to close out the Railroad Accident Prevention and Immediate Deployment fee collection program.	
3960-001-0890—For support of Department of Toxic Substances Control, for payment to Item 3960-001-0014, payable from the Federal Trust Fund	27,366,000
3960-011-0001—For transfer by the State Controller to the Illegal Drug Lab Cleanup Account	10,427,000
3960-011-0058-For transfer by the State Controller from the Rail Accident Prevention and Response Fund to the Hazardous Spill Prevention Account, Rail Accident Prevention and Response Fund	(100,000)
3960-011-0059—For transfer by the State Controller from the Hazardous Spill Prevention Account, Rail Accident and Prevention Response Fund, to the Toxic Substances Control Account	(200,000)
Provisions:	
1. The amount specified in this item is an estimate of the funds available in the Hazardous Spill Prevention Account and does not represent a limit on the funds that may be transferred.	
3960-011-0557—For transfer by the State Controller from the Toxic Substances Control Account to the Expedited Site Remediation Trust Fund.....	(540,000)
Provisions:	
1. Notwithstanding any other provisions of law, upon request of the Department of Toxic Substances Control, and approval of the Department of Finance, the Controller shall transfer funds from the Toxic Substances Control Account to the Expedited Site Remediation Trust Fund, pursuant to Chapter 6.85 (commencing with Section 25396) of Division 20 of the Health and Safety Code. The amount of the funds transferred shall not exceed the proceeds of fines and penalties deposited in the Toxic Substances Control Account in the 1998–99 fiscal year, exclusive of the fines	

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and penalties transferred to the Site Remediation Account pursuant to Provision 3 of Item 3960-001-0557, and to the Hazardous Substance Account pursuant to Section 25192 of the Health and Safety Code for expenditure in accordance with Section 25385.9 of the Health and Safety Code. The Department of Toxic Substances Control shall assign priority to hazardous substance release site projects as described in Provision 3 of Item 3960-001-0557, and shall not cause to be transferred an amount that, when added to the funds available as of July 1, 1998, is in excess of the potential liability of the State for cleanup costs associated with orphan share sites selected for the Expedited Site Remediation Pilot Program as of March 31, 1999.

2. The amount specified in this item is an estimate of the funds available from the proceeds of fines and penalties described in Provision 1, and does not represent a limit on the funds that may be transferred.
3. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3960-012-0001—For transfer by the State Controller to the Toxic Substances Control Account..... 4,800,000

Provisions:

1. The amount transferred by this item shall be expended for direct site remediation costs, as defined in Section 25337 of the Health and Safety Code, and shall be used to meet part of the requirement of paragraph (a)(1) of Section 25173.7 of the Health and Safety Code.

3960-012-0014—For transfer by the State Controller, upon request of the Director of the Department of Toxic Substances Control, from the Hazardous Waste Control Account to the Toxic Substances Control Account ..... (5,000,000)

Provisions:

1. Upon request of the Director of the Department of Toxic Substances Control, the State Controller shall transfer not more than $5,000,000 from the Hazardous Waste Control Account to the Toxic Substances Control Account.

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3960-012-0557—For transfer by the State Controller from the Toxic Substances Control Account to the Site Remediation Account	(6,750,000)

Provisions:

1. Notwithstanding any other provisions of law, upon request of the Director of the Department of Toxic Substances Control, and approval of the Department of Finance, the Controller shall increase the amount transferred from the Toxic Substances Control Account to the Site Remediation Account, pursuant to subdivision (h) of Section 25187 of the Health and Safety Code. Any increase in the amount transferred shall not exceed the proceeds of fines and penalties deposited in the Toxic Substances Control Account in the 1998–99 fiscal year, exclusive of the fines and penalties transferred to the Expedited Site Remediation Trust Fund pursuant to subdivision (a) of Section 25399.1 of the Health and Safety Code, and to the Hazardous Substance Account pursuant to Section 25192 of the Health and Safety Code for expenditure in accordance with Section 25385.9 of the Health and Safety Code. The Department of Toxic Substances Control shall assign priority to hazardous substance release site projects as described in Provision 3 of Item 3960-001-0557.
2. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

3960-101-0001—For local assistance, Department of Toxic Substances Control, Program 12, for allocation to the City of Signal Hill Police Department for asbestos removal	100,000
3980-001-0001—For support of Office of Environmental Health Hazard Assessment	6,451,000

Schedule:

(a) 10-Health Risk Assessment	11,174,000
(b) Reimbursements	–3,909,000
(c) Amount payable from the California Environmental License Plate Fund (Item 3980-001-0140)	–814,000

3980-001-0140—For support of Office of Environmental Health Hazard Assessment, for payment to Item 3980-001-0001, payable from the California Environmental License Plate Fund	814,000

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3985-001-0001—To the Secretary for Environmental Protection, Special Environmental Programs.....		3,396,000
Schedule:		
(a) 10-Permit Assistance Centers.....	2,821,000	
(b) 20-Scientific Peer Review	1,120,000	
(bx) 30-Circuit Prosecutor Project.....	404,000	
(c) Amount payable from the Hazardous Waste Control Account (Item 3985-001-0014)	−298,000	
(d) Amount payable from the Department of Pesticide Regulation Fund (Item 3985-001-0106)	−184,000	
(dx) Amount payable from the Recycling Market Development Revolving Loan Account (Item 3985-001-0281).....	−135,000	
(e) Amount payable from the Integrated Waste Management Account, Integrated Waste Management Fund (Item 3985-001-0387)	−150,000	
(f) Amount payable from the Underground Storage Tank Cleanup Fund (Item 3985-001-0439).....	−48,000	
(g) Amount payable from the State Water Quality Control Fund (Item 3985-001-0679)	−134,000	
Provisions:		
1. The funds appropriated by this item may be transferred to Item 0555-001-0001 for administration of the Permit Assistance Centers, the Scientific Peer Review, and Circuit Prosecutor Project programs.		
3985-001-0014—To the Secretary for Environmental Protection, Special Environmental Programs, for payment to Item 3985-001-0001, payable from the Hazardous Waste Control Account		298,000
3985-001-0106—To the Secretary for Environmental Protection, Special Environmental Programs, for payment to Item 3985-001-0001, payable from the Department of Pesticide Regulation Fund.....		184,000
3985-001-0281—To the Secretary for Environmental Protection, Special Environmental Programs, for payment to Item 3985-001-0001, payable from the Recycling Market Development Revolving Loan Account		135,000

Item	Amount
Provisions:	
1. Notwithstanding any of the provisions of law, funds appropriated by this item may be used for the Circuit Prosecutor Project.	
3985-001-0387—To the Secretary for Environmental Protection, Special Environmental Programs, for payment to Item 3985-001-0001, payable from the Integrated Waste Management Account, Integrated Waste Management Fund	150,000
3985-001-0439—To the Secretary for Environmental Protection, Special Environmental Programs, for payment to Item 3985-001-0001, payable from the Underground Storage Tank Cleanup Fund	48,000
3985-001-0679—To the Secretary for Environmental Protection, Special Environmental Programs, for payment to Item 3985-001-0001, payable from the State Water Quality Control Fund	134,000

HEALTH AND WELFARE

4100-001-0890—For support of the State Council on Developmental Disabilities, payable from the Federal Trust Fund	6,074,000
Schedule:	
(a) 10-State Council Planning and Operations 1,254,000	
(b) 20-Community Program Development 1,426,000	
(c) 30-Allocation to Area Boards 3,394,000	
Provisions:	
1. In the event federal funds from the Basic State Grant to the State Council on Developmental Disabilities are available to the council in an amount exceeding the amounts appropriated in this item, the additional funds shall be used only for the following purposes, unless the funds are specifically designated by federal law for other purposes:	
(a) To augment the allocation to the Program Development Fund.	
(b) To fund the costs of salary and benefit increases approved by the Legislature that exceed the Budget Act appropriation.	
(c) To fund the implementation of any portion of the state plan as approved by the council.	

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4110-001-0001—For support of Area Boards on Developmental Disabilities		0
Schedule:		
(a) 10-Area Board Services	6,806,000	
(b) Reimbursements	−6,806,000	
4120-001-0001—For support of Emergency Medical Services Authority		1,236,000
Schedule:		
(a) 10-Emergency Medical Services Authority	3,028,000	
(b) Amount payable from the Emergency Medical Services Training Program Approval Fund (Item 4120-001-0194)	−14,000	
(c) Amount payable from the Emergency Medical Services Personnel Fund (Item 4120-001-0312)	−780,000	
(d) Amount payable from the Federal Trust Fund (Item 4120-001-0890)	−998,000	
4120-001-0194—For support of Emergency Medical Services Authority, for payment to Item 4120-001-0001, payable from the Emergency Medical Services Training Program Approval Fund		14,000
4120-001-0312—For support of Emergency Medical Services Authority, for payment to Item 4120-001-0001, payable from the Emergency Medical Services Personnel Fund		780,000
4120-001-0890—For support of Emergency Medical Services Authority, for payment to Item 4120-001-0001, payable from the Federal Trust Fund		998,000
4120-101-0001—For local assistance, Emergency Medical Services Authority, Program 10, grants to local agencies		4,697,000

Provisions:

1. The General Fund support for poison control centers shall augment, but not replace, local expenditures for existing poison control center services. These funds shall be used primarily to increase services to underserved counties and populations and for poison prevention and information services. The Director of the Emergency Medical Services Authority may contract with eligible poison control centers for the distribution of these funds.
2. Upon the request of the Director of the Emergency Medical Services Authority, and subject to the approval of the Department of Health Ser-

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vices, the California Medical Assistance Commission, and the Department of Finance, moneys appropriated in this item may be transferred to the Emergency Services and Supplemental Payments Fund for expenditure as provided in Item 4260-101-0693 for local assistance for the purposes specified in that item.

3. The Emergency Medical Services Authority shall use the following guidelines in administering state-funded grants to local agencies: (a) funding eligibility shall be limited to rural multicounty regions that demonstrate a heavy use of the emergency medical services system by nonresidents, (b) local agencies shall provide matching funds of at least $1 for each dollar of state funds received, (c) state funding shall be used to provide only essential minimum services necessary to operate the system, as defined by the authority, (d) no region shall receive both federal and state funds in the same fiscal year for the same purpose, and (e) the Emergency Medical Services Authority shall monitor the use of the funds by recipients to assure that these funds are used in an appropriate manner.
4. Each region shall be eligible to receive up to one-half of the total cost of a minimal system for that region, as defined by the Emergency Medical Services Authority. However, the authority may reallocate unclaimed funds among regions.
5. Notwithstanding Provision 3(b), each region with a population of 300,000 or less as of June 30, 1998, shall receive the full amount for which it is eligible if it provides a cash match of $0.41 per capita or more. Failure to provide local cash contributions at the specified level shall result in a proportional reduction in state funding.
6. The Emergency Medical Services Authority shall evaluate the contractual objectives for regional agencies, to focus increased funding of regional agencies on unmet needs within the region. These unmet needs shall be consistent with the Emergency Medical Services System and Guidelines (EMSA #101) developed by the Emergency Medical Services Authority.

4120-101-0890—For local assistance, Emergency Medical Services Authority, Program 10, payable from the Federal Trust Fund 2,084,000

Item	Amount
4130-001-0632—For support of the Health and Welfare Agency Data Center, payable from the Health and Welfare Agency Data Center Revolving Fund.....	239,565,000

Schedule:

(a) 10-Facilities Operations..... 91,780,000

(b) 20-Administration 17,671,000

(c) 30-Systems Management Services..130,114,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the Health and Welfare Agency Data Center in excess of the amount appropriated not sooner than 30 days after providing notification in writing to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or no sooner than such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine.
2. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated pursuant to Section 11755 of the Government Code.
3. Notwithstanding any other provision of law, the Health and Welfare Agency Data Center shall submit a Feasibility Study Report or equivalent federal planning document to the Department of Finance for review and approval prior to award of the systems implementation contract for each welfare automation consortium with the exception of the Los Angeles Eligibility Automated Determination, Evaluation, and Reporting System (LEADER) and ISAWS, for which the Health and Welfare Agency Data Center shall continue to submit Special Project Reports or the equivalent federal planning document.
4. The Health and Welfare Agency Data Center, in cooperation with the Department of Social Services, shall develop a strategic plan for the Child Welfare Services Case Management System (CWS/CMS) on or before January 1, 1999. The plan shall (a) quantify the use, growth, and refresh rates for hardware and software to meet the objectives of CSW/CMS with a cost/benefit analysis to justify expenditures and (b) outline a schedule for modifications and enhancements based on program priorities. The strategic plan does not re-

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lieve the data center from meeting other reporting requirements such as information technology reporting requirements, as defined in the State Administrative Manual.	
5. On or before February 1, 1999, the Health and Welfare Data Center and the State Department of Social Services, in consultation with the Department of Information Technology and County Welfare Directors, shall report to the Joint Legislative Budget Committee on how current and planned automation systems meet the business requirements of counties in determining eligibility for benefits, case management, and informational interfaces with other data bases necessary to implement the state and federally required statewide automated welfare system.	
4140-001-0001—For support of Office of Statewide Health Planning and Development	847,000
Schedule:	
(a) 10-Health Policy and Analysis	3,549,000
(b) 30-Health Professions Development	2,726,000
(c) 42-Facilities Development	20,218,000
(d) 45-Cal Mortgage Loan Insurance	3,753,000
(e) 60-Health Facilities Data	8,543,000
(f) 80.01-Administration	6,832,000
(g) 80.02-Distributed Administration	−6,532,000
(h) Reimbursements	−2,885,000
(i) Amount payable from the Hospital Building Fund (Item 4140-001-0121)	−18,188,000
(j) Amount payable from the California Health Data and Planning Fund (Item 4140-001-0143)	−11,328,000
(k) Amount payable from the Registered Nurse Education Fund (Item 4140-001-0181)	−736,000
(*l*) Amount payable from the Health Facilities Construction Loan Insurance Fund (Section 129200, Health and Safety Code)	−4,163,000
(m) Amount payable from the Minority Health Professions Education Fund (Section 128355, Health and Safety Code)	−442,000
(n) Amount payable from the Federal Trust Fund (Federal Funds)	−500,000

Item	Amount
4140-001-0121—For support of Office of Statewide Health Planning and Development, for payment to Item 4140-001-0001, payable from the Hospital Building Fund	18,188,000
4140-001-0143—For support of Office of Statewide Health Planning and Development, for payment to Item 4140-001-0001, payable from the California Health Data and Planning Fund	11,328,000
4140-001-0181—For support of Office of Statewide Health Planning and Development, for payment to Item 4140-001-0001, payable from the Registered Nurse Education Fund	736,000
4140-101-0001—For local assistance, Office of Statewide Health Planning and Development	8,235,000

Schedule:

(aa) 10-Health Policy and Analysis	3,000,000
(a) 30-Health Professions Development (Family Physician Training)	6,635,000
(b) Reimbursements	−400,000
(c) Amount payable from the Federal Trust Fund (Item 4140-101-0890)	−1,000,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, or any other provision of law, the funds appropriated in this item for contracts with accredited medical schools or programs that train primary care physicians' assistants or primary care nurse practitioners, as well as contracts with hospitals or other health care delivery systems located in California, that meet the standards of the Health Manpower Policy Commission established pursuant to Article 1 (commencing with Section 128200) of Chapter 4 of Part 3 of Division 107 of the Health and Safety Code, shall continue to be available for the 1999–2000, 2000–2001, and 2001–2002 fiscal years.

4140-101-0890—For local assistance, Office of Statewide Health Planning and Development, for payment to Item 4140-101-0001, payable from the Federal Trust Fund	1,000,000
4140-111-0236—For local assistance, Office of Statewide Health Planning and Development, Program 10, Health Policy and Analysis, payable from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund	2,000,000

Item		Amount
4170-001-0001—For support of Department of Aging...		3,886,000
Schedule:		
(a) 10-Nutrition	3,105,000	
(b) 20-Senior Community Employment Service	446,000	
(c) 30-Supportive Services and Centers	2,379,000	
(d) 40-Special Projects	4,474,000	
(e) 50.01-Administration	5,808,000	
(f) 50.02-Distributed Administration	–5,808,000	
(g) Reimbursements	–1,984,000	
(h) Amount payable from the State HICAP Fund (Item 4170-001-0289)	–144,000	
(i) Amount payable from the Federal Trust Fund (Item 4170-001-0890)	–4,390,000	
Provisions:		
1. The Department of Aging shall report to the fiscal committees of the Legislature no later than March 1, 1999, on the status of the procurement of all new sites funded through the 1998–99 budget augmentation.		
4170-001-0289—For support of Department of Aging, for payment to Item 4170-001-0001, payable from the State HICAP Fund		144,000
4170-001-0890—For support of Department of Aging, for payment to Item 4170-001-0001, payable from the Federal Trust Fund		4,390,000
Provisions:		
1. The Department of Finance may authorize the transfer of funds between this item and Item 4170-101-0890 no sooner than 30 days after written notification to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee may determine. The notification shall include: (1) the amount of the proposed transfer; (2) an identification of the purposes for which the funds will be used; (3) documentation that the proposed activities must be carried out in the current year and that no other funds are available for their support; and (4) the impact of any transfer on the level of services.		

Item	Amount
4170-101-0001—For local assistance, Department of Aging	50,602,000
Schedule:	
(a) 10-Nutrition 64,506,000	
(b) 20-Senior Community Employment Service 7,016,000	
(c) 30-Supportive Services and Centers 34,699,000	
(d) 40-Special Projects 59,280,000	
(e) Reimbursements ..... –20,380,000	
(f) Amount payable from the State HICAP Fund (Item 4170-101-0289) ..... –854,000	
(g) Amount payable from the Federal Trust Fund (Item 4170-101-0890) ..... –93,665,000	
Provisions:	
1. Notwithstanding Section 26.00 of this act, the Department of Finance, upon notification by the California Department of Aging, may authorize transfers between Program 10—Nutrition and Program 30—Supportive Services and Centers in response to budget revisions submitted by the Area Agencies on Aging.	
2. Of the funds appropriated in Schedule (d) of this item, $2,000,000 shall be available for expenditure until June 30, 2001, for the startup costs related to Adult Day Health Care center expansion.	
3. Of the funds appropriated in Schedule (d) of this item for Linkages sites, $15,000 may be used per site for the purchase of service.	
4170-101-0289—For local assistance California Department of Aging, for payment to Item 4170-101-0001, payable from the State HICAP Fund	854,000
4170-101-0890—For local assistance, Department of Aging, for payment to Item 4170-101-0001, payable from the Federal Trust Fund	93,665,000
Provisions:	
1. Provision 1 of Item 4170-001-0890 is also applicable to this item.	
2. Notwithstanding subdivision (d) of Section 28.00 of this act, the Department of Finance upon notification by the California Department of Aging may authorize augmentations in this item for budget revisions submitted by Area Agencies on Aging and approved by the Department of Aging for estimated entitlements of per-meal reimbursements from the U.S. Department of Agriculture	

Item	Amount
and for funds allocated to Area Agencies on Aging for federal Title III one-time-only allocations.	
3. Notwithstanding Section 26.00 of this act, the Department of Finance, upon notification by the Department of Aging, may authorize transfers between Program 10—Nutrition and Program 30—Supportive Services and Centers in response to budget revisions submitted by the Area Agencies on Aging.	
4180-001-0001—For support of Commission on Aging	300,000
4180-001-0983—For support of Commission on Aging, payable from the California Fund for Senior Citizens	187,000
Provisions:	
1. Funds appropriated in this item from the California Fund for Senior Citizens shall be allocated by the Commission on Aging for the purposes specified in Section 18723 of the Revenue and Taxation Code.	
2. Pursuant to Section 18723 of the Revenue and Taxation Code, the unencumbered balance of this item as well as the unencumbered balance of prior year appropriations from the California Fund for Senior Citizens may be carried over and expended in any following fiscal year.	
4180-002-0886—For support of Commission on Aging, payable from the California Seniors Special Fund	74,000
Provisions:	
1. Pursuant to Section 18773 of the Revenue and Taxation Code, the unencumbered balance of this item as well as the unencumbered balance of prior year appropriations from the California Seniors Special Fund may be carried over and expended in any following fiscal year.	
4180-002-0890—For support of Commission on Aging, payable from the Federal Trust Fund	283,000
4200-001-0001—For support of the Department of Alcohol and Drug Programs	4,288,000
Schedule:	
(a) 15-Alcohol and Other Drug Services Program 27,435,000	
(b) 30.01-State Administration 8,264,000	
(c) 30.02-State Administration—distributed ..... −8,264,000	
(d) Reimbursements ..... −3,592,000	

Item	Amount
(e) Amount payable from Driving-Under-the-Influence Program Licensing Trust Fund (Item 4200-001-0139)	−1,675,000
(f) Amount payable from Narcotic Treatment Program Licensing Trust Fund (Item 4200-001-0243).	−1,041,000
(g) Amount payable from Audit Repayment Trust Fund (Item 4200-001-0816)	−67,000
(h) Amount payable from the Federal Trust Fund (Item 4200-001-0890)	−16,772,000

Provisions:

1. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4200-101-0001.
2. The Director of the Department of Finance may authorize the transfer of the support General Fund appropriation among the Alcohol and Other Drug Services Program and the Administration Program in response to shifts in workload among the two programs.

4200-001-0139—For support of the Department of Alcohol and Drug Programs, for payment to Item 4200-001-0001, payable from the Driving-Under-the-Influence Program Licensing Trust Fund 1,675,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the Driving-Under-the-Influence Program Licensing Trust Fund in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.

4200-001-0243—For support of the Department of Alcohol and Drug Programs, for payment to Item 4200-001-0001, payable from the Narcotic Treatment Program Licensing Trust Fund 1,041,000

Provisions:

1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures

Item	Amount
for the Narcotic Treatment Program Licensing Trust Fund in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
4200-001-0816—For support of the Department of Alcohol and Drug Programs, for payment to Item 4200-001-0001, payable from the Audit Repayment Trust Fund	67,000
4200-001-0890—For support of the Department of Alcohol and Drug Programs, for payment to Item 4200-001-0001, payable from the Federal Trust Fund	16,772,000
Provisions:	
1. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4200-101-0890.	
4200-101-0001—For local assistance, Department of Alcohol and Drug Programs	82,897,000
Schedule:	
(a) 15-Alcohol and Other Drug Services Program 342,170,000	
(b) Reimbursements ..... –50,095,000	
(c) Amount payable from the Federal Trust Fund (Item 4200-101-0890) ..... –209,034,000	
(d) Amount payable from Resident-Run Housing Revolving Fund (Item 4200-101-0977) ..... –144,000	
Provisions:	
1. Upon order of the Department of Finance, the Controller shall transfer funds as are necessary between this item and Item 4200-001-0001.	
2. Upon approval of the Department of Finance, one or more short-term loans not to exceed a cumulative total of $78,824,000 may be made available from the General Fund when there is a delay in the allocation of federal Substance Abuse Prevention and Treatment (SAPT) Block Grant funds to California. The loans shall be repaid, with interest calculated pursuant to subdivision (a) of Section 16314 of the Government Code, upon receipt of the federal SAPT Block Grant.	

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3. The funds appropriated by this item are available to provide funding for the state's share of expenditures for substance abuse services provided to persons eligible for Medi-Cal.
4. Notwithstanding subdivision (a) of Section 2.00 and Section 26.00 of this act, the Department of Finance may authorize a transfer of expenditure authority between Items 4200-101-0001 and 4200-102-0001 such that the funds appropriated by either item may be used to pay the state and federal share of prior fiscal years allowable Medi-Cal costs that exceed the amount encumbered in prior fiscal years. The Director of Finance shall notify the Legislature within 10 days after authorizing a transfer pursuant to this provision unless prior notification of the transfer has been included in the Medi-Cal estimates submitted pursuant to Section 14100.5 of the Welfare and Institutions Code.
5. Notwithstanding any other provision of law, both the federal and nonfederal shares of any money recovered for previously paid Drug Medi-Cal program services provided pursuant to Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code are hereby appropriated and shall be expended as soon as practicable for Drug Medi-Cal services as defined in the Welfare and Institutions Code.
6. Notwithstanding Sections 26.00, 28.00 and 28.50 of this act, the Director of Finance shall authorize the transfer of funds from this item to Item 4200-102-0001 as necessary to maintain the funding level for the perinatal substance abuse treatment program at a minimum level of twenty-five million dollars ($25,000,000).
7. Of the funds appropriated in this item that are carried over from prior fiscal years, $3,000,000 per year shall be allocated to counties on a competitive grant basis to develop and expand drug court-related substance abuse treatment in the 1998–99 and 1999–2000 fiscal years.
8. The reimbursements scheduled in this item, received from the Department of Social Services for the purposes of providing services pursuant to the

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federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, may not be used as a match to any other fund source as these funds have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance-of-effort requirement.

9. (a) Of the amount appropriated by this item, $8,000,000 shall be available for competitive grants for the Drug Court Demonstration Partnership Program only if that program is enacted by a statute that is effective on or before January 1, 1999. The Department of Alcohol and Drug Programs shall collaborate with the Administrative Office of the Courts in the design and implementation of the grant program.

   (b) Of the funds identified in this provision, up to $650,000 may be transferred to Item 4200-001-0001 for expenditure by the Department of Alcohol and Drug Programs. Of the amount available for transfer by this subdivision, up to $150,000 is available for oversight and implementation and up to $500,000 is available to contract for evaluation of the competitive grants as provided for in subdivision (a).

10. Of the amount appropriated by this item, $5,000,000 shall be used for expansion of youth substance abuse treatment services. The Department of Alcohol and Drug Programs shall award these funds to counties on a competitive basis, giving priority to counties with a high incidence of youth substance abuse. The department shall award $3,000,000 to counties in urban areas of the state, and $2,000,000 to counties in rural areas.

11. Of the funds appropriated by this item, the amount of $3,100,000 shall be used to fund the existing California Perinatal Treatment Network perinatal treatment programs and $3,000,000 shall be allocated on a competitive basis for new perinatal treatment programs.

12. By August 1, 1998, the Department of Alcohol and Drug Programs (DADP) and the California Department of Corrections (CDC) shall convene

Item Amount

a workgroup for the purpose of examining and developing a system for coordinating the delivery of treatment services to parolees. At a minimum, the system shall (1) ensure coordination among the CDC, the DADP and county drug and alcohol programs, and (2) address rate structures, treatment capacity, program standards, and licensing requirements. The workgroup shall submit on or before March 1, 1999, a report of its findings and recommendations to the appropriate fiscal and policy committees of the Legislature, including any recommendations for statutory change. The workgroup shall consist of representatives of county drug and alcohol administrators, treatment service providers, the DADP, the CDC, the California Youth Authority, and the Legislature.

13. The Department of Finance shall complete, on a reimbursable basis, a performance audit of the Department of Alcohol and Drug Programs' procedures in allocating funds in a timely manner and of county procedures.

4200-101-0890—For local assistance, Department of Alcohol and Drug Programs, for payment to Item 4200-101-0001, payable from the Federal Trust Fund..... 209,034,000

Provisions:

1. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4200-001-0890.
2. The Department of Alcohol and Drug Programs shall require county offices of alcohol and drug programs to give funding priority, within the funds expended on youth prevention programs, to establishing, expanding, or improving programs for the target populations identified by the federal grant requirements.

4200-101-0977—For local assistance, Department of Alcohol and Drug Programs, for payment to Item 4200-101-0001, payable from the Resident-Run Housing Revolving Fund..... 144,000

Provisions:

1. To the extent that moneys available in the Resident-Run Housing Revolving Trust Fund are less than the amount appropriated by this item, this appropriation shall be limited to that lesser amount.

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2. Notwithstanding any other provision of law, if revenues and loan repayments to the Resident-Run Housing Revolving Trust Fund are sufficient to create additional allocation workload, the Director of Finance may authorize expenditures for the Department of Alcohol and Drug Programs in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.

4200-102-0001—For local assistance, Department of Alcohol and Drug Programs, for perinatal substance abuse treatment programs 21,041,000

Schedule:

(a) 15-Alcohol and Other Drug Services Program 24,610,000

(b) Reimbursements ..... –3,569,000

Provisions:

1. Upon order of the Department of Finance, the Controller shall transfer funds as are necessary between this item and Item 4200-001-0001 for support costs associated with the perinatal substance abuse treatment programs.
2. The funds appropriated by this item, exclusive of funds allocated to alcohol and drug-free living programs and transitional living programs, are available to provide funding for the state's share of expenditures for perinatal substance abuse services provided to persons eligible for Medi-Cal.
3. Provisions 4 and 5 of Item 4200-101-0001 also apply to this item.
4. Notwithstanding Sections 26.00, 28.00 and 28.50 of this act, the Director of Finance shall authorize the transfer of funds to this item from Item 4200-101-0001 as necessary to maintain the funding level for the perinatal substance abuse treatment program at a minimum level of twenty-five million dollars ($25,000,000).

Item		Amount
4200-490—Reappropriation, Department of Alcohol and Drug Programs. Notwithstanding any other provision of law, the balances of the following appropriations are reappropriated for the purposes provided for in those appropriations. Of the amounts reappropriated pursuant to this item, up to $1,400,000 shall be allocated to counties for costs incurred in connection with serving residents of other counties. The funds reappropriated by this item shall be available for encumbrance and expenditure until June 30, 1999:		
0001—General Fund		
(a) Item 4200-101-0001, Budget Act of 1996		
(b) Item 4200-102-0001, Budget Act of 1996		
(c) Item 4200-101-0001, Budget Act of 1997		
(d) Item 4200-102-0001, Budget Act of 1997		
4220-001-0001—For support of Child Development Policy Advisory Committee appointed pursuant to Section 8286 of the Education Code		240,000
Schedule:		
(a) 10-Child Development Policy Advisory Committee	468,000	
(b) Reimbursements	−228,000	
4260-001-0001—For support of Department of Health Services		182,437,000
Schedule:		
(1) 10-Public and Environmental Health	265,689,000	
(2) 20-Health Care Services	398,174,000	
(3) 30.01-Departmental Administration	34,370,000	
(4) 30.02-Departmental Administration Distributed	−32,531,000	
(5) Reimbursements	−18,820,000	
(6) Amount payable from the Breast Cancer Research Account (Item 4260-001-0007)	−1,594,000	
(7) Amount payable from the Breast Cancer Control Account (Item 4260-001-0009)	−6,971,000	
(8) Amount payable from the Nuclear Planning Assessment Special Account (Item 4260-001-0029)	−563,000	
(9) Amount payable from the Motor Vehicle Account, State Transportation Fund (Item 4260-001-0044)	−473,000	

Item		Amount
(10)	Amount payable from the Sale of Tobacco to Minors Control Account (Item 4260-001-0066)	−2,215,000
(11)	Amount payable from the Occupational Lead Poisoning Prevention Account, General Fund (Item 4260-001-0070)	−2,621,000
(12)	Amount payable from the Medical Waste Management Fund (Item 4260-001-0074)	−1,138,000
(13)	Amount payable from the Radiation Control Fund (Item 4260-001-0075)	−12,854,000
(14)	Amount payable from the Tissue Bank License Fund (Item 4260-001-0076)	−164,000
(14.1)	Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 4260-001-0080)	−4,828,000
(15)	Amount payable from the Export Document Program Fund (Item 4260-001-0082)	−421,000
(16)	Amount payable from the Clinical Laboratory Improvement Fund (Item 4260-001-0098)	−6,067,000
(17)	Amount payable from the Health Statistics Special Fund (Item 4260-001-0099)	−13,644,000
(18)	Amount payable from the Wine Safety Fund (Item 4260-001-0116)	−189,000
(19)	Amount payable from the Water Device Certification Special Account (Item 4260-001-0129)	−139,000
(20)	Amount payable from the Food Safety Fund (Item 4260-001-0177)	−2,874,000
(21)	Amount payable from the Environmental Laboratory Improvement Fund (Item 4260-001-0179)	−2,407,000
(22)	Amount payable from the Genetic Disease Testing Fund (Item 4260-001-0203)	−60,158,000
(23)	Amount payable from the Low-Level Radioactive Waste Disposal Fund (Item 4260-001-0227)	−1,859,000

Item		Amount
(24)	Amount payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-001-0231)	–37,415,000
(25)	Amount payable from the Hospital Services Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-001-0232)	–925,000
(26)	Amount payable from the Physician Services Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-001-0233)	–236,000
(27)	Amount payable from the Research Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-001-0234)	–3,738,000
(28)	Amount payable from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-001-0236)	–3,121,000
(29)	Amount payable from the Domestic Violence Fund (Item 4260-001-0253)	–565,000
(30)	Amount payable from the Infant Botulism Treatment and Prevention Fund (Item 4260-001-0272)	–1,284,000
(31)	Amount payable from the Safe Drinking Water Account (Item 4260-001-0306)	–8,146,000
(32)	Amount payable from the Registered Environmental Health Specialist Fund (Item 4260-001-0335)	–247,000
(33)	Amount payable from the Mosquitoborne Disease Surveillance Account (Item 4260-001-0478)	–29,000
(34)	Amount payable from Cancer Research Fund (Item 4260-001-0589)	–25,000,000
(35)	Amount payable from the Emergency Services and Supplemental Payments Fund (Item 4260-001-0693)	–122,000
(36)	Amount payable from the California Alzheimer's and Related Disorders Research Fund (Item 4260-001-0823)	–395,000

Item	Amount
(37) Amount payable from the Medi-Cal Inpatient Payment Adjustment Fund (Item 4260-001-0834).....	–790,000
(38) Amount payable from the Federal Trust Fund (Item 4260-001-0890).....	–261,236,000
(39) Amount payable from the Local Health Capital Expenditure Account, County Health Services Fund (Item 4260-001-0900).....	–17,000

Provisions:

1. Of the total amount of reimbursements in this item, $3,743,000 shall be available for administration, research, and training projects. Notwithstanding Section 28.00 of this act, the State Department of Health Services shall report any new project over $200,000 or any increase or decrease in excess of $400,000 for an identified project.
2. Except as otherwise prohibited by law, the department shall promulgate emergency regulations to adjust the public health fees set by regulation to an amount, such that if the new fees were effective throughout the 1998–99 fiscal year, the estimated revenues would be sufficient to offset at least 95 percent of the approved program level intended to be supported by those fees.
3. Effective July 1, 1998, the annual fee for a general acute care hospital, acute psychiatric hospital, special hospital, general acute care rehabilitation hospital and chemical dependency recovery hospital shall be $46.11 per bed. Effective July 1, 1998, the annual fee for a skilled nursing facility, intermediate care facility, or intermediate care facility for the developmentally disabled is $147.25 per bed.

   The fees of the State Department of Health Services that are subject to the annual fee adjustment pursuant to subdivision (a) of Section 100445 of the Health and Safety Code shall be increased by 2.3 percent, effective July 1, 1998.

   Notwithstanding subdivision (b) of Section 100450 of the Health and Safety Code, departmental fees that are subject to the annual fee adjustment pursuant to subdivision (a) of Section 100450 of the Health and Safety Code shall be increased by 19.76 percent on a one-time basis to

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support year 2000 automation costs, effective July 1, 1998.

4. Of the funds appropriated by this item and Item 4260-001-0890, $37,000 and $110,000, respectively, are not available for expenditure without prior approval by the Director of Finance, and not sooner than 30 days after notification in writing of the necessity for these expenditures is provided to the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may determine. The funds identified in this provision shall be available exclusively for Medi-Cal field offices located in counties originally scheduled to be transitioned from the existing fee-for-service delivery system to managed care health plans during the 1998–99 fiscal year. To the extent that these transitions do not occur as scheduled, the budgeted savings will not be achieved. It is the intent of this provision to provide sufficient resources, subject to the requirement of legislative notification, to process treatment authorization requests and thereby avoid adverse impact on either providers or beneficiaries.
5. When entering into contracts with health care service plans that provide comprehensive dental benefits to Medi-Cal beneficiaries on an at-risk basis, the State Department of Health Services may require that the health care service plans pay for the costs of the administrative and regulatory oversight required to monitor the contract compliance terms of the agreement with the department.
6. Of the amount appropriated by this item, $1,254,000 shall be used only to conduct a study of the costs of outpatient services provided to Medi-Cal beneficiaries.
7. Of the amount appropriated by Schedule (2) of this item, $300,000 shall be used to conduct a comprehensive physician rate study that, at a minimum, performs a market comparison to determine the equity of Medi-Cal rates in both fee-for-services and capitated systems, and explores operations for providing different rates for special populations, including seriously and chronically ill individuals and individuals with developmental disabilities.

Item	Amount
8. The State Department of Health Services shall provide the fiscal and policy committees of each house of the Legislature with a copy of its five-year strategic plan for implementing a statewide comprehensive school health program by January 1, 1999.	
9. Of the amount appropriated by this item, $150,000 shall be available for the administrative support of the existing oversight panel for the Santa Susana Field Laboratory during the 1998–99 fiscal year.	
10. The Bureau of State Audits shall provide the fiscal committees and appropriate policy committees of the Legislature with an evaluation of the port-of-entry projects, including the California Airport Residency Review Program, as conducted by the State Department of Health Services, by April 1, 1999. The evaluation shall, at a minimum, review the protocols, procedures, and methods used by the investigators to identify and determine potential beneficiary fraud in the Medi-Cal Program, provide a demographic profile of the individuals questioned as well as those who are investigated, measure the cost-benefit ratio of the projects, including a summary of the funds collected and any cost avoidance assumptions, and analyze the overall effectiveness of the projects at identifying fraud.	
4260-001-0007—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Breast Cancer Research Account	1,594,000
4260-001-0009—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Breast Cancer Control Account.....	6,971,000
4260-001-0029—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Nuclear Planning Assessment Special Account	563,000
4260-001-0044—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Motor Vehicle Account, State Transportation Fund.....	473,000
4260-001-0066—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Sale of Tobacco to Minors Control Account.....	2,215,000

Item	Amount
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
4260-001-0070—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Occupational Lead Poisoning Prevention Account, General Fund	2,621,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
4260-001-0074—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Medical Waste Management Fund	1,138,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
4260-001-0075—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Radiation Control Fund	12,854,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
4260-001-0076—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Tissue Bank License Fund	164,000
4260-001-0080—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Childhood Lead Poisoning Prevention Fund	4,828,000
4260-001-0082—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Export Document Program Fund	421,000
4260-001-0098—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Clinical Laboratory Improvement Fund	6,067,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and	

Item	Amount
penalties imposed as specified in Government Code Section 13332.18.	
2. Notwithstanding any other provision of law, the Department of Health Services shall not impose fees on clinical laboratories that were not subject to state fees prior to January 1, 1996, until exemption from the federal Clinical Laboratory Improvement Amendments (CLIA; P.L. 100–578) of 1988 is granted. Expenditures for the Clinical Laboratory Program shall not exceed amounts collected in clinical laboratory fees plus federal grant funds provided by the Health Care Financing Administration to support this program. Since the date of exemption from CLIA is unknown, the Department of Finance may adjust the amounts provided for this program by this item and from federal funds pursuant to the provisions of Sections 27.00 and 28.00 of this act.	
3. The Department of Health Services shall, by January 1, 1999, provide the Legislature with a status update on the implementation of the Clinical Laboratory Improvement Act (42 U.S.C. Sec. 263a). This update shall include data on the program's outcomes and effectiveness to date, number of filled and vacant positions, level of anticipated program expenditures, status of the program regulations, and status as to obtaining an exemption from the Health Care Financing Administration.	
4260-001-0099—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Health Statistics Special Fund.....	13,644,000
4260-001-0116—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Wine Safety Fund	189,000
4260-001-0129—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Water Device Certification Special Account.....	139,000
4260-001-0177—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Food Safety Fund.....	2,874,000
4260-001-0179—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Environmental Laboratory Improvement Fund.....	2,407,000

Item	Amount
4260-001-0203—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Genetic Disease Testing Fund.....	60,158,000

Provisions:

1. On or before January 10, 1999, the State Department of Health Services shall provide the Legislature with an expenditure plan for the Genetic Disease Branch that provides a summary of program expenditures, including proposed policy changes for the upcoming fiscal year and a status update on the implementation of the business management information system.

4260-001-0227—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Low-Level Radioactive Waste Disposal Fund	1,859,000

Provisions:

1. Upon the request of the Department of Health Services and the approval of the Director of Finance, a General Fund loan of up to $1,000,000 shall be made to the Low-Level Radioactive Waste Disposal Fund. The loan shall be repaid upon receipt of fees collected from the disposal of low-level radioactive waste by generators once the Ward Valley site becomes operational. Accrued interest shall also be repaid in accordance with Section 16314 of the Government Code.
2. Of the amount appropriated by this item, up to $1,136,000 shall be used to fund an infiltration study.

4260-001-0231—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund	37,415,000

Provisions:

1. Media advertising products for the tobacco education campaign shall be selected through a two step approval process which, including production, shall not exceed 120 days. The process shall be initiated by the advertising contractor's submission of a preliminary concept to the State Department of Health Services.

   Final approval or rejection of advertising concepts shall be made within 10 business days of the submission by the advertising contractor. The department shall provide any submitted advertising concepts and related research to members of the

Item	Amount
Tobacco Education and Research Committee (TERC) upon request. All unapproved material available to TERC shall be confidential, restricted to TERC members only, and shall not be distributed or presented in public settings until after the department has made a decision regarding the advertisement and completed production. The department shall consider any comment or recommendations of TERC in determining approval or disapproval of proposed advertising concepts. Final acceptance or rejection of completed advertisements shall be made within 10 business days of the submission by the advertising contractor. The department shall provide all final submitted advertisements to members of TERC upon request and shall consider the comments and recommendations of TERC in determining acceptance of completed advertisements. Final acceptance or rejection by the department shall be based on the demonstrated effectiveness of the proposed or completed advertisements. For purposes of this section, "demonstrated effectiveness" means that advertising content, image, or theme which has been demonstrated by the advertising contractor through market research and testing to be the most effective at reducing tobacco use as rapidly as possible among target audiences. Nothing shall preclude the department from airing advertisements that have been approved and that may not be in broadcast rotation. Any advertisement produced or aired in California shall not require reapproval by the department to be aired and shall be available for broadcast, when, in the best professional judgment of the advertising contractor and the department, the use of those advertisements will contribute to a decline in tobacco use in California.	
4260-001-0232—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Hospital Services Account, Cigarette and Tobacco Products Surtax Fund	925,000
4260-001-0233—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Physician Services Account, Cigarette and Tobacco Products Surtax Fund	236,000

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4260-001-0234—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Research Account, Cigarette and Tobacco Products Surtax Fund	3,738,000
4260-001-0236—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund	3,121,000
4260-001-0253—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Domestic Violence Fund	565,000
4260-001-0272—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Infant Botulism Treatment and Prevention Fund	1,284,000
4260-001-0306—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Safe Drinking Water Account	8,146,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
4260-001-0335—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Registered Environmental Health Specialist Fund	247,000
4260-001-0478—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Mosquitoborne Disease Surveillance Account	29,000
4260-001-0589—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Cancer Research Fund	25,000,000
4260-001-0693—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Emergency Services and Supplemental Payments Fund	122,000
Provisions:	
1. To the extent that moneys available in the Emergency Services and Supplemental Payments Fund are less than the amount appropriated in this item, this appropriation shall be limited to that lesser amount.	
2. Notwithstanding any other provision of law, if revenues to the Emergency Services and Supplemental Payments Fund are sufficient to create ad-	

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ditional allocation workload, the Director of Finance may authorize expenditures for the Department of Health Services in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.

3. Funds appropriated by this item and augmentations authorized pursuant to Provision 2 may be transferred by executive order approved by the Director of Finance from the Department of Health Services to the California Medical Assistance Commission if revenues to the Emergency Services and Supplemental Payments Fund are sufficient to create allocation workload for that commission.

4260-001-0823—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the California Alzheimer's and Related Disorders Research Fund 395,000

4260-001-0834—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Medi-Cal Inpatient Payment Adjustment Fund 790,000

4260-001-0890—For support of Department of Health Services, for payment to Item 4260-001-0001, payable from the Federal Trust Fund 261,236,000

Provisions:

1. The limitations and conditions applicable to Item 4260-001-0001 also apply to this item if appropriate.
2. Of the funds appropriated in this item, $49,473,000 shall be available for administration, research, and training projects. Notwithstanding Section 28.00 of this act, the State Department of Health Services shall report under that section any new project over $200,000 or any increase or decrease in excess of $400,000 for an identified project.

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4260-001-0900—For support of Department of Health Services, in lieu of the amounts that otherwise would be appropriated in the Local Health Capital Expenditure Account of the County Health Services Fund pursuant to Chapter 1351, Statutes of 1980, for payment to Item 4260-001-0001, payable from the Local Health Capital Expenditure Account, County Health Services Fund	17,000
4260-002-0001—For transfer to the Cancer Research Fund	25,000,000
4260-002-0942—For support of Department of Health Services, payable from the Health Facilities Citation Penalties Account, Special Deposit Fund	1,000,000
4260-003-0942—For support of Department of Health Services, payable from the Federal Citation Penalties Account, Special Deposit Fund	203,000
4260-007-0890—For support of Department of Health Services, payable from the Federal Trust Fund	18,795,000

Provisions:

1. Notwithstanding Section 28.00 of this act, adjustments may be made to align the federal funds for legislative actions and other technical adjustments affecting the recipient department's appropriation authority.

4260-101-0001—For local assistance, Department of Health Services, Medical Assistance Program, payable from the Health Care Deposit Fund (912) after transfer from the General Fund	6,876,805,000

Schedule:

(a) 20.10.030-Benefits (Medical Care and Services)	15,954,495,000
(b) 20.10.010-Eligibility (County Administration)	878,700,000
(c) 20.10.020-Fiscal Intermediary Management	178,671,000
(d) Prior Fiscal Year Reconciliation	0
(e) Amount payable from the Federal Trust Fund (Item 4260-101-0890)	−10,125,351,000
(f) Amount payable from Federal Trust Fund (Item 4260-103-0890)	−9,710,000

Provisions:

1. The aggregate principal amount of disproportionate share hospital general obligation debt that may be issued in the 1998–99 fiscal year pursuant to subparagraph (A) of paragraph (2) of

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subdivision (f) of Section 14085.5 of the Welfare and Institutions Code shall be $0. 2. Notwithstanding any other provision of law, both the federal and nonfederal shares of any money recovered for previously paid health care services, provided pursuant to Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code, are hereby appropriated and shall be expended as soon as practicable for medical care and services as defined in the Welfare and Institutions Code. 3. Notwithstanding any other provision of law, accounts receivable for recoveries as described in Provision 2 above shall have no effect upon the positive balance of the General Fund or the Health Care Deposit Fund. Notwithstanding any other provision of law, money recovered as described in this item that is required to be transferred from the Health Care Deposit Fund to the General Fund shall be credited by the Controller to the General Fund without regard to the appropriation from which it was drawn. 4. Without regard to fiscal year, the General Fund shall make one or more loans available not to exceed a cumulative total of $45,000,000 to be transferred as needed to the Health Care Deposit Fund to meet cash needs. The loans are subject to the repayment provisions of Section 16351 of the Government Code. Any additional loan requirement in excess of $45,000,000 shall be processed in the manner prescribed by Section 16351 of the Government Code. 5. Notwithstanding any other provision of law, the Director of Health Services may give public notice relative to proposing or amending any rule or regulation that could result in increased costs in the Medi-Cal program only after approval by the Department of Finance as to the availability of funds; and any rule or regulation adopted by the Director of Health Services and any communication that revises the Medi-Cal program shall be effective only from and after the date upon which it is approved as to availability of funds by the Department of Finance. 6. Of the funds appropriated by this item, up to $50,000 may be allocated for attorneys' fees awarded pursuant to state or federal law without	

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prior notification to the Legislature. Individual settlements authorized under this language shall not exceed $5,000. The semiannual estimates of Medi-Cal expenditures due to the Legislature in January and May shall reflect attorney fees paid 15 or more days prior to the transmittal of the estimate.

7. Change orders to the medical or the dental fiscal intermediary contract for amounts exceeding a total cost of $250,000 shall be approved by the Director of Finance not sooner than 30 days after written notification of the change order is provided to the chairpersons of the fiscal and policy committees in each house and to the Chairperson of the Joint Legislative Budget Committee or not sooner than such lesser time as the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may designate. If there are changes or potential changes in federal funding, the Department of Finance shall provide timely written notification of the changes to the chairperson of the fiscal committee in each house and the Chairperson of the Joint Legislative Budget Committee. The semiannual estimates of Medi-Cal expenditures due to the Legislature in January and May may constitute the notification required by this provision.
8. Recoveries of advances made to counties in prior years pursuant to Section 14153 of the Welfare and Institutions Code are reappropriated to the Health Care Deposit Fund for reimbursement of those counties where allowable costs exceeded the amounts advanced. Recoveries in excess of the amounts required to fully reimburse allowable costs shall be transferred to the General Fund. When a projected deficiency exists in the Medical Assistance Program, these funds, subject to notification to the Chairperson of the Joint Legislative Budget Committee, are appropriated and shall be expended as soon as practicable for the state's share of payments for medical care and services, county administration, and fiscal intermediary services.
9. The Department of Finance may transfer funds representing all or any portion of any estimated savings that are a result of improvements in the Medi-Cal claims processing procedures from the

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Medi-Cal services budget or the support budget of the State Department of Health Services (Item 4260-001-0001) to the fiscal intermediary budget item for purposes of making improvements to the Medi-Cal claims system.

10. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-101-0001 for the state's share of expenditures for developmental services provided to persons eligible for Medi-Cal.

11. Notwithstanding subdivision (a) of Section 2.00 and Section 26.00 of this act, the Department of Finance may authorize transfer of expenditure authority between Schedule (a), (b), or (c) and Schedule (d). Schedule (d) may be used for the liquidation of prior years' excess obligations of Item 4260-101-0001.

    The Director of Finance shall notify the Legislature within ten days of authorizing such a transfer unless prior notification of the transfer has been included in the Medi-Cal estimates submitted pursuant to Section 14100.5 of the Welfare and Institutions Code.

12. The Department of Finance may transfer funds from this item to Item 4260-001-0001 from funds appropriated for the implementation of Medi-Cal outreach and simplification activities.

13. The State Department of Health Services shall continue the following policies and actions pertaining to antipsychotic drugs, prior authorization, and the Medi-Cal List of Contract Drugs:

    (a) Postpone the therapeutic category review of antipsychotics until the department has determined that there is sufficient therapeutic information comparing the atypical antipsychotics to each other. During the therapeutic category review, the department shall seek input from provider organizations and sources in the mental health community and the Department of Mental Health.

    (b) Conduct an "individual drug petition" review of each new antipsychotic drug approved by the federal Food and Drug Administration (FDA). The department shall seek input from provider organizations and sources in the mental health community and

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the Department of Mental Health during this process.

If information regarding therapeutic equivalency becomes available during these reviews, the department shall include it in the evaluation process. Information from studies not published may be acceptable and the department shall keep that information confidential.

(c) Continue its prior authorization policy regarding atypical antipsychotics and affirming their use as first line agents consistent with guidelines published in the currentExpert Consensus Guideline Series, Treatment of Schizophrenia.

(d) Offer assistance to providers who are having difficulty obtaining prior authorization approval for the atypical antipsychotic drugs. The department shall refer telephone calls and letters to the field office administrators for action.

14. The State Department of Health Services shall convene as necessary a work group that consists of industry representatives, individual providers, advocates interested in long-term health care concerns, recipient constituency groups, and other interested parties as deemed appropriate by the department, to discuss and develop alternatives to the current long-term care rate-setting process.

15. The State Department of Health Services shall provide the fiscal and policy committees of the Legislature with a status update, including potential alternatives to the current long-term care rate-setting process, on or before January 15, 1999.

16. The State Department of Health Services may negotiate settlements with acute care hospitals with a distinct part pediatric convalescent facility that violate Medi-Cal Cost reimbursement policies or procedures governing the operation of acute care hospitals. The department may waive all of part of any overpayment made that would otherwise be reimbursable to the department by an acute care hospital. This provision shall only apply to hospitals in San Diego County.

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17. Of the funds appropriated by this item, up to $25,000,000 in Item 4260-101-0001 and $25,000,000 in Item 4260-101-0890 may be allocated for a central valley burn and trauma center located in Fresno. Availability of this funding is contingent upon enactment of enabling legislation.	
18. Of the funds appropriated by this item, $1,000,000 shall solely be used for an evaluation of the Family PACT program.	
19. The State Department of Health Services shall, on or before September 30, 1998, submit to the Secretary of Health and Human Services an amendment to the State Medicaid Plan to extend coverage of personal care services to Medi-Cal "medically needy" individuals. The State Department of Health Services and the State Department of Social Services shall develop as expeditiously as possible the administrative procedures that will allow "income eligibles" in the In-Home Supportive Services (IHSS) program, who are not otherwise excluded under Title XIX of the Social Security Act, to receive services under the IHSS Personal Care Services Program.	
20. The State Department of Health Services and the Managed Risk Medical Insurance Board shall provide the fiscal and policy committees of each house of the Legislature with a quarterly status update on the effectiveness of the joint Medi-Cal program and Healthy Families program education and outreach campaign. This status update shall include, at a minimum, the number of children enrolled, the outcomes from the community-based training and certification process, the amount of application assistance fees paid and pending, general effectiveness of the media campaign, and the overall status of performance measures as contained in the outreach and education contracts.	
21. The State Department of Health Services shall biannually provide status updates to the fiscal and appropriate policy committees in each house of the Legislature regarding the implementation throughout the state, of Medi-Cal Managed Care, both the Two-Plan Model and Geographic Managed Care. The biannual status updates shall	

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include, at a minimum, implementation dates for the plans, the number of beneficiaries enrolled, key concerns, if any, and strategies or actions taken by the department to mitigate the identified concerns.

22. The State Department of Health Services shall continue to convene, as needed, constituency work groups, consisting of diverse provider groups, advocacy organizations, and program recipients, to address issues regarding beneficiary education, choice, enrollment, disenrollment, and other items pertaining to Medi-Cal Managed Care implementation and the ongoing provision of services.
23. Upon approval of the Director of Finance, the appropriation made by this item may be augmented by up to $2,500,000 for transfer to Item 4300-101-0001, subject to the enactment of legislation and adoption of regulations by the State Department of Developmental Services establishing a new rate structure for day programs and in-home respite agencies. The new rate structure shall include performance outcome measures.

4260-101-0693—Notwithstanding any other provision of law, moneys available in the Emergency Services and Supplemental Payments Fund, after the appropriation made by Item 4260-001-0693 of this act, are appropriated to the Department of Health Services for expenditure for local assistance for the purposes specified in Section 14085.6 of the Welfare and Institutions Code.

4260-101-0890—For local assistance, Department of Health Services, for payment to Item 4260-101-0001, payable from the Federal Trust Fund..... 10,125,351,000

Provisions:

1. Any of the provisions in Item 4260-101-0001 that are relevant to this item also apply to this item.
2. Upon approval by the Director of Finance, the appropriation made by this item may be augmented by up to $2,800,000 and appropriated for transfer to Item 4300-101-0001, subject to the enactment of legislation and adoption of regulations by the State Department of Developmental Services establishing a new rate structure for day programs and in-home respite agencies. The new rate structure shall include performance outcome measurements.

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4260-102-0001—For local assistance, Department of Health Services, Program 20.10.030-Benefits (Medical Care and Services), for supplemental reimbursement for debt service pursuant to Section 14085.5 of the Welfare and Institutions Code	60,208,000
4260-102-0890—For local assistance, Department of Health Services, Program 20.10.030—Benefits (Medical Care and Services), payable from Federal Trust Fund, for supplemental reimbursement for debt service pursuant to Section 14085.5 of the Welfare and Institutions Code	63,856,000
4260-103-0890—For local assistance, for refugee services, Department of Health Services, for payment to Item 4260-101-0001, payable from the Federal Trust Fund	9,710,000
Provisions:	
1. Any of the provisions in Item 4260-101-0001 that are relevant to this item also apply to this item.	
4260-111-0001—For local assistance, Department of Health Services	386,527,000
Schedule:	
(a) 10.10.010-Vital Records Improvement Project	300,000
(aa) 10.20.010-Environmental Management	410,000
(b) 10.30.030-Childhood Lead Poisoning Prevention	11,000,000
(c) 10.30.040-Chronic Diseases	195,426,000
(d) 10.30.050-Communicable Disease Control	68,005,000
(e) 10.30.060-AIDS	205,548,000
(f) 20.30-County Health Services	210,432,000
(g) 20.40-Primary Care and Family Health	1,369,471,000
(h) Reimbursements-Family Health Services, CCS Enrollment Fees, and GHPP Repayments	–372,000
(i) Reimbursements-Primary Care and Family Health, WIC Rebates and Recoveries	–250,001,000
(j) Reimbursements-Public Health Service AIDS	–11,429,000
(k) Reimbursements—Chronic Diseases	–7,342,000
(*l*) Amount payable from the Breast Cancer Control Account (Item 4260-111-0009)	–18,885,000

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(m) Amount payable from the Childhood Lead Poisoning Prevention Fund (Item 4260-111-0080)	–14,600,000
(n) Amount payable from the Health Statistics Special Fund (Item 4260-111-0099)	–300,000
(o) Amount payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-111-0231)	–64,304,000
(p) Amount payable from the Hospital Services Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-111-0232)	–130,036,000
(q) Amount payable from the Physician Services Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-111-0233)	–20,633,000
(r) Amount payable from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund (Item 4260-111-0236)	–102,687,000
(s) Amount payable from the Child Health and Safety Fund (Item 4260-111-0279)	–491,000
(t) Amount payable from the Federal Trust Fund (Item 4260-111-0890)	–1,052,985,000

Provisions:

1. Program 10.30.040—Chronic Diseases:
   Of the total amount of reimbursements in this item, $7,342,000 shall be available for administration, research and training projects. Notwithstanding Section 28.00 of this act, the Department of Health Services shall report under that section, any new project over $200,000 or any increase or decrease in excess of $400,000 for an identified project.
2. Program 10.30.060-AIDS:
   The Office of AIDS in the State Department of Health Services, in allocating and processing contracts and grants, shall comply with the same requirements that are established for contracts and grants for other public health programs. The contracts or grants administered by the Office of AIDS shall be exempt from the Public Contract Code and shall be exempt from approval by the

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Department of Finance and the Department of General Services prior to their execution.	
3. Program 20.40-Primary Care and Family Health:	
(a) Notwithstanding Section 28.00 of this act, the Department of Finance, upon request of the State Department of Health Services, may authorize and approve a budget revision to augment Schedule (i) Primary Care and Family Health, WIC Rebates and Recoveries, in this item for any additional rebate moneys or recoveries that become available for the Special Supplemental Food Program for Women, Infants, and Children (WIC) during this fiscal year.	
(b) Counties may retain 50 percent of total enrollment and assessment fees that are collected by the counties for the CCS program. Fifty percent of the enrollment and assessment fee for each county shall be offset from the state's match for that county.	
(c) Notwithstanding any other provision of law, of the funds appropriated in Schedule (g) of this item, up to $500,000 for the Community Challenge Grant Program is available for expenditure until December 31, 1999, for the Statewide Program Evaluation.	
4. Nonfederal funds appropriated by this item and Item 4260-001-0001 which have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance-of-effort requirement established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) may not be expended in any way that would cause their disqualification as a federally allowable maintenance-of-effort expenditure.	
5. Of the amount appropriated in this item, $500,000 shall be used to address special areas of concern in the treatment and provision of care for individuals with Alzheimer's disease, including models of care for rural areas, partnerships with medical schools for additional training in the field of dementia, and development of treatment strategies that provide culturally appropriate care.	
6. Of the amount appropriated by this item, $15,137,000 shall be transferred to the Safe Drinking Water State Revolving Fund to provide	

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a 20 percent match of federal funds available for loans and grants to public water systems for infrastructure improvements. If a general obligation bond act is approved and becomes operative during the 1998–99 fiscal year and provides funds for the Safe Drinking Water State Revolving Fund, the Director of Finance shall direct the Controller to transfer funds from the revolving fund to the General Fund in an amount sufficient to fully reimburse the General Fund for the transfer made from the General Fund to the revolving fund to the extent the bond act provides funds for the revolving fund and authorizes that reimbursement.	
7. Of the funds appropriated in this item, $1,000,000 shall be used for breast cancer treatment pursuant to legislation enacted during the 1997–98 Regular Session.	
4260-111-0009—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Breast Cancer Control Account	18,885,000
4260-111-0080—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Childhood Lead Poisoning Prevention Fund	14,600,000
4260-111-0099—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Health Statistics Special Fund	300,000
4260-111-0231—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund	64,304,000
4260-111-0232—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Hospital Services Account, Cigarette and Tobacco Products Surtax Fund	130,036,000
4260-111-0233—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Physician Services Account, Cigarette and Tobacco Products Surtax Fund	20,633,000
4260-111-0236—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund	102,687,000

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4260-111-0279—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Child Health and Safety Fund	491,000
4260-111-0890—For local assistance, Department of Health Services, for payment to Item 4260-111-0001, payable from the Federal Trust Fund	1,052,985,000
Provisions:	
1. Of the funds appropriated by this item, $55,990,000 shall be available for administration, research, and training projects. Notwithstanding the provisions of Section 28.00 of this act, the State Department of Health Services shall report under that section any new project over $200,000 or any increase or decrease in excess of $400,000 for an identified project.	
4260-112-0001—For local assistance, Department of Health Services, for implementation of Chapter 623 of the Statutes of 1997, Healthy Families Program (Public Health)	6,415,000
Schedule:	
(a) 20.40—Primary Care and Family Health 21,788,000	
(b) Amount payable from the Federal Trust Fund (Item 4260-112-0890) ..... –15,373,000	
4260-112-0890—For local assistance, Department of Health Services, for payment to Item 4260-112-0001, payable from the Federal Trust Fund	15,373,000
4260-113-0001—For local assistance, Department of Health Services, for the implementation of Chapter 623 of the Statutes of 1997, Healthy Families Program (Medi-Cal)	3,850,000
Schedule:	
(a) 20.10.010-Eligibility (County Administration) 7,200,000	
(b) 20.10.020-Fiscal Intermediary Management 1,027,000	
(c) 20.10.030-Benefits (Medical Care and Services) 14,966,000	
(d) Amount payable from the Federal Trust Fund (Item 4260-113-0890) ..... –19,343,000	
4260-113-0890—For local assistance, Department of Health Services, for payment to Item 4260-113-0001, payable from the Federal Trust Fund	19,343,000

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4260-114-0942—For local assistance, Department of Health Services, payable from the Women, Infants, and Children Vendor Fines and Penalties Account, Special Deposit Fund		100,000
4260-295-0001—For local assistance, Department of Health Services, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		6,898,000
Schedule:		
(1) 98.01.026.891-SIDS Contacts by Local Health Officers (Ch. 268, Stats. 1991)	317,000	
(2) 98.01.045.374-SIDS Notices (Ch. 453, Stats. 1974)	34,000	
(3) 98.01.091.692-Pacific Beach Safety (Ch. 916, Stats. 1992)	69,000	
(4) 98.01.095.589-SIDS Autopsies (Ch. 955, Stats. 1989)	1,825,000	
(5) 98.01.108.888-AIDS Search Warrants (Ch. 1088, Stats. 1988)	878,000	
(6) 98.01.116.381-Medi-Cal Beneficiary Death Notices (Ch. 102, Stats. 1981 and Ch. 1163, Stats. 1981)	98,000	
(7) 98.01.159.788-Inmates AIDS Testing (Ch. 1597, Stats. 1988)	1,212,000	
(8) 98.01.160.390-Perinatal services for alcohol/drug exposed infants (Ch. 1603, Stats. 1990)	2,465,000	

Provisions:

1. Except as provided in Provision 2, allocations of funds appropriated by this item to the appropriate local entities shall be made by the State Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated by this item may be used to provide reimbursement pursuant to Article 5 (commencing

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with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.

2. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.

4260-301-0660—For capital outlay, Department of Health Services, payable from Public Buildings Construction Fund 108,416,000

Schedule:

(1) 94.60.040-Phase II Replacement Laboratory Facilities, Richmond-Construction 108,416,000

Provisions:

1. The State Public Works Board may issue lease-revenue bonds, notes or bond anticipation notes pursuant to Chapter 5 (commencing with Section 15830) of Part 10b of Division 3 of Title 2 of the Government Code to finance the construction of the project authorized by this item.
2. The State Public Works Board and the Department of Health Services may obtain interim financing for the project costs authorized in this item from any appropriate source including but not limited to the Pooled Money Investment Account pursuant to Sections 16312 and 16313 of the Government Code.
3. The maximum amount of bonds, notes or bond anticipation notes to be sold shall not exceed the cost of construction and any additional amounts necessary to pay interim and permanent financing costs.

4260-401—In the event the bonds authorized for replacement laboratory facilities in the City of Richmond, as authorized by Section 100500 of the Health and Safety Code, are not sold, the Department of Health Services shall commit, from the amount appropriated to the department by this act for its support, a sufficient amount to repay interim financing loans incurred for that facilities purpose. It is the intent of

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the Legislature that this commitment requirement be included in future Budget Acts until outstanding loans for interim financing are repaid either through the sale of bonds or from an appropriation.		
4260-402—In the event the bonds authorized for the Capital Area Plan project in Chapter 761, Statutes 1997 are not sold, the Department of Health Services shall commit a sufficient portion of its support appropriation, as determined by the Department of Finance, which is provided for in this Budget Act to repay any interim financing. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until all interim financing is repaid either through the proceeds from the sale of bonds or from an appropriation.		
4270-001-0001—For support, California Medical Assistance Commission		1,189,000
Schedule:		
(a) 10-California Medical Assistance Commission	2,378,000	
(b) Reimbursements	−1,189,000	
4280-001-0001—For support of Managed Risk Medical Insurance Board, for the implementation of Chapter 623, Statutes of 1997, Healthy Families Program		858,000
4280-001-0309—For support of Managed Risk Medical Insurance Board, for payment to Item 4280-001-0313, payable from the Perinatal Insurance Fund		741,000
Provisions:		
1. Provision 1 of Item 4280-001-0313 also applies to this item.		
4280-001-0313—For support of Managed Risk Medical Insurance Board, payable from the Major Risk Medical Insurance Fund		720,000
Schedule:		
(a) 10-Major Risk Medical Insurance Program	720,000	
(b) 20-Access for Infants and Mothers Program	741,000	
(c) 30-Health Insurance Plan of California	340,000	
(d) Amount payable from the Perinatal Insurance Fund, (Item 4280-001-0309)	−741,000	
(e) Amount payable from the Voluntary Alliance Uniting Employers Fund (Item 4280-001-0957)	−340,000	

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Provisions:	
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the Managed Risk Medical Insurance Board in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairpersons of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine.	
4280-001-0890—For support of Managed Risk Medical Insurance Board, for the implementation of Chapter 623, Statutes of 1997, Healthy Families Program ...	1,667,000
4280-001-0957—For support of Managed Risk Medical Insurance Board, for payment to Item 4280-001-0313, payable from the Voluntary Alliance Uniting Employers Fund	340,000
Provisions:	
1. Provision 1 of Item 4280-001-0313 also applies to this item.	
4280-101-0001—For local assistance, Managed Risk Medical Insurance Board, for the implementation of Chapter 623, Statutes of 1997, Healthy Families Program	38,597,000
Provisions:	
1. The Managed Risk Medical Insurance Board shall provide the fiscal and policy committees of the Legislature with a quarterly status update on the effectiveness of the joint Medi-Cal Program and Healthy Families Program education and outreach campaign. This status update shall include, at a minimum, the number of children enrolled, the outcomes from the community-based training and certification process, the amount of application assistance fees paid and pending, general effectiveness of the media campaign, and the overall status of performance measures as contained in the outreach and education contracts.	
2. The Managed Risk Medical Insurance Board shall report to the fiscal and policy committees of the Legislature, on a quarterly basis, the number of enrollments, disenrollments, and terminations, and reasons for terminations, in the Healthy Families Program. This data shall be reported in such a	

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manner as to facilitate comparison by county or health care service area, and by plan.	
3. The Managed Risk Medical Insurance Board shall convene, at least on a quarterly basis, a work group consisting of representatives from participating health plans, mental health providers and advocates, the State Department of Mental Health, and other interested parties as deemed appropriate by the Managed Risk Medical Insurance Board, to discuss the memorandum of understanding and related issues regarding the provision of mental health services in the Healthy Families Program.	
4. The Managed Risk Medical Insurance Board shall convene, at least on a quarterly basis, a work group consisting of representatives from participating health plans, county California Children's Services (CCS) programs, CCS providers, advocates, the State Department of Health Services, and other interested parties as deemed appropriate by the Managed Risk Medical Insurance Board, to discuss the memorandum of understanding and related issues regarding the Healthy Families Program and interactions with the California Children's Services Program.	
5. It is the Legislature's intent for the State Department of Health Services to engage interested parties in providing comments and recommendations to the department on the crafting of the request for proposal to conduct the Rural Health Demonstration Projects prior to the final release of the request for proposal.	
4280-101-0890—For local assistance, Managed Risk Medical Insurance Board, for the implementation of Chapter 623, Statutes of 1997, Healthy Families Program	75,026,000
4280-102-0001—For local assistance, Managed Risk Medical Insurance Board, for the implementation of Chapter 623 of the Statutes of 1997, Healthy Families Program	0
Provisions:	
1. Notwithstanding any other provision of law, the Department of Finance may augment this item, up to a total of $10,000,000, upon notification in writing of the necessity therefor to the chairperson	

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of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee.

2. As determined by the Department of Finance, with prior notification to the Legislature pursuant to Provision 1, the funds appropriated in this item may be used only for Healthy Families Program costs.
3. The funds appropriated in this item may be expended only after approval by the Department of Finance and prior notification to the Legislature pursuant to Provision 1. Notwithstanding any other provision of law, the Department of Finance may allocate funds from this item to General Fund items that appropriate funds used to match federal funds for the Healthy Families Program either for support of any state department or board or for local assistance.
4. To the extent that federal funds later become available for activities funded from this item, the federal funds shall be claimed and the General Fund reimbursed.

4280-111-0232—For transfer by the State Controller to the Perinatal Insurance Fund from the Hospital Services Account, Cigarette and Tobacco Products Surtax Fund, for the implementation of Part 6.3 (commencing with Section 12695) of Division 2 of the Insurance Code ..... (17,349,000)

4280-111-0233—For transfer by the State Controller to the Perinatal Insurance Fund from the Physician Services Account, Cigarette and Tobacco Products Surtax Fund, for the implementation of Part 6.3 (commencing with Section 12695) of Division 2 of the Insurance Code ..... (12,071,000)

4280-111-0236—For transfer by the State Controller to the Perinatal Insurance Fund from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund, for the implementation of Part 6.3 (commencing with Section 12695) of Division 2 of the Insurance Code ..... (2,938,000)

4280-112-0233—For transfer by the State Controller to the Major Risk Medical Insurance Fund from the Physician Services Account, Cigarette and Tobacco Products Surtax Fund, for the implementation of Part 6.5 (commencing with Section 12700) of Division 2 of the Insurance Code ..... (4,033,000)

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4280-112-0236—For transfer by the State Controller to the Major Risk Medical Insurance Fund from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund, for the implementation of Part 6.5 (commencing with Section 12700) of Division 2 of the Insurance Code	(5,967,000)
4300-001-0001—For support of Department of Developmental Services	25,232,000

Schedule:

(a) 10-Community Services Program	21,221,000
(b) 20-Developmental Centers Program	7,426,000
(c) 35.01-Administration	21,084,000
(d) 35.02-Distributed Administration	–19,847,000
(e) Reimbursements	–2,661,000
(f) Amount payable from the Developmental Disabilities Program Development Fund (Item 4300-001-0172)	–233,000
(g) Amount payable from the Federal Trust Fund (Item 4300-001-0890)	–1,758,000

Provisions:

1. The State Department of Developmental Services shall present the results of technical assistance audits and management reviews, conducted to evaluate the quality and timeliness of reporting fiscal and policy information at developmental centers, at public meetings held on campus at the developmental centers.
2. The State Department of Developmental Services shall, on or before January 1, 1999, provide the Legislature with a comprehensive plan for providing housing and treatment services to individuals with developmental disabilities who are eligible for services under the Lanterman Developmental Disabilities Services Act (Div. 4.5 (commencing with Sec. 4500), W.&I.C.) and who have had a confrontation with, or been arrested by, law enforcement officials, or who have intensive behavioral treatment needs. This plan shall include options regarding the viability of providing additional beds at Porterville and Lanterman Developmental Centers, as well as beds at Agnews Developmental Center.
3. The State Department of Developmental Services shall provide the fiscal and policy committees of the Legislature with the findings of the Regional Center Core Staffing Study by no later than March 1, 1999. This study is to address the type of

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classification, number, qualifications, and compensation required for Regional Centers to meet their state and federal mandates, and to be consistent with good professional and business practices.

4. The State Department of Developmental Services shall conduct an analysis of the Regional Center's purchase of services expenditures and the factors that contribute to variances across the statewide Regional Center service system. The findings of this analysis shall be provided to the fiscal and policy committees of the Legislature by no later than March 1, 1999.
5. The State Department of Developmental Services shall provide the fiscal and policy committees of the Legislature with two status updates on the progress of the master planning process pertaining to the full assessment of the Developmental Centers by September 30, 1998, and by January 10, 1999.

4300-001-0172—For support of Department of Developmental Services, for payment to Item 4300-001-0001, payable from the Developmental Disabilities Program Development Fund..... 233,000

4300-001-0890—For support of Department of Developmental Services, for payment to Item 4300-001-0001, payable from the Federal Trust Fund 1,758,000

Provisions:

1. Upon order of the Director of Finance, the State Controller shall transfer such funds as are necessary between this item and Item 4300-101-0890 in order to effectively administer the Early Intervention Program (Part C of the Individuals with Disabilities Education Act).

4300-003-0001—For support of Department of Developmental Services, for Developmental Centers..... 19,049,000

Schedule:

(a) 20-Developmental Centers Program 464,646,000
(b) Reimbursements ..... –444,293,000
(c) Amount payable from the California State Lottery Education Fund (Item 4300-003-0814) ..... –517,000
(d) Amount payable from the Federal Trust Fund (Item 4300-003-0890)..... –787,000

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Provisions:

1. The General Fund shall make a loan available to the State Department of Developmental Services not to exceed a cumulative total of $130,000,000. The loan funds will be transferred to this item as needed to meet cash-flow needs due to delays in collecting reimbursements from the Health Care Deposit Fund, and subject to the repayment provisions of Section 16351 of the Government Code.
2. Of the amount appropriated in Schedule (a), $903,400 is provided for payment of energy service contracts as required in connection with issuance of Public Works Board Energy Efficiency Revenue Bonds (State Pool Program), Series 1986 A.
3. To the extent that the State Department of Developmental Services is eligible to receive additional Title XIX Medi-Cal reimbursements as a result of population increases in the developmental centers, the department is authorized to expend those reimbursements for the care of the additional clients upon approval of the Director of Finance.
4. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Items 4300-101-0001 and 4440-011-0001. Within 10 working days after approval of a transfer as authorized by this provision, the Department of Finance shall notify the chairperson of the fiscal committee of each house of the Legislature of the transfer, including the amount transferred, how the amount was determined, and how the amount will be utilized.
5. The State Department of Developmental Services (DDS) shall notify the chairperson of the fiscal committee of each house of the Legislature, the Senate Special Committee on Developmental Disabilities and Mental Health, and the Senate Health and Human Services Committee of specific outcomes resulting from citations and the results of annual surveys conducted by the State Department of Health Services as well as findings of any other government agency authorized to conduct investigations or surveys of state developmental centers. DDS shall forward the notifications, including a copy of the specific findings, to the chairpersons of the respective committees

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within 10 working days of its receipt of these findings. DDS also shall forward these findings, within three working days of submission, to the appropriate investigating agency. In addition, DDS shall provide notification to the above-mentioned committee chairs, within three working days, of its receipt of information concerning any investigation initiated by the United States Department of Justice and the private nonprofit corporation designated by the Governor pursuant to Division 4.7 (commencing with Section 4900) of the Welfare and Institutions Code or concerning any findings or recommendations resulting from any of these investigations.

6. The State Department of Developmental Services shall provide the Legislature with an implementation plan for increasing level-of-care staff at the Developmental Centers by August 1, 1998. At a minimum, this plan shall specify how the positions are allocated across Developmental Centers, what training programs are planned, and what methods of recruitment and retention are being contemplated.
7. The State Department of Developmental Services shall provide the Legislature with a status update on the implementation plan for increasing level-of-care staff at the Developmental Centers by March 1, 1999. This status update shall include, at a minimum, the number of level-of-care staff hired, a list of any special salary incentives provided, remaining vacancies by classification, and the department's plan for filling those vacancies.
8. The State Department of Developmental Services shall provide the Legislature with a status update on the forensic population of consumers residing at the Developmental Centers. This status update shall, at a minimum, include a three-year projection of the population, the installation of security arrangements at each Developmental Center to date, a description of any special training provided to employees, a description of any special incidents regarding this population, and a description of any special training programs provided to this population.

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4300-003-0814—For support of Department of Developmental Services, for payment to Item 4300-003-0001, payable from the California State Lottery Education Fund	517,000
Provisions:	
1. All funds received pursuant to Proposition 37 that are allocable to the Department of Developmental Services pursuant to Section 8880.5 of the Government Code, and that are in excess of the amount appropriated in this item, are hereby appropriated in augmentation of this item. These additional funds may be expended only upon written approval of the Director of Finance.	
4300-003-0890—For support of Department of Developmental Services, for payment to Item 4300-003-0001, payable from the Federal Trust Fund	787,000
4300-004-0001—For support of Department of Developmental Services (Proposition 98), for Developmental Centers	13,822,000
Schedule:	
(a) 20-Developmental Centers Program 19,692,000	
(1) 20.17-AB 1202 Contracts 7,311,000	
(2) 20.66-Medi-Cal Eligible Education Services 12,381,000	
(b) Reimbursements ..... –5,870,000	
Provisions:	
1. Of the amount appropriated in this item, $5,535,000 is to be used to provide the General Fund match for Medi-Cal Eligible Education Services.	
4300-101-0001—For local assistance, Department of Developmental Services, for Regional Centers	612,653,000
Schedule:	
10.10-Regional Centers	
(a) 10.10.010-Operations 275,791,000	
(b) 10.10.020-Purchase of Services 1,080,736,000	
(c) 10.10.060-Early Intervention Programs 22,344,000	
(d) 10.20.010-Program Development ... 1,810,000	
(e) Reimbursements ..... –723,564,000	

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(f) Amount payable from Developmental Disabilities Program Development Fund (Item 4300-101-0172)	–2,150,000
(g) Amount payable from Developmental Disabilities Services Account (Item 4300-101-0496)	–30,000
(h) Amount payable from Federal Trust Fund (Item 4300-101-0890)	–42,284,000

Provisions:

1. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-003-0001. The Director of Finance may authorize the transfer of funds between this item and Item 4260-101-0001 for the state's share of expenditures for developmental services provided to persons eligible under the California Medical Assistance Program.
3. A loan shall be made available from the General Fund to the State Department of Developmental Services not to exceed a cumulative total of $110,000,000. The loan funds shall be transferred to this item as needed to meet cash-flow needs due to delays in collecting reimbursements from the Health Care Deposit Fund, and are subject to the repayment provisions of Section 16351 of the Government Code.
4. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Item 5160-001-0001 to provide for the transportation costs to and from work activity programs of clients who are receiving vocational rehabilitation services through the Vocational Rehabilitation/Work Activity Program (VR/WAP) Transition program.
5. Upon order of the Director of Finance, in order to more effectively meet client service needs, the Controller shall transfer the General Fund share of program costs as necessary between this item and Items 5160-001-0001 and 5160-101-0001 to provide for the net transfer of clients between the Department of Developmental Services and the Department of Rehabilitation for the following:
   (a) The conversion of regional center day programs to work activity or supported employment programs.

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(b) The transfer between day programs and VR/WAP or VR/Supported Employment Programs.

(c) Clients originating from subdivision (b) of this provision who transfer to a work activity or a supported employment program upon closure from VR.

The transfer of funds shall be accomplished through a budget revision, on a quarterly basis, in the fiscal year in which the clients initially transferred from the regional center day programs.

6. The State Department of Developmental Services shall present the results of any audit review or findings conducted to determine state contract compliance, federal fiscal compliance, and performance contract measures outcomes at publicly held regional center board meetings.
7. The State Department of Developmental Services, when allocating funds for the purpose of expanding clinical staff, shall consider the need to provide additional resources to regional centers located in rural or medically underserved areas since these areas have limited access to medical services generally.
8. The State Department of Developmental Services shall develop a new ratesetting methodology for Adult Day and In-Home Respite programs by June 30, 1999.
9. The State Department of Developmental Services shall survey all regional centers and secure data from the data base of the department to ascertain the incidence of autism and pervasive developmental disorders in California. The department shall compile the number of persons who entered the regional center system during the period between January 1, 1988, to January 1, 1998, inclusive, with the diagnosis of autism and pervasive developmental disorders. The survey shall include a comparison during the period between January 1, 1988, to January 1, 1998, inclusive, of the numbers of persons with each of the other disabilities as defined by the Lanterman Developmental Disabilities Services Act (Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code) and those diagnosed with autism and pervasive developmental disorders. The department

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shall report its findings to the Legislature by March 1, 1999.	
10. Of the funds appropriated in Schedule (b), $150,000 shall be used to support access to and coordination of donated dental services.	
11. Upon approval of the Director of Finance, the appropriation made by this item shall be augmented by an amount not to exceed $10,300,000 ($5,000,000 General Fund and $5,300,000 in Reimbursements from the Department of Health Services) to implement a new rate structure for day programs and in-home respite agencies. The new rate structure shall include performance outcome measures.	
4300-101-0172—For local assistance, Department of Developmental Services, for payment to Item 4300-101-0001, payable from the Developmental Disabilities Program Development Fund	2,150,000
Provisions:	
1. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the Department of Developmental Services in excess of the amount appropriated no sooner than 30 days after notification in writing of the chairperson of the fiscal committees and the Chairperson of the Joint Legislative Budget Committee, or no sooner than such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine.	
4300-101-0496—For local assistance, Department of Developmental Services, for payment to Item 4300-101-0001, payable from the Developmental Disabilities Services Account.....	30,000
4300-101-0890—For local assistance, Department of Developmental Services, for Regional Centers, for payment to Item 4300-101-0001, payable from Federal Trust Fund.....	42,284,000
Provisions:	
1. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-001-0890 in order to effectively administer the Early Intervention Program (Part C of the Individuals with Disabilities Education Act).	
2. It is the intent of the Legislature that family resource centers may operate through a variety of organizations within their local communities.	

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3. The State Department of Developmental Services, through coordination with the regional center, shall ensure local interagency coordination and collaboration in the provision of early intervention services, including local training activities, child find activities, public awareness, and the family resource center activities.
4. The Bureau of State Audits shall conduct an analysis of the Early Start Program administered by the State Department of Developmental Services. This analysis shall include a review of regional center expenditures for both operations and the purchase of services. At a minimum, for each regional center, the review shall specifically identify the case manager to consumer ratio, the types of services purchased for children 0–3 years of age, the level of expenditure for each service category, types and volume of generic services accessed to meet needs, and the level of expenditure for children 0–3 years that is not included as part of the overall Early Start Program.
5. The State Department of Developmental Services shall convene, at least on a quarterly basis, the Early Start Program Work Group that was established in 1997. The Work Group shall be used to continue discussions regarding program recommendations for the purposes of developing legislation and fiscal information in order to prepare for program reauthorization, and for general program administration and operations consultation.

4300-295-0001—For local assistance, Department of Developmental Services, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller..... 475,000

Schedule:

(1) 98.01.064.480—Judicial Proceedings (Ch. 644, Stats. 1980).....	85,000
(2) 98.01.069.475—Attorney Fees (Ch. 694, Stats. 1975).....	185,000
(3) 98.01.125.380—MR Representation (Ch. 1253, Stats. 1980)	104,000
(4) 98.01.130.480—Conservatorship (Ch. 1304, Stats. 1980)	101,000

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(5) 98.01.135.776—Guardianship/ Conservatorship filings (Ch. 1357, Stats. 1976) 0	
Provisions:	
1. Except as provided in Provision 2 below, allocations of funds provided in this item to the appropriate local entities shall be made by the Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated in this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.	
2. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:	
(a) Guardianship/Conservatorship filings, (Ch. 1357, Stats. 1976)	
3. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.	
4300-301-0001—For capital outlay, Department of Developmental Services	10,227,000
(1) 55.15.130 Agnews: Fire & Life safety upgrades, Building 54—Preliminary plans and working drawings 107,000	

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(1.6) 55.30.230-Lanterman: Security Improvements—Preliminary plans, working drawings, and construction	4,992,000
(2) 55.50.330 Porterville: Air condition main kitchen—Preliminary plans and working drawings	144,000
(3) 55.50.340 Porterville: Forensic client training building—Preliminary plans, working drawings and construction	1,532,000
(3.5) 55.50.350-Porterville: Security Improvements Phase II—Preliminary plans, working drawings, and construction	2,654,000
(4) 55.10.300 Minor Projects	798,000

Provisions:

1. Due to the urgent public safety issues associated with the projects identified in Schedules 3 and 3.5, the State Department of Developmental Services and the Department of General Services shall contract with architectural and engineering consultants in accordance with Section 1330 of Title 21 of the California Code of Regulations for these projects. In order to expedite the design and construction of these security improvements for the forensic population, the State Department of Developmental Services and the Department of General Services shall, in implementing this provision, use emergency contract procedures for the design and construction phases in accordance with Section 3.10 of the State Contracting Manual and Section 1102 of the Public Contract Code, and shall expedite the capital outlay process, as defined in Section 6800 of the State Administrative Manual.

4300-490—Reappropriation, Department of Developmental Services. Notwithstanding any other provision of law, as of June 30, 1998, the balances of the appropriations provided in the following citations are reappropriated for the purposes specified and shall be available for expenditure until June 30, 1999.

001—General Fund:

(1) Item 4300-101-0001 (a) 10.10.010 and (b) 10.10.020, Budget Act of 1997, for regional centers. One-half of the savings generated by re-

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gional centers operating under performance-based contracts shall be reappropriated for one-time expenditures that are approved by the Department of Developmental Services.	
4440-001-0001—For support of Department of Mental Health	25,245,000
Schedule:	
(a) 10-Community Services 28,172,000	
(b) 20-Long-Term Care Services 8,901,000	
(c) 35.01-Departmental Administration .. 14,115,000	
(d) 35.02-Distributed Departmental Administration ..... –14,115,000	
(e) Reimbursements ..... –9,593,000	
(ex) Less funding provided by capital outlay (Item 4440-301-0001) ..... –168,000	
(f) Amount payable from the Federal Trust Fund (Item 4440-001-0890) ..... –2,067,000	
Provisions:	
1. Upon order of the Director of Finance, and following 30-day notification to the Joint Legislative Budget Committee, the Controller shall transfer between this item and Item 4440-016-0001 those funds that are necessary for direct community services, as well as administrative and ancillary services related to the provision of direct services.	
2. Of the funds appropriated for support of the Sexually Violent Predator program, any funds in excess of the amount needed for the program shall revert to the General Fund unless the expenditure of those funds is approved by the Department of Finance. Approval of the Department of Finance may not be effective sooner than 30 days after notification to the Joint Legislative Budget Committee.	
3. If the federal funds appropriated for support of the State Department of Mental Health/Department of Rehabilitation Cooperative Program are not made available to the state, the positions authorized to support this program shall be eliminated.	
4440-001-0890—For support of Department of Mental Health, for payment to Item 4440-001-0001, payable from the Federal Trust Fund	2,067,000
Provisions:	
1. Upon order of the Department of Finance, the State Controller shall transfer such funds as are	

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necessary between this item and Item 4440-101-0890.

4440-011-0001—For support of the State Hospitals, Department of Mental Health 282,015,000

Schedule:

(a) 20.10-Long-Term Care Services-Lanterman-Petris-Short.....122,063,000

(b) 20.20-Long-Term Care Services-Penal Code and Judicially Committed 284,386,000

(c) 20.30-Long-Term Care Services-Other State Hospital Services 55,501,000

(d) Reimbursements ..... –179,648,000

(e) Amount payable from the California State Lottery Education Fund (Item 4440-011-0814)..... –287,000

Provisions:

1. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Items 4300-003-0001, 4300-004-0001, 5240-001-0001, and 5460-001-0001.
2. Upon order of the Director of Finance, and following 30-day notification to the Joint Legislative Budget Committee, the Controller shall transfer between this item and Item 4440-016-0001 those funds that are necessary for direct community services, as well as administrative and ancillary services related to the provision of direct services.
3. Upon approval of the State Department of Mental Health, a portion of the funds appropriated in Schedule (b) shall be available to reimburse counties for the cost of treatment and legal services to patients in the four State Department of Mental Health State Hospitals, pursuant to Section 4117 of the Welfare and Institutions Code. Expenditures made under this item shall be charged to either the fiscal year in which the claim is received or the fiscal year in which the Controller issues the warrant. Claims filed by local jurisdictions for legal services may be scheduled by the Controller for payment.
4. The reimbursements identified in Schedule (d) of this item shall include amounts received by the State Department of Mental Health as a result of billing for LPS state hospital bed day expenditures attributable to conservatees who are gravely

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disabled as defined in subparagraph (B) of paragraph (1) of subdivision (h) of Section 5008 of the Welfare and Institutions Code (Murphy Conservatee).	
5. Of the total amount attributable in the 1998–99 fiscal year to patient-generated collections for LPS patients, a total of $8,000,000 shall be transferred as revenue to the General Fund, and the remainder shall be used to offset county costs for LPS state hospital beds.	
6. Of the funds appropriated for the Sexually Violent Predator program, any funds in excess of the amount needed for the program shall revert to the General Fund unless the expenditure of those funds is approved by the Department of Finance. Approval of the Department of Finance may not be effective sooner than 30 days after notification to the Joint Legislative Budget Committee.	
7. The State Department of Mental Health shall consult with the Sheriff of the County of Napa and the Police Chief of the City of Napa in the development, and ongoing modification, of a security plan for Napa State Hospital.	
8. The State Department of Mental Health shall provide specialized training to local law enforcement located in the immediate vicinity of Napa State Hospital or Metropolitan State Hospital, as needed, in order to ensure both patient and local community safety. At a minimum, the training shall include information on how to identify a patient, procedures for notifying the state hospitals, and techniques for diffusing and appropriately controlling potentially difficult situations.	
9. The State Department of Mental Health shall provide specialized training to level-of-care and, as necessary, non-level-of-care, staff at both Napa and Metropolitan State Hospitals to ensure the safest and most therapeutic environment possible for both patients and staff.	
10. The State Department of Mental Health shall provide, to the fiscal and policy committees of the Legislature, the City of Napa, and the County of Napa, quarterly status updates, beginning in September of 1997, on the progress of modifications at the Napa State Hospital.	
11. The State Department of Mental Health shall provide a status update to the Legislature by	

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January 1, 1999, regarding patients referred, or while in custody under, the Penal Code. This status update, at a minimum, shall include a three-year projection of the patient population, the installation of additional security arrangements to date, a description of any special training provided to employees, a description of any special incidents regarding this patient population, and a description of any special training programs provided to this patient population.

12. Transfers of low- and medium-security risk forensic patients to Metropolitan State Hospital shall be arranged on a flow basis to ensure community security and safety and patient stability. Increases in forensic patients at Metropolitan State Hospital shall occur over several months and in no instance shall the number of patients transferred exceed 30 patients in any one month.

4440-011-0814—For support of the Department of Mental Health, for payment to Item 4440-011-0001, payable from the California State Lottery Education Fund 287,000

Provisions:

1. All funds received pursuant to Proposition 37 that are allocable to the Department of Mental Health pursuant to Section 8880.5 of the Government Code, and that are in excess of the amount appropriated in this item, are appropriated in augmentation of this item. These additional funds may be expended only upon written approval of the Director of Finance.

4440-012-0001—For support of the State Hospitals (Proposition 98), Department of Mental Health 3,400,000

Schedule:

(a) 20.10-Long-term Care Services-Lanterman-Petris-Short..... 3,400,000

(b) 20.30-Other State Hospital Services..... 367,000

(c) Reimbursements ..... –367,000

Provisions:

1. The funds appropriated by this item are available to contract for the provision of education services for mental health patients on state hospital grounds.

Item	Amount
4440-016-0001—For support, Department of Mental Health, for Conditional Release Services	16,084,000

Schedule:

(a) 20-Long-Term Care Services 16,084,000

Provisions:

1. The funds appropriated by this item shall be used to provide community services as provided in Section 4360 of the Welfare and Institutions Code. These funds shall support direct community services, as well as administrative and ancillary services related to the provision of direct services.
2. Upon order of the Director of Finance, and following 30-day notification to the Joint Legislative Budget Committee, the Controller shall transfer between this item and Items 4440-001-0001 and 4440-011-0001 those funds that are necessary for direct community services, as well as administrative and ancillary services related to the provision of direct services.
3. The State Department of Mental Health shall provide forensic conditional release services mandated either in Title 15 (commencing with Section 1600) of Part 2 or in Title 15 (commencing with Section 2960) of Article 3 of the Penal Code, through contracts with programs which integrate the supervision and treatment roles and providers selected consistent with Section 1615 of the Penal Code.
4. Of the funds appropriated by this item, it is intended that no funds shall be available for the payment of treatment services to persons on court visit from state hospitals to the community as designated in subdivision (a) of Section 4117 of the Welfare and Institutions Code.

4440-101-0001—For local assistance, Department of Mental Health.....	60,206,000

Schedule:

(a) 10.25-Community Services—Other Treatment 495,742,000

(b) 10.40-Community Services—Adult System of Care 8,222,000

(c) 10.47-Community Services—Children's Mental Health Services . 40,354,000

(d) 10.85-AIDS 1,500,000

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(dx) 10.97-Community Services—
Healthy Families..... 11,856,000
(e) Reimbursements..... –497,468,000
Provisions:

1. Augmentations to reimbursements in this item from the Office of Emergency Services for Disaster Relief are exempt from Section 28.00 of this act. The State Department of Mental Health shall provide written notification to the Joint Legislative Budget Committee describing the nature and planned expenditure of these augmentations when the amount received exceeds $200,000.
2. It is the intent of the Legislature that local expenditures for mental health services for Medi-Cal eligible individuals serve as the match to draw down maximum federal financial participation to continue the Short-Doyle/Medi-Cal program.
3. The funds appropriated in Schedule (b) are for allocation to those counties that had Adult System of Care programs funded pursuant to Chapter 982 of the Statutes of 1988, and may not be used for any other purpose unless approved by the Director of Finance and following 30-day notification to the Joint Legislative Budget Committee.
4. Of the amount appropriated in Schedule (c), $2,000,000 shall be allocated to replace Children's System of Care (base program) federal funds for counties losing that funding, $4,000,000 shall be allocated to counties for which the program is underfunded, and $14,000,000 shall be allocated to counties seeking to establish their own Children's System of Care Program through a request-for-application process. If counties submit proposals that do not meet funding requirements, the State Department of Mental Health shall provide technical assistance to the counties to eliminate application deficiencies.
5. Of the amount appropriated by this item, $400,000 shall be used to provide assistance to Asian-Americans and subethnic communities in understanding and obtaining mental health services. Through a competitive bid process, these funds shall be used to focus on (a) developing and providing educational materials in Chinese, Vietnamese, Korean, Hmong, and Tagalog, (b) providing training materials and sessions for mental health professionals on cultural and language is-

Item		Amount
sues pertaining to access to services, (c) conducting community outreach with bilingual intake and referral for clients, and (d) collecting statewide data on mental health treatment provided to these communities.		
4440-101-0311—For local assistance, Department of Mental Health, all funds that are transferred into the Traumatic Brain Injury Fund pursuant to subdivision (f) of Section 1464 of the Penal Code		500,000
Schedule:		
(a) 10.87-Community Services—Traumatic Brain Injury Projects	900,000	
(b) Reimbursements	–400,000	
4440-101-0890—For local assistance, Department of Mental Health, payable from the Federal Trust Fund		36,719,000
Schedule:		
(a) 10.25-Community Services—other treatment	21,860,000	
(b) 10.47-Community Services—Children's Mental Health Services	12,511,000	
(c) 10.75-Community Services—Homeless Mentally Disabled	2,348,000	
Provisions:		
1. The funds appropriated by this item are for assistance to local agencies in the establishment and operation of mental health services, in accordance with Division 5 (commencing with Section 5000) of the Welfare and Institutions Code.		
2. Notwithstanding any other provision of law, funds appropriated in Item 4440-101-0890 of the Budget Act of 1997 for rollover by the counties in the 1998–99 fiscal year shall be used only for the specified purposes for which they were allocated, subject to review and approval of the Department of Mental Health.		
3. The Department of Mental Health may authorize advance payments of federal grant funds on a monthly basis to the counties for grantees. These advance payments may not exceed one-twelfth of Section 2.00 of the individual grant award for the 1998–99 fiscal year.		
4. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4440-001-0890.		

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5. Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between Schedule (a) and Schedule (b) to meet federal requirements.	
4440-102-0001—For local assistance, Department of Mental Health (Proposition 98) for early mental health services	15,000,000
4440-103-0001—For local assistance, Department of Mental Health, Program 10.25-Community Services: Other Treatment for Mental Health Managed Care	167,137,000
Provisions:	
1. The allocation of funds appropriated by this item shall be determined based on a methodology developed by the State Department of Mental Health in consultation with a statewide organization representing counties. This methodology shall be based on a review of actual and projected expenditures for mental health services for Medi-Cal beneficiaries, by county.	
2. Of the amount appropriated by this item, $8,000,000 shall be transferred to the Mental Health Managed Care Deposit Fund (Fund 0865).	
3. Upon order of the Director of Finance and agreement between the State Department of Mental Health and the State Department of Health Services, the State Controller shall transfer between this item and Item 4260-101-0001 any General Fund amount determined necessary to fully reflect the transfer of responsibility for administration of mental health services pursuant to the implementation of mental health managed care, including any adjustments that may be necessary to implement the San Mateo field test.	
4. Notwithstanding any other provision of law, the emergency regulations adopted pursuant to Section 14680 of the Welfare and Institutions Code to implement the second phase of Mental Health Managed Care as provided in Part 2.5 (commencing with Section 5775) of Division 5 of the Welfare and Institutions Code shall remain in effect until July 1, 1999, or until the regulations are made permanent, whichever occurs first, and shall not be subject to the repeal provisions of Section 11346.1 of the Government Code until that time.	
5. The State Department of Mental Health shall provide a detailed status update, including county by county information, on the implementation of	

Item	Amount
mental health managed care, including progress on both inpatient and outpatient consolidation, to the fiscal and appropriate policy committees in each house of the Legislature on or before January 1, 1999.	
4440-111-0001—For local assistance, Department of Mental Health, for caregiver resource centers serving families of brain-damaged adults.....	9,247,000
Provisions:	
1. Of the funds appropriated by this item, $200,000 shall be made available to the Statewide Resources Consultant and the Caregiver Resource Centers to carry out responsibilities pursuant to Section 4364 of the Welfare and Institutions Code to (a) increase Huntington's disease training opportunities and data collection related to the delivery of high-quality in-home and out-of-home care for persons with Huntington's disease, and (b) increase outreach to Huntington's disease families for enhanced involvement within the Caregiver Resource Center system, including, but not limited to, augmenting services, such as respite care and specialized family consultation or expanding family support groups.	
4440-131-0001—For local assistance, Department of Mental Health, for services to special education pupils.....	12,334,000
Provisions:	
1. In allocating to the counties funds for mental health services to pupils who are specified in accordance with Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code and the Individuals with Disabilities Education Act Section 602(a) Amendments of 1990, as defined in Section 300.5 of Title 34 of the Code of Federal Regulations, and who meet the requirements of Section 56026 of the Education Code and Sections 3030 and 3031 of Title 5 of the California Code of Regulations, the Department of Mental Health may allocate the funds based on the individual county's needs, in lieu of using the allocation method set forth in Welfare and Institutions Code Section 5701.	

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4440-295-0001—For local assistance, Department of Mental Health, for reimbursement, in accordance with the provision of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, or the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		38,263,000
Schedule:		
(1) 98.01.049.877—Coroner's Costs (Ch. 498, Stats. 1977)	103,000	
(2) 98.01.081.579—Short-Doyle Case Management (Ch. 815, Stats. 1979)	0	
(3) 98.01.103.678—Mentally Disordered Offender Recommitments (Ch. 1036, Stats. 1978)	181,000	
(4) 98.01.111.479—Not Guilty By Reason of Insanity (Ch. 1114, Stats. 1979)	284,000	
(5) 98.01.132.784—Short-Doyle Audits (Ch. 1327, Stats. 1984)	0	
(6) 98.01.135.285—Residential Care Services (Ch. 1352, Stats. 1985)	0	
(7) 98.01.174.784—Services to Handicapped Students (Ch. 1747, Stats. 1984)	37,695,000	

Provisions:

1. Allocations of funds appropriated by this item to the appropriate local entities shall be made by the State Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated by this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.
2. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the State Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any

Item		Amount
other scheduled amount therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.		
3. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:		
(a) Short-Doyle Case Management (Ch. 815, Stats. 1979)		
(b) Short-Doyle Audits (Ch. 1327, Stats. 1984)		
(c) Residential Care Services (Ch. 1352, Stats. 1985)		
4440-301-0001—For capital outlay, Department of Mental Health		6,417,000
Schedule:		
(1.1) 55.18.255-SVP Facility—Site search, environmental reports, schematics, due diligence, and option funds	5,475,000	
(2) 55.45.255-Patton: Fire/Life Safety and Environmental Improvements, EB Building—Working drawings	418,000	
(3) 55.35.920-Metro: Replace R&T and Administration Buildings—Preliminary plans and working drawings	333,000	
(4) 55.10.205-Minor Projects	191,000	
4440-301-0660—For capital outlay, Department of Mental Health, payable from Public Buildings Construction Fund		33,235,000
Schedule:		
(1) 55.18.245-Atascadero: New 250 Bed Hospital Addition I—Construction	33,235,000	
Provisions:		
1. The State Public Works Board may issue lease-revenue bonds, notes or bond anticipation notes pursuant to Chapter 5 (commencing with Section 15830) of Part 10b of Division 3 of Title 2 of the Government Code to finance the construction for the project authorized by this item.		

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2. The State Public Works Board and the Department of Mental Health may obtain interim financing for the project costs authorized in this item from any appropriate source including but not limited to the Pooled Money Investment Account pursuant to Sections 16312 and 16313 of the Government Code.
3. The maximum amount of bonds, notes or bond anticipation notes to be sold shall not exceed the cost of construction and any additional amounts necessary to pay interim and permanent financing costs.

4440-301-0768—For capital outlay, Department of Mental Health, payable from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990 1,253,000

Schedule:

(1) 55.35.920-Metro: Replace R&T and Administration Buildings—Preliminary plans and working drawings 1,253,000

4440-490—Reappropriation, Department of Mental Health. The unencumbered balances of the appropriations provided for in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

4440-301-0001—Budget Act of 1997

(3) 55.40.265-Napa: Perimeter Security Fencing-Working drawings and construction.

(4) 55.40.270-Napa: Improve Domestic Water System—Construction.

4700-001-0890—For support of Department of Community Services and Development, payable from the Federal Trust Fund 11,718,000

Schedule:

(a) 20—Energy Programs..... 10,452,000
(b) 40—Community Services..... 2,407,000
(c) 50.01—Administration..... 2,904,000
(d) 50.02—Distributed Administration. –2,904,000
(e) Reimbursements ..... –1,141,000

Provisions:

1. On a federal fiscal year basis, the Department of Community Services and Development shall make the following program allocation for the

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community services block grant, as a percentage of the total block grant:

(a) Administration ..... 5 percent
The department shall provide the Controller with the dollar value of this allocation limit, as it relates to the appropriation in this item, at the beginning of the state fiscal year, and shall update this information whenever necessary to reflect federal revisions to the grant.

2. Any unexpended federal funds from Item 4700-001-0890, Budget Act of 1997, shall be in augmentation of Item 4700-001-0890 of this act and not subject to the provisions of Section 28.00.

4700-101-0001—For local assistance, Department of Community Services and Development 4,400,000

Schedule:

(a) 40-Community Services..... 2,400,000

(b) 47-Naturalization Services..... 2,000,000

Provisions:

1. Of the funds appropriated by this item, $1,350,000 shall be allocated for homeless education.

2. The Department of Community Services and Development shall use the amount appropriated in Schedule (b), as follows:

(a) The department shall contract with, and allocate funds to, citizenship assistance providers to provide naturalization services, which shall include, to the extent consistent with applicable federal law, all of the following:

(1) Outreach services.

(2) Assessment of skills.

(3) Instruction and curriculum development.

(4) Staff development.

(5) Citizenship testing.

(6) Naturalization preparation and assistance.

(7) Regional and state coordination and program evaluation.

(b) Citizenship assistance providers shall give priority for naturalization services to immigrants rendered ineligible for federal benefits solely due to the provisions of Public Law 104-193 and any subsequent amendments to that law in the following order:

(1) Senior citizens and disabled individuals.

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(2) Parents of children losing benefits.	
(3) Persons otherwise eligible for federal food stamp benefits.	
(4) Other legal residents.	
(c) The department shall award contracts and allocate funds pursuant to a competitive bid process open to existing and new service providers so that the aggregate allocation to citizenship assistance providers serving each county will be in an amount equal to that county's percentage of legal noncitizens, as determined by the department.	
(d) (1) In order to be eligible for funding under this provision, a citizenship assistance provider shall be required to provide a 25 percent match, either through public or private funds or in-kind contributions, unless the Director of Community Services and Development waives the matching requirement based on the financial ability of the provider to meet the matching requirement. The department shall adopt, pursuant to regulation, a criteria for the waiver.	
(2) A citizenship assistance provider shall be paid 90 percent of the rate determined by the department, upon filing of a citizenship application with the federal Immigration and Naturalization Service, and the remaining 10 percent upon the citizenship application being approved by the federal Immigration and Naturalization Service.	
(3) The provider shall be ineligible to receive funding under this article if any officer or employee of the provider who would be involved in the administration of grant funds has been convicted of a criminal offense related to the administration of grant funds.	
(e) (1) The department shall, within 10 days of awarding contracts to citizenship assistance providers, provide each county with a listing of each provider in the county with information including, but not limited to, the provider's address, telephone number, contact person for the program,	

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hours of operation, target clientele and area of service, and scope of services to be offered.	
(2) The department shall require all citizenship assistance providers to consult with the county in order to assist the county to meet the naturalization needs of noncitizens.	
(f) The department's administrative expenses shall not exceed 5 percent of the total funds appropriated for this program.	
(g) For purposes of this provision, "citizenship assistance provider" or "provider" means any not-for-profit entity, including a community-based organization, community college, adult education program, or local government, that has cultural and linguistic capabilities, and that has been approved to provide services under this provision by the department. Local governments may subcontract with not-for-profit entities for these purposes.	
(h) The department may adopt emergency regulations in order to implement this provision, in accordance with the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The adoption of regulations pursuant to this provision shall be deemed to be an emergency and considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, or general welfare. Emergency regulations adopted pursuant to this provision shall be exempt from the review and approval of the Office of Administrative Law. The emergency regulations authorized by this provision shall be submitted to the Office of Administrative Law for filing with the Secretary of State and publication in the California Code of Regulations.	
4700-101-0890—For local assistance, Department of Community Services and Development, for assistance to individuals and payments to service providers, payable from the Federal Trust Fund	109,633,000

Item	Amount
Schedule:	
(a) 20-Energy Programs	62,581,000
(b) 40-Community Services	50,482,000
(c) Reimbursements	–3,430,000
Provisions:	
1. On a federal fiscal year basis, the department shall make the following program allocations for the community services block grant as a percentage of the total block grant:	
(a) Discretionary	5 percent
(b) Migrant and seasonal farm workers	10 percent
(c) Native American Indian programs	3.9 percent
(d) Community action agencies and rural community services	76.1 percent
All grantees under the community services block grant program shall be subject to standard state contracting procedures required under the program.	
2. The department shall provide the State Controller with the dollar value of these allocation limits, as they relate to the appropriation in this item, at the beginning of the fiscal year, and shall update this information whenever necessary to reflect federal revisions to the grant.	
3. Funds collected by the department from energy contractors as a result of overpayments shall be used for local assistance for energy programs, and funds collected from community service block grant (CSBG) contractors as a result of overpayments shall be used for local assistance for CSBG programs in 1998–99.	
4. Funds scheduled in Item 4700-101-0890 may be transferred to Item 4700-001-0890 for the administration of the Low Income Home Energy Assistance Programs, subject to approval of the Department of Finance.	
5. Any unexpended federal funds from Item 4700-101-0890, Budget Act of 1997, shall be in augmentation of Item 4700-101-0890 of this act and not subject to the provisions of Section 28.00.	
5100-001-0001—For support of Employment Development Department, for payment to Item 5100-001-0870	24,872,000

Item	Amount
Provisions:	
1. Of the funds appropriated by this item, $500,000 shall be allocated and disbursed by the Employment Development Department to the administrative entity of the job training Service Delivery Area for the City of Los Angeles to support no more than four at-risk youth employment demonstration projects by private, nonprofit entities, and $150,000 shall be allocated and disbursed by the department to each of the administrative entities of the job training Service Delivery Areas of the City of Oakland, the County of San Diego and City of San Diego, the City and County of San Francisco, the City of Santa Ana, and the County of Fresno to support in each of those jurisdictions no more than two youth demonstration projects by private, nonprofit entities.	
5100-001-0184—For support of Employment Development Department, for payment to Item 5100-001-0870, payable from the Employment Development Department Benefit Audit Fund	8,905,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
5100-001-0185—For support of Employment Development Department, for payment to Item 5100-001-0870, payable from the Employment Development Contingent Fund	36,915,000
Provisions:	
1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 1586 of the Unemployment Insurance Code.	
2. Notwithstanding the provisions of Item 9840-001-0494, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code for the purposes of this item.	
3. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	

Item	Amount
5100-001-0514—For support of Employment Development Department, for payment to Item 5100-001-0870, payable from the Employment Training Fund	82,382,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds disencumbered from Employment Training Fund training contracts during 1998–99 are hereby appropriated for transfer to, and in augmentation of, this item for allocation by the Employment Training Panel for training contracts. The Employment Development Department shall notify the Legislature by September 1, 1999, of the actual amount of funds appropriated pursuant to this provision.
2. Any funds appropriated for the Employment Development Department, State-Local Cooperative Labor Market Information Program, if not expended by June 30, 1999, shall be made available to the Employment Training Fund for purposes of funding job training contracts.
3. Of the funds appropriated by this item, at least $10,000,000 shall be used for training activities for small businesses or consortia of small businesses. For purposes of this provision, "small business" means a business that employs fewer than 100 persons. In addition, the Employment Training Panel shall dedicate administrative support for the purpose of reaching out to, and assisting, small businesses, or consortia of small businesses, in accessing the panel's training contract funds.
4. In order to reduce the incidence of contract disencumberances, the Employment Training Panel shall adopt performance goals of annual reductions. For the 1998–99 fiscal year, disencumberances shall be reduced to no more than 35 percent of available funds, 30 percent for the 1999–2000 fiscal year, 25 percent for the 2000–01 fiscal year, and 22 percent for the 2001–02 fiscal year. The panel shall report to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the budget committees of each house of the Legislature by April 15, 1999, and annually thereafter on the projected disencumberances for each ensuing fiscal year.

Item	Amount
5100-001-0579—For support of Employment Development Department, payable from the Welfare-to-Work Grant Fund—Federal, to be available for expenditure during the 1998–99, 1999–00, and 2000–01	54,512,000
5100-001-0588—For support of Employment Development Department, for payment to Item 5100-001-0870, payable from the Unemployment Compensation Disability Fund.....	136,525,000

Provisions:

1. The Employment Development Department shall submit on October 1, 1998, and April 20, 1999, to the Department of Finance for its review and approval, an estimate of expenditures for both the current and budget years, including the assumptions and calculations underlying Employment Development Department projections for support expenditures from this item. The Department of Finance shall approve, or modify, the assumptions underlying all estimates within 15 working days of the due date. If the Department of Finance does not approve or modify in writing, the assumptions underlying all estimates within 15 working days of the due date, the Employment Development Department shall consider the assumptions and calculations approved as submitted. If the Department of Finance determines that the estimate of support expenditures differs from the amount appropriated by this item, the Director of Finance shall so report to the Legislature. At the time the report is made, the amount of this appropriation shall be adjusted by the difference between this Budget Act appropriation and the approved estimate of the Department of Finance. Revisions for the support of the Disability Insurance program reported pursuant to this provision are not subject to Section 28.00 of this act.
2. Notwithstanding the provisions of Item 9840-001-0988, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code, for the purposes of this item.

5100-001-0869—For support of state programs under the Job Training Partnership Act, Employment Development Department, for Program 60—Job Training Partnership, payable from the Consolidated Work Program Fund.....	163,704,000

Item	Amount
Schedule:	
(a) 60.11-Administrative Cost Pool	8,653,000
(b) 60.20-Incentive and Technical Assistance.....	8,653,000
(c) 60.30-Older Workers	7,589,000
(d) 60.40-Educational Linkages.....	13,845,000
(e) 60.60-Displaced Workers Program.	91,381,000
(f) 60.65-Veterans.....	733,000
(g) 60.85-School to Career.....	32,850,000

Provisions:

1. The funds appropriated in this item may be transferred to Item 5100-101-0869, upon the approval of the Department of Finance, when service delivery areas decide to operate projects under the federal guidelines applicable to Adult and Youth Training Programs.
2. Notwithstanding subdivision (a) of Section 2.00 of this act, funds disencumbered from Job Training Partnership Act subgrants during the 1998–99 fiscal year are hereby appropriated for transfer to, and in augmentation of, this item for allocation by the Employment Development Department for Job Training Partnership Act subgrants.
3. The Employment Development Department shall submit on October 1, 1998, and April 20, 1999, to the Department of Finance for its review and approval, an estimate of federal grants and expenditures for both the 1998–99 and 1999–2000 fiscal years, including the assumptions and calculations underlying the Employment Development Department projections. The Department of Finance shall approve, or modify the assumptions underlying, all estimates within 15 working days of the due date. If the Department of Finance does not approve or modify in writing the assumptions underlying all estimates within 15 working days of the due date, the Employment Development Department shall consider the assumptions and calculations approved as submitted. If the Department of Finance determines that the estimate of federal grants and expenditures differs from the amount appropriated by this item, the Director of Finance shall so report to the Legislature. At the time the report is made, the amount of this appropriation shall be adjusted by the difference between this Budget Act appropriation and the approved estimate of the Department of Finance.

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Revisions reported pursuant to this provision are not subject to Section 28.00 of this act.	
5100-001-0870—For support of Employment Development Department, payable from the Unemployment Administration Fund—Federal	550,568,000
Schedule:	
(a) 10-Employment and Employment Related Services	202,732,000
(b) 21-Tax Collections and Benefit Payments	535,056,000
(c) 22-California Unemployment Insurance Appeals Board	54,508,000
(d) 30.01-General Administration	48,228,000
(e) 30.02-Distributed General Administration	–43,964,000
(f) 50-Employment Training Panel	75,611,000
(g) Reimbursements	–30,842,000
(h) Amount payable from the General Fund (Item 5100-001-0001)	–24,872,000
(i) Amount payable from the Employment Development Department Benefit Audit Fund (Item 5100-001-0184)	–8,905,000
(j) Amount payable from the Employment Development Contingent Fund (Item 5100-001-0185)	–36,915,000
(k) Amount payable from the Employment Training Fund (Item 5100-001-0514)	–82,382,000
(*l*) Amount payable from the Unemployment Compensation Disability Fund (Item 5100-001-0588)	–136,525,000
(m) Amount payable from the School Employees Fund (Item 5100-001-0908)	–762,000
(n) Amount payable from the Employment Development Contingent Fund (Sec. 1586, Unemployment Insurance Code)	–400,000

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated pursuant to Section 1555 of the Unemployment Insurance Code.
2. The Employment Development Department (EDD) shall submit on October 1, 1998, and April 20, 1999, to the Department of Finance for its re-

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view and approval, an estimate of expenditures for both current and budget years, including the assumptions and calculations underlying EDD projections for support expenditures for the Unemployment Insurance program from this item. The Department of Finance shall approve, or modify, the assumptions underlying all estimates within 15 working days of the due date. If the Department of Finance does not approve or modify in writing the assumptions underlying all estimates within 15 working days of the due date, EDD shall consider the assumptions and calculations approved as submitted. If the Department of Finance determines that the estimate of support expenditures differs from the amount appropriated by this item, the Director of Finance shall so report to the Legislature. At the time the report is made, the amount of this appropriation shall be adjusted by the difference between this appropriation and the Department of Finance approved estimate for the Unemployment Insurance program. Revisions for the support of the Unemployment Insurance program that are reported pursuant to this provision are not subject to Section 28.00 of this act.

3. Positions for the Trade Adjustment Act program that are supported entirely by federal funds appropriated by this item shall be eliminated if the Employment Development Department determines that sufficient federal funds will not be available to fund those positions.
4. Positions for the North American Free Trade Agreement Act program that are supported entirely by federal funds appropriated by this item shall be eliminated if the Employment Development Department determines that sufficient federal funds will not be available to fund those positions.

5100-001-0908—For support of Employment Development Department, for payment to Item 5100-001-0870, payable from the School Employees Fund 762,000

Provisions:

1. Notwithstanding the provisions of Item 9840-001-0988, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code, for the purposes of this item.

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2. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for administration pursuant to Section 822 of the Unemployment Insurance Code.
3. Provision 2 of Item 5100-001-0870 also applies to this item.

5100-011-0184—For support of the Employment Development Department, the amount of the unencumbered balance exceeding $1,000,000 in the Employment Development Department Benefit Audit Fund as of June 30, 1999, shall be transferred to the General Fund.

5100-011-0185—For support of Employment Development Department payable from the Employment Development Contingent Fund. Notwithstanding any other provision of law, the State Controller shall transfer to the General Fund the amount, as determined by the Director of Finance, in the Employment Development Contingent Fund as of June 30, 1999, that is in excess of the $1,000,000 reserve required by Section 1590 of the Unemployment Insurance Code.

5100-011-0890—For support of Employment Development Department, payable from the Federal Trust Fund, for transfer to the Unemployment Administration Fund..... (550,568,000)

5100-021-0890—For support of Employment Development Department, payable from the Federal Trust Fund, for transfer to the Consolidated Work Program Fund..... (163,704,000)

5100-031-0890—For support of Employment Development Department, payable from the Federal Trust Fund, for transfer to the Welfare-to-Work Fund..... (54,512,000)

5100-101-0579—For local assistance under the Welfare-to-Work Grant, Employment Development Department, payable from the Welfare-to-Work Fund—Federal, to be available for expenditure during the 1998–99, 1999–00, and 2000–01 fiscal years..... 147,050,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds disencumbered from the Welfare-to-Work Grant during 1998–99 are hereby appropriated for transfer to, and in augmentation of, this item for allocation by the Employment Development Department.

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5100-101-0588—For local assistance, Employment Development Department, for Program 21—Tax Collections and Benefit Payments, payable from the Unemployment Compensation Disability Fund.... 1,579,462,000

Provisions:

1. Notwithstanding Item 9840-001-0988, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code for the purposes of this item.
2. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated pursuant to Section 3012 of the Unemployment Insurance Code.
3. The Employment Development Department shall submit on October 1, 1998, and April 20, 1999, to the Department of Finance for its review and approval, an estimate of expenditures for both current and budget years, including the assumptions and calculations underlying Employment Development Department projections for benefits payable from this item. The Department of Finance shall approve, or modify the assumptions underlying, all estimates within 15 working days of the due date. If the Department of Finance does not approve or modify in writing the assumptions underlying all estimates within 15 working days of the due date, the Employment Development Department shall consider the assumptions and calculations approved as submitted. If the Department of Finance determines that the estimate of benefit expenditures differs from the amount appropriated by this item, the Director of Finance shall so report to the Legislature. At the time the report is made, the amount of this appropriation shall be adjusted by the difference between this Budget Act appropriation and the approved estimate of the Department of Finance. Revisions reported pursuant to this provision are not subject to Section 28.00 of this act.

5100-101-0869—For local assistance under the Job Training Partnership Act, Employment Development Department, for Program 60-Job Training Partnership, payable from the Consolidated Work Program Fund 411,519,000

Schedule:

(a) 60.60-Displaced Workers Program.....118,042,000

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(b) 60.70-Adult and Youth Training Programs 148,547,000

(c) 60.80-Summer Youth Programs..... 144,930,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, funds disencumbered from Job Training Partnership Act subgrants during 1998–99 are hereby appropriated for transfer to and in augmentation of this item for allocation by the Employment Development Department for Job Training Partnership Act subgrants.
2. The Employment Development Department shall submit on October 1, 1998, and April 20, 1999, to the Department of Finance for its review and approval, an estimate of federal grants and expenditures for both current and budget years, including the assumptions and calculations underlying Employment Development Department projections. The Department of Finance shall approve, or modify the assumptions underlying, all estimates within 15 working days of the due date. If the Department of Finance does not approve or modify in writing the assumptions underlying all estimates within 15 working days of the due date, the Employment Development Department shall consider the assumptions and calculations approved as submitted. If the Department of Finance determines that the estimate of federal grants and expenditures differs from the amount appropriated by this item, the Director of Finance shall so report to the Legislature. At the time the report is made, the amount of this appropriation shall be adjusted by the difference between this Budget Act appropriation and the approved estimate of the Department of Finance. Revisions reported pursuant to this provision are not subject to Section 28.00 of this act.

5100-101-0871—For local assistance, Employment Development Department, for Program 21—Tax Collections and Benefit Payments, payable from the Federal Unemployment Fund 2,659,454,000

Provisions:

1. Funds appropriated in this item are in lieu of the amounts that would have otherwise been appropriated pursuant to Section 1521 of the Unemployment Insurance Code.

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2. Provision 3 of Item 5100-101-0588 is also applicable to this item.

5100-101-0890—For local assistance, Employment Development Department, payable from the Federal Trust Fund, for transfer to the Consolidated Work Program Fund ..... (411,519,000)

5100-101-0908—For local assistance, Employment Development Department, for Program 21—Tax Collections and Benefit Payments, payable from the School Employees Fund 30,057,000

Provisions:

1. Notwithstanding Item 9840-001-0988, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code for the purposes of this item.
2. Funds appropriated in this item are in lieu of the amounts that otherwise would have been appropriated for benefits pursuant to Section 822 of the Unemployment Insurance Code.
3. Provision 3 of Item 5100-101-0588 also applies to this item.

5100-111-0890—For local assistance, Employment Development Department, payable from the Federal Trust Fund, for transfer to the Federal Unemployment Fund (0871) .....(2,659,454,000)

5100-131-0890—For local assistance, Employment Development Department, payable from the Federal Trust Fund, for transfer to the Welfare-to-Work Fund ..... (147,050,000)

5100-301-0588—For capital outlay, Employment Development Department, payable from the Unemployment Compensation Disability Fund 3,000,000

Schedule:

(1) 80.35.001-San Francisco JS/UI/DI Office—Renovation and Asbestos Abatement—Working drawings and construction 3,000,000

5100-301-0870—For capital outlay, Employment Development Department, payable from the Unemployment Administration Fund-Federal 1,795,000

Schedule:

(1) 80.35.001-San Francisco JS/UI/DI Office—Renovation and Asbestos Abatement—Working drawings and construction 1,000,000

Item		Amount
(2) 80.92.001-San Bernardino Office—Renovation and Asbestos Abatement—Preliminary plans and working drawings	222,000	
(3) 80.37.001-Minor Projects	573,000	
5100-301-0871—For capital outlay, Employment Development Department payable from the Unemployment Fund-Federal		3,119,000
Schedule:		
(1) 80.35.001-San Francisco JS/UI/DI Office—Renovation and Asbestos Abatement—Working drawings and construction	3,119,000	
5100-301-0890—For capital outlay, Employment Development Department, payable from the Federal Trust Fund, for transfer to the Unemployment Administration Fund-Federal		(1,795,000)
Schedule:		
(1) 80.35.001-San Francisco JS/UI/DI Office—Renovation and Asbestos Abatement—Working drawings and construction	(1,000,000)	
(2) 80.92.001—San Bernardino Office—Renovation and Asbestos Abatement—Preliminary plans and working drawings	(222,000)	
(3) 80.37.001-Minor Projects	(573,000)	
5100-302-0890—For capital outlay, Employment Development Department, payable from the Federal Trust Fund, for transfer to the Unemployment Fund-Federal		(3,119,000)
Schedule:		
(1) 80.35.001-San Francisco JS/UI/DI Office—Renovation and Asbestos Abatement—Working drawings and construction	(3,119,000)	
5100-311-0690—For capital outlay, Employment Development Department. To prevent the loss of funds in the Employment Development Department Building Funds, the unencumbered balances of the funds deposited in the Employment Development Department Building Fund shall be transferred to the Federal Unemployment Fund.		

Item	Amount
Provisions:	
1. The Employment Development Department shall report to the Legislature by September 1, 1999, the amount of funds transferred pursuant to this item.	
5160-001-0001—For support of Department of Rehabilitation	43,662,000
Schedule:	
(a) 10-Vocational Rehabilitation Services 286,639,000	
(b) 20-Habilitation Services 2,591,000	
(c) 30-Support of Community Facilities 6,454,000	
(d) 40.01-Administration 20,494,000	
(e) 40.02-Distributed Administration ...–20,494,000	
(f) Reimbursements ..... –7,035,000	
(g) Amount payable from the Federal Trust Fund (Item 5160-001-0890) ..... –241,627,000	
(i) Amount payable from the Vending Stand Account (Item 5160-001-0600) ..... –3,360,000	
Provisions:	
1. In order to participate in the County Mental Health Cooperative Programs, a county shall identify, in its joint proposal with a local office of the Department of Rehabilitation, cash and in-kind resources it shall make available for prevocational and other services to supplement vocational rehabilitation resources.	
2. Upon order of the Director of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-101-0001 to provide for the transportation costs to and from work activity programs of clients who are receiving vocational rehabilitation services through the Vocational Rehabilitation/Work Activity Program (VR/WAP) Transition program.	
3. The Department of Rehabilitation shall review the process for providing modified vehicles to vocational rehabilitation clients and shall eliminate redundant authorization requirements. The department shall adopt policies to ensure that counselors are informed about their role in the process and to increase the number of driving evaluators who are qualified to make van assessments. Future minivan purchases shall be made as needed, unless the	

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department determines that a fleet purchase is the most cost-effective option.

The department shall report to the Legislature on or before January 1, 1999, on the feasibility and desirability of implementing longer-term changes to the van purchase and modification system, including, but not limited to, the use of up-front loans and grants and allowing clients to assume more control of the process.

4. The department shall maximize its use of certified time as a match for federal vocational rehabilitation funds. To the extent that certified time is available, it shall be used in lieu of the General Fund moneys.
5. Of the funds appropriated by this item, $182,000 shall be used to fund community organizing projects. General Fund moneys shall be available only if federal funds are not available for these projects.

5160-001-0600—For support of Department of Rehabilitation, for payment to Item 5160-001-0001, payable from the Vending Stand Account 3,360,000

5160-001-0890—For support of Department of Rehabilitation, for payment to Item 5160-001-0001, payable from the Federal Trust Fund 241,627,000

Provisions:

1. The amount appropriated by this item that is payable from federal Social Security Act funds for vocational rehabilitation services for SSI/SSDI recipients shall be expended only to the extent that funds received exceed the amount appropriated by Item 5160-101-0890 that is payable from the federal Social Security Act funds. It is the intent of the Legislature that first priority of federal Social Security Act funding be given to Independent Living Centers in the amount of federal Social Security Act funding appropriated by Item 5160-101-0890.

5160-101-0001—For local assistance, Department of Rehabilitation 87,696,000

Schedule:

(a) 10-Vocational Rehabilitation Services	487,000
(b) 20-Habilitation Services	84,962,000
(c) 30-Support of Community Facilities	9,737,000
(d) Amount payable from Federal Trust Fund (Item 5160-101-0890).....	–7,490,000

Item		Amount
Provisions:		
1. Upon order of the Director of Finance, the Controller shall transfer funds as are necessary between this item and Item 5160-001-0001 to provide the state's share of client service expenditures for habilitation clients who are eligible to become vocational rehabilitation clients.		
5160-101-0890—For local assistance, Department of Rehabilitation, for payment to Item 5160-101-0001, payable from the Federal Trust Fund		7,490,000
5170-001-0001—For support of State Independent Living Advisory Council		0
Schedule:		
(a) 10 State Council Services	419,000	
(b) Reimbursements	–419,000	
5180-001-0001—For support of Department of Social Services		100,513,000
Schedule:		
(a) 16-Welfare Programs	83,333,000	
(b) 25-Social Services and Licensing	129,454,000	
(c) 35-Disability Evaluation and Other Services	187,803,000	
(d) 60.01-Administration	35,635,000	
(e) 60.02-Distributed Administration	–35,635,000	
(ex) 65-Disaster Relief	10,421,000	
(f) Reimbursements	–12,792,000	
(g) Amount payable from Foster Family Home and Small Family Home Insurance Fund (Item 5180-001-0131)	–1,503,000	
(h) Amount payable from the Federal Trust Fund (Item 5180-001-0890)	–296,203,000	
Provisions:		
1. The Department of Finance may authorize the transfer of funds from Schedule (b) of this item to Schedule (c), Program 25.45, of Item 5180-151-0001, Community Care Licensing, in order to allow counties to perform the facilities evaluation function.		
2. The Department of Finance may authorize the transfer of funds from Schedule (b) of this item to Schedule (a)(2), Program 25.25.020, of Item 5180-151-0001, Adoptions, in order to allow counties to perform the adoption programs function.		

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3. Nonfederal funds appropriated by this item which have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance-of-effort requirement established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) may not be expended in any way that would cause their disqualification as a federally allowable maintenance-of-effort expenditure.
4. Of the amount appropriated by this item, $3,430,000 shall be available for local food bank programs to purchase food, expand refrigeration space, purchase vehicles or other equipment that will be directly used for the purchase, delivery, or distribution of food products or for other uses that will allow food banks to increase the amount of food they can receive and distribute. A request for allocation shall be developed by the Department of Social Services in consultation with the Emergency Food Assistance Advisory Board. Further, $2,260,000 shall be distributed to local food distribution programs and $260,000 shall be distributed to regional programs for the purchase of food or to aid in the collection of donated food. The sum of $50,000 shall be available for the purposes of convening Emergency Food Assistance Technical Assistance and Training sessions.
5. The State Department of Social Services shall report to the chairpersons of the fiscal committees of each house of the Legislature no later than February 1, 1999, and annually thereafter, on the increase in productivity by the Disability Evaluation Division as a result of the augmentation provided in this item.
6. Positions for the Disability Evaluation Division that are supported by federal funds shall be eliminated if the State Department of Social Services determines that sufficient federal funds will not be available to fund those positions.
7. Positions for the federal Title IV-E Child Welfare Waiver Demonstration Project that are supported by federal funds shall be eliminated if the State Department of Social Services determines that sufficient federal funds will not be available to fund those positions.
8. The State Department of Social Services shall provide information on the implementation of the

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California Food Assistance Program (CFAP) to the appropriate Senate and Assembly budget subcommittees during the spring 1999 budget subcommittee hearings. This information shall include, but not be limited to, the estimated number of persons receiving CFAP benefits, the number of CFAP recipients also participating in CalWORKS, the number of CFAP recipients in nonsubsidized and subsidized employment, and the range of hours required by each county for program administration.	
5180-001-0131—For support of Department of Social Services, for payment to Item 5180-001-0001, for claims payments and the operation and maintenance of the Foster Family Home and Small Family Home Insurance Fund	1,503,000
Provisions:	
1. The Department of Finance is authorized to approve expenditures from the unexpended balance available from prior years' appropriations in the Foster Family Home and Small Family Home Insurance Fund during the 1998–99 fiscal year, in those amounts made necessary by increases in either the payment of claims or the costs of operating and maintaining the Foster Family Home and Small Family Home Insurance Fund, which are within or in excess of amounts appropriated in this act for that year.	
If the Department of Finance determines that the estimate of expenditures will exceed the expenditures authorized for the 1998–99 fiscal year, the department shall notify the Legislature. Upon notification the amount of the limitation for the 1998–99 fiscal year shall be increased by the amount of such excess from the unexpended balance available from prior years' appropriations in the Foster Family Home and Small Family Home Insurance Fund.	
5180-001-0270—For support of Department of Social Services, payable from the Technical Assistance Fund	1,474,000
5180-001-0271—For support of Department of Social Services, payable from the Certification Fund	1,372,000
5180-001-0279—For support of Department of Social Services, payable from the Child Health and Safety Fund	331,000

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5180-001-0890—For support of Department of Social Services, for payment to Item 5180-001-0001, payable from the Federal Trust Fund	296,203,000

Provisions:

1. The Department of Finance may authorize the transfer of federal funds from this item to Item 5180-151-0890 in order to allow counties to perform the adoptions program functions, and the facilities evaluation function in Community Care Licensing in the Department of Social Services.
2. Provisions 6 and 7 of Item 5180-001-0001 shall also apply to this item.

5180-002-0001—For support of Department of Social Services	18,500,000

Schedule:

(a) 16-Welfare Programs	65,577,000
(b) Reimbursements	−122,000
(c) Amount payable from the Federal Trust Fund (Item 5180-002-0890)	−46,955,000

Provisions:

1. Funds in this item shall be used for contracts and interagency agreements in the child support program, unless otherwise authorized by the Department of Finance no sooner than 30 days after providing notification in writing to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or no sooner than such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine.

5180-002-0890—For support of Department of Social Services, for payment to Item 5180-002-0001, payable from the Federal Trust Fund	46,955,000

Provisions:

1. Provision 1 of Item 5180-002-0001 also applies to this item.

5180-011-0001—For support of Department of Social Services, for transfer to the Foster Family Home and Small Family Home Insurance Fund	1,019,000

Provisions:

1. Provision 1 of Item 5180-001-0131 also applies to this item.

5180-011-0890—For support of Department of Social Services, for transfer to the Foster Family Home and Small Family Home Insurance Fund	484,000

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Provisions:

1. Provision 1 of Item 5180-001-0131 also applies to this item.

5180-101-0001—For local assistance, Department of Social Services 2,518,667,000

Schedule:

(a) 16.30-CalWORKs 5,568,477,000
  (1) 16.30.010-Assistance Payments 3,367,043,000
  (2) 16.30.020-Services.....1,115,933,000
  (3) 16.30.030-Administration 459,778,000
  (4) 16.30.040-Child Care 424,310,000
  (5) 16.30.050-County Probation Facilities 201,413,000
(b) 16.40-Foster Care 999,530,000
(c) 16.45-Non-Assistance Child Support Incentives..... 139,496,000
(d) 16.50-Adoption Assistance Program 172,630,000
(e) 16.55-Refugee Cash Assistance..... 4,878,000
(f) 16.60-Food Stamps 87,389,000
(g) Reimbursements..... –8,735,000
(h) Amount payable from the Federal Trust Fund (Item 5180-101-0890) ..... –4,444,998,000

Provisions:

1. No funds appropriated by this item shall be encumbered unless every rule or regulation adopted and every all-county letter issued by the Department of Social Services that adds to the cost of any welfare program is approved by the Department of Finance as to the availability of funds before it becomes effective. In making the determination as to availability of funds to meet the expenditures of a rule, regulation, or all-county letter that would increase the costs of a welfare program, the Department of Finance shall consider the amount of the proposed increase on an annualized basis, the effect the change would have on the expenditure limitations for the program set forth in this act, the extent to which the rule, regulation, or all-county

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letter constitutes a deviation from the premises under which the expenditure limitations were prepared, and any additional factors relating to the fiscal integrity of the program or the state's fiscal situation.

Notwithstanding Control Sections 27.00, 28.00 and 28.50 of this act, the availability of funds contained in this item for welfare rules, regulations, or all-county letters that add to program costs funded from the General Fund in excess of $500,000 on an annual basis, including those that are the result of a federal regulation but excluding those that are (a) specifically required as a result of the enactment of a federal or state law, or (b) included in the appropriation made by this act, shall not be approved by the Department of Finance sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine.

Funds appropriated in this item are for welfare programs consisting of state and federal statutory law, regulations, and court decisions, if funds necessary to carry out those decisions are specifically appropriated in this act.

For purposes of this provision, "welfare" means those program elements under Welfare Programs as identified in the Governor's Budget.

2. Notwithstanding Chapter 1 (commencing with Section 18000) of Part 6 of Division 9 of the Welfare and Institutions Code, a loan not to exceed $500,000,000 shall be made available from the General Fund, from funds not otherwise appropriated, to cover the federal share of costs of a program(s) when the federal funds have not been received by this state prior to the usual time for transmitting that federal share to the counties of this state. This loan from the General Fund shall be repaid when the federal share of costs for the program or programs becomes available.
3. The Department of Finance may authorize the transfer of amounts from this item to Item 5180-

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001-0001 in order to fund the cost of the administrative hearing process associated with changes in aid payments in the CalWORKs program.

4. The Department of Finance is authorized to approve expenditures in those amounts made necessary by changes in either caseload or payments, or any rule or regulation adopted and any all-county letter issued as a result of the enactment of a federal or state law, the adoption of a federal regulation, or the following of a court decision, during the 1998–99 fiscal year that are within or in excess of amounts appropriated in this act for that year.

   If the Department of Finance determines that the estimate of expenditures will exceed the expenditures authorized for this item, the department shall so report to the Legislature. At the time as the report is made, the amount of the limitation shall be increased by the amount of the excess unless and until otherwise provided by law.

5. The Department of Finance may authorize the transfer of amounts among the subschedules in Schedule (a) and from Schedule (b) to Item 5180-141-0001 (a), Program 16.80, County Administration to reimburse counties for overpayment recovery activities pursuant to Section 11487.5 of Welfare and Institutions Code.

6. The Department of Finance may authorize the transfer of funds, in an amount not to exceed $26,619,000, from this item to Schedule (a)(1) of Item 5180-151-0001, Child Welfare Services, in order to advance funds to participating counties to conduct a program of family reunification and family maintenance services pursuant to Sections 16500.5 and 16500.55 of the Welfare and Institutions Code.

7. Notwithstanding Section 26.00 of this act, the CalWORKs funding for counties under Schedule (a)(2), 16.30.020—Services; Schedule (a)(3), 16.30.030—Administration; and Schedule (a)(4), 16.30.040—Child Care shall be made as a single allocation pursuant to Section 15204.2 of the Welfare and Institutions Code, except as otherwise provided by Sections 10553.2 and 15204.8. During fiscal year 1998–99, the Department of Social Services may

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retain up to ten percent of the funds to be allocated pursuant to Sections 10553.2, 15204.2 and 10204.8 of the Welfare and Institutions Code for the purpose of augmenting local allocations based upon actual expenditures, but the department shall fully allocate those funds by June 30, 1999.

8. Of the funds appropriated by this item for CalWORKs Services, Administration, and Child Care, any funds that remain unexpended in the 1998–99 fiscal year shall be available for reappropriation by the Legislature for the 1999–2000 fiscal year for the CalWORKs program.
9. The Department of Finance may authorize the establishment of positions and transfer of amounts from this item to Item 5180-001-0001, Program 25.45—Community Care Licensing, as necessary, to fund the cost of increased Trustline Services resulting from the CalWORKs child care program.
10. Non-federal funds appropriated by this item which have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance-of-effort requirement established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) may not be expended in any way that would cause their disqualification as a federally allowable maintenance-of-effort expenditure.
11. In the event of declared disaster and upon county request, the State Department of Social Services may act in the place of any county and assume direct responsibility for the administration of eligibility and grant determination. Upon recommendation of the Department of Social Services, the Department of Finance may authorize the transfer of funds from Items 5180-101-0001 and 5180-101-0890, to Items 5180-001-0001 and 5180-001-0890, for this purpose.
12. The Department of Finance may authorize the transfer of funds from this item to Item 5180-001-0001 to fulfill the requirements of the settlement reached by the parties after the decision in Beno v. Shalala, 30 F. 3d 1057.
13. The State Department of Social Services and the State Department of Education shall submit a

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proposed family fee schedule for subsidized child care to the chairs of the fiscal committees and policy committees of each house of the Legislature no later than December 15, 1998, for the purpose of adopting authorizing legislation. No family fee schedule may be implemented without subsequent authorizing legislation.

14. Of the amount appropriated in this item, up to $5,000,000 of General Fund moneys for county fiscal incentive payments may be used by counties to match funds made available through the California Conservation Corps (CCC) for CCC employment services.

5180-101-0890—For local assistance, Department of Social Services, for payment to Item 5180-101-0001, payable from the Federal Trust Fund 4,444,998,000

Provisions:

1. Provisions 1, 4, 5 and 7 through 9 and 11 of Item 5180-101-0001 also apply to this item.
2. The Department of Finance may authorize the transfer of amounts from this item to Item 5180-001-0890 in order to fund the cost of the administrative hearing process associated with changes in aid payments in the CalWORKs program.
3. The Department of Finance may authorize the transfer of funds, in an amount not to exceed $4,002,000, from this item to Item 5180-151-0890, Child Welfare Services, in order to advance funds to participating counties to conduct a program of family reunification and family maintenance services pursuant to Sections 16500.5 and 16500.55 of the Welfare and Institutions Code.
4. Of the funds appropriated in this item, $1,878,000 shall be transferred to Item 5100-001-0870 for expenditure by the Employment Development Department for augmentation of the Job Identification System.
5. It is the intent of the Legislature that $10,000,000 of the funds appropriated by this item for CalWORKs program services shall be used to fund transportation services for CalWORKs participants. County welfare departments shall be required to collaborate with local and regional transportation agencies regarding the use of these funds. The State Department of Social Services shall allocate these funds to counties based on applications by the counties, taking into consider-

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ation the applicant's ability to leverage additional funding, such as the federal Job Access and Reverse Commute grants. Of the $10,000,000, no more than $7,500,000 may be allocated to counties in urban areas and no more than $2,500,000 may be allocated to counties in rural areas. The department shall report to the Legislature by April 15, 1999, on the manner in which the funds have been expended.

6. The Department of Finance may approve expenditures of Temporary Assistance for Needy Families funds up to a total of $166,000,000 not sooner than 30 days after providing notification in writing of the necessity therefor to the chairperson of the committee of each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee. These funds shall only be used for the purposes of augmenting county allocations for the CalWORKs program. The State Department of Social Services shall develop criteria and implement procedures for counties to request additional allocations and to ensure timely receipt of the augmentations upon approval of the Department of Finance.

5180-102-0001—For local assistance, Department of Social Services 10,209,000

Schedule:

(a) 16.30.020-CalWORKs Services 10,209,000

Provisions:

1. This appropriation shall be used to match federal Welfare-to-Work grant funds appropriated to the Employment Development Department. Notwithstanding Section 15204.2 of the Welfare and Institutions Code, these funds shall be separately allocated to the counties and expended in a manner which meets the federal Welfare-to-Work grant matching requirements.

5180-111-0001—For local assistance, Department of Social Services 2,651,793,000

Schedule:

(a) 16.70-SSI/SSP 2,181,812,000

(b) 25.15-IHSS..... 1,418,541,000

(1) 25.15.010-Services.....1,296,025,000

(2) 25.15.020-Administration 122,516,000

(c) Reimbursements..... –848,235,000

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(d) Amount payable from the Federal Trust Fund (Item 5180-111-0890) ..... –100,325,000

Provisions:

1. Provisions 1 and 4 of Item 5180-101-0001 also apply to this item.
2. The Department of Finance may authorize the transfer of funds from this item to Item 5180-001-0001 in order to fund the cost of the administrative hearing process associated with federal law changes in SSI/SSP. The Department of Finance shall transfer funds pursuant to this provision no sooner than 30 days after providing notification in writing to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or no sooner than such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine.
3. Notwithstanding Chapter 1 (commencing with Section 18000) of Part 6 of Division 9 of the Welfare and Institutions Code, a loan not to exceed $88,000,000 shall be made available from the General Fund from funds not otherwise appropriated, to cover the federal share of costs of a program(s) when the federal funds have not been received by this state prior to the usual time for transmitting that federal share to the counties of this state. That loan from the General Fund shall be repaid when the federal share of costs for the program(s) becomes available.
4. The Department of Finance may authorize the transfer of amounts between this item and Item 5180-151-0001 in order to reflect modifications in the use of federal Title XX funds. The funds shall not be approved sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairpersons of the committees, or their designees, may in each instance jointly determine.
5. The State Department of Health Services shall, by September 30, 1998, submit to the Secretary of Health and Human Services an amendment to the State Medicaid Plan to extend coverage of per-

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sonal care services to Medi-Cal "medically needy" individuals. The department and the State Department of Social Services shall develop as expeditiously as possible the administrative procedures that will allow "income eligibles" in the In-Home Supportive Services Program (IHSS), who are not otherwise excluded under Title XIX of the Social Security Act, to receive services under the IHSS Personal Care Services Program.

6. Of the funds appropriated in this item, $7,400,000 shall be to fund the state and local administrative costs associated with implementing the state assistance program for legal immigrants, and the Department of Finance may authorize transfers from that amount to, and in augmentation of, Item 5180-001-0001 to the extent necessary for the state operations portion of those administrative costs. The Department of Finance shall, within 30 days of making a transfer under this provision, notify the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee.

5180-111-0551—For transfer by the Controller from the Temporary Assistance for Needy Families Fund to the Federal Trust Fund ..... (4,406,217,000)

Provisions:

1. Transfers made pursuant to this item may be for state operations and local assistance expenses eligible for funding through the federal Temporary Assistance for Needy Families block grant established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193).
2. No transfer of funds exceeding $1,000,000,000 in any quarter of the fiscal year quarter may be made pursuant to this item except with the prior approval of the Director of Finance.
3. Of the funds appropriated for transfer in this item, $183,000,000 is reserved for CalWORKs Child Care. This amount may be transferred to the federal Social Services Block Grant program (Title XX) pursuant to authorization in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), upon approval by the Department of Finance, for the purpose of funding child care services pursu-

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ant to Chapter 270, Statutes of 1997. Notwithstanding any other provision of this act, the Director of Finance is authorized to approve transfers from the funding reserve in this item for transfer to and in augmentation of the amount appropriated in Item 5180-101-0890, Program 16.30.040, CalWORKs Child Care, for expenditure by the State Department of Social Services and to Item 5180-112-0551 which shall be received by the California Department of Education as an augmentation, to be used for CalWORKs Child Care. The Department of Finance shall provide written notification to the chairperson of the fiscal committee of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee at the time the transfer is approved by the Department of Finance.

4. Provision (6) of Item 5180-101-0890 also applies to this item.

5180-111-0890—For local assistance, Department of Social Services for payment to Item 5180-111-0001, payable from the Federal Trust Fund..... 100,325,000

Provisions:

1. The Department of Finance may authorize the transfer of amounts between this item and Item 5180-151-0890, in order to reflect modifications in the use of federal Title XX funds. The funds shall not be approved sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairpersons of the committees, or their designees, may in each instance jointly determine.

5180-112-0551—For transfer by the Controller from the federal Temporary Assistance for Needy Families Fund to the Federal Trust Fund..... (0)

Provisions:

1. Pursuant to authorization in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), the amount of this item shall be transferred from the federal Temporary Assistance for Needy Families (TANF) Block Grant to the federal Social Services Block Grant (Title XX) and the entire sum

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shall be received by the State Department of Education as an augmentation to be used for CalWORKs local assistance child care.

5180-113-0551—For transfer by the Controller from the federal Temporary Assistance for Needy Families Fund to the Federal Trust Fund ..... (100,000,000)

Provisions:

1. Pursuant to authorization contained in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193), the amount in this item shall be transferred from the federal Temporary Assistance for Needy Families (TANF) Block Grant to the federal Child Care and Development Block Grant (CCDBG) administered by the State Department of Education, and this entire sum shall be used for CalWORKs local assistance child care.

5180-141-0001—For local assistance, Department of Social Services 304,297,000

Schedule:

(a) 16.80-County Administration.... 1,070,398,000
(b) 16.85-Automation Projects 82,784,000
(c) Reimbursements ..... –9,082,000
(d) Amount payable from the Federal Trust Fund (Item 5180-141-0890) ..... –839,803,000

Provisions:

1. Notwithstanding Chapter 1 (commencing with Section 18000) of Part 6 of Division 9 of the Welfare and Institutions Code, a loan not to exceed $127,000,000 shall be made available from the General Fund, from funds not otherwise appropriated, to cover the federal share of costs of a program(s) when the federal funds have not been received by this state prior to the usual time for transmitting that federal share to the counties of this state. This loan from the General Fund shall be repaid when the federal share of costs for the program or programs becomes available.
2. In the event of declared disaster and upon county request, the State Department of Social Services may act in the place of any county and assume direct responsibility for the administration of eligibility and grant determination. Upon recommendation of the Director of Social Services, the Department of Finance may authorize the transfer

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of funds from Items 5180-141-0001 and 5180-141-0890, to Items 5180-001-0001 and 5180-001-0890, for this purpose.

3. Provision 1 of Item 5180-101-0001 also applies to this item.
4. Pursuant to public assistance caseload estimates reflected in the annual Governor's Budget, the Department of Finance may approve expenditures in those amounts made necessary by changes in caseload that are in excess of amounts appropriated in this act. If the Department of Finance determines that the estimate of expenditures will exceed the expenditures authorized for this item, the department shall so report to the Legislature. At the time the report is made, the amount of the limitation shall be increased by the amount of the excess unless and until otherwise provided by law.
5. The Department of Finance may augment the funds appropriated in this item to make allocations to fund county plans that are approved by the State Department of Social Services under Section 15200.6 of the Welfare and Institutions Code.
6. Notwithstanding any other provision of law, of the funds appropriated by this item in Program 16.85, an amount not to exceed $2,404,000 is available to the counties as a loan in fiscal year 1998–99 for the nonfederal share of the operations and maintenance cost of the Statewide Automated Child Support System (SACSS) not eligible for enhanced federal funding. The total outstanding loan amount, inclusive of loans made pursuant to Provision 1 of Item 5180-141-0001 of Section 2.00 of the Budget Act of 1996, and Provision 17 of Item 5180-141-0001 of Section 2.00 of the Budget Act of 1997 may not exceed $6,644,028 over three fiscal years. This loan does not constitute a shift in financial responsibility for any portion of the Child Support Enforcement program as defined by Chapter 4.1 (commencing with Section 10815) of Part 2, and Chapter 9 (commencing with Section 15200) of Part 3 of Division 9 of the Welfare and Institutions Code. Loan repayment may begin at the time as agreed upon between the state and each individual county, but in any case no later than upon full

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statewide implementation of a statewide automated child support system and shall be repaid as a deduction from respective counties' incentive payments for a period not to exceed 24 months. If the loan is repaid within the 24 months, the state shall forgive 29.4 percent of the funds loaned.

7. Nonfederal funds appropriated by this item which have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance-of-effort requirement established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) may not be expended in any way that would cause their disqualification as a federally allowable maintenance-of-effort expenditure.

8. Of the amount appropriated by this item, $3,996,000 shall be allocated only upon the direction of the Director of Finance to offset losses of federal funds resulting from a reduction in federal funding for food stamps administration pursuant to Public Law 105-185.

5180-141-0890—For local assistance, Department of Social Services, for payment to Item 5180-141-0001, payable from the Federal Trust Fund 839,803,000

Provisions:

1. Provisions 1 to 5, inclusive, of Item 5180-141-0001 also apply to this item.

5180-151-0001—For local assistance, Department of Social Services 690,969,000

Schedule:

(a) 25.25-Children's Services 1,301,308,000
  (1) 25.25.010-Child Welfare Services 1,211,400,000
  (2) 25.25.020-Adoptions 60,282,000
  (3) 25.25.030-Child Abuse Prevention ... 29,626,000

(b) 25.35-Special Programs 164,511,000
  (1) 25.35.010-Specialized Services 8,851,000
  (2) 25.35.020-Access Assistance for the Deaf 5,804,000
  (3) 25.35.030-Maternity Care 600,000

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(4) 20.35.040-Refugee Assistance Services.....27,000,000
(5) 20.35.050-County Services Block Grant..... 122,256,000
(c) 25.45-Community Care Licensing..... 15,158,000
(d) Reimbursements ..... –80,725,000
(e) Amount payable from the Child Health and Safety Fund (Item 5180-151-0279)..... –151,000
(f) Amount payable from the Federal Trust Fund (Item 5180-151-0890)..... –709,132,000

Provisions:

1. The funds appropriated by this item are for social services programs, for the cost of special social services programs for which federal grants in aid are made to the state; for grants or services to local agencies for the extension of child welfare services as provided by Chapter 5 (commencing with Section 16500) of Part 4 of Division 9 of the Welfare and Institutions Code; for the cost of the adoption programs and care of children, to be expended in accordance with Chapter 2 (commencing with Section 16100) of Part 4 of Division 9 of the Welfare and Institutions Code; for the costs incurred by counties, including, but not limited to, the required county funds for prevention of child abuse and neglect as provided by Chapter 11 (commencing with Section 18950) of Part 6 of Division 9 of the Welfare and Institutions Code.
2. Provision 1 of Item 5180-101-0001 also applies to this item.
3. Notwithstanding Chapter 1 (commencing with Section 18000) of Part 6 of Division 9 of the Welfare and Institutions Code, a loan not to exceed $50,000,000 shall be made available from the General Fund from funds not otherwise appropriated, to cover the federal share of costs of a program(s) when the federal funds have not been received by this state prior to the usual time for transmitting that federal share to the counties of this state. That loan from the General Fund shall be repaid when the federal share of costs for the program(s) becomes available.

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4. The Department of Finance may authorize the establishment of positions and transfer of amounts from this item to Item 5180-001-0001, in order to allow the state to perform the facilities evaluation function of Community Care Licensing in the event the counties fail to perform that function.
5. The Department of Finance may authorize the transfer of amounts between this item and Item 5180-111-0001 in order to reflect modifications in the use of Title XX funds. The funds shall not be approved sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairpersons of the committees, or their designees, may in each instance jointly determine.
6. Nonfederal funds appropriated by this item which have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance-of-effort requirement established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) may not be expended in any way that would cause their disqualification as a federally allowable maintenance-of-effort expenditure.
7. Of the funds appropriated in this item for the Deaf Access Program, $1,250,000 shall be used to augment existing offices and an additional $1,250,000 shall be used to establish new offices.
8. The Department of Social Services shall determine the feasibility of including information on probation foster care placements within the Child Welfare Services Case Management System (CWS/CMS), and shall amend the state's federal Title IV-E plan to permit the use of federal matching funds for staff training of private nonprofit agency employees.
9. The Director of Finance may authorize the establishment of positions for, and may transfer up to $59,000 from this item to Item 5180-001-0001 to fund the cost of, state administration of the adoption program for drug or alcohol exposed children.

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10. Of the amount appropriated in this item, $67,797,000 shall be provided to counties to fund additional emergency response services and shall be allocated based on child welfare services caseload and county unit costs. However no county shall receive less than $75,000. These funds shall be expressly targeted for emergency response services solely for the protection of children and shall be used to supplement, and shall not be used to supplant, child welfare services funds. A county is not required to provide a match of the funds received pursuant to this provision if the county appropriates the required full match for the county's child welfare services program exclusive of the funds received pursuant to this provision. The State Department of Social Services shall reallocate any funds that counties choose not to accept under this provision, to other counties based on the allocation formula specified in this provision. Not later than April 1, 1999, the department shall report to the chairpersons of the appropriate policy committees and to the fiscal committees of each house of the Legislature that consider the state budget on the use of these funds by counties based on a survey of counties.

5180-151-0279—For local assistance, Department of Social Services, for payment to 5180-151-0001, payable from the Child Health and Safety Fund..... 151,000

5180-151-0890—For local assistance, Department of Social Services, for payment to Item 5180-151-0001, payable from the Federal Trust Fund..... 709,132,000

Provisions:

1. Provisions 1, 2, 4, 5, 8, 9, and 10 of Item 5180-151-0001 also apply to this item.
2. Of the funds appropriated by this item for the requirements of the Child Abuse Prevention and Treatment Act, $350,000 shall be used to fund the Family Maintenance Healthcare Pilot Project in the County of Los Angeles.

5180-490—Reappropriation, Department of Social Services. Notwithstanding any other provision of law, the balances of the appropriations provided for in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise

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specified, provided for in those appropriations, and shall be available for expenditure until June 30, 1999:

0001—General Fund

(1) The balance of the $350,000 appropriation to develop a Risk Assessment Tool (Structured Decision Making) in Program 20.43, Child Welfare Services, Item 5180-001-0001, Budget Act of 1997, is reappropriated for transfer to and in augmentation of Item 5180-001-0001 Program 25 of this act to support the continuing development of the Structured Decision Making tool under Child Welfare Services.

(2) The balances of the appropriations for Welfare-to-Work, county administration, services, and child care in Items 5180-141-0001, 5180-151-0001, and 5180-196-0001 of the Budget Act of 1997 are reappropriated for transfer to and in augmentation of Subschedules (a)(2), (a)(3), or (a)(4) of Item 5180-101-0001 of this act and administered pursuant to Provision 7 of Item 5180-101-0001.

(4) The balance of the $2,744,000 appropriation for CalWORKs-related application modifications for Interim SAWS and LEADER in Program 10.25, Automation Projects, Item 5180-141-0001, Budget Act of 1997 (Ch. 282, Stats. 1997), is reappropriated for transfer to, and in augmentation of Program 16.85, Item 5180-141-0001, of this act.

0890—Federal Fund

(1) The balance of the $350,000 appropriation to develop a Risk Assessment Tool (Structured Decision Making) in Program 20.43, Child Welfare Services, Item 5180-001-0890, Budget Act of 1997, is reappropriated for transfer to and in augmentation of Item 5180-001-0890 Program 25 of this act to support the continuing development of the Structured Decision Making tool under Child Welfare Services.

(2) The balances of the appropriations for Welfare-to-Work, County Administration, Services, and Child Care in Items 5180-141-0890, 5180-151-0890 and 5180-196-0890 of the Budget Act of 1997 are reappropriated for transfer to and in augmentation of Item 5180-101-0890, Programs 16.30.020 or 16.30.030 or 16.30.040 of this act.

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(3) The balance of the appropriation for County Probation Facilities in Item 5180-101-0890 of the Budget Act of 1997 (Ch. 282, Stats. 1997) is reappropriated for transfer to and in augmentation of Program 16.30.050, Item 5180-101-0890, of this act.

(4) The balance of the $2,744,000 appropriation for CalWORKs-related application modifications for Interim SAWS and LEADER in Program 10.25, Automation Projects, Item 5180-141-0890, Budget Act of 1997 (Ch. 282, Stats. 1997), is reappropriated for transfer to, and in augmentation of Program 16.85, Item 5180-141-0890, of this act.

YOUTH AND ADULT CORRECTIONAL AGENCY

5240-001-0001—For support of the Department of Corrections 3,550,781,000

Schedule:

(a) 21-Institution Program 2,749,755,715

(b) 22-Health Care Services Program 472,737,555

(c) 31-Community Correctional Program 432,467,730

(d) 41.01-Administration 127,767,000

(e) 41.02-Distributed Administration ..... –127,767,000

(f) Reimbursements ..... –61,448,000

(g) Amount payable from the Federal Trust Fund (Item 5240-001-0890). –217,000

(i) Amount payable from the Inmate Welfare Fund (Item 5240-001-0917) ..... –42,515,000

Provisions:

1. Funds appropriated to accommodate projected institutional population levels in excess of those that actually materialize, if any, shall revert to the General Fund.
2. Funds appropriated to accommodate projected parole population levels in excess of those that actually materialize, if any, shall revert to the General Fund.
3. Any funds recovered as a result of audits of locally operated return-to-custody centers shall revert to the General Fund.

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4. When contracting with counties for vacant jail beds for any inmate under the jurisdiction of the Director of the Department of Corrections, the department shall not reimburse counties more than the average amount it costs the state to provide the same services in comparable state institutions. This restriction shall not apply to any existing contract, but shall apply to the extension or renewal of that contract. In addition, the total operational cost of incarcerating state inmates in lease county jail beds (which includes state costs, but is exclusive of one-time and capital outlay costs), shall not exceed the department's average cost for operating comparable institutions.
5. Notwithstanding any other provision of law, funds appropriated in Schedule (a) for McGee Training Facility rent payments may be transferred to Item 5240-003-0001 by the Controller, upon order of the Director of Finance, as necessary to provide rental payments on lease revenue bonds for the McGee Training Facility if a bond sale occurs.
6. Notwithstanding any other provision of law, but subject to providing 30 days' prior notification to the Joint Legislative Budget Committee, funds appropriated in Schedule (a) or (b), or both, of this item may be transferred to Item 5240-101-0001, Schedule (b), upon order of the Director of Finance, to provide funds for the reimbursement of counties for the cost of holding parole violators in local jail.
7. Of the funds appropriated by this item, $325,000 shall be expended for treatment, and related tests, for inmates infected with hepatitis B and C. Any funds not used for these purposes shall revert to the General Fund.
8. Notwithstanding any other provision of law, upon approval of the Department of Finance, the Department of Corrections may transfer, between Schedules (a), (b), and (c) of this item, up to 5 percent of the amounts appropriated in these schedules. Any transfer of funds appropriated in Schedules (a), (b), and (c) of this item exceeding 5 percent may occur not sooner than 30 days after notification thereof to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of the Legislature.

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9. Of the funds appropriated in this item, $6,503,000 shall be expended for new drug therapies approved by the Food and Drug Administration (FDA) for HIV, AIDS, and other chronic diseases. Any funds not used for these purposes shall revert to the General Fund.
10. No more than 5 percent of the combined overall amount of funding provided in this item for the Preventing Parolee Failure Program and for casework services for parolees in the 1998–99 fiscal year shall be transferred by the Department of Corrections to other purposes unless the department notifies the Joint Legislative Budget Committee and the fiscal committees of both houses of the Legislature of proposed reductions at least 30 days prior to implementation, except that a lesser period of advance notification may be provided in the event of an emergency situation as determined by the Director of Corrections.
11. Of the reimbursements in Schedule (f), $250,000 shall be from funds received from the Prison Industry Authority to provide a match to the General Fund for the purpose of funding a two-year study of inmate work incentive programs as described in the Supplemental Report of the 1998 Budget Act.
12. The number of Department of Corrections positions assigned, or proposed to be assigned, to Patton State Hospital shall not be reduced, transferred, or redirected to any other institution of the Department of Corrections, without prior 30-day notification to the Joint Legislative Budget Committee.
13. The Department of Finance, in consultation with the Prison Industry Authority (PIA) and the Legislative Analyst's Office, shall develop a display in the 1999–2000 Governor's Budget of projected expenditures and revenues for the PIA, the Prison Industry Board, and the Prison Industries Revolving Fund.
14. Of the amount appropriated in this item, up to $100,000 shall be available for the removal of tattoos from inmates who are nearing successful completion of the Transitional Housing Unit at Pelican Bay State Prison. These funds may be used for the purchase of no more than one tattoo

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removal machine with the remaining balance only available to contract for in-prison tattoo removal services with an appropriately licensed or certified dermatologist.	
15. The Department of Corrections shall redirect $257,000 of the moneys appropriated by this item for the purpose of ensuring departmental compliance with Title 1 of the Americans with Disabilities Act of 1990 (42 U.S.C., Ch. 126, Subch. I).	
16. Of the amount appropriated by this item, $5,000,000 shall be available only for (1) an additional 1,000 beds of therapeutic drug treatment programming, including availability of aftercare treatment of not less than 120 days for 50 percent of the in-prison program graduates from the new beds, and (2) support for a minimum of 120 days of aftercare treatment for 50 percent of the in-prison program graduates from existing drug treatment beds. The additional therapeutic drug treatment programming authorized by this provision shall be in accordance with protocols established by the Department of Corrections.	
17. Any funds identified by the Department of Corrections (CDC), in this or any other item in Section 2.00 of this act, for expenditure for the development of a Corrections Management Information System (CMIS) project may not be expended until a feasibility study report, prepared in accordance with existing provisions of law and the State Administrative Manual, has been completed and approved by the Department of Finance and the Department of Information Technology, and only if the final approved feasibility study report does not significantly change the scope of the project from the feasibility study report submitted to the two agencies by CDC.	
18. Of the amount appropriated by this item, $2,500,000 shall be available only for additional work or educational slots, including vocational and academic education, to reduce inmate idleness and to provide work or vocational and academic training for up to 2,500 inmates.	
19. Of the funds appropriated in this item, the sum of $1,500,000 shall be available to develop, implement, and evaluate up to a total of two pilot	

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projects for a new parole model in parole Regions III and IV. These funds shall be available for expenditure, not sooner than 30 days after a report is submitted to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of the Legislature, that provides a specific plan to phase in operation, funding, staffing, and evaluation of the pilot projects.	
20. Of the amount appropriated in this item, $11,759,000 is provided for merit salary adjustments and associated staff benefit increases for the department's growth positions pursuant to the Department of Corrections' 1998–99 Budget Change Proposal as approved by the Legislature, hereafter referred to in this provision as: 1998–99, BCP Statewide #01. If it is determined that merit salary adjustment and associated staff benefit increase expenditures realized by the department for its growth positions as set forth in 1998–99, BCP Statewide #01, exceed the aforementioned funding authorized by the Legislature relative to 1998–99, BCP Statewide #01, then the Director of Finance may propose a deficiency appropriation pursuant to Section 27.00 of this act.	
5240-001-0890—For support of the Department of Corrections, for payment to Item 5240-001-0001, payable from the Federal Trust Fund	217,000
5240-001-0917—For support of the Department of Corrections, for payment to Item 5240-001-0001, payable from the Inmate Welfare Fund	42,515,000
5240-003-0001—For support of the Department of Corrections for rental payments on lease revenue bonds	252,178,000
Schedule:	
(a) Southern Maximum Security Complex 12,178,000	
(b) Mule Creek State Prison 15,488,000	
(c) California State Prison Corcoran 32,414,000	
(d) Pelican Bay State Prison 27,180,000	
(e) Central California Women's Facility 15,388,000	
(f) Calipatria State Prison 18,412,000	
(g) Centinella State Prison 19,376,000	
(h) Pleasant Valley State Prison 18,940,000	
(i) High Desert State Prison 24,148,000	
(j) Valley State Prison 14,640,000	
(k) Salinas Valley State Prison 24,144,000	

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(*l*) CSATF & SP at Corcoran II..... 34,986,000	
(m) Emergency Bed Program..... 8,833,000	
(n) Insurance..... 1,551,000	
(o) Reimbursements.....–15,500,000	
5240-011-0678—For transfer by the Controller from the Prison Industries Revolving Fund to the General Fund.....	(8,000,000)
5240-101-0001—For local assistance, Department of Corrections.....	56,528,000
Schedule:	
(a) 21-Institution Program..... 9,439,000	
(b) 31-Community Correctional Program..... 47,089,000	
Provisions:	

1. The amount appropriated by this item is provided for the following purposes:
   a. To pay the transportation costs of prisoners to and between state prisons, including the return of parole violators to prison and for the conveying of persons under provisions of Division 3 (commencing with Section 3000) of the Welfare and Institutions Code and the Western Interstate Corrections Compact (Section 11190 of the Penal Code), in accordance with Section 26749 of the Government Code. Claims filed by local jurisdictions shall be filed within six months after the end of the month in which those transportation costs are incurred. Expenditures shall be charged to either the fiscal year in which the claim is received by the Controller or the fiscal year in which the warrant is issued by the Controller.

      Claims filed by local jurisdictions directly with the Controller may be paid by the Controller.
   b. To pay the expenses of returning fugitives from justice from outside the state, in accordance with Sections 1389, 1549, and 1557 of the Penal Code. Claims filed by local jurisdictions shall be filed within six months after the end of the month in which expenses are incurred, expenditures shall be charged to either the fiscal year in which the claim is received by the Controller or the fiscal year in which the warrant is issued by the Controller, and any restitution received by the state for those expenses shall be credited to the appropriation of

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the year in which the Controller's receipt is issued.

Claims filed by local jurisdictions directly with the Controller may be paid by the Controller.

c. To pay court costs and county charges, payable under Sections 4700.1, 4750 to 4755, inclusive, and 6005 of the Penal Code. Claims shall be filed by local jurisdictions within six months after the end of the month in which a service is performed by the coroner, a hearing is held on the return of a writ of habeas corpus, the district attorney declines to prosecute a case referred by the Department of Corrections, a judgment is rendered for a court hearing or trial, an appeal ruling is rendered for the trial judgment, or an activity is performed as permitted by these sections. Expenditures shall be charged to either the fiscal year in which the claim is received by the Controller or the fiscal year in which the warrant is issued by the Controller.

Claims filed by local jurisdictions directly with the Controller may be paid by the Controller.

d. To reimburse counties for the cost of detaining state parolees pursuant to Section 4016.5 of the Penal Code. Claims shall be filed by local jurisdictions within six months after the end of the month in which the costs are incurred. Claims filed by local jurisdictions may not include booking fees, may not recover detention costs in excess of $59 per day, and shall be limited to the detention costs for those days on which parolees are held subject only to a Department of Corrections request pursuant to subdivision (b) of Section 4016.5 of the Penal Code. Expenditures shall be charged to either the fiscal year in which the claim is received by the Department of Corrections or the fiscal year in which the warrant is issued.

2. Notwithstanding any other provision of law, upon 30-day prior notification to the Chairperson of the Joint Legislative Budget Committee, funds appropriated in Schedule (b) of this item may be transferred to Schedules (a) or (b), or both, of Item 5240-001-0001, upon order of the Director of Fi-

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nance, to provide funds for the reimbursement of counties for the cost of holding parole violators in local jails or for the auditing or monitoring of local assistance costs.		
5240-301-0001—For capital outlay, Department of Corrections		27,960,000
Schedule:		
(1) 61.01.001-Statewide: Budget Packages and Advance Planning	400,000	
(2) 61.01.713-Statewide: Electrified Fencing—Study	1,003,000	
(2.2) 61.04.040-California Correctional Institution, Tehachapi: Wastewater Treatment Plant Renovation—Preliminary plans and working drawings	808,000	
(2.3) 61.04.045-California Correctional Institution, Tehachapi: New Potable Water Source—Preliminary plans, working drawings, and construction	1,174,000	
(3) 61.06.425-Deuel Vocational Institution, Tracy: Reception Center Screening and Evaluation—Working drawings	97,000	
(4) 61.07.101-Folsom State Prison, Represa: Renovate Dental Clinic—Preliminary plans and working drawings	130,000	
(5) 61.07.102-Folsom State Prison, Represa: Renovate Branch Circuit Wiring, Building 1—Preliminary plans and working drawings	181,000	
(6) 61.07.103-Folsom State Prison, Represa: Renovate Supply Heating and Ventilation, Building 1—Preliminary plans and working drawings	134,000	
(7) 61.07.104-Folsom State Prison, Represa: Renovate Branch Circuit Wiring, Building 2—Preliminary plans and working drawings	110,000	
(8) 61.07.105-Folsom State Prison, Represa: Renovate Branch Circuit Wiring, Building 3—Preliminary plans and working drawings	138,000	

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(9) 61.07.106-Folsom State Prison, Represa: Gang Shower Conversion, Building 1—Preliminary plans and working drawings.....	75,000
(10) 61.07.425-California State Prison-Sacramento, Represa: Correctional Clinical Case Management and Enhanced Outpatient Care—Working drawings.....	371,000
(11) 61.08.020-California Institution for Men, Chino: PCE Contamination Clean-up—Construction	3,128,000
(12) 61.08.024-California Institution for Men, Chino: Replace Locking Devices, RC Central—Working drawings and construction.....	2,524,000
(13) 61.08.425-California Institution for Men—Central, Chino: Correctional Clinical Case Management and Reception Center Screening and Evaluation—Working drawings	165,000
(14) 61.08.426-California Institution for Men—East, Chino: Reception Center Screening and Evaluation—Working drawings.....	11,000
(15) 61.08.427-California Institution for Men—Minimum, Chino: Correctional Clinical Case Management—Working drawings .	91,000
(15.2) 61.09.050-California Medical Facility, Vacaville: Electrified Fence—Preliminary plans.....	124,000
(16) 61.09.426-California State Prison-Solano, Vacaville: Correctional Clinical Case Management—Working drawings.....	94,000
(17) 61.09.427-California State Prison-Solano, Vacaville: Correctional Treatment Center, Phase II—Preliminary plans and working drawings.....	236,000
(17.1) 61.09.428-California Medical Facility, Vacaville: In-patient Care Facility—Preliminary plans, working drawings, and construction.....	1,308,000

Item	Amount
(18) 61.10.051-California Men's Colony—West, San Luis Obispo: Central Kitchen Replacement—Preliminary plans and working drawings	531,000
(19) 61.11.425-Richard J. Donovan Correctional Facility, San Diego: Correctional Clinical Case Management and Reception Center Screening and Evaluation—Working drawings	152,000
(20) 61.12.426-California State Prison-San Quentin, San Quentin: Correctional Treatment Center, Phase II—Preliminary plans and working drawings	1,279,000
(21) 61.13.426-California Institution for Women, Frontera: Correctional Clinical Case Management and Enhanced Outpatient Care—Working drawings	127,000
(22) 61.13.427-California Institution for Women, Frontera: Reception Center Screening and Evaluation—Working drawings	79,000
(23) 61.13.428-California Institution for Women, Frontera: Correctional Treatment Center, Phase II—Preliminary plans and working drawings	1,103,000
(24) 61.14.030-Minor Projects	5,500,000
(27.1) 61.15.035-California Rehabilitation Center, Norco: Replace Men's Dormitories—Preliminary plans, working drawings, and construction	2,539,000
(27.2) 61.15.040-California Rehabilitation Center, Norco: Patton State Hospital Double Perimeter Fence—Study and preliminary plans	773,000
(28) 61.15.425-California Rehabilitation Center, Norco: Correctional Clinical Case Management—Working drawings	87,000

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(29) 61.16.021-Sierra Conservation Center, Jamestown: Effluent Disposal Pipeline—Preliminary plans.	592,000
(30) 61.17.425-Avenal State Prison, Avenal: Correctional Clinical Case Management—Working drawings .	93,000
(31) 61.18.426-Mule Creek State Prison, Ione: Correctional Clinical Case Management and Enhanced Outpatient Care—Working drawings	321,000
(32) 61.18.427-Mule Creek State Prison, Ione: Correctional Treatment Center, Phase II—Preliminary plans and working drawings	223,000
(33) 61.21.425-California State Prison-Los Angeles County, Lancaster: Correctional Clinical Case Management and Enhanced Outpatient Care—Working drawings	336,000
(34) 61.23.425-California State Prison-Corcoran, Corcoran: Correctional Clinical Case Management and Enhanced Outpatient Care—Working drawings	343,000
(35) 61.26.425-Central California Women's Facility, Madera: Enhanced Outpatient Care and Reception Center Screening and Evaluation—Working drawings ...	213,000
(36) 61.26.426-Central California Women's Facility, Madera: Correctional Clinical Case Management—Working drawings	109,000
(37) 61.27.425-Wasco State Prison-Reception Center, Wasco: Reception Center Screening and Evaluation—Working drawings ...	144,000
(38) 61.27.426-Wasco State Prison-Reception Center, Wasco: Correctional Clinical Case Management—Working drawings.....	101,000
(39) 61.28.426-North Kern State Prison, Delano: Reception Center Screening and Evaluation—Working drawings	137,000

Item	Amount
(40) 61.28.427-North Kern State Prison, Delano: Correctional Clinical Case Management—Working drawings	101,000
(41) 61.28.428-North Kern State Prison, Delano: Correctional Treatment Center, Phase II—Preliminary plans and working drawings	223,000
(42) 61.30.426-Centinela State Prison, Imperial: Correctional Treatment Center, Phase II—Preliminary plans and working drawings	276,000
(43) 61.34.426-Ironwood State Prison, Blythe: Correctional Treatment Center, Phase II—Preliminary plans and working drawings	276,000

Provisions:

1. The funds appropriated in Schedule (1) are to be allocated by the Department of Corrections, upon approval by the Department of Finance, to develop design and cost information for new projects for which funds have not been previously appropriated, but for which preliminary plan funds, working drawings funds, or working drawings and construction funds are expected to be included in the 1999–2000 or 2000–2001 Governor's Budget, and for which cost estimates or preliminary plans can be developed prior to legislative hearings on the 1999–2000 and 2000–2001 Governor's Budgets, respectively. These funds may be used for all of the following: budget package development, architectural programming, engineering assessments, schematic design, and preliminary plans. The amount appropriated in this item for that purpose is not be construed as a commitment by the Legislature as to the amount of capital outlay funds it will appropriate in any future year.
2. As used in this appropriation, studies shall include site studies and suitability reports, environmental studies, master planning, architectural programming and schematics.
3. Notwithstanding Section 13332.11 of the Government Code, for projects funded in Schedules (3), (10), (13), (14), (15), (16), (19), (21), (22), (28), (30), (31), (33), (34), (35), (36), (37), (38), (39),

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and (40), the State Public Works Board shall not approve a recognized deficit exceeding 10 percent of the original construction cost estimate.		
5240-302-0001—For capital outlay, Department of Corrections		3,308,000
Schedule:		
(1) 61.01.760-Humboldt Bay National Wildlife Refuge—Acquisition and construction	577,000	
(2) 61.01.761-Honey Lake Wildlife Area—Acquisition and construction	843,000	
(3) 61.01.762-Allensworth Ecological Reserve—Acquisition and construction	538,000	
(4) 61.01.763-Mayacama Mountains Sanctuary—Construction	313,000	
(5) 61.01.764-Kern River Preserve—Acquisition and construction	344,000	
(6) 61.01.765-O'Neal Canyon—Acquisition and construction	91,000	
(7) 61.01.766-California City Desert Tortoise Natural Area—Acquisition	52,000	
(8) 61.01.767-Cowbird Trapping Program	259,000	
(9) 61.01.768-Bald Eagle Breeding Program	50,000	
(10) 61.01.769-Peregrine Falcon Fund.	25,000	
(11) 61.01.770-Program management	216,000	

Provisions:

1. The amounts appropriated in this item represent the cost estimates of the Department of Corrections to implement the Habitat Conservation Plan as submitted by the department to the United States Fish and Wildlife Service and the Department of Fish and Game.
2. Funds appropriated in this item shall be available for expenditure only after the United States Fish and Wildlife Service and the Department of Fish and Game have given final approval of the Habitat Conservation Plan of the Department of Corrections.
3. Notwithstanding Section 13332.11 of the Government Code, any changes in the Habitat Conservation Plan of the Department of Corrections may be approved by the State Public Works Board not

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less than 30 days after notification to the Chairperson of the Joint Legislative Budget Committee, the chairpersons of the fiscal committees in each house, and the Chairperson of the Joint Committee on Prison Construction and Operations.

4. Funds appropriated in Schedule (1) include $140,000 for the Humboldt Bay National Wildlife Refuge to provide for a restoration supervisor for seven years.
5. Funds appropriated in Schedule (3) include $60,000 to provide for a restoration supervisor for four years.
6. Funds appropriated in Schedule (4) include $225,000 to provide a staff position for the California Audubon Society for five years.
7. Funds appropriated in Schedule (8) shall be provided to existing or new cowbird trapping programs for a minimum of 10 traps.
8. Funds appropriated in Schedule (9) shall be provided to the San Francisco Zoo for purposes of producing and releasing four bald eagles.
9. Funds appropriated in Schedule (10) shall be provided to the Santa Cruz Predatory Bird Group for breeding, release, and monitoring of four peregrine falcons.

5240-401—If the bonds authorized for the projects scheduled in Item 5240-301-0660 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997) are not sold, the Department of Corrections shall commit a sufficient portion of its support appropriation provided for in this act to repay any loans from the Pooled Money Investment Account. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until outstanding loans are repaid either through the sale of bonds or from an appropriation.

5240-490—Reappropriation, Department of Corrections. The balances of the appropriations provided in the following citations are reappropriated for the purposes, and subject to the limitations, unless otherwise specified, provided for in the appropriations:

0001—General Fund

Item 5240-302-001, Budget Act of 1995

(1) 61.01.350—Statewide: Emergency Bed Projects—Studies, preliminary plans, working

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drawings, construction, long lead, and equipment	
Item 5240-301-0001, Budget Act of 1997	
(11) 61.08.020—California Institution for Men, Chino: PCE Contamination Cleanup—Preliminary plans and working drawings	
0746—1986 Prison Construction Fund	
Item 5240-301-746, Budget Act of 1995	
(3) 61.10.200—California Men's Colony, San Luis Obispo: Primary and Secondary Electrical Distribution System—Working drawings and construction	
5240-491—Reappropriation, Department of Corrections. Notwithstanding any other provision of law, the balance of the appropriation in Item 5240-001-853 of the Budget Act of 1992 (Ch. 587, Stats. 1992), as reappropriated by Item 5240-490 of the Budget Act of 1994 (Ch. 139, Stats. 1994), by Item 5240-490 of the Budget Act of 1995, as added by Section 2 of Chapter 980 of the Statutes of 1995, and by Item 5240-490 of the Budget Act of 1997 (Ch. 282, Stats. 1997), is reappropriated for the purchase of two buses to transport inmates, and the balance is reappropriated for the same purposes as provided in those reappropriations, and shall be available for expenditure until June 30, 1999.	
5430-001-0001—For support of the Board of Corrections	1,484,000
Schedule:	
(a) 11-Corrections Standards and Services 2,688,000	
(b) 21-Standards and Training for Local Officers 2,333,000	
(c) 31.01-Administration 297,000	
(d) 31.02-Distributed Administration ... –297,000	
(e) Reimbursements ..... –524,000	
(f) Amount payable from the Corrections Training Fund (Item 5430-001-0170) ..... –2,141,000	
(g) Amount payable from the 1988 County Correctional Facilities Capital Expenditure and Youth Facility Fund (Item 5430-001-0796) ..... –500,000	
(h) Amount payable from the Federal Trust Fund (Item 5430-006-0890) ..... –372,000	

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5430-001-0170—For support of the Board of Corrections, for payment to Item 5430-001-0001, payable from Corrections Training Fund	2,141,000
5430-001-0796—For support of the Board of Corrections, for payment to Item 5430-001-0001, payable from the 1988 County Correctional Facilities Capital Expenditure and Youth Facility Fund	500,000
5430-006-0890—For support of the Board of Corrections, for payment to Item 5430-001-0001, payable from the Federal Trust Fund (Federal Crime Bill)	372,000
Provisions:	
1. Notwithstanding any other provision of law, the funds appropriated by this item shall be available for expenditure until June 30, 2002.	
5430-101-0170—For local assistance, Board of Corrections, Program 21—Standards and Training for Local Officers, payable from the Corrections Training Fund	14,720,000
5430-102-0001—For local assistance, Board of Corrections	9,000,000
Provisions:	
1. The Board of Corrections shall allocate funds to the City of Los Angeles on a proportional basis consistent with the prior year allocation for the Community Law Enforcement and Recovery Demonstration Project established by Chapter 506, Statutes of 1997.	
5430-103-0001—For local assistance, Board of Corrections	500,000
Provisions:	
1. Notwithstanding any other provision of law, the funds appropriated by this item shall only be available to the County of San Diego to provide funding for the At-Risk Youth Early Intervention Program established pursuant to Section 601.5 of the Welfare and Institutions Code. These funds shall be used by the County of San Diego to continue implementation, and to perform an evaluation, of the program.	
5430-104-0001—For local assistance, Board of Corrections	1,200,000
Provisions:	
1. Funds appropriated by this item shall be available solely for security, housing, and program costs at the Northern California Regional Facility located in Humboldt County. This is a one-time appropriation.	

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5430-105-0001—For local assistance, Board of Corrections	2,000,000

Provisions:

1. The funds appropriated by this item shall be expended for competitive grants to counties statewide for the purpose of planning and developing alternative sanctions for adult mentally ill offenders. To be eligible for a grant, each applicant county shall establish a strategy committee that includes, at a minimum, the sheriff or the director of the county department of corrections, who shall serve as chairperson of the committee; representatives of local law enforcement agencies; the chief probation officer; the county mental health director; and representatives from organizations that provide, or have provided, treatment, services, or stability, including income, housing, and caretaking, for persons with mental illnesses. Counties that are awarded grants shall use the funds to prepare plans to (a) gather data about the current adult mentally ill offender population, including resources available to manage this population, (b) improve and marshal local law enforcement, health and mental health, social services, and educational resources to treat, house, and supervise adult mentally ill offenders who are currently under the custody or supervision of the local or state criminal justice system, and (c) maximize the provision of collaborative and integrated services for these offenders. In no case shall a grant to an individual county exceed $100,000.
2. Of the funds appropriated by this item, up to 5 percent may be transferred to Item 5430-001-0001 for expenditure by the Board of Corrections for the oversight and implementation of the grants.
3. Grants made with funds appropriated by this item shall be distributed during the 1998–99 fiscal year and the Board of Corrections shall require that the grantees' plans be completed no later than December 31, 1999. The board shall report to the committees of the Legislature that consider fiscal, criminal-justice, mental-health, and local-government issues, by March 1, 1999, on its implementation of this grant program, and shall

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include with the report copies of the plans developed by the grantees.	
5430-106-0890—For local assistance, Board of Corrections Program 11, payable from Federal Trust Fund	93,394,000

Provisions:

1. Of the amount appropriated by this item, $12,015,000, which constitutes 15 percent of the federal 1998 fiscal year Federal Crime Bill grants, shall be allocated by the Board of Corrections to local governments through competitive grants to build or expand, or both build and expand, adult and juvenile detention facilities, as authorized. Local entities shall be responsible for meeting the 10 percent match requirement.
2. The Legislature hereby declares that exigent circumstances exist regarding the impact of the increasing number of juvenile offenders on public safety in California and that, of the funds allocated to the state pursuant to the Federal Violent Crime Control and Law Enforcement Act and appropriated by this item, an amount not less than $81,379,000 shall be used to address these circumstances through competitive grants to counties. The percentage of juveniles convicted of crimes far exceeds the percentage of adults convicted of similar crimes. The fast-rising number of violent juvenile offenders affects the efforts of law enforcement and threatens public safety throughout the state. The need to enhance public safety is particularly important for local jurisdictions that do not have adequate facilities to confine the increasing number of juvenile offenders. Therefore, the Legislature intends that these funds be used to support the construction or expansion of juvenile detention facilities of the appropriate security levels, as defined by the Federal Violent Crime Control and Law Enforcement Act and regulations adopted pursuant thereto, to ensure appropriate custody space for the confinement of the growing number of juvenile offenders.
3. For the grant programs identified in Provisions 1 and 2 of this item, the Board of Corrections shall establish minimum standards, funding schedules, and procedures which shall take into consideration, but not be limited to, all of the following:
   (a) Documentation of need for the project or projects.

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(b) Adoption of a formal county plan to finance construction of the proposed project or projects.

(c) Submittal of a preliminary staffing plan for the project or projects.

(d) Submittal of architectural drawings, which shall be approved by the board for compliance with minimum adult or juvenile detention facility standards and which shall also be approved by the State Fire Marshal for compliance with fire safety and life safety requirements.

(e) Documentation that the facilities can be safely staffed and operated.

(f) Submittal by the county, or a group of counties acting together, of a plan that identifies the county continuum of care model for prevention, intervention, supervision, treatment, and incarceration of juvenile and adult offenders. The plan shall also identify the manner in which the county will maximize all funding sources (local criminal justice, local social services, federal and state programs, and education) for providing appropriate services for juvenile and adult offenders.

4. Local entities shall match at least 25 percent of the grant. Not more than 15 percent of this minimum match requirement shall be provided with in-kind resources. The greater the percentage of matching funds that a county provides, the higher the priority the county shall be given for allocation of funds.

5. Of the funds allocated pursuant to Provision 2 of this item, up to 3 percent may be transferred, upon approval of the Department of Finance, to Item 5430-001-0001 to support the administration, including technical assistance and oversight, of the implementation of grant awards pursuant to Provision 2.

6. Notwithstanding any other provision of law, the funds appropriated by this item are available for expenditure until June 30, 2002.

5430-107-0001—For local assistance, Board of Corrections 30,000,000

Provisions:

1. (a) The funds appropriated by this item shall be available to support the Juvenile Crime En-

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forcement and Accountability Challenge Grant (Challenge Grant) Program, as modified and amended by Assembly Bill 2261 of the 1997–98 Regular Session, and the Juvenile Female Offender Intervention Program as established by Senate Bill 1657 of the 1997–98 Regular Session. (b) Of the funds appropriated by this item, up to 5 percent may be transferred, upon approval of the Department of Finance, to Item 5430-001-0001 to support the administration, including technical assistance and oversight, and evaluation of the implementation of grant awards pursuant to this provision. (c) Of the funds appropriated by this item, the Board of Corrections may award up to $2,000,000 statewide, in individual grants not exceeding $50,000, to counties to assist in developing and upgrading local action plans as necessary to compete for the Challenge Grant and Juvenile Female Offender Intervention Program grants, including the development of strategies to address out-of-home placement needs for delinquent youth pursuant to Section 602 of the Welfare and Institutions Code within the county or region where the county is located. The board may also award up to $500,000 statewide, in individual grants not to exceed $100,000, to extend program evaluation followup activities for existing programs which demonstrate promise for program replication. (d) Of the funds remaining, the board shall, on a statewide, competitive basis, award grants pursuant to subdivision (a) of this provision. (e) Of the funds available for grant awards in subdivision (d), the board shall ensure that, on a statewide basis, an amount not less than 50 percent, or $10,000,000, whichever is greater, is awarded to support strategies identified in county local action plans for female juvenile offenders pursuant to the Juvenile Female Offender Intervention Program. (f) When awarding grants pursuant to this provision, the board shall give priority to those grant applications submitted under subdivision (d) of this provision that support strate-	

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gies identified in county local action plans for the development and implementation of out-of-home placement options for delinquent youth pursuant to Section 602 of the Welfare and Institutions Code.

(g) Notwithstanding any other provision of law, funds appropriated by this item shall be allocated pursuant to this provision.

2. The Executive Steering Committee responsible for making recommendations to the Board of Corrections for the award of grants under Provision 1 of this item shall include a representative from the State Department of Social Services and the State Department of Mental Health who are knowledgeable in matters affecting the out-of-home placement of youths by the court.

3. Funds appropriated by this item shall be available for allocation by the Board of Corrections until June 30, 2003.

5430-109-0001—For local assistance, Board of Corrections 4,000,000

Provisions:

1. The funds appropriated by this item shall be used solely to implement the Repeat Offender Prevention Project established pursuant to Assembly Bill 2594 of the 1997–98 Regular Session. Funds appropriated by this item shall be available for expenditure only if Assembly Bill 2594 is enacted. Funds appropriated by this item are appropriated on a one-time basis. Notwithstanding any other provision of law, the funds appropriated in this item shall be available for expenditure through June 30, 2001.

5430-110-0001—For local assistance, Board of Corrections 325,000

Provisions:

1. Funds appropriated by this item are available for the purpose of constructing a firing range at the San Joaquin County Sheriff's Operations Center and Jail Complex. This is a one-time appropriation.

5430-295-0001—For local assistance, Board of Corrections, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program

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mandated by statute or executive order, State Controller		700,000
Schedule:		
(1) 98.01.022.193—Mandates: Domestic Violence Treatment Program Approvals (Ch. 221, Stats. 1993)..	700,000	
(2) 98.01.033.281—Mandates: Victims' Statements—Minors (Ch. 332, Stats. 1981)	0	

Provisions:

1. Allocations of funds provided in this item to the appropriate local entities shall be made by the Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated in this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.
2. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house which considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.
3. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:
   (a) Victim's Statements—Minors (Ch. 332, Stats. 1981)

Item	Amount
5430-490—Reappropriation, Board of Corrections. Notwithstanding any other provision of law, the balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in the appropriations and shall be available for expenditure until June 30, 2001.	
0001-General Fund	
(1) Item 5430-101-0001, Budget Act of 1996 (Juvenile Justice Grants)	
(2) 5430-001-0001, Budget Act of 1997:	
(a) Repeat Offender Program	
(b) Violent Offender Incarceration/Truth-In-Sentencing—state operations match ($173,000)	
(3) 5430-105-0001, Budget Act of 1997 (Repeat Offender Program)	
0890—Federal Trust Fund	
(1) Item 5430-005-0890, Budget Act of 1997 (Violent Offender Incarceration/Truth-In-Sentencing)	
5440-001-0001—For support of the Board of Prison Terms, Program 10	14,396,000
5450-001-0001—For support of the Youthful Offender Parole Board, Program 10	3,303,000
5460-001-0001—For support of the Department of the Youth Authority	264,062,000
Schedule:	
(a) 20-Institutions and Camps 278,282,600	
(b) 30-Parole Services 43,067,000	
(c) 40-Education Services 9,918,400	
(d) 50.01-Administration 17,548,000	
(e) 50.02-Distributed Administration ..... –17,446,000	
(f) Reimbursements ..... –64,450,000	
(g) Amount payable from the 1988 County Correctional Facilities Capital Expenditure and Youth Facility Bond Fund (Item 5460-001-0796) ..... –154,000	
(h) Amount payable from the California State Lottery Education Fund—California Youth Authority (Item 5460-001-0831) ..... –1,229,000	
(i) Amount payable from the Federal Trust Fund (Item 5460-001-0890) ..... –1,475,000	

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Provisions:

1. Of the funds appropriated in Schedule (a), $31,000 is provided for payment of energy service contracts in connection with the issuance of Public Works Board Energy Efficiency Revenue Bonds (State Pool Program), Series 1986A.
2. Notwithstanding any other provision of law, the Director of Finance may authorize a loan from the General Fund to the Department of the Youth Authority for the purpose of meeting operational cash-flow obligations for the 1998–99 fiscal year. The loan shall not exceed the estimated amount of reimbursements to be collected, pursuant to Chapter 6 of the Statutes of 1996, for the final quarter of any fiscal year in which the loan is to be provided.
4. Notwithstanding any other provision of law, the Department of the Youth Authority may transfer up to five percent of the amount in Schedule (a), (b), or (c) between Schedules (a), (b), and (c) for adjustments as a result of the creation of Program 40-Education Services, upon approval of the Department of Finance. Any transfers for this purpose exceeding 5 percent may occur not sooner than 30 days after notification thereof to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees of the Legislature.
5. (a) Of the funds appropriated in this item, $209,000 shall be used for voluntary tattoo removal. These funds may only be used to contract with licensed health care providers for the removal of tattoos from the hands, face, and visible neck areas of wards, and only upon the determination by institutional treatment staff that removal is warranted and necessary for the success of the ward when he or she is paroled. The funds specified in this provision may not be used to purchase equipment for voluntary tattoo removal.

   (b) Any funds subject to this provision that are not expended for the purposes specified in this provision shall revert to the General Fund. It is the intent of the Legislature that the Department of the Youth Authority expedite

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delivery of cost-effective, voluntary tattoo removal services to eligible wards and parolees, as provided in this provision.

(c) The Department of the Youth Authority shall make its tattoo removal equipment available for use by nonprofit community groups and local governments when not in use by the department. The department shall execute an agreement with these entities for the use of that equipment. It is the intent of the Legislature that the department provide access only to the equipment and all operational and other costs shall be borne by the entity utilizing the equipment.

(d) The department shall report to the Legislature by March 1, 1999, on the number of wards that have received tattoo removals, the average cost of each removal, and the average total cost per ward.

6. Of the amount included in this item, $250,000 is to provide additional employment services to Department of the Youth Authority parolees. This amount shall be provided on a two-year limited-term basis, and the department may submit a request to continue the funds for the 2000–01 fiscal year. The department shall report to the fiscal committees of each house of the Legislature by January 1, 2000, on the impact of employment services on parolee recidivism.

5460-001-0796—For support of the Department of the Youth Authority, for payment to Item 5460-001-0001, payable from the 1988 County Correctional Facilities Capital Expenditure and Youth Facility Bond Fund 154,000

5460-001-0831—For support of the Department of the Youth Authority, for payment to Item 5460-001-0001, payable from the California State Lottery Education Fund—California Youth Authority 1,229,000

Provisions:

1. All funds received pursuant to Proposition 37 that are allocable to the Department of the Youth Authority pursuant to Section 8880.5 of the Government Code and that are in excess of the amount appropriated in this item, are hereby appropriated in augmentation of this item. Such additional funds may be expended only upon written approval of the Department of Finance.

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5460-001-0890—For support of the Department of the Youth Authority, for payment to Item 5460-001-0001, payable from the Federal Trust Fund	1,475,000
5460-003-0001—For support of the Department of the Youth Authority for rental payments and insurance on lease revenue bonds	404,000
5460-011-0001—For support of the Department of the Youth Authority (Proposition 98)	39,391,000
Schedule:	
(a) 40-Education Services 39,391,000	
5460-101-0001—For local assistance, Department of the Youth Authority	3,919,000
Schedule:	
(a) 20-Institutions and Camps 92,000	
(b) 30-Parole Services 3,827,000	
Provisions:	
1. The amount appropriated by this item is provided for the following purposes:	
a. To pay the transportation costs of persons committed to the Department of the Youth Authority to or between its facilities, including the return of parole violators, provided that expenditures made under this item shall be charged to either the fiscal year in which the claim is received by the Controller or the fiscal year in which the warrant is issued by the Controller. However, claims shall be filed by local jurisdictions within six months after the end of the month in which the costs are incurred.	
b. To reimburse counties, pursuant to Section 1776 of the Welfare and Institutions Code, for the cost of the detention of Youth Authority parolees who are detained on alleged parole violations, provided that expenditures made under this item shall be charged to either the fiscal year in which the claim is received by the Controller or the fiscal year in which the warrant is issued by the Controller. However, claims shall be filed by local jurisdictions within six months after the end of the month in which the costs are incurred.	
5460-301-0001—For capital outlay, Department of the Youth Authority	14,681,000
Schedule:	
(1) 60.01.035-Statewide: Budget Packages and Advanced Planning 250,000	

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(3) 60.02.055-Preston Youth Correctional Facility: Perimeter Security Fencing—Working drawings and construction	1,555,000
(4) 60.02.075-Preston Youth Correctional Facility: Water Line Replacement—Acquisition, preliminary plans, and working drawings	456,000
(4.1) 60.02.085-Preston Youth Correctional Facility: Personal Alarms—Working drawings	156,000
(4.5) 60.04.020-Northern Youth Correctional Reception Center/Clinic: Correctional Treatment Center—Preliminary plans and working drawings	196,000
(4.6) 60.04.025-Northern Youth Correctional Reception Center/Clinic: Personal Alarms—Working drawings	58,000
(5) 60.26.050-DeWitt Nelson Youth Correctional Facility: Visitor's Security Entrance/Hall—Preliminary plans and working drawings	234,000
(5.1) 60.26.085-Dewitt Nelson Youth Correctional Facility: Personal Alarms—Working drawings	69,000
(5.2) 60.26.090-O.H. Close Youth Correctional Facility: Personal Alarms—Working drawings	60,000
(5.3) 60.26.095-Karl Holton Youth Correctional Facility: Personal Alarms—Working drawings	62,000
(5.4) 60.52.100-El Paso de Robles Youth Correctional Facility: Personal Alarms—Working drawings.	118,000
(6) 60.54.080-Fred C. Nelles Youth Correctional Facility: Visitor's Security Entrance/Hall—Preliminary plans and working drawings	150,000
(7) 60.54.090-Fred C. Nelles Youth Correctional Facility: Sewer Line Replacement—Preliminary plans and working drawings	229,000

Item	Amount
(7.1) 60.54.105-Fred C. Nelles Youth Correctional Facility: Personal Alarms—Working drawings	93,000
(8) 60.56.030-Southern Youth Correctional Reception Center/Clinic: Visiting Facility—Preliminary plans and working drawings.....	123,000
(9) 60.58.070-Ventura Youth Correctional Facility: Special Education Assessment Center—Preliminary plans and working drawings.....	127,000
(10) 60.58.080-Ventura Youth Correctional Facility: Visitor's Security Entrance/Visiting Hall—Preliminary plans and working drawings.	234,000
(10.5) 60.58.085-Ventura Youth Correctional Facility: Correctional Treatment Center—Preliminary plans and working drawings.....	186,000
(11) 60.58.090-Ventura Youth Correctional Facility: Ward Separation Plan—Preliminary plans, working drawings and construction.....	847,000
(11.1) 60.58.090-Ventura Youth Correctional Facility: Personal Alarms—Working drawings	73,000
(12) 60.67.080-Heman G. Stark Youth Correctional Facility: Living Unit Doors, Units I, III—Working drawings and construction.....	4,381,000
(13) 60.67.110-Heman G. Stark Youth Correctional Facility: Master Key System—Working drawings and construction	1,099,000
(13.5) 60.67.110-Herman G. Stark Youth Correctional Facility: Correctional Treatment Center—Preliminary plans and working drawings.....	276,000
(13.6) 60.67.135-Herman G. Stark Youth Correctional Facility: Personal Alarms—Working drawings.	149,000
(14) 60.90.010-Minor Projects.....	3,500,000

Provisions:

1. The funds appropriated in Schedule (1) shall be allocated by the Department of the Youth Authority, upon approval of the Department of Finance,

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to develop design and cost information for new projects for which funds have not been previously appropriated, but for which preliminary plans funds, working drawings funds, or working drawing or construction funds are expected to be included in the Governor's Budget for the 1999–2000 or 2000–2001 fiscal year, and for which cost estimates and/or preliminary plans can be developed prior to legislative hearings on the Governor's Budget for the 1999–2000 or 2000–2001 fiscal year. These funds may be used for the following: budget package development, architectural programming, engineering assessments, schematic design, and preliminary plans. The amount appropriated in this item for these purposes shall not be construed as a commitment by the Legislature as to the amount of capital outlay funds it will appropriate in any future year.

2. As used in this appropriation, studies shall include site studies and suitability reports, environmental studies, master planning, architectural programming and schematics.

5460-401—In the event the bonds authorized for the projects scheduled in Item 5460-301-0660, Budget Act of 1997, are not sold, the Department of the Youth Authority shall commit a sufficient portion of its support appropriation provided for in this Budget Act to repay any loans from the Pooled Money Investment Account. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until outstanding loans are repaid either through the sale of bonds or from an appropriation.

EDUCATION

6110-001-0001—For support of Department of Education		35,895,400
Schedule:		
(a) 10-Instruction	41,781,000	
(b) 20-Instructional Support	52,283,400	
(c) 30-Special Programs	34,922,000	
(d) 41.00-Executive Management and Special Services	9,595,000	
(e) 41.01-State Board of Education	1,211,000	
(f) 42.01-Department Management and Special Services	25,044,000	

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(g) 42.02-Distributed Department Management and Special Services.....–25,044,000
(gx) Unallocated..... 950,000
(h) Reimbursements.....–13,957,000
(i) Amount payable from Federal Trust Fund (Item 6110-001-0890).... –90,890,000

Provisions:

1. An amount equal to or greater than the amount appropriated in Schedule (e) shall be available for support of the State Board of Education.
2. Notwithstanding Sections 33190 and 51219 of the Education Code, or any other provision of law, the State Department of Education shall expend no funds to prepare (a) a statewide summary of student performance on school district proficiency assessments or (b) a compilation of information on private schools with five or fewer pupils.
3. Of the amount appropriated by this item, $74,000 shall be expended for staff in the Program Evaluation and Research Division of the State Department of Education to (a) review and approve studies and program evaluations and (b) assist in contract management.
4. Of the funds appropriated in this item, $90,000 shall be available only for Educational Technology support services pursuant to Section 51874 of the Education Code and for the expenses incurred by members of the Education Council for Technology in Learning in carrying out their duties.
5. Notwithstanding any other provision of law, of the funds appropriated in this item, $2,500,000 shall be used to provide technical assistance and administrative support to the Healthy Start Program and $240,000 shall be used to provide technical assistance and administrative support for the Teen Pregnancy Prevention and Intervention Program (Art. 1 (commencing with Sec. 8800), Ch. 5, Part 6, Ed. C.).
6. Of the funds appropriated by this item, $300,000 and two positions shall be available only for plan ning and implementation of the focus schools program authorized by Chapter 6.1 (commencing with Section 52050) of Part 28 of the Education Code.
7. Funds appropriated by this item may be expended or encumbered to make one or more payments under a personal services contract of a visiting edu-

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cator pursuant to Section 19050.8 of the Government Code, a long-term special consultant services contract, or an employment contract between an entity that is not a state agency and a person who is under the direct or daily supervision of a state agency, only if all of the following conditions are met:

(a) The person providing service under the contract provides full financial disclosure to the Fair Political Practices Commission in accordance with the rules and regulations of the commission.

(b) The service provided under the contract does not result in the displacement of any represented civil service employee.

(c) The rate of compensation for salary and health benefits for the person providing service under the contract does not exceed by more than 10 percent the current rate of compensation for salary and health benefits determined by the Department of Personnel Administration for civil service personnel in a comparable position. The payment of any other compensation or any reimbursement for travel or per diem expenses shall be in accordance with the State Administrative Manual and the rules and regulations of the State Board of Control.

9. Of the funds appropriated by this item, $150,000 shall be used for the Gang Risk Intervention Program (Ch. 5 (commencing with Sec. 58700), Pt. 31, Ed. C.).

10. The funds appropriated in Schedule (e) are for the support of the State Board of Education and shall be directed to meet the policy priorities of its members.

11. The funds appropriated by this item may not be expended for any REACH program.

12. The funds apropriated by this item may not be expended for the development or dissemination of program advisories, including, but not limited to, program advisories on the subject areas of reading, writing, and mathematics, unless explicitly authorized by the State Board of Education.

13. Of the funds appropriated in this item, $206,000 shall be available as matching funds for the State

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Department of Rehabilitation and provide coordinated services to disabled pupils. Expenditure of the funds shall be identified in the memorandum of understanding or other written agreement with the Department of Rehabilitation to ensure an appropriate match to federal vocational rehabilitation funds.	
14. Of the funds appropriated in this item, no less than $3,142,000 is available for support of Child Care Services (Program 30.10).	
15. Pursuant to Provision 8 of Item 6110-196-0001, the Department of Finance may transfer up to $20,000,000 of federal funds to this item.	
16. Of the funds appropriated by this item, $375,000 is available for support of the Class Size Reduction Program (Ch. 6.10 (commencing with Sec. 52120), Pt. 28, Ed. C.).	
17. The State Department of Education may not begin the charter school direct funding pilot project until the Director of Finance has approved the department's policy for the fiscal accountability and liability of charter schools selected for the pilot project. The Director of Finance shall provide notification of that approval to the chairperson of the fiscal and appropriate policy committees of each house of the Legislature, and the Chairperson of the Joint Legislative Budget Committee, not less that 30 days prior to the effective date of this approval of the policy.	
18. Of the amount appropriated in Schedule (b), $50,000 is for reporting the results of physical performance tests administered by school districts in 1998 pursuant to Chapter 6 (commencing with Section 60800) of Part 33 of the Education Code. The State Department of Education shall ensure that results comparing the performance of pupils in each school and district to national norms are reported to school district governing boards and shall submit a report of statewide results comparing the performance of California pupils to national norms to the Legislature and the Governor prior to January 1, 1999.	
19. Of the funds appropriated by this item, $500,000 is available for the costs of administering K–12 education programs created or expanded during the 1997–98 Regular Session for which no other funding has been made available. The State De-	

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partment of Education shall submit an expenditure plan for these funds to the Department of Finance for review and approval. The funds appropriated by this item shall be available for expenditure not sooner than 30 days after the Department of Finance provides notification of its approval of the plan to the Legislature in accordance with the procedures set forth in Section 28.00 of this act.

20. Notwithstanding any other provision of law, the State Board of Education shall designate for use as part of the STAR Program (Art. 4 (commencing with Sec. 60640), Ch. 5, Pt. 33, Ed. C.) a single primary language test in each language for which a test is available, for grades 2 to 11, inclusive, no later than November 14, 1998.

21. Of the funds appropriated by this item, $700,000 and a one-half position are provided on a one-time basis for two studies regarding pupils residing in licensed children's institutions. The State Department of Education, in conjunction with the Department of Finance and the Legislative Analyst's Office, shall design requests for proposals and contract for two studies related to the following issues:

    (a) The availability of various types and sources of data, and the feasibility and cost of collecting that data, and other data that is not readily available, regarding children residing in licensed children's institutions. The purpose of this study shall be to determine the availability of various types of data and to perform preliminary data collection to determine if there are problems in current practices and procedures for providing educational services to these pupils. This study shall specifically identify the number of children residing in licensed children's institutions who attend nonpublic schools and who are not eligible for special education programs. Options shall be suggested for further study and for improving current practices and procedures.

    (b) The efficacy of current practices and procedures for the transfer of educational and other records and the notification of appropriate public educational and noneduca-

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tional agencies upon placement of a child in a licensed children's institution. This study shall examine whether current practices and procedures, and any lack of coordination between educational and noneducational agencies, may contribute to inappropriate educational placements and services for children residing in licensed children's institutions.

The first contractor's report shall be completed on or before March 1, 1999. The second contractor's report shall be completed on or before June 30, 2000. Both reports shall be submitted to the fiscal and policy committees of the Legislature, the Office of Child Development and Education, the Department of Finance, and the Legislative Analyst's Office.

22. Of the funds appropriated by this item, $100,000 and one position are provided for administration of the Foster Youth Services Program, $25,000 is provided for operating expenses, and $250,000 is provided for training and evaluation of the program.
23. Of the funds appropriated by this item, $650,000 shall be allocated by the State Department of Education to an independent evaluator to assist school districts and county offices of education in developing data collection and analysis systems, and to perform an evaluation for the High-Risk First-Time Offenders Program pursuant to Article 1 (commencing with Section 47760) of Chapter 2 of Part 26.95 of the Education Code.
24. Of the funds appropriated by this item, $450,000 shall be available for the following programs: low performing schools, college preparation programs, and remedial programs.

6110-001-0178—For support of the Department of Education, Program 20.30—Instructional Support, for the purpose of conducting schoolbus driver instructor training as provided in Section 40070 of the Education Code, payable from the Driver Training Penalty Assessment Fund 993,000

6110-001-0231—For support of Department of Education, Program 20.10.045-Instructional Support, Curriculum Services—Health and Physical Education-Drug Free Schools, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund..... 969,000

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6110-001-0344—For support of Department of Education, Program 20.30 Administrative Services to local educational agencies, payable from the State School Building Lease-Purchase Fund	1,513,000

Provisions:

1. Funds appropriated by this item are for support of the activities of the School Facilities Planning Division and are to be used exclusively for activities related to local school construction, reconstruction, rehabilitation, modernization, maintenance, deferred maintenance, year-round school programs, and schoolsite acquisition.

6110-001-0687—For support of Department of Education, for the California State Agency for Donated Food Distribution, Program 30.50—Donated Food Distribution, payable from the Donated Food Revolving Fund	9,111,000
6110-001-0890—For support of Department of Education, for payment to Item 6110-001-0001, payable from the Federal Trust Fund	90,890,000

Provisions:

1. The funds appropriated by this item include Federal Vocational Education Act funds for the 1998–99 fiscal year to be transferred to community colleges by means of interagency agreements. These funds shall be used by community colleges for the administration of vocational education programs.
2. Of the funds appropriated by this item, $82,000 is available to the Advisory Commission on Special Education for the in-state travel expenses of the Commissioners and the Secretary to the Commission.
3. Of the funds appropriated by this item, $382,000 is available for programs for homeless youth and adults pursuant to the federal Stewart B. McKinney Act. The department shall participate on the Health and Welfare Agency Homeless Task Force and shall consult with the state Departments of Economic Opportunity, Mental Health, Housing and Community Development, and Economic Development in operating this program.
4. Of the funds appropriated by this item, up to $364,000 shall be used to provide in-service training for special and regular educators and related persons, including, but not limited to, parents, administrators, and organizations serving severely

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disabled children. These funds are also to provide up to four positions for this purpose.

5. Of the funds appropriated by this item, $318,000 shall be used to provide training in culturally non-biased assessment and specialized language skills to special education teachers through Second Language Immersion Institutes.
6. Of the amount appropriated by this item, $177,000 shall be used for the administration of the federal public charter schools grant program.
7. Of the funds appropriated in this item, $3,050,000 shall be for the administration of programs funded with federal Goals 2000 Educate America Act funds. Funds shall be allocated for the following purposes:
   (a) $1,220,000 for general administration of the federal Goals 2000: Educate America Act funds and administration of local assistance grants and other programs using those federal funds. Of this amount $120,000 shall be for the state operations costs necessary to manage the contract identified in Provision 7(b) for the evaluation of the Class Size Reduction Program established pursuant to Chapter 6.10 (commencing with Sec. 52120) of Part 28 of the Education Code.
   (b) $500,000 for a contract for an independent evaluation of the Class Size Reduction Program as required by Section 52128 of the Education Code. Funds shall not be released for this purpose until the State Department of Education has certified to the Department of Finance that matching funds have been secured from third party sources for the class size reduction evaluation activities.
   (c) $500,000 shall be for an evaluation of the impact of the California Reading Initiative on the reading achievement of pupils in the public schools. The California Reading Initiative consists of all appropriations in the Budget Act or in any other measure, and all legislation, chaptered in 1996 or 1997 addressing pre-service and in-service training, instructional materials, credential requirements, or any other activities related to reading instruction. The State Department of Education shall develop a plan for the evaluation and shall

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submit that plan to the State Board of Education for amendments and approval prior to initiating the evaluation.

(d) $500,000 is to support the California State University Center for Teaching Careers, established pursuant to Article 4 (commencing with Section 90530) of Chapter 11 of Part 55 of the Education Code.

(e) $330,000 shall be available for development of standards for an English language development (ELD) test.

8. Of the funds appropriated in this item, $7,895,000 is from the Child Care and Development Block Grant Fund and includes $226,000 for the costs of fingerprint services for the Trustline Registry to the Department of Justice and $158,000 for an Interagency Agreement with the Child Development Programs Advisory Committee.

9. Of the funds appropriated by this item, $1,030,000 shall be used for administration of the Technology Literacy Challenge Grant Program. Of this amount, $580,000 is available only for contracted technical support and evaluation services associated with implementation of the Technology Literacy Challenge Grant Program.

10. Of the funds appropriated by this item, $2,000,000 is for dispute resolution services, including mediation and fair hearing services, provided through contract for the Special Education Program.

11. Upon certification by the Superintendent of Public Instruction, and approval by the Department of Finance, the Controller shall augment Program 30 of Item 6110-001-0890, of this act, by the June 30, 1998, unencumbered balance of the $2,000,000 provided in Provision 8 of Item 6110-001-0890 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997), for the development of a feasibility study report for a child care data collection and analysis system and for interim data collection and reporting.

12. Upon certification by the Superintendent of Public Instruction, and approval by the Department of Finance, the Controller shall augment Program 30 of Item 6110-001-0890 of this act, by the June 30, 1998, unencumbered balance of the $500,000 provided for the development of the

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Provider Accounting and Reporting Information System (PARIS) from Program 30 of Item 6110-001-0890 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997).	
13. Of the funds appropriated by this item, an amount not to exceed $200,000 shall be available on a one-time basis from any supplemental grants of federal funds received by the state pursuant to Part B of the federal Individuals with Disabilities Education Act or from any carryover funds from prior fiscal years from the same source to study and issue a report to the appropriate fiscal and policy committees of the Legislature, the Office of Child Development and Education, the Department of Finance, and the Legislative Analyst's Office regarding current practices and procedures for educational advocacy for children residing in licensed children's institutions. This study and report shall examine whether current practices and procedures comply with federal requirements for individuals with exceptional needs, and shall make recommendations for ensuring compliance, if necessary, and for improving the current practices and procedures relating to educational advocacy for children placed in licensed children's institutions. If any portion of the amount is not expended for the completion of the study and report, the State Department of Education, subject to the approval of the Department of Finance, may direct the unexpended amount to implementation of the recommended improvements. The notification requirements of Section 28.00 of this act shall apply to any direction of funds to implementation of improvements.	
14. Of the funds appropriated by this item, $450,000, 4 staff positions, and 1.0 clerical position shall be available for increased monitoring, complaint investigation, and training of local educational agency personnel in monitoring educational programs and services in nonpublic schools. This increased monitoring and complaint investigation shall be coordinated with other department monitoring and complaint investigation functions and shall ensure that pupils in nonpublic schools and individuals with exceptional needs residing in licensed children's insti-	

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tutions receive educational services that comply with the requirements of state and federal law. The State Department of Education shall also develop training materials and provide training to local educational agency staff regarding monitoring requirements for nonpublic schools and shall increase interaction with local educational agency staff before, during, and after certification reviews and complaint investigations. Data shall be gathered from these increased monitoring and complaint investigation activities and shall be available for the studies on pupils residing in licensed children's institutions described in Item 6110-001-0001.

15. Of the funds appropriated in this item, $100,000 is available on a one-time basis for the purpose of developing the new fiscal procedures required by Chapter 854 of the Statutes of 1997 and Chapter 89 of the Statutes of 1998.

6110-001-0975—For support of Department of Education, Program 20.40.040—Library and Learning Resources, payable from the California Public School Library Protection Fund 15,000

Provisions:

1. Subject to the conditions of Article 6 (commencing with Section 18175) of Chapter 2 of Part 6 of the Education Code, and based on increases in the funds deposited in the California Public School Library Protection Fund, the appropriation made by this item may be increased subject to the approval of the Department of Finance.

6110-003-0001—For support of Department of Education, Program 20.30.020-Instructional Support, Standardized Account Code Structure 927,000

Provisions:

1. The funds appropriated by this item shall be used only for the direct costs to administer the Standardized Account Code Structure program, as established by Chapter 237 of the Statutes of 1993, to assist any school district or county office of education in financial distress or bankruptcy, to make available standard fiscal, demographic, and performance data to policy decision makers, and for indirect costs for those programs at the rate approved by the United States Department of Education.

Item	Amount
6110-004-0001—For support of Department of Education, Program 20.60.020-Instructional Support, School Crime Report	1,222,000

Provisions:

1. Of the funds appropriated by this item, $371,000 shall be available to the State Department of Education for training and monitoring activities associated with the school crime reporting program pursuant to Chapter 1.2 (commencing with Section 628) of Title 15 of Part 1 of the Penal Code. The funds described in this provision shall be used only for the direct costs to administer that school crime reporting program, and for indirect costs of the program at the rate approved by the United States Department of Education. The amount specified in this provision includes $50,000 that shall be available for costs associated with the production of the school crime report.
2. Of the funds appropriated by this item, $851,000 shall be allocated by the State Department of Education to the Butte County Office of Education pursuant to a contract entered into between the department and the Butte County Office of Education for the performance of other activities associated with the school crime reporting program identified in Provision 1.

6110-005-0001—For support of Department of Education, as allocated by the Department of Education to the State Special Schools, Program 10.60.040	22,639,000

Schedule:

(a) 10.60.040-Instruction		23,226,000
(1) 10.60.040.001-School for the Blind, Fremont	3,351,000	
(2) 10.60.040.002-School for the Deaf, Fremont	10,525,000	
(3) 10.60.040.003-School for the Deaf, Riverside	9,350,000	
(b) Reimbursements		–587,000

Provisions:

1. Of the amount appropriated by this item, $362,000 shall be available for the assessment centers at the State Special Schools.

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2. Of the amount appropriated by this item, $358,000 shall be used for the provision of a four-week extended session in the State Special Schools for the Deaf in Fremont and Riverside and the State Special School for the Blind in Fremont.
3. Of the amount appropriated by this item, up to $13,000 is provided for payment of energy service contracts in connection with the issuance of Energy Conservation Efficiency Revenue Bonds.

6110-006-0001—For support of Department of Education (Proposition 98), as allocated by the Department of Education to the State Special Schools..... 27,075,000

Schedule:

(a) 10.60.040-Instruction, State Special Schools..... 31,477,000
  (1) 10.60.040.001-School for the Blind, Fremont..... 3,913,000
  (2) 10.60.040.002-School for the Deaf, Fremont.....10,551,000
  (3) 10.60.040.003-School for the Deaf, Riverside..... 9,447,000
  (7) 10.60.040.007-Diagnostic Centers ... 7,566,000
(b) Reimbursements..... –4,251,000
(c) Amount payable from the California State Lottery Education Fund (Item 6110-006-0814)..... –151,000

Provisions:

1. On or before January 15 of each year, the superintendent of each State Special School shall report to each school district the number of pupils from that district who are attending a State Special School and the estimated payment due on behalf of the district for those pupils pursuant to Section 59300 of the Education Code. The Controller shall withhold from the State School Fund in the first principal apportionment of that fiscal year the amount due from each school district, as reported to the Controller by the Superintendent of Public Instruction. The amount withheld shall be transferred from the State School Fund to this item. The Superintendent of Public Instruction is authorized to adjust the estimated payments required

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after the close of the fiscal year by reporting to the Controller the information needed to make the adjustment.

2. Of the funds appropriated by this item, $552,000 shall be used for the provision of a four-week extended session in the State Special Schools for the Deaf in Fremont and Riverside and the State Special School for the Blind in Fremont.

6110-006-0814—For support of Department of Education, for payment to Item 6110-006-0001, payable from the California State Lottery Education Fund... 151,000

Provisions:

1. All funds received pursuant to Proposition 37 that are allocable to the State Special Schools pursuant to Section 8880.5 of the Government Code, and that are in excess of the amount appropriated in this item, are hereby appropriated in augmentation of this item.

6110-007-0001—For support of Department of Education, Program 20.20.010-Instructional Materials Management and Distribution—Curriculum Frameworks and Instructional Materials.....

Provisions:

1. Funds appropriated by this item shall be used only for direct costs to conduct biennial state adoptions of basic instructional materials pursuant to Section 60200 of the Education Code and for indirect costs for that purpose at the rate approved by the United States Department of Education.

6110-008-0001—For support of Department of Education, as allocated by the Department of Education to the State Special Schools for student transportation allowances, Program 10.60.040..... 1,064,000

Provisions:

1. Funds appropriated by this item are in lieu of funds that otherwise would be transferred from the General Fund to Section A of the State School Fund in accordance with Sections 14007 and 41301.5 of the Education Code.

6110-009-0001—For support of the Department of Education, Program 20.10-Curriculum Services..... 82,000

Provisions:

1. Funds appropriated by this item shall be used only for direct costs to employ a reading specialist (consultant level) to improve reading in the elementary grade levels and for indirect costs for

Item	Amount
that purpose at the rate approved by the United States Department of Education.	
6110-011-0001—For support of Department of Education, Program 10.10-School Apportionments, Principal Apportionments System	1,440,000
Provisions:	
1. No funds appropriated by this item may be expended to redesign and rewrite the principal apportionment system unless the Department of Finance and the Department of Information Technology have approved the Request For Proposal (RFP) prepared by the State Department of Education before the RFP is submitted to prospective contractors for this project.	
6110-013-0001—For support of Department of Education, Program 10.10-Audit Resources	475,000
Provisions:	
1. Notwithstanding any other provision of law, no funds shall be expended from this item without prior approval from the Department of Finance.	
6110-015-0001—For support of Department of Education, Program 20.20.020—Instructional Materials Management and Distribution	370,000
Provisions:	
1. Funds appropriated by this item are for transfer by the Controller, to the State Instructional Materials Fund, for allocation during the 1998–99 fiscal year pursuant to Article 3 (commencing with Section 60240) of Chapter 2 of Part 33 of the Education Code. These funds shall be transferred to the State Instructional Materials Fund by the Controller in amounts claimed by the Department of Education.	
2. Funds appropriated by this item for the Instructional Materials Management and Distribution Program shall be transferred for direct disbursement by the Department of Education from the State Instructional Materials Fund.	
6110-021-0001—For support, Department of Education, Program 30.20—Child Nutrition—Nutrition Education Projects	601,000
6110-101-0231—For local assistance, Department of Education, Program 20.10.045-Instructional Support, for county offices of education, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund	3,800,000

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6110-101-0349—For local assistance, Department of Education, Program 20-Instructional Support, for allocation to the Fiscal Crisis and Management Assistance Team for the purpose of administering the California School Information Services program.....	3,000,000

Provisions:

1. Of the amount appropriated by this item, an amount equal to 8 percent or $500,000, whichever is greater, shall be available for purposes of implementing the Student-Friendly Services Through Technology project.
2. In addition to the $3,000,000 appropriated by this item, moneys deposited in the Educational Telecommunications Fund during the 1998–99 fiscal year pursuant to Provision 3 that are in excess of that amount are also hereby appropriated for the purposes specified in this item. However, the additional funds appropriated by this provision from the excess amounts appropriated in Provision 3 may not exceed $7,000,000.
3. Notwithstanding Section 10554 of the Education Code, for the 1998–99 fiscal year, the Controller shall transfer the following amounts from the General Fund into the Educational Telecommunications Fund for allocation pursuant to this item:
   (a) The lesser of $10,000,000 or the actual amount certified by the Superintendent of Public Instruction as reductions made to apportionments in the 1998–99 fiscal year for repayments of prior year excess apportionments identified pursuant to:
      (1) Audit settlements for the Hacienda La Puente Unified School District.
      (2) Repayments made pursuant to Chapter 789 of the Statutes of 1997.
      (3) Other audit settlements for excess apportionments identified as a result of audits, investigations, or inquiries.

   This amount shall be reflected as an appropriation from the General Fund applying towards satisfaction of the Proposition 98 guarantee in the 1998–99 fiscal year and not in any other fiscal year.

6110-101-0814—For local assistance, Department of Education, Program 10.10, for allocation by the State Controller in accordance with Government Code Section 8880.5, as enacted by the voters in

Item	Amount
Proposition 37 at the November 1984 general election, payable from the California State Lottery Education Fund	754,986,000
Provisions:	
1. All funds received pursuant to Proposition 37 that are allocable to local education agencies that serve pupils in kindergarten or any of grades 1 to 12, inclusive, pursuant to Section 8880.5 of the Government Code, and that are in excess of the amount appropriated in this item, are hereby appropriated in augmentation of this item.	
6110-101-0890—For local assistance, Department of Education, Title VI of the Elementary and Secondary Education Act, payable from the Federal Trust Fund	35,461,000
Schedule:	
(a) 10-Instruction 35,182,000	
(b) 20-Instructional support 279,000	
6110-101-0975—For local assistance, Department of Education, Program 20.40.040—Library and Learning Resources, payable from the California Public School Library Protection Fund	661,000
Provisions:	
1. Subject to the conditions of Article 6 (commencing with Section 18175) of Chapter 2 of Part 11 of the Education Code, and based on increases in the funds deposited in the California Public School Library Protection Fund, the appropriation made by this item may be increased subject to the approval of the Department of Finance.	
6110-102-0231—For local assistance, Department of Education, Program 20.10.045-Instructional Support, for local assistance, payable from the Health Education Account, Cigarette and Tobacco Products Surtax Fund	28,553,000
6110-102-0890—For local assistance, Department of Education, Program 20.60.038-Learn and Serve America Program, payable from the Federal Trust Fund	2,131,000
6110-103-0001—For local assistance, Department of Education (Proposition 98), Program 10.10.001.005—School Apportionments for transfer to Section A of the State School Fund, for the purposes of Section 8152 of the Education Code	8,256,000
Provisions:	
1. Notwithstanding Section 8154 of the Education Code, or any other provision of law, the funds ap-	

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propriated by this item shall be the only funds available for and allocated by the Superintendent of Public Instruction for the apprentice programs operated by school districts and county offices of education.	
2. Notwithstanding Section 8152 of the Education Code, each 60-minute hour of teaching time devoted to each indentured apprentice enrolled in and attending classes of related and supplemental instruction as provided under Section 3074 of the Labor Code shall be reimbursed at the rate of $4.22 per hour. For purposes of this provision, each hour of teaching time may include up to 10 minutes for passing time and breaks.	
3. No school district or county office of education shall use funds allocated pursuant to this item to offer any new or expanded apprentice program unless the program has been approved by the Superintendent of Public Instruction.	
4. The Superintendent of Public Instruction shall report to the Department of Finance and the Legislature not later than October 1, 1998, on the amount of funds expended for and the hours of related and supplemental instruction offered in the apprentice program during the 1997–98 fiscal year, with information to be provided by the school district, county office of education, program sponsor, and trade. Expenditure information shall distinguish between direct and indirect costs, including administrative costs funded for the State Department of Education, school districts, and county offices of education. In addition, the report shall identify the hours of related and supplemental instruction proposed for the 1998–99 and 1999–2000 fiscal years by the school district, county office of education, program sponsor, and trade. As a condition of receiving funds for the apprenticeship program, school districts and county offices of education shall report to the Superintendent of Public Instruction the information necessary for the completion of this report.	
5. Notwithstanding Article 8 (commencing with Section 8150) of Chapter 1 of Part 6 of the Education Code, or any other provision of law, the total number of hours eligible for state reimbursement in apprentice programs operated by school	

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districts and county offices of education shall be limited to an amount equal to the amount of the total appropriation made by this item divided by the hourly rate specified in Provision 2. The Superintendent of Public Instruction shall have the authority to determine which apprentice programs, and which hours offered in those programs, are eligible for reimbursement.		
6110-103-0890—For local assistance, Department of Education, Program 41.20.030.003—Robert C. Byrd Honors Scholarship Program, payable from the Federal Trust Fund		4,643,000
6110-104-0001—For local assistance, Department of Education (Proposition 98), Program 10.10.011—School Apportionments, for transfer to Section A of the State School Fund, for summer school programs pursuant to Section 42239 of the Education Code		176,793,000
Schedule:		
(a) Program 10.10.011.003-School apportionments, for remedial summer school programs, for the purposes of Section 42239 of the Education Code	65,315,000	
(b) Program 10.10.011.004-School apportionments, for core academic summer school programs, for the purposes of Section 42239 of the Education Code	111,478,000	
Provisions:		
1. Notwithstanding paragraph (1) of subdivision (e) of Section 42239 of the Education Code, or any other provision of law, for the 1998–99 fiscal year a school district's maximum entitlement for pupil attendance in summer school programs offered pursuant to paragraph (2) of subdivision (d) of Section 42239 of the Education Code shall be an amount equal to 7 percent of the district's enrollment for the prior fiscal year, times 120 hours, times the hourly rate for the 1998–99 fiscal year.		
2. Notwithstanding subdivision (e) of Section 42239 of the Education Code, for the 1998–99 fiscal year the Superintendent of Public Instruction shall allocate a minimum of $6,644 for supplemental summer school programs in each school district for which the prior fiscal year enrollment was less than 500 and that, in the 1998–99 fiscal year, offers at least 1,500 hours of supplemental summer		

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school instruction. A small school district, as described above, that offers less than 1,500 hours of supplemental summer school offerings shall receive a proportionate reduction in its allocation. For the purpose of this provision, supplemental summer school programs shall be defined as programs authorized under paragraph (2) of subdivision (d) of Section 42239 of the Education Code.

3. (a) Notwithstanding paragraph (1) of subdivision (e) of Section 42239 of the Education Code, or any other provision of law, the Superintendent of Public Instruction shall reallocate to any school district any unexpended balance of the appropriations made for the 1998–99 fiscal year for reimbursement for actual pupil attendance in summer school programs authorized under paragraph (2) of subdivision (d) of Section 42239 of the Education Code. In no event shall any district receive reimbursement for pupil attendance in summer school programs in excess of 10 percent of the district's enrollment for the prior fiscal year, multiplied by 120 hours, multiplied by the hourly rate for the 1998–99 fiscal year.

(b) After any reallocation is made pursuant to subdivision (a) of this provision, the Superintendent of Public Instruction shall reallocate any unexpended balance of the appropriation specified in Schedule (b) of this item in the following priority:

(1) For the purposes of funding any deficiencies, for the 1998–99 fiscal year, in remedial summer school programs authorized pursuant to paragraph (1) of subdivision (d) of Section 42239 of the Education Code.

(2) For the purposes of funding general vocational work experience education for the 1998–99 fiscal year authorized pursuant to paragraph (3) of subdivision (d) of Section 42239 of the Education Code.

6110-105-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund for the purposes of Article 1 (commencing with Section 52300) of Chapter 9 of Part 28 of the Education Code 302,769,000

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Schedule:

(a) 10.10.004-Instruction Program
10.10.004-School Apportionments, Regional Occupational Centers and Programs 303,930,000

(b) Reimbursements ..... −1,161,000

Provisions:

1. Notwithstanding any other provision of law, the funds appropriated by this item are for transfer by the Controller to Section A of the State School Fund, in lieu of the amount that otherwise would be appropriated for transfer from the General Fund in the State Treasury to Section A of the State School Fund for the 1998–99 fiscal year pursuant to Sections 14002 and 14004 of the Education Code, in an amount as needed for apportionment pursuant to Article 1 (commencing with Section 52300) of Chapter 9 of Part 28 of the Education Code.
2. Funds appropriated by this item shall be apportioned by the Superintendent of Public Instruction pursuant to Article 1.5 (commencing with Section 52335) of Chapter 9 of Part 28 of the Education Code.
3. Because Chapter 482 of the Statutes of 1984 was chaptered after Chapter 268 of the Statutes of 1984, the Legislature's intent regarding the eligibility of regional occupational centers and programs for incentive funding for a longer instructional year under Section 46200 of the Education Code was not carried out. It is the intent of the Legislature that regional occupational centers and programs not be eligible for that incentive funding.

   Notwithstanding any other provision of law, the funds appropriated by this item may not be expended for the purposes of providing or continuing incentive funding for a longer instructional year pursuant to Section 46200 of the Education Code.
4. Notwithstanding any other provision of law, funds appropriated by this item for average daily attendance (ADA) generated by participants in welfare-to-work activities under the CalWORKs program established in Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code may

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be apportioned on an advance basis to local education agencies based on anticipated units of ADA if a prior application for this additional ADA funding has been approved by the Superintendent of Public Instruction.

5. Of the amount appropriated by this item, $1,161,000 is to fund remedial education services for participants in welfare-to-work activities under the CalWORKs program.
6. Of the amount appropriated for growth in Schedule (a) of this item, $22,300 is for the San Juan School District Regional Occupational Center/Program.

6110-106-0001—For local assistance, Department of Education (Proposition 98), Program 10.10.011.004—School Apportionments, for transfer to Section A of the State School Fund, for core academic afterschool and summer school programs 125,000,000

Provisions:

1. Of the funds appropriated by this item, $75,000,000 is available to fund summer school instruction pursuant to legislation enacted during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.
2. Of the funds appropriated by this item, $50,000,000 is available to fund afterschool programs pursuant to legislation enacted during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.

6110-107-0001—For local assistance, Department of Education (Proposition 98), Program 10.10—County Offices of Education Fiscal Oversight 3,630,000

Schedule:

(a) 10.10.002-COE Oversight..... 1,500,000
(b) 10.10.005-FCMAT 1,480,000
(c) 10.10.015-Interim Reporting 150,000
(d) 10.10.016-Staff Development..... 500,000

Provisions:

1. The funds appropriated in Schedule (a) of this item are for the purposes provided in paragraph (1) of subdivision (a) of Section 29 of Chapter 1213 of the Statutes of 1991.
2. Of the funds appropriated in Schedule (b) of this item, $1,100,000 shall be allocated by the Controller directly to a county office of education, selected pursuant to subdivision (a) of Section 42127.8 of the Education Code to oversee Fiscal

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Crisis and Management Assistance Team (FCMAT) responsibilities with respect to these funds, to meet the costs of participation under Section 42127.8 of the Education Code.

The remaining $380,000 appropriated in Schedule (b) shall be allocated to FCMAT for the purpose of providing, through computer technology, financial and demographic information that is interactive and immediately accessible to all local education agencies to assist them in their decisionmaking process. To ensure a completely integrated system, this computer information should be developed in collaboration with the State Department of Education, and should be compatible with the hardware and software of the State Department of Education, so that this information may also assist state level policymakers in making comparable standardized financial information available to the local education agencies and the public.

3. The funds appropriated in Schedule (c) of this item are for the increased responsibility of county offices of education for oversight of school districts with audit exceptions, districts with qualified or negative interim reports, districts that may be unable to meet financial obligations for the current or subsequent two years, or districts with disapproved budgets, as provided under Chapter 924, Statutes of 1993. Allocation of such funds shall be administered by the Fiscal Crisis and Management Assistance Team (FCMAT) on a reimbursement basis and all reimbursements shall be subject to the approval of both the Department of Finance and the Department of Education.
4. The amount appropriated in Schedule (c) shall be available for expenditure for the 1998–99 and 1999–2000 fiscal years. Any unexpended balance as of September 1, 1999 shall be available through July 30, 2000 for staff development purposes, pursuant to Provision 5 of this item.
5. The funds appropriated in Schedule (d) of this item are for the purpose of providing staff development to local education agency school finance and business personnel, as provided in Section 42127.8 of the Education Code. The funds appropriated in Schedule (d) shall be allocated by the Controller directly to a county office of education

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selected pursuant to subdivision (a) of Section 42127.8 to oversee FCMATs responsibilities with respect to these funds.	
6. The funds appropriated by this item shall be allocated in accordance with the above schedule unless a revision to the allocations contained herein has been approved by the Department of Finance. The Department of Finance may not authorize any such revision sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.	
6110-109-0001—For local assistance, Department of Education (Proposition 98), Program 20.60—Gang Risk Intervention Program pursuant to Chapter 5.5 (commencing with Section 58730) of Part 31 of Division 4 of Title 2 of the Education Code.....	3,000,000
6110-111-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, Program 10.10.006-School Apportionment-Transportation.....	2,000,000
Provisions:	
1. The funds appropriated by this item are for equalization of home-to-school transportation funding, pursuant to Section 44 of Chapter 928, Statutes of 1997.	
6110-111-0890—For local assistance, Department of Education, Elementary and Secondary Education Act, Title I—Program 20.10.056 Character Education Program, payable from the Federal Trust Fund .	175,000
6110-112-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, Program 20.60—Staff Development Day Buyout.....	195,000,000
Provisions:	
1. The funds appropriated by this item are available to buy back staff development days, pursuant to legislation enacted during the 1997–98 Regular Session that becomes operative after January 1, 1998, and on or before January 1, 1999.	
6110-112-0890—For local assistance, Department of Education, Program 20.60.036—Public Charter Schools, payable from the Federal Trust Fund.....	3,365,000

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Provisions:	
1. Of the funds appropriated by this item, $200,000 is for transfer by the Controller to the Charter School Revolving Loan Fund.	
6110-113-0001—For local assistance, Department of Education (Proposition 98), for purposes of a pupil testing program	55,969,000
Schedule:	
(a) 20.70.030.001-Golden State Examination 10,882,000	
(b) 20.70.030.002-Statewide Assessment 1,002,000	
(c) 20.70.030.004-Career Technical Assessment 800,000	
(d) 20.70.030.005-Assessment Review and Reporting 3,585,000	
(e) 20.70.030.006-STAR Program 39,700,000	
Provisions:	
1. The funds appropriated in this item shall be for the pupil testing program authorized by Chapter 5 (commencing with Section 60600) and Chapter 6 (commencing with Section 60800) of Part 33 of the Education Code, and Sections 4 and 5 of Chapter 975 of the Statutes of 1995, as amended by Chapters 69 and 920 of the Statutes of 1996, and for the pupil testing program (STAR Program) authorized under Article 4 (commencing with Section 60640) of Chapter 5 of Part 33 of the Education Code, as amended by Chapter 828 of the Statutes of 1997.	
3. Notwithstanding any other provision of law, any funds appropriated by this item, but not expended for development of a statewide assessment test in the 1998–99 fiscal year, are available for expenditure in the 1999–2000 fiscal year for that purpose.	
4. Funds appropriated in Schedule (e) of this item for the STAR Program shall be available for STAR Program costs for the 1998–99 fiscal year. In addition, funds are available in augmentation of Item 6110-113-0001 of Section 2.00 of the Budget Act of 1997, as appropriated pursuant to Section 9 of Chapter 886 of the Statutes of 1997, provided that the State Department of Education certifies in writing to the Department of Finance that additional funds are necessary to cover STAR Program costs for the 1997–98 fiscal year and the	

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Department of Finance determines that additional funds are warranted.		
5. Primary language tests administered pursuant to subdivisions (f) and (g) of Section 60640 of the Education Code shall be subject to the reporting requirements specified in subdivisions (b), (c), (d), and (e) of Section 60641 of the Education Code.		
6110-114-0001—For local assistance, Department of Education, (Proposition 98), for transfer to the Controller, for reimbursement of claims received pursuant to Sections 42243.6 and 42247 of the Education Code, (court-ordered desegregation) Program 10.10.018-School Apportionments		37,096,000
Schedule:		
(a) 10.10.018.005-Instruction: School Apportionments (Court Ordered Desegregation)—Bakersfield Unified School District	410,000	
(b) 10.10.018.010-Instruction: School apportionments (Court Ordered Desegregation)—Los Angeles Unified School District	21,204,000	
(c) 10.10.018.070-Instruction: School Apportionments (Court Ordered Desegregation)—Menlo Park City Elementary School District	11,000	
(d) 10.10.018.040-Instruction: School Apportionments (Court Ordered Desegregation)—Palo Alto Unified School District	209,000	
(e) 10.10.018.075-Instruction: School Apportionments (Court Ordered Desegregation)—Ravenswood City Elementary School District	10,000	
(f) 10.10.018.050-Instruction: School Apportionments (Court Ordered Desegregation)—Redwood City Elementary School District	13,000	
(g) 10.10.019.020-Instruction: School Apportionments-voluntary desegregation-San Bernardino City Unified School District	997,000	
(h) 10.10.019.022-Instruction: School Apportionments-voluntary desegregation-San Diego City Unified School District	1,861,000	

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(i) 10.10.019.024-Instruction: School Apportionments-voluntary desegregation—San Francisco Unified School District	10,573,000
(j) 10.10.018.030-Instruction: School Apportionments (Court Ordered Desegregation)—San Jose Unified School District	63,000
(k) 10.10.018.055-Instruction: School Apportionments (Court Ordered Desegregation)—San Mateo County Superintendent	12,000
(l) 10.10.018.060-Instruction: School Apportionments (Court Ordered Desegregation)—Santa Clara County Office of Education	4,000
(m) 10.10.018.065-Instruction: School Apportionments (Court Ordered Desegregation)—Sequoia Unified High School District	125,000
(n) 10.10.018.035-Instruction: School Apportionments (Court Ordered Desegregation)—Stockton Unified School District	1,604,000

Provisions:

1. Funds appropriated by this item are for reimbursement of amounts necessary to pay costs of integration programs in districts initially mandated by the courts, as defined in Section 2205 of the Revenue and Tax Code pursuant to any final court order issued after January 1, 1978.
2. The Controller shall allocate funds appropriated by this item in accordance with provisions of Sections 42243.6 and 42247 of the Education Code. Pursuant to the provisions of Section 42243.8 of the Education Code, the Controller shall reimburse claims received pursuant to Sections 42243.6 and 42247 of the Education Code only from funds appropriated specifically for that purpose by the Legislature.
3. School districts may contract with the Controller for the performance of those audits. All past year actual claims submitted to the Controller for payment shall be accompanied by any reports issued by the auditing entity, unless the auditing entity was the Controller.

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4. The Controller shall reimburse only those past year actual claims that conform with the requirements of Provision 2 of this item.
5. The Controller shall allocate funds appropriated by this item in accordance with the schedule contained herein, unless revision of that schedule has been approved by the Department of Finance. The Controller shall allocate these funds only for 1998–99 fiscal year expenditures claimed by local education agencies.
6. The Department of Finance may not authorize any revisions to the schedule contained herein sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may, in each instance, determine.
7. Funds appropriated in this item may not be used to reimburse local education agency claims for facilities lease costs, school construction, reconstruction, replacement of facilities, purchase of existing facilities, purchase of land, or the performance of deferred maintenance activities on facilities.
8. As a condition of receiving funding under this item, by March 1, 1999, each school district that received reimbursement for the costs of a desegregation program shall submit to the State Department of Education program outcome data over the preceding three years, or since the inception of its program, whichever period of time is less. The data shall include the ethnic distribution of pupils at schools supported with desegregation funds, and indicators of pupil success at those schools, such as test scores, graduation rates, or dropout rates. School districts may submit evaluation reports that already exist or are otherwise required by a court to comply with this requirement, provided that the reports contain the information specified above. School districts also shall indicate whether their desegregation programs were initiated voluntarily, or as a result of a consent decree.

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6110-115-0001—For local assistance, Department of Education, for transfer to the Controller (Proposition 98), Voluntary Desegregation, for reimbursement of claims received pursuant to Sections 42247 and 42249 of the Education Code		19,314,000
Schedule:		
(1) 10.10.019.088-Grant High School District	12,390,000	
(2) 10.10.019.089-Sausalito Elementary School District	789,000	
(3) 10.10.019.090-Lynwood Unified School District	4,392,000	
(4) 10.10.019.091-Sacramento City Unified School District	1,743,000	

Provisions:

1. Funds appropriated by this item are for reimbursement of amounts necessary to pay the costs of desegregation programs, as defined in Section 42249 of the Education Code, initiated voluntarily by local education agencies and for the costs of audits as required by Provision 2 of this item.
2. Before submittal to the Controller for payment, school districts shall subject their past year actual claims to audit, in accordance with standards utilized by the Controller in prior years for the audit of past year actual desegregation claims, to ensure that the claims comply with the requirements of Sections 42247, 42247.1, 42248, 42249, and 44249.2 of the Education Code. School districts may contract with the Controller for the performance of those audits. All past year actual claims submitted to the Controller for payment shall be accompanied by any reports issued by the auditing entity, unless the auditing entity was the Controller.
3. The Controller shall reimburse only those past year actual claims that conform with the requirements of Provision 2 of this item.
4. The Controller shall allocate funds appropriated by this item in accordance with Section 42247 of the Education Code. The Controller shall reimburse these claims only from funds appropriated specifically for that purpose by the Legislature.
5. The Controller shall allocate funds appropriated by this item in accordance with the schedule contained herein, unless a revision of that schedule has been approved by the Department of Finance.

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The Controller shall allocate these funds only for the 1997–98 fiscal year and 1998–99 fiscal year expenditures claimed by local education agencies pursuant to Sections 42247 and 42249 of the Education Code.	
6. The Department of Finance may not authorize any revisions to the schedule contained herein sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.	
7. Funds appropriated by this item may not be used to reimburse local education agency claims for facilities lease costs, school construction, reconstruction, replacement of facilities, purchase of existing facilities, purchase of land, or the performance of deferred maintenance activities on facilities.	
8. Effective July 1, 1991, and notwithstanding any other provision of law to the contrary, no school district shall be required to comply with Sections 90 to 101, inclusive, of Title 5 of the California Code of Regulations. Any costs incurred after that date in compliance with those regulations shall be deemed to be incurred voluntarily and shall not be reimbursable as a state-mandated local program. Nothing in this provision shall be interpreted to deny reimbursement of claims for court-ordered or voluntary desegregation pursuant to Sections 42243.6, 42247, and 42249 of the Education Code.	
9. As a condition of receiving funding under this item, by March 1, 1999, each school district that receives reimbursement for the costs of a desegregation program shall submit to the State Department of Education program outcome data over the preceding three years, or since the inception of its program, whichever period of time is less. The data shall include the ethnic distribution of pupils at schools supported with desegregation funds, and indicators of pupil success at those schools, such as test scores, graduation rates, or dropout rates. Districts may submit evaluation reports that already exist or are otherwise required by a court	

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to comply with this requirement, provided that the reports contain the information specified above. Districts also shall indicate whether their desegregation programs were initiated voluntarily or as a result of a consent decree.

6110-116-0001—For local assistance, Department of Education, (Proposition 98), for transfer to the Controller, for reimbursement of claims received pursuant to Sections 42243.6 and 42247 of the Education Code, (court-ordered desegregation) Program 10.10.018-School Apportionments 14,000

Provisions:

1. Funds appropriated in this item are for reimbursement of amounts necessary to pay costs of integration programs in districts initially mandated by the courts, as defined in Section 2205 of the Revenue and Tax Code pursuant to any final court order issued after January 1, 1978.
2. The Controller shall allocate funds appropriated in this item in accordance with provisions of Sections 42243.6 and 42247 of the Education Code. Pursuant to the provisions of Section 42243.8 of the Education Code, the Controller shall reimburse claims received pursuant to Section 42243.6 and 42247 of the Education Code only from funds appropriated specifically for that purpose by the Legislature.
3. School districts may contract with the Controller for the performance of those audits. All past year actual claims submitted to the Controller for payment shall be accompanied by any reports issued by the auditing entity, unless the auditing entity was the Controller.
4. The Controller shall reimburse only those past year actual claims that conform with the requirements of Provision 2 of this item.
5. The Controller shall allocate funds appropriated by this item in accordance with the schedule contained herein, unless a revision of that schedule has been approved by the Department of Finance. The Controller shall allocate these funds only for 1998–99 fiscal year expenditures claimed by local education agencies.
6. The Department of Finance may not authorize any revisions to the schedule contained herein sooner than 30 days after notification in writing of the necessity therefore to the chairperson of the com-

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mittee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may, in each instance, determine.	
7. Funds appropriated in this item may not be used to reimburse local education agency claims for facilities lease costs, school construction, reconstruction, replacement of facilities, purchase of existing facilities, purchase of land, or the performance of deferred maintenance activities on facilities.	
8. As a condition of receiving funding under this item, by March 1, 1999, each school district that receives reimbursement for the costs of a desegregation program shall submit to the State Department of Education program outcome data over the preceding three years, or since the inception of its program, whichever period of time is less. The data shall include the ethnic distribution of pupils at schools supported with desegregation funds, and indicators of pupil success at those schools, such as test scores, graduation rates, or dropout rates. School districts may submit evaluation reports that already exist or are otherwise required by a court to comply with this requirement, provided that the reports contain the information specified above. School districts also shall indicate whether their desegregation programs were initiated voluntarily, or as a result of a consent decree.	
6110-117-0001—For local assistance, State Department of Education, Program 10.70—Vocational Education, in lieu of the amount that otherwise would be appropriated pursuant to subdivision (b) of Section 19632 of the Business and Professions Code.....	562,000
Provisions:	
1. Of the funds appropriated by this item, $50,000 shall be available to contract with the California Association of Student Councils for the purpose of providing leadership development and training to pupils in grades 3 to 12, inclusive.	
6110-118-0001—For local assistance; Department of Education (Proposition 98), Program 10.10.001.006—School Apportionments—Various ..	50,000,000

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Provisions:	
1. The funds appropriated by this item are available solely to fund increases in minimum teacher salaries, subject to the establishment of that program by legislation enacted during the 1997–98 Regular Session.	
6110-120-0001—For local assistance, Department of Education (Proposition 98) Program 20.40.100, for the Pupil Dropout Prevention Program	1,250,000
6110-121-0001—Foster Youth Programs (Proposition 98)	3,000,000
Provisions:	
1. The funds appropriated by this item are provided for half-year costs of expanding the Foster Youth Services program to children residing in licensed children's institutions, pursuant to Chapter 11 (commencing with Section 42920) of Part 24 of the Education Code and guidelines developed by the State Department of Education. These funds shall be allocated on the basis of the number of pupils residing in licensed children's institutions in each county, and shall be used to supplement, and not supplant, services currently provided to pupils residing in licensed children's institutions through this program.	
6110-123-0001—For local assistance, Department of Education (Proposition 98)—Low Performing Schools	50,000,000
Provisions:	
1. The amount appropriated by this item shall fund a program to provide assistance to low performing schools in reaching or exceeding an acceptable level of school achievement, subject to establishment of that program by the enactment of legislation during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.	
6110-128-0890—For local assistance, Department of Education, Program 20.50.030-Eisenhowser Professional Development, payable from the Federal Trust Fund	31,873,000
6110-129-0001—For local assistance, Department of Education, Program 41.00—Community Education-Intergenerational Programs	171,000
6110-130-0001—For local assistance, Department of Education, Program 20.60.100—Advancement via Individual Determination	1,000,000

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6110-131-0001—For local assistance, Department of Education, Program 20.40—College preparation program	30,000,000

Provisions:

1. The funds appropriated by this item are available to fund one or more college preparation programs subject to the enactment of legislation during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.

6110-136-0890—For local assistance, Department of Education, payable from the Federal Trust Fund	860,319,000

Schedule:

(a) 10.30.060—Title I-ESEA 841,677,000
(b) 10.30.065—Stewart B. McKinney Homeless Children Education 2,992,000
(c) 20.60.022-Improve School Effectiveness-Comprehensive School Reform Demonstration Grant Program 15,650,000

Provisions:

1. The State Department of Education, for the purposes of the transitional assessment system required by Title 1 of the federal Improving America's Schools Act of 1994, shall define a "program improvement school," during the 1998–99 fiscal year, as a school that ranks among the lowest in the state on the assessment used in the Standardized Testing and Reporting (STAR) Program (Art. 4 (commencing with Sec. 60640), Ch. 5, Pt. 33, Ed. C.). A school district may also identify a school that does not meet this criterion as a "program improvement school" during that fiscal year if 60 percent or more of the school's pupils are performing, as determined by district's assessment system, below the standards adopted by the district.
2. The funds appropriated in Schedule (c) of this item shall be used to fund the costs of the Comprehensive School Reform Demonstration Program. These funds shall be allocated only when the State Board of Education has provided notice to the Department of Finance that the board's application on behalf of the state has been approved by the United States Department of Education.

6110-139-0001—For local assistance, Department of Education (Proposition 98), Program 10.10—School Apportionments, Pupil Residency Verification	157,000

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Provisions:	
1. Funds appropriated by this item are for the purpose of assisting school districts that are adjacent to the international border with their pupil residency verification, consistent with the intent of Chapter 309, Statutes of 1995.	
6110-141-0890—For local assistance, Department of Education, Program 10.30.010—Instruction, Title I of the Elementary and Secondary Education Act—Migrant Education, payable from the Federal Trust Fund	107,448,000
6110-142-0890—For local assistance, Department of Education, Goals 2000, payable from the Federal Trust Fund	57,692,000
Schedule:	
(a) 20.10.003-Reading Improvement.... 36,492,000	
(b) 20.60.030-Local Improvement Plans 15,200,000	
(c) 20.60.050-Student Academic Partnerships 5,000,000	
(d) 20.60.100-Advancement via Individual Determination..... 1,000,000	
Provisions:	
1. The funds appropriated by this item shall be available for expenditure not sooner than 30 days after an expenditure plan has been submitted to the Department of Finance for review and comment. The department shall review the proposed expenditures to ensure that they are consistent with federal law.	
2. Of the funds appropriated in schedule (a), $6,000,000 is available only for inservice training in reading instruction for teachers who are new employees of a school district in 1998–99 who teach pupils in grades kindergarten through three, inclusive, pursuant to Chapter 3.45 (commencing with section 44755) of Part 25 of the Education Code. Notwithstanding paragraphs (b)(1) and (b)(2) of section 44757.4, the maximum grant amount awarded to a school district shall not exceed twice the product determined by multiplying (1) $6,000,000 divided by the number of teachers who are new employees of all school districts in the state in 1998–99 who teach pupils in grades kindergarten through three, inclusive, by (2) the number of these teachers employed in the school district.	

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3. Of the funds appropriated in schedule (a), $30,942,000 is available for the purchase of (1) inservice training in math instruction which is consistent with the Math Program Advisory approved by the State Board of Education, (2) age-level-appropriate reading materials that are connected to phonics-based reading instruction and (3) inservice training in reading instruction for teachers of pupils in grades 4 to 12, inclusive. Funds shall be allocated to school districts pursuant to Section 44759.5 of the Education Code except that "number of pupils" in paragraphs (1) and (2) of subdivision (b) shall be deemed to be the number of pupils scoring below the fortieth percentile on the statewide assessment administered in 1998 pursuant to Article 4 (commencing with Section 60640) of Chapter 5 of Part 33 of the Education Code. Notwithstanding any provision of Chapter 3.46 of Part 25 of the Education Code, funds allocated pursuant to this provision may be expended for reading inservice training and reading materials, or just for inservice training. Funds expended for inservice training in reading instruction shall be expended in accordance with the following sections of Chapter 3.46 of Part 25 of the Education Code, except that where these sections read "4 to 8" they shall be deemed to read "4 to 12": Section 44758 (b), Section 44759 (a), (c), (d), (e) and (f), Section 44759.1, Section 44759.2, Section 44759.3, Section 44759.4, and Section 44759.6. Further, in order to conduct a program funded pursuant to this provision in any particular school in a school district, the governing board must certify that a phonics-based reading instructional program is being conducted in the school for pupils scoring below the twenty-fifth national percentile score on the statewide assessment, or that such a program shall begin in the school as soon as feasible upon completion of the training. The State Board of Education shall establish criteria governing the purchase by school districts of age-level-appropriate reading materials that are connected to phonics-based reading instruction.	
4. The funds appropriated in Schedule (b) shall be used to implement local improvement plans developed from prior years' allocations of Goals 2000 funds.	

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5. The funds appropriated in Schedule (c) shall be used for competitive grants to local education agencies for preservice training, with highest priority for funding given to those agencies that propose to train and hire college students as academic tutors for pupils in kindergarten or any of grades 1 to 6, inclusive, in the academic areas of English-language arts and mathematics. For the purposes of these training activities, local education agencies shall be responsible for the day-to-day supervision of tutors, but the agencies may contract with higher education institutions to recruit, train and provide general oversight over placement in schools. Higher education institutions may permit tutors to receive academic credit for their related field work experiences in lieu of pay.
6. The funds appropriated in Schedule (d) shall be used for competitive outreach grants to local education agencies for the Advancement Via Individual Determination (AVID) program.

6110-149-0001—For local assistance, Department of Education (Proposition 98), for school library materials..... 158,500,000

Provisions:

1. The funds appropriated by this item are available to fund the acquisition of school library materials pursuant to legislation enacted during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.

6110-150-0001—For local assistance, Department of Education (Proposition 98), for instructional materials for mathematics..... 250,000,000

Provisions:

1. Funds appropriated by this item shall be allocated to school districts and county offices of education on the basis of an equal amount per unit of average daily attendance, as defined in subdivision (b) of Section 42238.5 of the Education Code, for the purchase of (a) mathematics instructional materials for pupils enrolled in kindergarten and grades 1 to 8, inclusive, that are adopted by the State Board of Education (SBE) and are aligned with the state content standards in mathematics adopted by the SBE, and (b) instructional materials for pupils enrolled in grades 9 to 12, inclusive, that are aligned with the state content standards adopted by the SBE and that are adopted by the

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district board, as defined in subdivision (d) of Section 60010 of the Education Code.

2. If the district board, as defined in Section 60100 of the Education Code, has purchased mathematics instructional materials that the State Board of Education (SBE) certifies are consistent with the state content standards, the funds allocated from this item to those school districts and county offices of education may be used for the purchase of other instructional materials approved by the SBE.

6110-152-0001—For local assistance, Department of Education, Program 10.30.050 376,000

Provisions:

1. Funds appropriated by this item for Indian Education Centers are to carry out the provisions of Article 6 (commencing with Section 33380) of Chapter 3 of Part 20 of the Education Code.

6110-156-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction to school districts, county offices of education, and other agencies for the purposes of Proposition 98 educational programs funded by this item, in lieu of the amount that otherwise would be appropriated pursuant to statute.... 499,667,000

Schedule:

(a) 10.50.010.001-Adult Education.....478,428,000

(b) 10.50.010.008-Remedial education services for participants in the CalWORKs..... 17,478,000

(c) Reimbursements-CalWORKs ..... –8,739,000

(d) 10.50.010.009-Local Education Agencies—Education Services for participants in CalWORKs 12,500,000

Provisions:

1. Credit for participating in adult education classes or programs may be generated by a special day class pupil only for days in which the pupil has met the minimum day requirements set forth in Section 46141 of the Education Code.

2. The funds appropriated in Schedule (b) constitute the funding for both remedial education and job training services for participants in the CalWORKs program (Art. 3.2 (commencing with Sec. 11320), Ch. 2, Pt. 3, Div. 9, W.& I.C.). Funds shall be apportioned by the Superintendent of

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Public Instruction for direct instructional costs only to school districts and Regional Occupational Centers and Programs (ROC/Ps) that certify that they are unable to provide educational services to CalWORKs recipients within their adult education block entitlement or ROC/P block entitlement, or both. However, of the funds appropriated by Schedule (b) of this item, an amount not to exceed $10,000,000, as negotiated through an interagency agreement between the State Department of Education and the State Department of Social Services, shall be provided for Adult Education Programs, and ROC/Ps for the purposes of providing instructional and training supportive services for CalWORKs eligible members. These services shall include any of the following: (a) career and educational guidance and counseling; (b) training related assessment; (c) transportation to the classroom or worksite during training; (d) job readiness training and services; (e) job development and placement; (f) post-employment support and followup to ensure job retention; (g) coordination and referrals to other services provided through the State Department of Social Services, the Employment Development Department, the Private Industry Council, community colleges, the Department of Rehabilitation, the Economic Development Agency, and other community resources; (h) curriculum and instruction development to provide short-term integrated programs leading to employment; (i) staff development costs resulting from policy development and training occurring between instructional staff and county welfare agencies in the coordination of the program; and (j) one-time excess program start up costs. Allocations shall be distributed by the Superintendent of Public Instruction as equal statewide dollar amounts, with no county receiving less than $25,000, based on the number of CalWORKs eligible family members served in the county, and subject to the instructional and training support services needed annually by each agency as identified in the county CalWORKs Instruction and Job Training Plan required by Section 10200 of the Education Code.	

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3. Providers receiving funds under this item for adult basic education, English as a Second Language, and English as a Second Language-Citizenship for legal permanent residents, shall, to the extent possible, grant priority for services to immigrants facing the loss of federal benefits under the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Citizenship and naturalization preparation services funded by this item shall include, to the extent consistent with applicable federal law, all of the following: (a) outreach services; (b) assessment of skills; (c) instruction and curriculum development; (d) staff development; (e) citizenship testing; (f) naturalization preparation and assistance; and (g) regional and state coordination and program evaluation.
4. Of the federal reimbursements appropriated in Schedule (b), $230,000 shall be available for transfer to Item 6110-001-0001 for state operations upon receipt of a plan to develop a data collection system to obtain information on education and job training services provided to CalWORKs recipients through Adult Education and ROC/Ps. The State Department of Education shall work with the State Department of Social Services to ensure the data collection system meets the state's CalWORKs information needs regarding education and job training services provided to CalWORKs recipients. The State Department of Education shall work with the Department of Finance and the Legislative Analyst's Office in determining the specific data elements of the system and shall meet all information technology reporting requirements of the Department of Information Technology and the Department of Finance.
5. The funds appropriated in Schedule (d) of this item shall be allocated on a one-time basis and be subject to the following:
   (a) The funds shall be used only for educational activities for CalWORKs-eligible recipients. The educational activities shall be limited to those designed to increase self-sufficiency, job training, and work. These activities shall be carried on in accordance with each local education agency's plan approved and developed pursuant to Chapter 2 (commencing

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with Section 10200) of Part 7 of the Education Code.

(b) Notwithstanding any other provision of law, each local education agency's individual cap for adult education and regional occupational center and programs (ROC/P's), average daily attendance shall not be increased as a result of the appropriations made by this section.

(c) Funds may be claimed by local education agencies for services provided to CalWORKs-eligible recipients pursuant to this section only if all of the following occur:

(1) Each local education agency has met the terms of the interagency agreement between the State Department of Education and the Department of Social Services pursuant to Provision 2 of this item.

(2) Each local education agency has fully claimed its respective adult education or ROC/P average daily attendance cap for the current year.

(3) Each local education agency has claimed the maximum allowable funds available under the interagency agreement pursuant to Provision 2 of this item.

(d) Each local education agency shall be reimbursed at the same rate as it would otherwise receive for services provided pursuant to this item or pursuant to Item 6110-105-0001 of Section 2.00 of this act, and shall comply with the program requirements for adult education pursuant to Chapter 10 (commencing with Section 52500) of Part 28 of the Education Code, and ROC/P requirements pursuant to Article 1 (commencing with Section 52300) of, and Article 1.5 (commencing with Section 52335) of, Chapter 9 of, Part 28 of the Education Code, respectively.

(e) Notwithstanding any other provision of law, funds appropriated in this section for average daily attendance (ADA) generated by participants in the CalWORKs program may be apportioned on an advance basis to local education agencies based on anticipated units of ADA if a prior application for this additional

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ADA funding has been approved by the Superintendent of Public Instruction.

(f) For purposes of making computations required by Section 8 of Article XVI of the California Constitution, the appropriation shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIIIB," as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

(g) The Legislature finds the need for good information on the role of local education agencies in providing services to individuals who are eligible for or recipients of CalWORKs assistance. This information includes the extent to which local education programs serve public assistance recipients and the impact these services have on the recipients' ability to find jobs and become self-supporting.

(h) The State Department of Education shall develop a data and accountability system to obtain information on education and job training services provided through state-funded adult education programs and regional occupational centers and programs. The system shall collect information on (1) program funding levels and sources; (2) the types and amounts of services provided to program participants; (3) characteristics of participants; and (4) pupil and program outcomes. The State Department of Education shall provide local providers with a list of required data elements by October 15, 1998. The department shall work with the Department of Finance and Legislative Analyst's Office in determining the specific data elements of the system and shall meet all information technology reporting requirements of the Department of Information Technology and the Department of Finance.

(i) As a condition of receiving funds provided in Schedule (b) of this item or any other General Fund appropriation made to the State Depart-

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ment of Education specifically for education and training services to CalWORKs recipients, local adult education programs and regional occupational centers and programs shall collect program and participant data as described in this section and as required by the State Department of Education. Beginning January 1, 1999, local providers shall begin collecting the data elements required by the State Department of Education. The State Department of Education shall require that local providers submit to the state aggregate data for the period January 1, 1999, through June 30, 1999. The State Department of Education shall provide to the local providers by October 15, 1998, a description of the specific reporting requirements for this data. (j) Beginning July 1, 1999, local providers shall provide data to the State Department of Education that permits a disaggregation of data to permit the identification for subgroups of participants of (1) types and levels of services, and (2) outcomes. The State Department of Education shall provide to local providers by July 1, 1999, a description of the specific reporting requirements needed to permit the disaggregation of data. (k) The State Department of Education shall report on or before March 1, 1999, to the Department of Finance, the Legislative Analyst's Office, and the budget committees of the Senate and Assembly on its progress in establishing the data system. In addition, the State Department of Education shall describe both of the following: (1) The department's proposed data collection system needed to implement the disaggregated data system described in subdivision (d). (2) The department's proposal to consolidate all state data needs for adult education and regional occupational centers and programs into one data system that is integrated with the department's California School Information Services data system.	

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6110-156-0890—For local assistance, Department of Education, Program 10.50.010.001—Adult Education, payable from the Federal Trust Fund.....	39,869,000

Provisions:

1. Of the funds appropriated by this item, $12,570,000 shall be used for adult basic education for citizenship and naturalization services for legal permanent residents who are eligible for naturalization.

   Citizenship and naturalization services shall include, for this purpose, to the extent consistent with federal law, all of the following: (a) outreach services; (b) assessment of skills; (c) instruction and curriculum development; (d) staff development; (e) citizenship testing; (f) naturalization preparation and assistance; and (g) regional and state coordination and program evaluation. The providers of the citizenship and naturalization services, for the purposes of this provision, shall be those community-based organizations, community colleges, and adult education programs approved for this purpose by the State Department of Education and the federal Immigration and Naturalization Service.
2. Under any grant awarded by the State Department of Education under this item to a qualifying community-based organization to provide adult basic education in English as a Second Language and English as a Second Language-Citizenship classes, the department shall make an initial payment to the organization of 25 percent of the amount of the grant. In order to qualify for an advance payment, a community-based organization shall submit an expenditure plan and shall guarantee that appropriate standards of educational quality and fiscal accountability are maintained. In addition, reimbursement of claims shall be distributed on a quarterly basis. The State Department of Education shall withhold 10 percent of the final payment of a grant as described in this provision until all claims for that community-based organization have been submitted for final payment.
3. (a) Notwithstanding any other provision of law, all nonlocal educational agencies (Non-LEA) receiving greater than $300,000 pursuant to this item shall submit an annual organiza-

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tional audit, as specified, to the State Department of Education, Office of External Audits.

All audits shall be performed by one of the following: (1) a certified public accountant possessing a valid license to practice within California; (2) a member of the State Department of Education's staff of auditors; or (3) in-house auditors, if the entity receiving funds pursuant to this item is a public agency, and if the public agency has internal staff that performs auditing functions and meets the tests of independence found in Standards for Audits of Governmental Organization, Programs, Activities and Functions issued by the Comptroller General of the United States.

The audit shall be in accordance with State Department of Education Audit guidelines and Office of Management and Budget Circular No. A-133, Audits of Institutions of Higher Education and Other Non-Profit Institutions.

Non-LEA entities receiving funds pursuant to this item shall submit the annual audit no later than six months from the end of the agency fiscal year. If, for any reason, the contract is terminated during the contract period, the auditor shall cover the period from the beginning of the contract through the date of termination.

Non-LEA entities receiving funds pursuant to this item shall be held liable for all State Department of Education costs incurred in obtaining an independent audit if the contractor fails to produce or submit an acceptable audit.

(b) Notwithstanding any other provision of law, the State Department of Education shall annually submit to the Governor, Joint Legislative Budget Committee, and Joint Legislative Audit Committee limited scope audit reports of all sub-recipients it is responsible for monitoring that receive between $25,000 and $300,000 of federal awards, and that do not have an organizational wide audit performed. These limited scope audits shall be conducted in accordance with the State Department of Education Audit guidelines and Office of

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Management and Budget, Circular No. A-133. The State Department of Education may charge audit costs to applicable federal awards, as authorized by OMB, Circular No. A-133 Section 230(b)(2).

The limited scope audits shall include agreed upon procedures engagements conducted in accordance with either AICPA generally accepted auditing standards or attestation standards, and address one or more of the following types of compliance requirements: allowed or unallowed activities; allowable costs and cost principles; eligibility; matching; level of effort; earmarking; and reporting.

The State Department of Education shall contract for the limited scope audits with a certified public accountant possessing a valid license to practice within the state or with an independent auditor.

6110-158-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund in lieu of the amount that otherwise would be appropriated pursuant to Section 41841.5 of the Education Code, Program 10.50.010.002—Adults in Correctional Facilities 15,557,000

Provisions:

1. Notwithstanding any other provision of law, the amount appropriated in this item and any amount allocated for this program in this act shall not exceed, in the aggregate, the maximum amount allocated for the purposes of Section 41841.5 of the Education Code.
2. Notwithstanding Section 41841.5 of the Education Code or any other provision of law, the amount appropriated by this item shall be allocated based upon prior-year rather than current-year expenditures.
3. Notwithstanding any other provision of law, funding distributed to each local education agency (LEA) for reimbursement of services provided in the 1998–99 fiscal year for the Adults in Correctional Facilities program shall be limited to the amount received by that agency for services provided in the 1997–98 fiscal year, as increased by $389,000 for growth in services and $347,000 for cost-of-living adjustments, not to exceed a total of

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$16,293,000 for all programs. Funding shall be reduced or eliminated, as appropriate, for any LEA that reduces or eliminates services provided under this program in the 1998–99 fiscal year, as compared to the level of service provided in the 1997–98 fiscal year. Any funds remaining as a result of those decreased levels of service shall be allocated to provide support for new programs in accordance with Section 41841.8 of the Education Code.

4. Notwithstanding any other provision of law, funding distributed to each LEA for reimbursement of services provided in the 1997–98 fiscal year for the Adults in Correctional Facilities program shall be limited to the amount received by that agency for services provided in the 1996–97 fiscal year, as increased by $370,000 for growth in services and $402,000 for cost-of-living adjustments, not to exceed a total of $15,557,000 for all programs. Funding shall be reduced or eliminated, as appropriate, for any LEA that reduces or eliminates services provided under this program in the 1997–98 fiscal year, as compared to the level of service provided in the 1996–97 fiscal year. Any funds remaining as a result of those decreased levels of service shall be allocated to provide support for new programs in accordance with Section 41841.8 of the Education Code.
5. Notwithstanding any other provision of law, funds appropriated by this item for growth in average daily attendance first shall be allocated to programs that are funded for 20 units or less of average daily attendance, up to a maximum of 20 additional units of average daily attendance per program.

6110-159-0001—For local assistance (Proposition 98), Huntington Beach High School swimming pool 100,000

Provisions:

1. The funds appropriated by this item shall be allocated by the State Department of Education to the Huntington Beach High School on a one-time basis.

6110-161-0001—For local assistance, Department of Education (Proposition 98), Program 10.60—Special Education Programs for Exceptional Children..... 2,062,858,000

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Schedule:

(a) 10.60.050.003-Special education instruction 2,020,343,000

(b) 10.60.050.080-Early Education Program for Individuals with Exceptional Needs 56,910,000

(c) Reimbursements for Early Education Program, Part H .....–14,395,000

Provisions:

1. Funds appropriated by this item are for transfer by the Controller to Section A of the State School Fund, in lieu of the amount that otherwise would be appropriated for transfer from the General Fund in the State Treasury to Section A of the State School Fund for the 1998–99 fiscal year pursuant to Sections 14002 and 41301 of the Education Code, for apportionment pursuant to Part 30 (commencing with Section 56000) of the Education Code, superseding all prior law.
2. Of the amount appropriated in Schedule (a) of this item, $39,519,000, plus the cost-of-living adjustment (COLA) transferred pursuant to Schedule (7) of Item 6110-187-0001, shall be available for program growth pursuant to Section 56836.15 of the Education Code. The funds allocated pursuant to this provision shall be the only funds available in this item for program growth for ages 3 to 21 years, inclusive.
3. Of the funds appropriated in Schedule (a) of this item, $8,974,000, plus the COLA transferred pursuant to Schedule (7) of Item 6110-187-0001, shall be available for the purchase, repair, and inventory maintenance of specialized books, materials, and equipment for pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code.
4. Of the funds appropriated in Schedule (a) of this item, $6,729,000, plus the COLA transferred pursuant to Schedule (7) of Item 6110-187-0001, shall be available for the purposes of vocational training and job placement for special education pupils through Project Workability I pursuant to Article 3 (commencing with Section 56470) of Chapter 4.5 of Part 30 of the Education Code. As a condition of receiving these funds, each local educational agency shall certify that the amount of nonfederal resources, exclusive of funds re-

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ceived pursuant to this provision, devoted to the provision of vocational education for special education pupils shall be maintained at or above the level provided in the 1984–85 fiscal year. The Superintendent of Public Instruction may waive this requirement for local educational agencies that demonstrate that the requirement would impose a severe hardship.

5. Of the funds appropriated in Schedule (a) of this item, $3,113,000, plus the COLA transferred pursuant to Schedule (7) of Item 6110-187-0001, shall be available for regional occupational centers and programs that serve pupils having disabilities, and $70,658,000, plus the COLA transferred pursuant to Schedule (7) of Item 6110-187-0001, shall be available for regionalized program specialist services, including $2,000,000 for small special education local plan areas (SELPAs) pursuant to Section 56836.24 of the Education Code.
6. Of the funds appropriated in Schedule (a), $15,826,000 is provided for an adjustment for low incidence disabilities, based on the results of the study required by Section 67 of Chapter 854 of the Statutes of 1997.
7. Of the funds appropriated in Schedule (a), $1,000,000 is provided for extraordinary costs associated with single placements in nonpublic, nonsectarian schools, pursuant to Section 56836.21 of the Education Code.
8. Of the funds appropriated in Schedule (a), a total of $50,815,000 is available for equalization funding pursuant to Section 56836.14 of the Education Code.
9. Of the funds appropriated in Schedule (a), a total of $97,953,000, plus the COLA transferred pursuant to Schedule (7) of Item 6110-187-0001, is available to fully fund the costs of children placed in licensed children's institutions who attend nonpublic schools.
10. Of the amount appropriated in Schedule (b) of this item, $957,600, plus the COLA transferred pursuant to Schedule (7) of Item 6110-187-0001, shall be available for infant program growth units (ages birth–two years). Funds for infant units shall be allocated pursuant to Provision 11

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of this item, with the following average number of pupils per unit: (a) For special classes and centers—16. (b) For resource specialist programs—24. (c) For designated instructional services—16.	
11. Notwithstanding any other provision of law, early education programs for infants and toddlers shall be offered for 200 days. Notwithstanding Section 56726 of, Section 56731 of, or paragraph (2) of subdivision (e) of Section 56737 of the Education Code, the State Department of Education shall allocate funds for the 1998–99 fiscal year to those programs receiving allocations for instructional units pursuant to Section 56432 of the Education Code for the Early Education Program for Individuals with Exceptional Needs operated pursuant to Chapter 4.4 (commencing with Section 56425) of Part 30 of the Education Code, based on computing 200-day entitlements. For educational services for children with exceptional needs, birth through two years of age, no funds shall be allocated pursuant to Section 56726 of the Education Code. The 200-day entitlements shall not exceed 111 percent of the current entitlement for each educational agency.	
12. Notwithstanding Chapter 7 (commencing with Section 56700) of Part 30 of the Education Code, state funds appropriated in Schedule (b) of this item in excess of the amount necessary to fund the deficited entitlements pursuant to Section 56432 of the Education Code and Provision 11 of this item shall be available for allocation by the State Department of Education to local educational agencies for the operation of programs serving solely low-incidence infants and toddlers pursuant to Title 14 (commencing with Section 95000) of the Government Code. These funds shall be allocated to each local educational agency at a rate of $6,849 per solely low-incidence child through age two, for each child in excess of the number of solely low-incidence children through age two served by the local educational agency during the 1992–93 fiscal year and reported on the April 1993, pupil count. These funds shall only be allocated if the amount of reimbursement received from the State De-	

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partment of Developmental Services is insufficient to fully fund the costs of operating the Early Intervention Program, as authorized by Title 14 (commencing with Section 95000) of the Government Code.

13. The State Department of Education, through coordination with the SELPAs, shall ensure local interagency coordination and collaboration in the provision of early intervention services, including local training activities, child find activities, public awareness, and the family resource center activities.

6110-161-0890—For local assistance, Department of Education, payable from the Federal Trust Fund, Program 10.60—Special Education Programs for Exceptional Children 398,801,000

Schedule:

(a) 10.60.030.910-IDEA, Title VIC, Deaf-Blind Center 878,000

(b) 10.60.050.012-Local Agency Entitlements, IDEA Special Education 342,690,000

(c) 10.60.050.013-State Agency Entitlements, IDEA Special Education 1,635,000

(d) 10.60.050.021-IDEA, Capacity Building, Special Education 17,416,000

(e) 10.60.050.030-PL 99-457, Preschool Grant Program 35,824,000

(f) 10.60.050.40-IDEA, Title VID, Handicapped Personnel Preparation Grant 358,000

Provisions:

1. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state exceed $375,373,519, at least 95 percent of the funds received in excess of that amount shall be allocated for local entitlements and to state agencies with approved local plans. Five percent of the amount received in excess of $375,373,519 may be used for state administrative expenses. If the funds for Part B of the federal Individuals with Disabilities Education Act that are actually received by the state are less than $375,373,519, the reduction shall be taken in capacity building.

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2. The funds appropriated in Schedule (c) shall be distributed to state-operated programs serving disabled children from 3 to 21 years of age, inclusive. In accordance with federal law, the funds appropriated in Schedules (b) and (c) shall be distributed to local and state agencies on the basis of an equal amount per eligible, identified pupil.
3. Of the funds appropriated in Schedule (d) of this item, up to $1,000,000 may be used to fund licensed children's institution growth units pursuant to Section 56776 of the Education Code. These funds are to be used for instructional units only.
4. Pursuant to Section 56427 of the Education Code, of the funds appropriated in Schedule (d) of this item, up to $2,324,000 may be used to provide funding for infant programs, and may be used for those programs that do not qualify for funding pursuant to Section 56432 of the Education Code. Of these funds, $100,000 shall be available, subject to approval of a work plan by the Department of Finance, to conduct followup activities related to the funding studies and funding plan submitted pursuant to Provisions 12 and 13 of Item 6110-161-001 of Section 2.00 of the Budget Act of 1995.
5. Of the funds appropriated in Schedule (d) of this item, $8,475,000 shall be allocated to local education agencies for the purposes of Project Workability I.
6. Of the funds appropriated in Schedule (d) of this item, $1,700,000 shall be used to provide specialized services to pupils with low-incidence disabilities, as defined in Section 56026.5 of the Education Code.
7. Of the funds appropriated in Schedule (d) of this item, up to $3,617,000 shall be used for a personnel development program. This program shall include state-sponsored staff development, local in-service components, bilingual, student study team, and core curriculum components. Of this amount, a minimum of $2,500,000 shall be allocated directly to special education local plan areas. The local in-service programs shall include a parent training component and may include a staff training component. Use of these funds shall be described in the local plans. These funds may be

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used to provide training in alternative dispute resolution and the local mediation of disputes. All programs are to include evaluation components.

8. Of the funds appropriated in Schedule (d) of this item, up to $200,000 shall be used for research and training in cross-cultural assessments.
9. Of the funds appropriated in Schedule (d) of this item, up to $100,000 shall be used to develop and test procedures, materials, and training for alternative dispute resolution in special education.
10. Of the funds appropriated by Schedule (e) for the Preschool Grant Program, $1,228,000 shall be used for in-service training and shall include a parent training component and may, in addition, include a staff training program. These funds may be used to provide training in alternative dispute resolution and the local mediation of disputes. This program shall include state-sponsored and local components.
11. Of the funds appropriated in this item, not more than $500,000 shall be available to augment the State Department of Education's contract for the provision of services related to mediation and fair hearings. These funds shall only be available following approval by the Director of Finance and shall be contingent upon the receipt and approval of audit findings and recommendations provided by the State Department of Education to the Department of Finance no later than September 1, 1998.

6110-165-0001—For local assistance, Department of Education 7,022,000

Schedule:

(a) 10.70—Vocational Education 23,897,000

(b) Reimbursements .....–16,875,000

Provisions:

1. $15,846,000 of the funds appropriated in this item are for the purpose of the federal Job Training Partnership Act.
2. Notwithstanding any other provision of law, of the funds appropriated by this item, $7,022,000 are available for the purpose of matching Job Training Partnership Act funds available under Section 1602(b)(1) of Title 29 of the United States Code. The Superintendent of Public Instruction shall allocate these funds for the provision of education in conjunction with occupational skills

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training pursuant to Section 33117.5 of the Education Code in the following order of priority: (1) to persons participating in welfare-to-work activities under the CalWORKs program as described in Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code; and (2) to persons eligible for Job Training Partnership Act program funds but not receiving assistance under the CalWORKs program.

6110-166-0001—For local assistance, Department of Education (Proposition 98), Program 10.70.070—Vocational Education, for the purpose of Article 5 (commencing with Section 54690) of Chapter 9 of Part 29 of the Education Code, Partnership Academies Program..... 13,964,000

Provisions:

1. Of the funds appropriated by this item, $300,000 shall be for the purposes of funding 20 Partnership Academy planning grants as described in Article 5 (commencing with Section 54690) of Chapter 9 of Part 29 of the Education Code. These new planning grants shall be targeted to Partnership Academies in high schools in eligible school districts (as specified in Sections 54692 and 54693 of the Education Code) that serve the highest proportions of economically disadvantaged pupils.
2. Of the funds appropriated by this item $1,050,000 shall be for the purposes of funding 25 first operational year Partnership Academies at the level prescribed in Section 54691 of the Education Code. If the State Department of Education is unable to find 25 qualified first year operational academies, then the department may fund additional planning grants as described in Article 5 (commencing with Section 54960) of Chapter 9 of Part 29 of the Education Code, for a total of not more than 200 state-funded Partnership Academies. These new first operational year grants shall be targeted to Partnership Academies in high schools in eligible school districts (as specified in Sections 54692 and 54693 of the Education Code) that serve the highest proportions of economically disadvantaged pupils.
3. If there are any funds in this item that are not allocated for planning or operational grants, the

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State Department of Education may allocate those remaining funds as one-time grants to state-funded Partnership Academies to be used for one-time purposes.	
4. Of the amount appropriated, $239,369 are Supplemental Grant Funds that have been designated by school districts for Partnership Academy Programs and shall be distributed through a separate apportionment process.	
6110-166-0890—For local assistance, Department of Education, Program 10.70—Vocational Education, payable from the Federal Trust Fund.....	119,613,000
Provisions:	
1. The funds appropriated by this item include Federal Vocational Education Act funds for the 1998–99 fiscal year to be transferred to the community colleges by means of interagency agreements for the purpose of funding vocational education programs in community colleges.	
2. The State Board of Education and the Board of Governors of the California Community Colleges shall target funds appropriated by this item to provide services to persons participating in welfare-to-work activities under the CalWORKs program.	
3. The Superintendent of Public Instruction shall report, not later than February 1 of each year, to the Joint Legislative Budget Committee and the Director of Finance, describing the amount of carryover funds from this item, reasons for the carryover, and plans to reduce the amount of carryover.	
6110-176-0890—For local assistance, Department of Education, Program 10.40.030—Emergency Immigrant Education, payable from the Federal Trust Fund	39,174,000
6110-177-0001—For local assistance, Department of Education (Proposition 98), Program 20.10.035—Local Arts Education Partnership Grant Program....	3,000,000
Provisions:	
1. The funds appropriated by this item shall be used for arts education programs conducted by local education agencies pursuant to guidelines developed by the State Department of Education and approved by the State Board of Education.	
6110-180-0890—For local assistance, Department of Education, Program 20.10.025— Educational Technology, payable from the Federal Trust Fund.....	45,204,000

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Provisions:

1. The funds appropriated by this item are for allocation to school districts that are awarded competitive grants pursuant to the federal Technology Literacy Challenge Grant Program. The State Board of Education shall review and approve any changes to the criteria and procedure used in the application and award of grant funds during the 1997–98 fiscal year prior to the release by the Superintendent of Public Instruction of the application form to school districts.
2. The State Department of Education shall collaborate with the California Research Bureau regarding recent advances in the understanding of early brain development of children enrolled in kindergarten, and grades 1 to 6, inclusive, and shall incorporate the resulting findings for the use of technology into the guidelines for integration of technology into the curriculum.

6110-181-0001—For local assistance, Department of Education, (Proposition 98), for transfer to the State School Deferred Maintenance Fund..... 115,000,000

Provisions:

1. The funds appropriated in this item shall be transferred to the State Deferred Maintenance Fund and shall be available for funding applications received by the Office of Public School Construction for the purpose of payments to districts for deferred maintenance projects pursuant to Education Code Sections 39619 through 39619.55.
2. The funds appropriated by this item shall be available for remediation of problems related to lead in drinking water at public schools. Expenditures for this purpose shall be considered a priority.

6110-181-0140—For local assistance, Department of Education, Program 20.10.055-Environmental Education, payable from the California Environmental License Plate Fund 800,000

6110-183-0890—For local assistance, Department of Education, Program 20.10.045—Health and Physical Education, Instructional Support—Safe and Drug Free Schools and Communities Act of 1994 (P.L. 103-382) 45,494,000

Provisions:

1. Local education agencies shall give priority in the expenditure of the funds appropriated by this item to create comprehensive drug and violence pre-

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vention programs that promote school safety, reduce the use of drugs, and create learning environments that are free of alcohol and guns and that support academic achievement for all pupils. In addition to preventing drug and alcohol use, prevention programs will respond to the crisis of violence in our schools by addressing the need to prevent serious crime, violence, and discipline problems. The Superintendent of Public Instruction shall (a) notify local education agencies of this policy, and (b) incorporate the policy into the department's compliance review procedures.	
6110-184-0001—For local assistance, Department of Education (Proposition 98), Program 20.10.025—Educational Technology	50,000,000
Provisions:	
1. The funds appropriated by this item are to fund grants to school districts pursuant to the Digital High School Program, established pursuant to Chapter 326 of the Statutes of 1997.	
6110-185-0001—For local assistance, Department of Education (Proposition 98), Instructional Materials, Grades 9–12	39,001,000
Provisions:	
1. Of the amount appropriated, $8,101,206 is Supplemental Grant Funds that have been designated by school districts for Instructional Materials programs and will be distributed through a separate apportionment process.	
6110-186-0001—For local assistance, Department of Education (Proposition 98)—Instructional Materials, Kindergarten and Grades 1–8	133,099,000
Provisions:	
1. Of the amount appropriated by this item, $10,703,393 are Supplemental Grant funds that have been designated by school districts for instructional materials programs and shall be distributed through a separate apportionment process.	
6110-187-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, for cost-of-living increases to be transferred to, in lieu of the amount that otherwise would be provided pursuant to statute, and in augmentation of, the respective appropriations by the Controller upon enactment in accordance with the following	78,835,000

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Schedule:	
(1) 10.10.011.006—School Apportionments, for Community Day Schools, for transfer to Item 6110-190-0001	436,000
(2) 10.10.004—School Apportionments, for Regional Occupational Centers/Programs, for transfer to Schedule (a) of Item 6110-105-0001	6,600,000
(3) 10.10.011.003—School apportionments, for remedial summer school programs, for transfer to Schedule (a) of Item 6110-104-0001	1,424,000
(4) 10.10.011.004—School apportionments, for core academic summer school programs, for transfer to Schedule (b) of Item 6110-104-0001	2,592,000
(5) 10.10.011.005—School apportionments, Continuation Schools (Sec. 42243.7, Ed. C.)	627,000
(6) 10.50.010—Adult Education, for transfer to Schedule (a) of Item 6110-156-0001	10,620,000
(7) 10.60.050.003—Special Education Program for Exceptional Children, for transfer to Schedule (a) of Item 6110-161-0001	55,295,000
(8) 10.60.050.080—Early Education Program for Individuals with Exceptional Needs, for transfer to Schedule (b) of Item 6110-161-0001	1,241,000

Provisions:

1. Notwithstanding any other provision of law, the amount provided in this item for transfer to the Early Education Program for Individuals with Exceptional Needs shall be allocated on a dollar amount basis rather than as a percentage increase. The dollar amount shall be equal to 2.18 percent of the statewide average unit rate.
2. Notwithstanding any other provision of law, the amount provided in this item for transfer to the Special Education Program for Exceptional Children shall be allocated on a dollar amount basis rather than as a percentage increase. The dollar

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amount shall be equal to 2.18 percent of the statewide target amount per unit of average daily attendance for special education.

3. (a) Notwithstanding any other provision of law, the funds appropriated by Schedule (5) of this item for school apportionments to continuation schools shall be allocated on a dollar amount basis rather than as a percentage increase, and shall be allocated to any school district that operated a continuation high school in the 1997–98 fiscal year, without regard to whether that district's program commenced on, after, or prior to July 1, 1978. The amount allocated to each school district shall be equal to the total amount appropriated by Schedule (5) of this item, divided by the total number of units of continuation high school average daily attendance (ADA) for the state at the second principal apportionment for the 1997–98 fiscal year, multiplied by the units of that ADA reported by the district for the second principal apportionment for the 1997–98 fiscal year.

(b) The total amount allocated pursuant to subdivision (a) of this provision shall not exceed the total amount of the funds appropriated in Schedule (5) of this item.

6110-190-0001—For local assistance, Department of Education (Proposition 98), Program 10-School Apportionments, Community Day Schools 20,000,000

Provisions:

1. The funds appropriated by this item are for transfer to Section A of the State School Fund to reimburse costs incurred pursuant to Chapter 974 of the Statutes of 1995.
2. Funds appropriated by this item shall not be available for the purposes of Section 41972 of the Education Code.

6110-191-0001—For local assistance, Department of Education (Proposition 98), Program 20.60-Staff Development 49,100,000

Schedule:

(a) 20.60.050.002-Beginning Teacher Support and Assessment 49,100,000

Provisions:

1. The funds appropriated by Schedule (a) are for direct disbursement by the State Department of

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Education for expansion of the Beginning Teacher Support and Assessment Program, as set forth in Article 4.5 (commencing with Section 44279.2) of Chapter 2 of Part 25 of the Education Code. These funds shall be expended only after development of a program and expenditure plan by the State Department of Education, and approval of the plan by the Department of Finance.	
6110-194-0001—For local assistance, Department of Education—Staff Development	3,201,000
Schedule:	
(a) 20.60.010.001-Administrator Training and Evaluation Program 1,593,000	
(b) 20.60.080-Exploratorium 1,503,000	
(c) 20.60.125-Geography Education Alliances 105,000	
Provisions:	
1. The funds appropriated by this item are for transfer by the Controller to Section A of the State School Fund, for direct disbursement by the State Department of Education in lieu of the amount that otherwise would be appropriated for staff development pursuant to subdivision (a) of Section 74 of Chapter 894 of the Statutes of 1977.	
2. Notwithstanding any other provision of law, the amount appropriated in Schedule (a) of this item shall be the maximum amount allocated for the 1998–99 fiscal year for the purposes of the administrator training and evaluation program set forth in Article 3 (commencing with Section 44681) of Chapter 3.1 of Part 25 of the Education Code.	
6110-196-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction to school districts, county offices of education, and other agencies for the purposes of Proposition 98 educational programs funded in this item, in lieu of the amount that otherwise would be appropriated pursuant to statute....	796,638,000
Schedule:	
(a) 30.10.010-Special Program, Child Development Preschool Education.....161,982,000	
(b) 30.10.020-Child Care Services . 1,063,710,000	

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(1) 30.10.020.001-Special Program, Child Development, General Child Development Programs..	434,989,000
(2) 30.10.020.002-Special Program, Child Development, Community College Match-Required Center.....	2,649,000
(3) 30.10.020.003-Special Program, Child Development, High School Parenting and Infant Development.....	20,962,000
(4) 30.10.020.004-Special Program, Child Development, Migrant Day Care.....	21,948,000
(5) 30.10.020.007-Special Program, Child Development, Alternative Payment Program.....	167,156,000
(5.1) 30.10.020.011-Special Program, Child Development, Alternative Payment Program-Stage 2.....	216,759,000
(5.2) 30.10.020.012-Special Program, Child Development, Alternative Payment Program-Stage 3.....	110,000,000
(6) 30.10.020.008-Special Program, Child Development, Resource and Referral	17,607,000

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(7) 30.10.020.009-Special Program, Child Development, Campus Child Care Tax Bailout	5,107,000	
(8) 30.10.020.015-Special Program, Child Development, Extended Day Care	26,544,000	
(9) 30.10.020.096-Special Program, Child Development, Allowance for Handicapped	1,251,000	
(10) 30.10.020.106-Special Program, Child Development, California Child Care Initiative	250,000	
(11) 30.10.020.901-Special Program, Child Development, Quality Improvement	38,488,000	
(c) 30.10.020.907-Special Program, Child Development, Minimum Wage Impact		6,000,000
(d) 30.10.020.908-Special Program, Child Development, Cost of Living Adjustments		20,198,000
(e) Amount Payable from the Federal Trust Fund (Item 6110-196-0890)		–455,252,000

Provisions:

1. (a) Of the funds appropriated in Schedule (a) of this item, $15,700,000 is for the purpose of providing half-year expansion of the state preschool program. It is the intent of the Legislature to provide sufficient funds to serve all four-year-olds under the federal poverty level in a preschool program by the year 2000. Pursuant to paragraph (2) of subdivision (b) of Section 8236 and paragraph (2) of subdivision (b) of Section 8263 of the Education

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Code, first priority for enrollment, after abused and neglected children, shall be given to four-year-olds from families with the lowest gross monthly income. In allocating the funds made available by this provision, after complying with Section 8289 of the Education Code, the State Department of Education (SDE) shall seek assistance from local child care planning councils to identify those areas and populations within counties that are most underserved by current state and federal programs for child care, preschool, and Head-Start. The SDE shall develop guidelines for use by local child care planning councils in identifying unserved and underserved areas and populations. These guidelines shall include, but need not be limited to, the utilization of data such as teenage pregnancy rates and unemployment rates. Further, the SDE shall prioritize the expansion funds to be directed to the unserved and underserved areas and populations within counties. In all cases, successful applicants shall demonstrate the ability to serve four-year-olds under the federal poverty level. The SDE shall work with the Department of Finance in estimating the number of four-year-olds within communities living under the federal poverty level and shall provide this information to local child care planning councils.	
(b) Of the funds appropriated in Schedule (b)(1) of this item, $10,000,000 is for the purpose of providing half-year funding for the expansion of child care services for infants and toddlers. Notwithstanding Section 8263 of the Education Code, the State Department of Education shall allocate these funds to expand child care and development services to infants and children under three years of age. In allocating funds made available by this provision, the State Department of Education (SDE) shall, after complying with Section 8289 of the Education Code, seek assistance from local child care planning councils to identify those areas and populations within counties most	

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underserved by current state and federal programs for infant and toddler childcare and development. The SDE shall develop guidelines for use by local planning councils in identifying unserved and underserved areas and populations. These guidelines shall include, but need not be limited to, the utilization of data such as teenage pregnancy rates and unemployment rates. Further, the SDE shall prioritize the expansion funds to be directed to the unserved and underserved areas and populations within counties.	
(c) Of the funds appropriated in Schedule (b)(1) of this item, $23,000,000 is for the purpose of providing full-year funding for the expansion of child care services for infants and toddlers initiated with a $23,000,000 augmentation in the Budget Act of 1997. Funds allocated for annualized expansion shall not be used for a cost-of-living adjustment for existing contracted services. It is the intent of the Legislature that, notwithstanding Section 8263 of the Education Code, the State Department of Education allocate these funds to expand child care and development services to infants and children under three years of age.	
(d) Of the amount appropriated in this item, $15,000,000 is for the purpose of providing full-year funding for full-day care services for children enrolled in the State Preschool Program and/or to expand the existing half-day preschool program as initiated with a $15,000,000 augmentation as specified in Provision 1(d) of Item 6110-196-0001 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997). Of this amount, $9,300,000 is appropriated in Schedule (a) to continue the expansion of the half-day Preschool program, and $5,700,000 is appropriated in Schedule (b)(1) to continue the expansion of full-day services for children enrolled in the State Preschool Program.	
2. Notwithstanding Section 8278 of the Education Code, funds available for expenditure pursuant to Section 8278 of the Education Code shall be ex-	

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pended in the 1998–99 fiscal year pursuant to the following schedule: (a) The amount necessary for accounts payable pursuant to paragraph (1) of subdivision (b) of Section 8278 of the Education Code. (b) Of the funds available pursuant to Section 8278 of the Education Code, as scheduled under this item for quality improvement activities, the State Department of Education shall allocate $425,000 to preschool education projects including, but not limited to, those operated by the public television stations in Redding, San Francisco, San Jose, Los Angeles, Fresno, and San Diego. Of this amount, the department shall allocate up to $320,000 to public television stations in Redding, San Francisco, San Jose, and Los Angeles, based upon the satisfaction by the projects operated by the public television stations in each of those cities of all of the following criteria: (1) the 30-percent minimum match; (2) a plan that identifies the providers to be trained; (3) number of trainers to be trained; (4) the quality of the training offered; (5) linkages to the child care community; and (6) cost effectiveness. The balance of the $425,000 identified in this subdivision shall be made available to support projects in Fresno and San Diego, based upon the determination by the State Department of Education of the satisfaction by the projects operated by the public television station in each of those cities of the criteria set forth above in (1) to (6), inclusive. As a condition of receiving funds as described in this subdivision in the 1998–99 fiscal year, each grantee that received funds in the 1997–98 fiscal year shall complete and submit to the State Department of Education, no later than March 1, 1999, an evaluation of the effectiveness of the project operated by the grantee in improving the quality of child care provided in the affected community. (bb) $30,000 shall be made available for a preschool public television project in Eureka. (c) The State Department of Education shall establish a plan for any remaining unexpended	

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balances that sets forth the criteria for determining funding priorities, the funding priorities, and the amount of funding proposed per priority. The remaining funds shall not be allocated sooner than 30 days after the Department of Finance provides notification of its approval of the plan to the Legislature in accordance with the procedures set forth in Section 28.00 of this act.

(d) The Controller shall establish an account entitled Section 8278 Expenditures in 1996 in 6110-196-0001, Program 30.10.060. Any unexpended balances as of June 30, 1998, or subsequent abatements, from those amounts listed in Schedules (a) and (b) of this item, that are available pursuant to Section 8278 of the Education Code, shall be transferred to the account for the purpose of making expenditures pursuant to that section.

3. The State Department of Education shall report to the Joint Legislative Budget Committee, by March 31, 1999, the amount of child development funds, by program, that have been determined after audit to be unearned. The department shall report, by March 31, 1999, the settlement of claims payable by program from unearned contract funds balances.

4. Notwithstanding any other provision of law, alternative payment child care systems shall be subject to the rates established in the Regional Market Rate Survey of California child care and development providers for provider payments. The State Department of Education shall utilize a federal fund contract with the State Child Care Resource and Referral Network to conduct a market rate survey, the results of which shall be provided to the State Department of Education and the State Department of Social Services for utilization by various programs under the jurisdiction of both departments to determine limits of reimbursement to providers.

5. The funds appropriated by this item for campus child care tax bailout shall be allocated by the State Department of Education based on a schedule provided by the Chancellor of the California Community Colleges. The Chancellor shall schedule the allocation of these funds to commu-

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nity college districts that levied child care permissive override taxes in the 1977–78 fiscal year pursuant to Sections 8329 and 8330 of the Education Code in an amount equal to the property tax revenues, tax relief subventions, and state aid required to be made available by the district to its child care and development program for the 1979–80 fiscal year pursuant to Section 30 of Chapter 1035 of the Statutes of 1979, increased by any cost-of-living increases granted in subsequent fiscal years. These funds shall be used only for the purpose of community college child care and development programs.

6. Notwithstanding any provision of law to the contrary, higher educational institutions may establish and maintain child development programs on or near their respective campuses with priority for services given to children of students of that campus. Those higher educational institutions under contract with the State Department of Education for child care and development services shall be subject to the rules and regulations adopted by the Superintendent of Public Instruction except where those rules and regulations differ with respect to the conditions specified for the Community Colleges in Provision 11 of Item 6870-101-0001.
7. Funds in Schedule (b)(11) shall be reserved for activities to improve the quality and availability of child care, pursuant to the following:
   (a) $4,592,000 shall be for purposes of continuing programs funded under the Dependent Care Grant. At least $3,405,000 of this amount shall be used for afterschool startup grants. To the extent possible, applications for these funds shall be considered in conjunction with applications for the new afterschool program authorized by legislation enacted during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.
   (b) $1,000,000 shall be used on a one-time basis for the development of pre-kindergarten learning development guidelines pursuant to legislation enacted during the 1998–99 Regular Session, that becomes effective on or before January 1, 1999. The State Department of Education shall amend its current expenditure plan for quality improvement activities to

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include the activities noted in this subdivision.	
(bb) At least $125,000 shall be allocated for Trustline Registration and at least $2,000,000 shall be allocated for Local Child Care Planning Councils pursuant to Chapter 270 of the Statutes of 1997.	
(c) $14,004,000 shall be used to continue the activities specified in the expenditure plan approved for the 1997–98 fiscal year. Should the State Department of Education find it necessary to revise this plan other than for the reason specified in (a) or (b) above, the department shall submit for approval, an amended plan to the Department of Finance prior to the expenditure of funds for activities set forth in the amended plan.	
(d) The State Department of Education shall establish expenditure priorities for the 1999–2000 fiscal year that set forth the proposed state and local activities to improve child care, including the reasons therefore, to be undertaken in the 1999–2000 fiscal year. This plan shall be submitted in a format developed in consultation with the Department of Finance and shall be submitted to the Office of Child Development and Education and then to the Department of Finance at least 30 days prior to the commencement of public hearings on the proposed plan and no later than March 31, 1999.	
(e) Pursuant to federal grant requirements, $6,267,000 shall be used for increasing the supply of quality child care for infants and toddlers. The State Department of Education shall coordinate with the State Department of Social Services and the Office of Child Development and Education in the development of the plan for expenditure of these funds. Notwithstanding any provision of law, expenditure plans and contract provisions for awarding these funds shall give high, but not exclusive, priority to the development of new family day care home providers, especially those who offer care during nontraditional hours such as weekends, evenings, and nights and who offer care for special needs children.	

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(f) Up to $10,100,000 of the amount in Schedule (b)(11) shall be available on a one-time basis for activities to increase the capacity of child care, including, but not limited to, planning and collaborating with other local agencies, recruiting and training family home and center-based child care providers, and providing facility renovation and repair funds to increase licensed capacity. The State Department of Education shall coordinate with the State Department of Social Services and the Office of Child Development and Education in development of an expenditure plan that gives priority in funding to the development of new capacity in underserved areas as identified in the planning and implementation process, including, but not limited to, family day care home providers who offer care during nontraditional hours such as weekends, evenings, and nights and who offer care for special needs children.	
(g) If the $1,122,000 available pursuant to Schedule (b)(17) of Item 6110-196-0001 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997), for the purpose of school-age start-up grants has not been fully expended by June 30, 1998, the unexpended balance of these funds is available in the 1998–99 fiscal year for the same purposes and subject to the same conditions as otherwise applicable to Schedule (b)(17) of Item 6110-196-0001 of Section 2.00 of the Budget Act of 1997. Upon certification by the Superintendent of Public Instruction, and approval by the Department of Finance, the Controller shall augment Item 6110-196-0001, Schedule (b)(11) of Item 6110-196-0001 of Section 2.00 of this act for that purpose. It is further intended that applications for these funds be conducted in conjunction with a new after school program authorized by Legislation enacted during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.	
(h) The State Department of Education shall coordinate with the State Department of Social Services to prepare and present an interim re-	

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port on or before March 31, 1999, and a final report by December 31, 1999, to the Joint Legislative Budget Committee and Department of Finance. The report shall define the strategies, results and effectiveness of recent expenditures and allocations for building capacity for the state's child care needs, including, but not limited to, the amounts and kinds of capacity increased by those efforts, barriers found in preventing increased capacity, and recommendations for overcoming those barriers. The report shall include recommended best practices for future capacity building activities specific to the types of care in shortest supply, such as infant and toddler care, schoolage care, care in underserved areas, and nontraditional hours care. This report shall also include the results of current pilot studies involving training CalWORKs recipients as licensed family child care providers or licensed-exempt providers, and recommendations on the magnitude and role of both CalWORKs recipient training and license-exempt care in meeting future needs. If additional studies or research are needed by either agency to adequately respond to this requirement, the State Department of Education may expend whatever sums are necessary from the one-time federal funds specified in Provision 7(f) for this purpose or from any other quality funds that may be available.	
8. If the federal funds available pursuant to Provision 10 of Item 6110-196-0001 of Section 2.00 of the Budget Act of 1997 have not been transferred to Item 6110-001-0001 of Section 2.00 of this act by June 30, 1998, those funds shall be available in the 1998–99 fiscal year for (a) interim data reporting as approved by the Department of Finance, and, (b) for the same purposes and subject to the same conditions and reporting requirements otherwise applicable to Item 6110-196-0001 of the Budget Act of 1997.	
10. Of the $6,000,000 appropriated in Schedule (c) for child care and development services minimum wage impact, $4,200,000 is to be added as a general cost-of-living adjustment (COLA) in addition to the statutory (COLA) for all General	

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Fund direct services. $1,800,000 shall be allocated to providers below the standard reimbursement rate only after application of the COLA specified above, to the extent contractors who request increases can document that their increased costs are a direct result of federal or state minimum wage increases. Any funds remaining from the $1,800,000 after the requirements of this provision have been met also shall be distributed as a general cost-of-living adjustment for all General Fund direct services.

11. $60,000,000 of the funds in Schedule (b)(5.2) are intended to be for families who have been receiving child care services pursuant to Section 8351 or 8353 of the Education Code. Alternative payment providers shall continue to replace families receiving child care services through the alternative payment program as set forth in Section 8220.1 of the Education Code until all the federal funds described in this section have been committed to families who have been receiving child care services pursuant to Section 8351 or 8353 of the Education Code. $50,000,000 of the funds in Schedule (b)(5.2) are reserved exclusively for child care for former CalWORKs recipients who have left cash aid, but still meet eligibility requirements for receipt of child care services.
12. Nonfederal funds appropriated by this item which have been budgeted to meet the state's Temporary Assistance for Needy Families maintenance of effort requirement established pursuant to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) may not be expended in any way that would cause their disqualification as a federally-allowable maintenance of effort expenditure.
13. In recognition of the extensive services currently provided to CalWORKs recipients, the increased level of services provided to these populations by resource and referral agencies as provided for in this item, and the economies of scale that occur as contract amounts are substantially increased, it is the intent of the Legislature that administrative and support services allowances for

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alternative payment contractors serving these populations be limited to no more than 25 percent of the direct cost of care payments to child care providers. Therefore, notwithstanding any other provision of law or regulation, the State Department of Education shall ensure that contract provisions conform to this intent for Stages 2 and 3 child care contracts funded through Schedules (b)(5.1) and (b)(5.2) of this item.

14. Notwithstanding Section 26.00 of this act or any other provision of law, the State Department of Education may transfer amounts between the following schedules in this item: Schedule (b)(1) General Child Care, Schedule (b)(2) Campus with Match, Schedule (b)(4) Migrant Day Care, Schedule (b)(8) Extended Day Care, and Schedule (b)(9) Allowance for Handicapped. However, these transfers are authorized only if the need for the transfer results from changes initiated in accordance with the prototype contracting demonstration project approved through the process authorized pursuant to Section 6 of Chapter 204, of the Statutes of 1996. The Controller shall adjust schedules accordingly as detailed on a standard budget revision form when certified to be in accordance with this provision by the Superintendent of Public Instruction or the Deputy Superintendent of Public Instruction responsible for fiscal affairs. Those changes are not to be considered permanent changes to the base authorized levels of the respective programs.
15. The State Department of Education (SDE) shall determine the amount of Stage 2 funds that will be distributed to each county, based on its best estimate of the needs of each county for Stage 2 child care. In counties where there is more than one Alternative Payment Program participating in Stage 2, the department shall require the county welfare department and all participating Alternative Payment Programs to jointly determine the amount of funds that will be distributed to each Alternative Payment Program.
16. Any increase in the federal Child Care Development Block Grant that the state receives after July 1, 1998, not to exceed $5,000,000, shall be used for the purpose of funding programs to en-

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hance child care provider wages and retention in geographic areas of the state that include underserved populations.

17. Notwithstanding Section 26.00 of the Budget Act, the $20,198,000 appropriated in Schedule (d) of this item, for Child Development cost-of-living adjustments, is for transfer to the scheduled programs within this item.
18. Of the funds in Schedule (b)(4) of this item, up to $5,000,000 may be used to establish a pilot Migrant Alternative Payment (AP) Network Program for Central Valley counties. The Migrant AP Network Program shall be centrally organized, with a network of at least five satellite locations throughout the Central Valley. The pilot program shall allow the AP childcare services to cross county boundaries to follow migrating migrant families as they move to find work within the Central Valley. The pilot program shall provide childcare certificates and administrative/family services and shall meet the requirements specified in Article 3 (commencing with Section 8220) of Chapter 2 of Part 6 of the Education Code that apply Alternative Payment Programs. The State Department of Education shall submit a detailed proposal by February 1, 1999, to establish the scope of the pilot program, including an evaluation plan, to the Department of Finance for concurrence and subject to review by the Joint Legislative Budget Committee, pursuant to the reporting requirements of Section 28.00 of this act.

6110-196-0890—For local assistance, Department of Education, for payment to Item 6110-196-0001 payable from the Federal Trust Fund 455,252,000

Provisions:

1. Notwithstanding any other provision of law, the funds appropriated by this item, to the extent permissible under federal law, are subject to Section 8262 of the Education Code.
2. The funds appropriated in this item constitute the Federal Child Care and Development Block Grant and are contingent upon receipt of the federal grant.
3. Of the funds appropriated by this item, $24,000,000 in Federal Child Care and Development Block Grant funds appropriated by the fed-

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eral government prior to the 1997 federal fiscal year shall be available to alternative payment programs.	
4. Of the funds appropriated by this item, $100,000,000 is from transfer of funds from the federal Temporary Assistance for Needy Families (TANF) block grant administered by the State Department of Social Services to the Federal Child Care and Development Block Grant for Stage 2 child care.	
6110-198-0001—For local assistance, Department of Education, for allocation to the Latino Museum of Art, History and Culture, which was designated as a regional Latino heritage resource center pursuant to Chapter 3.66 (commencing with Section 44777.1) of Part 25 of the Education Code	750,000
Provisions:	
1. As a condition to receiving funds, the Latino Museum of Art, History and Culture shall include all of the following in its application for funding that:	
(a) A plan to do all of the following on a regional basis:	
(1) Develop a variety of high-quality permanent and changing exhibits on Latino history, art, and culture that encompasses North, Central, and South America.	
(2) Provide teacher training activities.	
(3) Provide educational services for elementary and secondary school pupils.	
(b) A description of how it will attract private and public financial support for the development of its Latino heritage exhibits and educational programs.	
(c) A plan for providing educational services previously unavailable to pupils and teachers in the region other than through the Latino Museum of Art, History and Culture, including, but not limited to, the provision of publications and audio-visual materials on Latino history, art, and culture developed by the museum.	
(d) A description of how it will improve current efforts as a regional Latino heritage resource center both qualitatively and quantitatively.	
(e) A plan for collecting and preserving Latino cultural heritage and artifacts.	

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2. Funds allocated to the Latino Museum of Art, History and Culture shall be used only for the development costs of exhibits and collections, providing educational programs for pupils and teacher training materials, and capital outlay and other costs associated with the exhibits, collections, and programs presented. These funds shall supplement, and not supplant, current funding for educational services for public school pupils from other funding sources.
3. The Superintendent of Public Instruction shall review the application of the Latino Museum of Art, History and Culture to ensure that funds will be used only for the purposes authorized in this section. The application shall include an expenditure plan for the proposed use of these funds. Funds appropriated in this section shall only be expended for services provided beginning July 1, 1998, through June 30, 2001.

6110-199-0001—For local assistance, Department of Education, for the California Civil Liberties Public Education Program 1,000,000

Provisions:

1. The amount appropriated by this item is for a program that provides grants for civil liberties curriculum development, pursuant to enactment of legislation during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.

6110-200-0001—For local assistance, Department of Education (Proposition 98), Program 20.60.037 Healthy Start Support Services for Children Act..... 49,000,000

Provisions:

1. For purposes of allocating up to $10,000,000 of the funds appropriated by this item, the State Department of Education shall give priority to those applicants that address the needs of pregnant and parenting teenagers as specified in Chapter 311, Statutes of 1995.

6110-201-0001—For local assistance, Department of Education (Proposition 98)..... 1,000,000

Schedule:

(a) 30.20 Child Nutrition 1,800,000
(b) Reimbursements..... –800,000

Provisions:

1. Notwithstanding any other provision of law, the amount appropriated in this item is for the pur-

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pose of providing grants to school districts and county superintendents of schools during the 1998–99 school year pursuant to Section 49550.3 of the Education Code, and for nonrecurring expenses incurred by a school district or county office of education in initiating or expanding a Summer Food Service Program for children pursuant to Section 49547.5 of the Education Code following criteria developed by the State Department of Education.

6110-201-0890—For local assistance, Department of Education, Program 30.20—Child Nutrition, payable from the Federal Trust Fund 1,215,106,000

Schedule:

(a) 30.20.010—Child Nutrition 1,192,806,000

(b) 30.20.040—Summer Food Service Program 22,300,000

6110-202-0001—For local assistance, Department of Education 10,882,000

Schedule:

(a) 30.20.010-Child Nutrition 10,876,000

(b) 30.20.020-Pregnant/Lactating Minors 6,000

Provisions:

1. Funds appropriated by this item are for child nutrition programs pursuant to Section 41311 of the Education Code. Claims for reimbursement of meals pursuant to this appropriation shall be submitted not later than September 30, 1999, to be eligible for reimbursement.
2. Notwithstanding any other provision of law, except as provided in this provision, funds appropriated by this item shall be available for allocation in accordance with Section 49536 of the Education Code, except that the allocation shall not be made based on all meals served, but based on the number of meals that are served and that qualify as free or reduced-price meals in accordance with Sections 49501, 49550, and 49552 of the Education Code.

6110-204-0001—For local assistance, Department of Education (Proposition 98), for Program 10.80.030 International Baccalaureate Program..... 1,270,000

Provisions:

1. The funds appropriated by this item are available to fund the International Baccalaureate Program, subject to the establishment of that program by

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legislation enacted during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.

6110-212-0001—For local assistance, Department of Education (Proposition 98), Program 20.60—High-Risk Youth Education and Public Safety Program... 20,000,000

Provisions:

1. The funds appropriated by this item are for transfer to Section A of the State School Fund, for allocation by the State Department of Education to school districts and county offices of education for costs incurred for the High-Risk First-Time Offenders Program and the Transitioning High-Risk Youth Program pursuant to Article 1 (commencing with Section 47760) of Chapter 2 of Part 26.95 of the Education Code.

6110-226-0001—For local assistance, Department of Education (Proposition 98), Program 20.60—School/Law Enforcement Partnership Programs..... 9,481,000

Schedule:

(a) 20.60.020.001-Partnership Minigrants/Safe School Planning.. 5,951,000
(b) 20.60.020.012-Conflict Resolution. 380,000
(c) 20.60.020.013-School Community Violence Prevention 3,150,000

Provisions:

1. The amount in Schedule (a) includes $2,873,000 in Supplemental Grant funds that have been designated by school districts for school safety purposes pursuant to Section 17 of Chapter 308, Statutes of 1995.

6110-230-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction to school districts, county offices of education, and other education agencies for the purposes of the Proposition 98 educational programs funded in this item, in lieu of amounts otherwise provided for those programs by statute..... 2,339,486,000

Provisions:

1. The Superintendent of Public Instruction shall take action, in a manner consistent with state policy as expressed in statute and with the purposes of this act, to ensure the orderly administration of state-funded education programs conducted by local agencies. The allocations for the

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1998–99 fiscal year of state aid for these programs shall be in the same amounts as the 1997–98 fiscal year allocations, excluding Partnership Academies, instructional materials for kindergarten and grades 1 to 8, inclusive, and instructional materials for grades 9 to 12, inclusive, adjusted as appropriate to reflect changes in other state, federal, and local revenues, and the designation of supplemental grant funds to categorical programs pursuant to Section 17 of Chapter 308 of the Statutes of 1995. The Superintendent of Public Instruction shall apportion funds from the program allocations to each school district, county office of education, or other education agency in a manner consistent with the policies, formulas, regulations, and statutes governing those apportionments, including the appropriate program and schedule provisions set forth in Senate Bill 89 of the 1995–96 Regular Session as amended in the Senate May 30, 1995. If the funds appropriated by this item are less than the amount necessary for these programs, the Superintendent shall apportion the deficiency on a proportional basis across all programs. If funding appropriated by this item is greater than the amount necessary for these programs, the Superintendent of Public Instruction shall direct that the excess funds be transferred by the Controller to the State Instructional Materials Fund for the 1998–99 fiscal year for the purchase of instructional materials for kindergarten and grades 1 to 8, inclusive, or grades 9 to 12, inclusive.	
2. Notwithstanding any other provision of law, not more than 15 percent of the amount apportioned to any school district, county office of education, or other education agency under this item for any program may be expended by that recipient for the purposes of any other program for which the recipient is eligible for funding under this item, except that the total amount of funding allocated to the recipient under this item that is expended by the recipient for the purposes of any program pursuant to this item shall not exceed 120 percent of the amount of state funding allocated pursuant to Provision 1 to that recipient for that program for the 1998–99 fiscal year.	

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3. The educational programs that are not eligible for funding under this item are those programs funded by the following items of the Budget Act of 1997 (Ch. 282, Stats. 1997): Items 6110-001-0001, 6110-001-0178, 6110-001-0231, 6110-001-0344, 6110-001-0687, 6110-001-0890, 6110-001-0975, 6110-002-0001, 6110-003-0001, 6110-004-0001, 6110-005-0001, 6110-006-0001, 6110-006-0814, 6110-007-0001, 6110-008-0001, 6110-009-0001, 6110-011-0001, 6110-013-0001, 6110-015-0001, 6110-021-0001, 6110-096-0001, 6110-101-0231, 6110-101-0349, 6110-101-0814, 6110-101-0890, 6110-101-0975, 6110-102-0001, 6110-102-0231, 6110-102-0890, 6110-103-0001, 6110-103-0890, 6110-104-0001, 6110-105-0001, 6110-111-0890, 6110-112-0001, 6110-112-0890, 6110-113-0001, 6110-117-0001, 6110-128-0890, 6110-129-0001, 6110-130-0001, 6110-136-0890, 6110-139-0001, 6110-141-0890, 6110-142-0890, 6110-152-0001, 6110-156-0001, 6110-156-0890, 6110-158-0001, 6110-161-0001, 6110-161-0890, 6110-162-0001, 6110-165-0001, 6110-166-0890, 6110-176-0890, 6110-180-0001, 6110-180-0890, 6110-181-0465, 6110-183-0890, 6110-184-0001, 6110-185-0001, 6110-186-0001, 6110-190-0001, 6110-194-0001, 6110-196-0001, 6110-196-0890, 6110-200-0001, 6110-201-0890, 6110-202-0001, 6110-226-0001, 6110-234-0001, and 6110-295-0001.
4. The reduction of the maximum allowable building area for each applicant school district pursuant to Section 17746.8 of the Education Code shall be a permanent reduction to the district's eligibility for funding under Chapter 22 (commencing with Section 17700) of Part 10 of the Education Code. To the extent feasible, the reduction shall be applied to district projects that represent the same grade levels of the pupils for which the district is claiming funding pursuant to Section 42263 of the Education Code.
5. Notwithstanding Provision 3, local education agencies may use the authority granted pursuant to Provision 2 of this item to provide the funds necessary to initiate, to continue support following the three- to five-year state grant period, or to expand, a Healthy Start Program pursuant to Chapter 5 (commencing with Section 8800) of Part 6 of the Education Code.

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6. Notwithstanding Provision 3 of this item, local education agencies may use the authority granted pursuant to Provision 2 of this item to provide the funds necessary to initiate a conflict resolution program pursuant to Chapter 2.5 (commencing with Section 32260) or Part 19 of the Education Code.	
7. The amount appropriated by this item includes funds for the environmental education program established by Chapter 4 (commencing with Section 8700) of Part 6 of the Education Code and the school-based management program established by Article 12 (commencing with Section 44666) of Chapter 3 of Part 25 of the Education Code.	
8. For purposes of Section 42263 of the Education Code, the statewide average cost avoided per pupil for the 1998–99 fiscal year shall be the amount determined for that purpose for the 1997–98 fiscal year.	
9. As a condition of receiving funding under this item, each school district that receives reimbursement for the costs of a desegregation program or programs shall submit a report to the Legislature on or before March 1, 1999, on the use of those funds. The report shall include, but not be limited to, the following information: (1) how the funds received for a desegregation program or programs have been used to alleviate the harmful effects of racial isolation; and (2) how the funds received for a desegregation program or programs have been used to improve the academic performance of pupils in schools that receive desegregation funds. If the report required by this provision is not received from any school district by March 1, 1999, the Controller may not pay the reimbursement claim for desegregation costs of the district for the 1998–99 school year.	
10. As a condition of receiving funds apportioned from this item for general staff development purposes, school districts shall use these funds on a priority basis to ensure that (1) each probationary certificated employee assigned to a school within the district as a new teacher receives appropriate training, assistance, and evaluation and (2) state categorical funding for administrator training is supplemented, as needed, so that personnel assigned to evaluate teachers achieve	

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competence in instructional methodologies and evaluation for teachers they are assigned to evaluate.	
6110-231-0001—For local assistance, Department of Education, (Proposition 98), for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction to school districts and county offices of education for the purpose of the Proposition 98 educational programs funded in Item 6110-230-0001	67,831,000
Provisions:	
1. Of the funds appropriated by this item $67,831,000 shall be allocated to all school districts and county offices of education in the state on the basis of an equal amount per unit of average daily attendance for the Proposition 98 educational programs funded in Item 6110-230-0001.	
6110-232-0001—For local assistance, Department of Education (Proposition 98), Program 20.40—Class Size Reduction Program: 9th Grade	88,900,000
Provisions:	
1. The funds appropriated by this item are to expand the Morgan/Hart Class Size Reduction Program for grades 9 to 12, inclusive, pursuant to enactment of legislation during the 1997–98 Regular Session that becomes operative on or before January 1, 1999.	
6110-233-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction to school districts, county offices of education, and other agencies receiving funding under Item 6110-230-0001 for the purposes of Proposition 98 educational programs funded in Item 6110-230-0001	94,146,000
Provisions:	
1. The funds appropriated by this item are for the purpose of providing cost-of-living adjustments and enrollment growth funding, to be distributed to each program that is funded under Item 6100-230-0001 in an amount that is proportionate to the base funding level of the program in the 1997–98 fiscal year, excluding Partnership Academies instructional materials.	

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6110-234-0001—For local assistance, Department of Education (Proposition 98), for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction for the Class Size Reduction Program pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 of the Education Code 1,545,530,000

Schedule:

(a) 10.25-Class Size Reduction..... 1,545,530,000

Provisions:

1. It is the intent of the Legislature that the first priority for any unused funds appropriated pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 of the Education Code for the 1997–98 fiscal year be made available on a one-time basis to assist (1) eligible school districts in implementing their approved Comprehensive Plan to Mitigate the Facilities Impact of Class Size Reduction as specified in Section 52122.7 of the Education Code, and (2) school districts that fully implemented three grade levels of class size reduction in the 1996–97 fiscal year, so that these school districts may be eligible to receive up to $40,000 for each new teaching station for facilities needed to expand the Class Size Reduction Program in the 1997–98 fiscal year beyond the number of new classes established in the 1996–97 fiscal year.

6110-235-0001—For local assistance, Department of Education, (Proposition 98), Program 10.10, Instruction, for the Year Round School Grant Program established pursuant to Section 42260 to Section 42268, inclusive, of the Education Code 3,000,000

Provisions:

1. The funds appropriated in this item are for transfer to Section A of the State School Fund, to augment the funding provided for this program in Item 6110-230-0001 of this act.

6110-280-0001—For local assistance, Department of Education (Proposition 98), Program 20.40.100-High Risk Youth..... 600,000

Provisions:

1. The funds appropriated by this item are for allocation by the State Department of Education to the Los Angeles Unified School District for services to at-risk youth that participate in a program

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that meets the criteria specified in subdivision (a) of Section 41 of Chapter 299 of the Statutes of 1997.		
6110-294-0001—For local assistance, Department of Education (Proposition 98)-Legislative Priority Set-Aside		10,000,000
Provisions:		
1. Funds appropriated by this item are for the purpose of funding legislative priorities pursuant to legislation enacted during the 1997–98 Regular Session.		
6110-295-0001—For local assistance, Department of Education (Proposition 98), for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the cost of any new program or increased level of service of an existing program mandated by statute or executive order, Controller		146,467,000
Schedule:		
(1) 98.01.003.677-Annual Parent Notification (Ch. 36, Stats. 1977, et al.)	1,855,000	
(2) 98.01.008.786-School Discipline Rules (Ch. 87, Stats. 1986)	1,257,000	
(3) 98.01.016.193-Intradistrict Attendance (Ch. 161, Stats. 1993)	2,220,000	
(4) 98.01.017.201-Interdistrict Attendance (Ch. 172, Stats. 1986)	983,000	
(5) 98.01.017.286-Interdistrict Transfer Parent's Employment (Ch. 172, Stats. 1986)	889,000	
(6) 98.01.030.697-Choice Transfer Appeals (Ch. 306, Stats. 1997)	866,000	
(7) 98.01.048.675-Test Claims and Reimbursement Claims (Ch. 486, Stats. 1975)	6,937,000	
(8) 98.01.049.801-Graduation Requirements (Ch. 498, Stats. 1993)	3,769,000	
(9) 98.01.049.802-Notices of Truancy (Ch. 498, Stats. 1983)	5,613,000	
(10) 98.01.062.492-Schoolbus Safety (Ch. 624, Stats. 1992)	687,000	
(11) 98.01.064.186-Open Meetings Act (Ch. 641, Stats. 1986)	1,964,000	
(12) 98.01.078.192-Charter Schools (Ch. 781, Stats. 1992)	684,000	

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(13) 98.01.079.980-PERS Death Benefits (Ch. 799, Stats. 1980).....	710,000
(14) 98.01.081.891-AIDS Prevention Instruction (Ch. 818, Stats. 1991).	3,945,000
(15) 98.01.096.175-Collective Bargaining (Ch. 961, Stats. 1975).....	31,942,000
(16) 98.01.096.501-Pupil Classroom Suspension (Ch. 965, Stats. 1977).	4,293,000
(17) 98.01.096.577-Public Health Screenings (Ch. 965, Stats. 1977).	3,211,000
(18) 98.01.101.184-Juvenile Court Records (Ch. 1011, Stats. 1984)...	184,000
(19) 98.01.103.670-STRS Rate Increase (Ch. 1036, Stats. 1979).....	52,085,000
(20) 98.01.110.784-Removal of Chemicals (Ch. 1107, Stats. 1984).....	1,476,000
(21) 98.01.117.677-Immunization Records (Ch. 1176, Stats. 1977)...	4,303,000
(22) 98.01.125.375-Expulsion Transcripts (Ch. 1253, Stats. 1975).....	8,000
(23) 98.01.128.488-Pupil Suspensions: Parents Classroom Visits (Ch. 1284, Stats. 1988).....	225,000
(24) 98.01.130.689-Notification to Teachers of Public Expulsion (Ch. 1306, Stats. 1989).....	1,856,000
(25) 98.01.134.780-Scoliosis Screening (Ch. 1347, Stats. 1980).....	2,151,000
(26) 98.01.139.874-PERS Unused Sick Leave Credit (Ch. 1398, Stats. 1974).....	2,938,000
(27) 98.01.160.784-School Crimes Reporting (Ch. 1607, Stats. 1984).....	1,754,000
(28) 98.01.165.984-Emergency Procedures (Ch. 1659, Stats. 1984).....	7,036,000
(29) 98.01.167.584-School Testing-Physical Fitness (Ch. 1675, Stats. 1984).....	626,000

Provisions:

1. Except as provided in Provisions 2 and 4, allocations of funds appropriated by this item shall be made by the Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code.

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Audit adjustments to prior year claims may be paid from this item. Funds appropriated by this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.

2. The funds appropriated in Schedule (19) are for transfer to the State Teachers' Retirement Fund for the State Teachers' Retirement System for reimbursement of costs incurred pursuant to Chapter 1036 of the Statutes of 1979.
3. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the Controller may, upon approval of the Director of Finance, augment those deficient amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.
4. Notwithstanding any other provision of law, the funds appropriated in Schedules (13) and (26) are for transfer to the Public Employees' Retirement System for reimbursement of costs incurred pursuant to Chapter 1398 of the Statutes of 1974 or Chapter 799 of the Statutes of 1980.

6110-401—For maintenance of accounting records by the State Controller's office and the Department of Education or any other agency maintaining such records, appropriations made in this act for agency 6110 (Department of Education) are to be recorded under agency 6100 (Department of Education).

6110-402—Notwithstanding any provision of law to the contrary, no funds appropriated by this act, or by any act enacted prior to the enactment of this act, shall be, in the absence of a court order, deemed appropriated or available for expenditure for purposes of claims for vocational education average daily attendance arising from Section 46140 of the Education Code as it read prior to the enactment of Chapter 1230 of the Statutes of 1977.

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6110-403—In the event the bonds authorized for the Capital Area Plan project in Chapter 761, Statutes of 1997 are not sold, the Department of Education shall commit a sufficient portion of its support appropriation, as determined by the Department of Finance, which is provided for in this Budget Act to repay any interim financing. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until all interim financing is repaid either through the proceeds from the sale of bonds or from an appropriation.

6110-490—Reappropriation, Department of Education. Notwithstanding any other provision of law, the unencumbered balances are reappropriated from the following citations, for the purpose specified, and shall be available for encumbrance and expenditure until June 30, 1999:

001—General Fund

(1) The balance as of June 30, 1998, from Schedule (c) of Item 6110-107-0001 of Section 2.00 of the Budget Act of 1995 (Ch. 303, Stats. 1995) to augment Schedule (d) of Item 6110-107-0001 of this act, for the County Office Fiscal Crisis and Management Assistance Team for technology costs related to providing staff development in the 1998–99 fiscal year.

(2) The balance as of June 30, 1998, from Item 6110-184-0001 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997), is reappropriated for the purpose of funding, in the 1998–99 fiscal year, applications for grants that were eligible but not awarded in the 1997–98 fiscal year.

(3) The balance as of June 30, 1998, of Item 6110-124-0001 of Section 2.00 of the Budget Act of 1996 (Ch. 162, Stats. 1996), is reappropriated for services to pupils participating in the Gifted and Talented Education (GATE) program to be used for onetime purposes.

(4) The balance, as of June 30, 1998, from Schedules (b)(1) General Child Care, (b)(3) High School Parenting and Infant Development, (b)(4) Migrant Day Care, and (b)(8) Extended Day Care from Item 6110-196-0001 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997),

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for transfer to the Child Care Facilities Revolving Fund established pursuant to Section 8278.3 of the Education Code.	
6110-495—Reversion, Department of Education, Proposition 98. The unencumbered balance as of June 30, 1998, of the appropriation provided for in the following citation shall revert to the Proposition 98 Reversion Account:	
1. Chapter 525 of the Statutes of 1995, Section 13, Standardized Account Code Structure.	
2. Chapter 204 of the Statutes of 1996, Section 37, California Public School Library Protection Fund.	
3. Sections 40.3, 40.4, and 40.5 of Chapter 299 of the Statutes of 1997, for instructional services to CalWORKs recipients through Regional Occupation Centers/Programs and adult education programs. However, the amounts reverted shall be limited to the unexpended balances above $12,500,000, so that no more than $12,500,000 remains available for expenditure. The State Department of Education shall provide a report to the Department of Finance by February 1, 1999, identifying the programs and amounts of expended funds and the amount of funds reverted hereunder.	
4. Item 6100-190-0001 of Section 2.00 of the Budget Act of 1997 (Ch. 282, 1997 Stats.), Community Day Schools Program.	
5. Item 6100-112-0001 of Section 2.00 of the Budget Act of 1997 (Ch. 282, 1997 Stats.), Staff Development Day Buyout.	
6115-001-0001—For support of the Commission for the Establishment of Academic Content and Performance Standards	704,000
Schedule:	
(a) 10-Standards Development 704,000	
6120-011-0001—For support of California State Library, Division of Libraries, and California Library Services Board	13,407,000
Schedule:	
(a) 10-State Library Services..... 12,927,000	
(b) 20-Library Development Services.. 2,828,000	
(c) 30-Information Technology Services..... 972,000	
(d) 40.01 Administration 1,541,000	
(e) 40.02 Distributed Administration... −1,541,000	

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(f) Reimbursements	−462,000	
(g) Amount payable from the Federal Trust Fund (Item 6120-011-0890).	−2,858,000	
6120-011-0020—For support of the California State Library, Program 10—State Library Services, for support of the State Law Library		544,000
Provisions:		
1. The Director of Finance may authorize the augmentation of the total amount available for expenditure under this item in the amount of revenue received by the State Law Library Special Account which is in addition to the revenue appropriated by this item or in the amount of funds unexpended from previous fiscal years, not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee.		
6120-011-0890—For support of California State Library, for payment to Item 6120-011-0001, payable from the Federal Trust Fund		2,858,000
6120-012-0001—For support of the California State Library, for debt service payments on lease revenue bonds		653,000
Schedule:		
(a) Base Rental and Fees	1,523,000	
(b) Insurance	24,000	
(c) Reimbursements	−894,000	
6120-101-0001—For local assistance, California State Library		50,000
Provisions:		
1. Funds appropriated by this item are for the purpose of funding asbestos removal at the Garden Grove Regional Library. These funds are to be allocated on a one-time basis only.		
6120-211-0001—For local assistance, California State Library, Program 20—Library Development Services		17,026,000
Schedule:		
(a) 20.10—California Literacy Campaign	4,090,000	
(b) 20.20—Families for Literacy Program	876,000	
(c) 20.30—Direct Loan and Interlibrary Loan Programs	8,600,000	

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(d) 20.40—Computerized Data Base pursuant to Section 18767 of the Education Code	275,000	
(e) 20.50—California Library Services Act pursuant to Chapter 4 (commencing with Section 18700) of Part 11 of the Education Code	3,185,000	

Provisions:

1. Should the funds appropriated in Schedule (c) be insufficient to fully cover all transactions under the Direct Loan and Interlibrary Loan programs of the California Library Services Act, funding shall be prorated such that expenditures for the program are within the appropriation made in Schedule (c) of this item.

6120-211-0890—For local assistance, California State Library, Program 20—Library Development Services, payable from the Federal Trust Fund 11,901,000

6120-221-0001—For local assistance, California State Library Program 20-Library Development Services-Public Library Foundation Program..... 62,750,000

Provisions:

1. Notwithstanding any other provision of law, for the 1998–99 fiscal year, the date on or before which the fiscal officer of each public library shall report to the State Librarian the information specified in Section 18023 of the Education Code shall be December 1, 1998.
2. Notwithstanding any other provision of law, for the 1998–99 fiscal year, the date on or before which the Controller shall distribute funds to the fiscal officer of each public library as specified in Section 18026 of the Education Code shall be February 15, 1999.
3. It is the intent of the Legislature that the funds appropriated by this item be allocated consistent with the provisions of Chapter 167 of the Statutes of 1997.

6120-301-0001—For capital outlay, California State Library 30,000

Schedule:

(1) 10.04.001—Sutro Library; Long Term Needs Assessment—Study... 30,000

6255-001-0001—For support of California State Summer School for the Arts, Program 10..... 725,000

Item	Amount
6330-001-0890—For support of the California Occupational Information Coordinating Committee, payable from the Federal Trust Fund	284,000
6360-001-0001—For support of the Commission on Teacher Credentialing, for the purpose of administering the Paraprofessional Teacher Training Program	755,000

Schedule:

(a) 10-Standards for Preparation and Licensing of Teachers 755,000

Provisions:

1. Of the funds appropriated by this item, $66,000 shall be available for administrative costs related to the Alternative Certification Program pursuant to Article 11 (commencing with Section 44380) of Chapter 2 of Part 25 of the Education Code.
2. Of the funds appropriated by this item, $140,000 shall be available for administrative costs related to the Beginning Teacher Support and Assessment System pursuant to Article 4.5 (commencing with Section 44279.1) of Chapter 2 of Part 25 of the Education Code.
3. Of the funds appropriated by this item, $60,000 shall be available for administrative costs related to the California School Paraprofessional Teacher Training Program pursuant to Article 12 (commencing with Section 44390) of Chapter 2 of Part 12 of the Education Code.
4. Of the funds appropriated by this item, $49,000 shall be available for administrative costs related to the California Pre-Internship Program pursuant to Article 5.6 (commencing with Section 44305) of Chapter 2 of Part 12 of the Education Code.
5. Of the funds appropriated by this item, $350,000 shall be available for administrative costs related to the development of integrated programs of professional and subject matter preparation. These funds shall be available only if authorizing legislation is enacted during the 1997–98 Regular Session.
6. Of the funds appropriated by this item, $90,000 shall be available for administrative costs related to the review of teacher credential reciprocity. These funds shall be available only if authorizing legislation is enacted during the 1997–98 Regular Session.

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6360-001-0407—For support of Commission on Teacher Credentialing, payable from the Teacher Credentials Fund	15,635,000

Schedule:

(a) 10-Standards for Preparation and Licensing of Teachers 15,635,000

(b) 10.40.010-Departmental Administration ..... (3,487,000)

(c) 10.40.020-Distributed Departmental Administration ..... (−3,487,000)

Provisions:

1. The amount appropriated by this item may be increased based on increases in credential applications, increases in first-time credential applications requiring fingerprint clearance, unanticipated costs associated with certificate discipline cases, or unanticipated costs of litigation, subject to approval of the Department of Finance, not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee.
2. Notwithstanding Section 44234 of the Education Code, funds that are set aside for pending litigation costs shall not be considered part of the reserve of the Teacher Credentials Fund for purposes of subdivision (b) of Section 44234 of the Education Code.
3. Of the funds appropriated by this item, $250,000 is for the design, development, and testing of a performance assessment that will be used statewide with new teachers. These funds shall be available only if authorizing legislation is enacted during the 1997–98 Regular Session.
4. Of the funds appropriated by this item, funds provided for credential processing may also be used for provision of technical assistance to applicants, teacher preparation programs, and school districts.

6360-001-0408—For support of Commission on Teacher Credentialing, payable from the Test Development and Administration Account of the Teacher Credentials Fund	9,461,000

Schedule:

(a) 10-Standards for Preparation and Licensing of Teachers 9,461,000

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Provisions:

1. The amount appropriated by this item may be increased for unanticipated costs of litigation, or for costs from increases in the number of examinees, subject to approval of the Department of Finance, not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee.
2. Notwithstanding Section 44234 of the Education Code, funds that are set aside for pending litigation costs shall not be considered part of the reserve of the Teacher Credentials Fund for purposes of subdivision (b) of Section 44234 of the Education Code.
3. Of the funds appropriated by this item, $1,100,000 shall be available for the design, development, and testing of a performance assessment that will be used statewide with new teachers. These funds shall be available only if authorizing legislation is enacted during the 1997–98 Regular Session.

6360-001-0890—For support of Commission on Teacher Credentialing, payable from the Federal Trust Fund. 159,000

Schedule:

(a) 10-Standards for Preparation and Licensing of Teachers 159,000

6360-101-0001—For local assistance, Commission on Teacher Credentialing (Proposition 98)..... 34,628,000

Schedule:

(a) 10-Standards for Preparation and Licensing of Teachers 34,628,000

Provisions:

1. Of the funds appropriated by this item, $11,000,000 is for incentive grant funding to school districts and county offices of education participating in the alternative teacher certification program established in Article 11 (commencing with Section 44380) of Chapter 2 of Part 25 of the Education Code.
2. Of the funds appropriated by this item, $11,478,000 shall be available for grants and subventions to school districts and county offices of education participating in the California School Paraprofessional Teacher Training Program pur-

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suant to Article 6.5 (commencing with Section 69619) of Chapter 2 of Part 42 of the Education Code.		
3. Of the funds appropriated by this item, $350,000 shall be used to reimburse county offices of education for costs associated with monitoring public schools and school districts for teacher misassignments. Funds shall be allocated on a basis determined by the Commission. Districts and county offices receiving funds for credential monitoring will provide reasonable and necessary information to the Commission as a condition of receiving these funds.		
4. Of the funds appropriated in this item, $11,800,000 is for the Pre-Internship Teaching Program, as set forth in Article 5.6 (commencing with Section 44305) of Chapter 2 of Part 25 of the Education Code.		
6420-001-0001—For support of California Postsecondary Education Commission		3,579,000
Schedule:		
(a) 100000-Personal Services	2,576,000	
(b) 300000-Operating Expenses and Equipment	1,343,000	
(c) Reimbursements	−16,000	
(d) Amount payable from the Federal Trust Fund (Item 6420-001-0890).	−324,000	
6420-001-0890—For support of California Postsecondary Education Commission, for payment to Item 6420-001-0001, payable from the Federal Trust Fund		324,000
6420-101-0001—For local assistance, California Postsecondary Education Commission, for Pipeline Program grants		119,000
6420-101-0890—For local assistance, California Postsecondary Education Commission, payable from the Federal Trust Fund		6,165,000
6440-001-0001—For support of University of California		2,351,969,000
Schedule:		
(a) Support	2,251,827,000	
(b) Charles R. Drew Medical Program.	9,567,000	
(c) Podiatry Program	857,000	
(d) Mathematics, Engineering and Science Achievement (MESA)	3,553,000	
(e) Acquired Immune Deficiency Syndrome (AIDS) Research	8,445,000	

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(f) Institute of Global Conflict and Cooperation	550,000
(g) Student Financial Aid	52,865,000
(h) Loan Repayments	5,105,000
(i) San Diego Supercomputer Center	4,000,000
(j) Mathematics, Science and Arts Outreach Programs	3,000,000
(k) Subject Matter Projects	12,200,000

Provisions:

1. The appropriations made by this item are exempt from Section 31.00 of this act.
2. None of the funds appropriated by this item may be expended to initiate major capital outlay projects by contract without prior legislative approval, except for cogeneration and energy conservation projects. Exempted projects shall be reported in a manner consistent with the reporting procedures in subsection (d) of Section 28.00 of this act.
3. The funds appropriated in Schedule (b) are for support of University of California program of clinical health sciences education, research, and public service, conducted in conjunction with the Charles R. Drew Postgraduate Medical School, as provided for in Sections 1, 2, and 3 of Chapter 1140 of the Statutes of 1973. Of the amount appropriated, $500,000 is contingent upon the provision by the University of California of an equal amount of matching funds from its own resources. The University of California shall ensure by adequate controls that funds appropriated by Schedule (b) are expended solely for the support of the program identified in that schedule.
4. The funds appropriated in Schedule (c) are for support of a program of basic and clinical health science education and primary health care delivery research in the field of podiatry, University of California, to be conducted in conjunction with the California College of Podiatric Medicine as provided for in Sections 1 to 4, inclusive, of Chapter 1497 of the Statutes of 1974.
5. Of the amount appropriated in Schedule (a), $2,629,957 shall be available for expenditure only for support of the Northern and Southern Occupational Health Centers as established by a con-

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tract entered into with the Department of Industrial Relations pursuant to Section 50.8 of the Labor Code.

6. The funds appropriated in Schedule (g) are for support of Program 45, Student Financial Aid, to provide financial aid to needy students attending the University of California, according to the nationally accepted needs analysis methodology.
7. Of the amount appropriated in Schedule (a), $7,240,800 is for payment of energy service contracts in connection with the issuance of Public Works Board Energy Efficiency Revenue Bonds.
8. Of the amount appropriated in Schedule (h), $2,700,000 is for repayment of $25,000,000 borrowed by the University of California for deferred maintenance in the 1994–95 fiscal year. It is the intent of the Legislature to annually provide funds for that repayment purpose through the 2009–10 fiscal year.
9. Of the amount appropriated in Schedule (h), $2,405,000 is for repayment of $25,000,000 borrowed by the University of California for deferred maintenance in the 1995–96 fiscal year. It is the intent of the Legislature to annually provide funds for that repayment purpose through the 2010–11 fiscal year.
10. Of the amount appropriated in schedule (a), $38,500,000 is provided for outreach to be used to fund new and existing programs that are aimed at improving the chances for pupils from a wide diversity of backgrounds to become eligible for the University of California, as follows:
    (b) The following amounts are for pupil academic development and school partnership programs and shall be matched on a one-to-one basis by the participating schools:
        (1) $15,000,000 is to expand pupil academic development programs, including MESA, Puente, and the Early Academic Outreach Program, so that these programs may increase the number of pupils who participate in the programs and may offer services such as college admissions test preparation programs, fee waivers for Advance Placement tests, and an increased number of field

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trips for high school and middle school participants to visit college campuses.

(2) $15,000,000 is provided for the expansion of K–12 school partnership programs to systemically reform partner schools in order to achieve long-term improvements in student success.

(3) $1,000,000 is provided to expand both pupil academic development programs and K–12 partnership programs in the Central Valley.

(c) $3,500,000 is provided for expansion of services to community college students to promote transfer.

(d) $1,000,000 is provided for informational outreach to pupils, families, and K–12 teachers and counselors.

(e) $1,000,000 is provided for charter schools.

(f) $500,000 is provided for outreach by professional schools to be matched on a one-to-one basis by those professional schools.

(g) $1,500,000 is provided for long-term evaluation of the effectiveness of outreach programs, including college graduation rates for pupils who participated in the K–12 programs, regardless of the college attended.

11. Of the funds appropriated in Schedule (a), $500,000 shall be expended for the Center for Earthquake Engineering Research, contingent upon the center continuing to receive federal matching funds from the National Science Foundation.

12. Of the funds appropriated by Schedule (a), $800,000 shall be expended for the International Thermonuclear Experimental Reactor Design Center, contingent upon the center continuing to receive federal matching funds.

13. Of the funds appropriated in Schedule (a), $500,000 shall be expended for viticulture and enology research contingent upon the receipt of an equal amount of private sector matching funds.

14. Of the amount appropriated in Schedule (j), $1,500,000 is for Arts Bridge programs that give university students scholarships to work as "artists in residence" in public schools. The University of California shall ensure that 75 percent of

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these efforts are targeted at low-performing schools. The University of California shall provide a report of the expenditures of this program to the California Arts Council by September 30, 1999.	
15. Of the amount appropriated in Schedule (j), $1,500,000 is for Community Teaching Internships for Mathematics and Science programs. These programs shall provide stipends to juniors and seniors majoring in math, science, and engineering, who work in local public schools as teaching interns.	
16. Of the funds appropriated in Schedule (a), $16,810,000 is for substance abuse research at the University of California, San Francisco campus in the Neurology Department.	
17. Notwithstanding Section 2.00 of this act, an amount not to exceed $1,000,000 may be used for working drawings and preliminary plans related to the construction of a building to house the physician training and education program conducted by the San Francisco campus in Fresno.	
18. Of the funds appropriated in Schedule (a), $1,000,000 shall be available for the purpose of conducting the California Work Opportunity and Responsibility to Kids (CalWORKs) program evaluation.	
19. Of the funds appropriated in Schedule (a), $400,000 shall be available for the purpose of continuing the planning and survey design work for the California Health Interview Survey to be conducted by the UCLA Center for Health Policy Research.	
20. It is the intent of the Legislature that the University of California incorporate service learning into its curricula and encourage and help students participate in service learning opportunities.	
21. It is the intent of the Legislature that the California State University report to the Legislature any grade point adjustment factors concerning an applicant's undergraduate school that are used in the process for admissions to their respective professional schools and graduate programs. This disclosure shall specify the justification for the grade weighting policies and shall describe	

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the specific methodologies used to determine the relative weightings and adjustments made to the grade point average earned by a student at each of the various undergraduate schools.	
6440-001-0007—For support of University of California, payable from the Breast Cancer Research Account	16,706,000
Provisions:	
1. Notwithstanding subdivision (a) of Section 2.00 of this act, the funds appropriated by this item shall be available for expenditure until June 30, 2001.	
6440-001-0046—For support of University of California, Institute of Transportation Studies, payable from the Public Transportation Account, State Transportation Fund	956,000
6440-001-0234—For support of the University of California, payable from the Research Account, Cigarette and Tobacco Products Surtax Fund	18,661,000
Provisions:	
1. The funds appropriated by this item are to be allocated for research regarding tobacco use, with an emphasis on youth and young adults, including, but not limited to, the effects of active and passive smoking, the primary prevention of tobacco use, nicotine addiction and its treatment, the effects of secondhand smoke, and public health issues surrounding tobacco use.	
2. Notwithstanding subdivision (a) of Section 2.00 of this act, the funds appropriated by this item are available for expenditure until June 30, 2001.	
6440-001-0308—For support of the University of California, payable from the Earthquake Risk Reduction Fund of 1996	1,500,000
Provisions:	
1. The funds appropriated by this item shall be expended for the Center for Earthquake Engineering Research, contingent upon the Center continuing to receive federal matching funds from the National Science Foundation.	
6440-001-0321—For support of University of California, payable from the Oil Spill Response Trust Fund	1,300,000
Provisions:	
1. The funds appropriated by this item shall be available to support the Oiled Wildlife Care Network.	

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6440-001-0814—For support of University of California, for allocation by the State Controller in accordance with the provisions of Government Code Section 8880.5 as enacted by the voters in Proposition 37 at the November 1984 general election, payable from the California State Lottery Education Fund 20,106,000

Provisions:

1. All funds received pursuant to Proposition 37 that are allocable to the University of California pursuant to Section 8880.5 of the Government Code, and that are in excess of the amount appropriated in this item are hereby appropriated in augmentation of this item.

6440-001-0945—For support of the University of California, payable from the California Breast Cancer Research Fund 726,000

Provisions:

1. Notwithstanding subdivision (a) of Section 2.00 of this act, the funds appropriated by this item shall be available for expenditure until June 30, 2001.

6440-002-0001—For support of University of California ..... (55,000,000)

Provisions:

1. Notwithstanding Section 2.00 of this act, the funds appropriated by this item are not available for expenditure or encumbrance prior to July 1, 1999. Claims for these funds shall be submitted by the University of California on or after July 1, 1999, and before October 1, 1999.
2. No reserve may be established by the State Controller for this appropriation before July 1, 1999.

6440-003-0001—For support of the University of California, for payments on lease-purchase bonds..... 90,572,000

Schedule:

(a) Rental, insurance and administrative payments 97,452,000

(b) Reimbursements..... –6,880,000

6440-004-0001—For support of University of California 11,400,000

Provisions:

1. Funds shall be available for planning and startup costs associated with academic programs to be offered in the San Joaquin Valley and planning, startup costs, and ongoing support for the Merced campus, including the following: (a) site studies, infrastructure planning, community planning and

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development, long-range development plans, environmental studies, and other physical planning activities; (b) academic planning activities, support of academic program offerings prior to the opening of the new campus, and faculty recruitment; (c) the acquisition of instructional materials and equipment; and (d) ongoing operating support for faculty, staff, and other annual operating expense for the new campus.		
2. Of the funds appropriated by this item, $1,500,000 shall be used to establish three or four distributed learning centers for on-site and distance learning instruction. Notwithstanding Section 6.00 of this act, these funds may be used for capital outlay costs related to these centers.		
3. Notwithstanding subdivision (a) of Section 2.00 of this act, funds appropriated by this item plus accumulated interest shall be available for expenditure until June 30, 2001.		
6440-011-0042—For transfer by the State Controller from the State Highway Account, State Transportation Fund to the Earthquake Risk Reduction Fund of 1996		(1,000,000)
6440-301-0574—For capital outlay, University of California, payable from the 1998 Higher Education Capital Outlay Bond Fund		42,475,000
Schedule:		
Berkeley Campus:		
(1) 99.01.180-Seismic Safety Corrections, Barker Hall—Working drawings	758,000	
Davis Campus:		
(2) 99.03.170-Plant and Environmental Science Replacement Facility—Working drawings and construction	21,028,000	
Los Angeles Campus:		
(5) 99.04.305-Health Sciences Seismic Replacement Building 1—Preliminary plans	922,000	
Riverside Campus:		
(6) 99.05.115-Entomology Buildings Seismic Replacement—Preliminary plans	991,000	
(7) 99.05.120-Humanities-Olmsted Hall Seismic Upgrade and Renovation—Preliminary plans	469,000	

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San Diego Campus:	
(8) 99.06.195-Basic Science Building Renovations—Working drawings..	935,000
(9) 99.06.300-Primary Electrical System Improvements—Preliminary Plans and working drawings.....	347,000
Santa Barbara Campus:	
(11) 99.08.090-Broida Hall Building Renewal—Working drawings	712,000
Santa Cruz Campus:	
(12) 99.07.095-Mt. Hamilton Infrastructure Improvements—Construction	2,871,000
Agriculture and Natural Resources:	
(14) 99.10.035-Alternative Pest Control Quarantine and Containment Facilities for California—Construction	13,442,000

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990.

   No later than March 1, 1999, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used.

   No later than November 1, 1999, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chair of the

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Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.		
6440-301-0658—For capital outlay, University of California, payable from the Higher Education Capital Outlay Bond Fund of 1996		8,840,000
Schedule:		
Berkeley Campus:		
(.1) 99.01.115-Campus Sewer System Renewal—Working drawings and construction	2,007,000	
(.2) 99.01.140-Campus Water Distribution System Expansion, Step 2—Construction	1,466,000	
(1) 99.01.190-Seismic Safety Corrections, LeConte Hall—Preliminary plans	820,000	
Riverside Campus:		
(1.1) 99.05.105-Boyce Hall Seismic Upgrade—Commission	2,376,000	
San Diego Campus:		
(1.2) 99.06.190-SIO Utilities System Improvements—Construction	1,836,000	
Santa Cruz Campus:		
(1.5) 99.07.100-Applied Sciences Building Alterations, Phase 1—Equipment	71,000	
Irvine Campus:		
(2) 99.09.175-Arts Renovation and Seismic Improvements, Phase 1—Preliminary plans	264,000	

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet re-

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quirements under the federal Americans with Disabilities Act of 1990. No later than March 1, 1999, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used. No later than November 1, 1999, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.	
6440-301-0705—For capital outlay, University of California, payable from the 1992 Higher Education Capital Outlay Bond Fund	1,919,000
Schedule:	
Santa Cruz Campus:	
(1) 99.07.100-Applied Sciences Building Alterations, Phase 1—Equipment 1,161,000	
Irvine Campus:	
(1) 99.09.110-Humanities/Fine Arts Facilities—Equipment 210,000	
(2) 99.09.230-UCIMC Academic Laboratory Seismic Replacement Facility—Equipment 548,000	
Provisions:	
1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act.	

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No later than March 1, 1999, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used.

No later than November 1, 1999, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.

6440-301-0782—For capital outlay, University of California, payable from the Higher Education Capital Outlay Bond Fund of 1986.

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used as follows: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990.

No later than March 1, 1999, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used.

No later than November 1, 1999, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.

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6440-301-0785—For capital outlay, University of California, payable from the Higher Education Capital Outlay Bond Fund of 1988.

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12101, et seq.).

   No later than March 1, 1999, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used.

   No later than November 1, 1999, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.

6440-301-0791—For capital outlay, University of California, payable from the 1990 Higher Education Capital Outlay Bond Fund 177,000

Schedule:

Irvine Campus:

(1) 99.09.110-Humanities/Fine Arts Facilities—Equipment 177,000

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon

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resolution of all change orders and claims, may be used: (a) to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990. No later than March 1, 1999, the University of California shall provide the Legislative Analyst with a progress report showing the identified savings by project, and the purpose for which the identified savings were used. No later than November 1, 1999, the University of California shall prepare a report showing (a) the identified savings by project and (b) the purpose for which the identified savings were used. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and to the chairs of the fiscal committees in each house.		
6440-302-0574—For capital outlay, University of California, payable from the Higher Education Capital Outlay Bond Fund of 1998		97,632,000
Schedule:		
Berkeley Campus:		
(3) 99.01.185-Seismic Safety Corrections, Wurster Hall—Working Drawings and Construction	16,625,000	
Irvine Campus:		
(4) 99.09.185-Seismic Improvements, Med Surge I and II—Working Drawings and Construction	2,528,000	
Los Angeles Campus:		
(5) 99.04.215-Campus High-Rise Fire Safety—Working Drawings and Construction	4,377,000	
Riverside Campus:		
(6) 99.05.100-Rivera Library Seismic Upgrade and Remodel—Construction	16,892,000	

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San Francisco Campus:	
(8.1) 99.02.115-UC Hall Seismic Replacement, Mission Bay—Working drawings and construction	21,362,000
Santa Barbara Campus:	
(9) 99.08.060-Environmental Sciences Building—Working Drawings and Construction	21,015,000
Santa Cruz Campus:	
(10) 99.07.105-Interdisciplinary Sciences Building—Working Drawings and Construction	14,833,000

Provisions:

1. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the University of California may proceed with any phase of any project identified in the above schedule, including preparation of preliminary plans, working drawings, construction, or equipment purchase, without the need for any further approvals.
2. The University of California shall complete each project identified in the above schedule within the total funding amount specified in the schedule for that project. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the budget for any project to be funded from the Higher Education Capital Outlay Bond Fund of 1998 may be augmented by the University of California within the total appropriation made by this item, in an amount not to exceed 10 percent of the amount appropriated for that project. No funds appropriated by this item for equipment may be used for an augmentation under this provision, or be augmented from any other funds appropriated by this item. This condition does not limit the authority of the University of California to use nonstate funds.
3. The University of California shall complete each project identified in the above schedule without any change to its scope. The scope of a project means, in this respect, the intended purpose of the project as determined by reference to the following elements of the budget request for that project submitted by the University to the Department of Finance: (a) the program elements related to project type, and (b) the functional description of

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spaces required to deliver the academic and supporting programs as approved by the Legislature.

4. Notwithstanding Section 2.00 of this act or any other provision of law, the appropriation made by this item is available for encumbrance until December 31, 2000, except that the funds appropriated for construction only must be bid by December 31, 1999 and will be available for expenditure through December 31, 2000 and that the funds appropriated for equipment purposes are available for encumbrance until December 31, 2001. For the purposes of encumbrance, funds appropriated for construction management and project contingency purposes, as well as any bid savings, shall be deemed to be encumbered at the time a contract is awarded; these funds also may be used to initiate consulting contracts necessary for management of the project during the liquidation period. Any savings identified at the completion of the project also may be used during the liquidation period to fund the purposes described in Provision 2 and Provision 5.
5. Identified savings in a budget for a capital outlay project, as appropriated by this item, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used without further approval: (a) to augment projects consistent with Provision 2, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, (d) to proceed with the design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990, or (e) to fund minor capital outlay projects.
6. No later than December 1 of each year, the University of California shall submit a report outlining the expenditure for each project of the funds appropriated by this item to the Chair of the Joint Legislative Budget Committee, the chairs of the fiscal committees of each house, the Legislative Analyst, and the Director of Finance. The report also shall include the following elements: (a) a statement of the identified savings by project, and the purpose for which the identified savings were used; (b) a certification that each project as pro-

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ceeding or as completed, has remained within its scope and the amount funded for that project under this item; and (c) an evaluation of the outcome of the project measured against performance criteria.		
6440-303-0574—For capital outlay, University of California, payable from the 1998 Higher Education Capital Outlay Bond Fund		103,169,000
Schedule:		
Berkeley Campus:		
(1) 99.01.180-Seismic Safety Corrections, Barker Hall—Construction	12,599,000	
San Francisco Campus:		
(2) 99.02.085-Chilled Water System, Phase 1—Construction	11,785,000	
Los Angeles:		
(3) 99.04.305-Health Science Seismic Replacement Building 1—Working drawings and construction	22,141,000	
Riverside Campus:		
(4) 99.05.115-Entomology Buildings Seismic Replacement—Working drawings and construction	22,481,000	
San Diego Campus:		
(5) 99.06.195-Basic Science Building Renovations—Construction	14,949,000	
(6) 99.06.300-Primary Electrical System Improvements—Construction	4,459,000	
Santa Barbara Campus:		
(7) 99.08.090-Broida Hall Building Renewal—Construction	10,257,000	
Irvine Campus:		
(8) 99.09.175-Arts Renovation and Seismic Improvements, Phase 1—Working drawings and construction	4,498,000	
Provisions:		
1. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the University of California may proceed with any phase of any project identified in the above schedule, including preparation of preliminary plans, working drawings, construction, or equipment purchase, without the need for any further approvals.		
2. The University of California shall complete each project identified in the above schedule within the total funding amount specified in the schedule for		

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that project. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the budget for any project to be funded from the Higher Education Capital Outlay Bond Fund of 1998 may be augmented by the University of California within the total appropriation made by this item, in an amount not to exceed 10 percent of the amount appropriated for that project. No funds appropriated by this item for equipment may be used for an augmentation under this provision, or be augmented from any other funds appropriated by this item. This condition does not limit the authority of the University of California to use nonstate funds. 3. The University of California shall complete each project identified in the above schedule without any change to its scope. The scope of a project means, in this respect, the intended purpose of the project as determined by reference to the following elements of the budget request for that project submitted by the University of California to the Department of Finance: (a) the program elements related to project type, and (b) the functional description of spaces required to deliver the academic and supporting programs as approved by the Legislature. 4. Notwithstanding Section 2.00 of this act or any other provision of law, the appropriation made by this item is available for encumbrance to December 31, 2000, inclusive, except that the funds appropriated for construction only must be bid on or before December 31, 1999, and will be available for expenditure to December 31, 2000, inclusive, and that the funds appropriated for equipment purposes are available for encumbrance to December 31, 2001, inclusive. For the purposes of encumbrance, funds appropriated for construction management and project contingency purposes, as well as any bid savings, shall be deemed to be encumbered at the time a contract is awarded; these funds also may be used to initiate consulting contracts necessary for management of the project during the liquidation period. Any savings identified at the completion of the project also may be used during the liquidation period to fund the purposes described in Provision 2 and Provision 5.	

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5. Identified savings in a budget for a capital outlay project, as appropriated by this item, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used without further approval: (a) to augment projects consistent with Provision 2, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, (d) to proceed with the design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990, or (e) to fund minor capital outlay projects.
6. No later than December 1 of each year, the University of California shall submit a report outlining the expenditure for each project of the funds appropriated by this item to the Chair of the Joint Legislative Budget Committee, the chairs of the fiscal committees of each house, the Legislative Analyst, and the Director of Finance. The report also shall include the following elements: (a) a statement of the identified savings by project, and the purpose for which the identified savings were used, (b) a certification that each project as proceeding or as completed, has remained within its scope and the amount funded for that project under this item, and (c) an evaluation of the outcome of the project measured against performance criteria.
7. Funding for the projects identified in this item shall be provided only to the extent that the 1998 Higher Education Bond Act is enacted and approved by the voters and provides funding in excess of $900 million.

6440-490—Reappropriation, University of California. Notwithstanding any other provision of law, the balances as of June 30, 1998, of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriations and shall be available for encumbrance and expenditure until June 30, 1999:

0001—General Fund

(1) Item 6440-001-0001, Budget Act of 1997.

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Provisions:

1. Of the funds reappropriated by this item from Item 6440-001-0001, Budget Act of 1997, up to $15,000,000 shall be available for deferred maintenance, special repair projects, and the replacement of instructional equipment. As of June 30, 1998, the balance of the funds from that item in excess of $15,000,000 shall revert to the General Fund.
2. The University of California shall report to the Department of Finance and the Joint Legislative Budget Committee the amount of the balance, on June 30, 1998, of Item 6440-001-0001 of the Budget Act of 1997, by September 30, 1998, and the expenditures made pursuant to this item by September 30, 1999.
3. The University of California shall return to the Controller state general funds appropriated in the Budget Act of 1997 in an amount equal to the General Fund portion of federal contract and grant overhead funds in excess of the 1997–98 year budgeted amount.

6440-491—Reappropriation, University of California. Notwithstanding any other provision of law, the balance of the amount appropriated in the following citation is hereby reappropriated for the purpose and subject to the limitation, unless otherwise specified, provided for in that appropriation from the Higher Education Capital Outlay Fund of 1996:

(1) Item 6440-301-0658, Schedule (25), Budget Act of 1997 (Ch. 282, Stats. 1997), Santa Barbara Campus, 99.08.075—Seawater System Renewal—Construction

6600-001-0001—For support of Hastings College of the Law 13,244,000

Provisions:

1. The appropriation made by this item is exempt from Section 31.00 of this act.
2. Of the funds appropriated by this item, $774,000 is for support of Program 40, Student Services, to provide financial aid to needy students attending the Hastings College of the Law, according to the nationally accepted needs analysis methodology.

6600-001-0814—For support of Hastings College of the Law, for allocation by the State Controller in accordance with the provisions of Government Code Section 8880.5 as enacted by the voters in Proposition

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37 at the November 1984 General Election, payable from the California State Lottery Education Fund... 166,000

Provisions:

1. All funds received pursuant to Proposition 37 that are allocable to the Hastings College of the Law pursuant to Section 8880.5 of the Government Code, and that are in excess of the amount appropriated in this item are hereby appropriated in augmentation of this item.

6600-490—Reappropriation, Hastings College of the Law. Notwithstanding any other provision of law, the balance, as of June 30, 1998, of the appropriation provided in the following citation is reappropriated and shall be available for encumbrance and expenditure until June 30, 1999:

001—General Fund

(1) Item 6600-001-001, Budget Act of 1997.

Provisions:

1. The Hastings College of the Law shall report to the Department of Finance and the Joint Legislative Budget Committee the amount of the balance, on June 30, 1998, of Item 6600-001-0001 of the Budget Act of 1997, by September 30, 1998, and shall also report the expenditures made pursuant to this item by September 30, 1999.

6610-001-0001—For support of the California State University 2,111,659,000

Schedule:

(a) Support..... 2,856,018,000

(b) Reimbursements ..... −127,884,000

(c) Amount payable from the Higher Education Fees and Income, CSU Fund (Item 6610-001-0498).... −616,475,000

Provisions:

1. The appropriations made by this item are exempt from Section 31.00 of this act, except as otherwise provided by the applicable sections of the Government Code referred to in Section 31.00.
2. Of the amount appropriated by this item, $557,000 is available for transfer to the California State University and Colleges Special Projects Fund pursuant to Section 25008.5 of the Public Resources Code, which allows state agencies to retain 50 percent of the financial benefits realized through energy savings projects.
3. Of the amount appropriated by this item, $7,324,224 is provided for payment of energy ser-

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vice contracts in connection with the issuance of Public Works Board Energy Efficiency Revenue Bonds.

4. Of the amount appropriated by this item, $350,000 is for transfer to the Affordable Student Housing Revolving Fund for the purpose of subsidizing interest costs in connection with bond financing for construction of affordable student housing at the Fullerton and Hayward campuses in accordance with Article 3 (commencing with Section 90085) of Chapter 8 of Part 55 of the Education Code.
5. Of the amount appropriated by this item, $1,878,000 is for repayment of the $17,000,000 financed for the California State University through a third party for deferred maintenance projects in the 1994–95 fiscal year. It is the intent of the Legislature to annually provide funds for that repayment purpose through the 2009–10 fiscal year.
6. Of the amount appropriated by this item, $2,309,000 is for repayment of the $24,000,000 financed for the California State University through a third party for deferred maintenance projects in the 1995–96 fiscal year. It is the intent of the Legislature to annually provide funds for that repayment purpose through the 2010–11 fiscal year.
7. Of the amount appropriated by this item, $1,700,000 is for conversion of the Stockton Developmental Center into the Regional and Continuing Education Center at CSU, Stanislaus. It is the intent of the Legislature to annually provide funds for this purpose through the 2001–02 fiscal year.
8. Of the amount appropriated by this item, $2,000,000 is provided to support the Bilingual Teacher Recruitment Program.
9. Of the funds appropriated by this item, $5,000,000 is provided on a one-time basis for the development of a stand-alone distance learning teacher preparation program.
10. Of the funds appropriated by this item, $2,000,000 is provided on a one-time basis for a new teacher recruitment program to be operated by the California Center for Teaching Careers.

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11. Of the amount appropriated by Schedule (a) of this item, $9,300,000 shall be used to increase enrollment in teacher preparation programs by 1,800 full-time equivalent students above enrollment for the 1997–98 fiscal year. Of the amount appropriated by Schedule (a) of this item, an additional $5,000,000 shall be available to subsidize additional teacher preparation enrollment, during summer sessions, on a pilot basis at up to five campuses. The California State University shall study the feasibility of establishing ongoing state-subsidized teacher preparation programs in summer sessions and shall report its findings, appropriate options and estimated costs, and recommendations, to the Joint Legislative Budget Committee and the budget committees of the Senate and the Assembly on or before December 1, 1998. The California State University may include a proposal for state-subsidized teacher preparation programs in summer sessions as part of its formal budget request for the 1999–2000 fiscal year.
12. Of the amount appropriated by Schedule (a) of this item, $1,000,000 shall be used for the purposes set forth in Assembly Bill 860 or similar legislation that is enacted in the 1997–98 Regular Session.
13. Of the funds appropriated in Schedule (a), $4,000,000 is provided for outreach to be used to fund new and existing programs that are aimed at improving the chances for K–12 students from a wide diversity of backgrounds to become eligible and prepared for the California State University. Of this total, $1,000,000 is for the Precollegiate Academic Development Program at the California State University, $2,000,000 is for the California State University Educational Opportunity Program (Art. 6 (commencing with Sec. 89521), Ch. 2, Pt. 55), and $1,000,000 is for the California Academic Partnership Program (Ch. 11 (commencing with Sec. 11000), Pt. 7, Ed. C.).
14. It is the intent of the Legislature that the California State University incorporate service learning into its curricula and encourage and help pupils participate in service learning opportunities.

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15. It is the intent of the Legislature that the University of California report to the Legislature any grade point adjustment factors concerning an applicant's undergraduate school that are used in the process for admissions to their respective professional schools and graduate programs. This disclosure shall specify the justification for the grade weighting policies and shall describe the specific methodologies used to determine the relative weightings and adjustments made to the grade point average earned by a student at each of the various undergraduate schools.

6610-001-0498—For support of the California State University, for payment to Item 6610-001-0001, payable from the Higher Education Fees and Income, CSU Fund 616,475,000

Provisions:

1. All funds received in the Higher Education Fees and Income, CSU Fund, that are in excess of the amount appropriated by this item are hereby appropriated in augmentation of this item.

6610-001-0890—For support of the California State University, payable from the Federal Trust Fund..... 15,000,000

Provisions:

1. All funds deposited in the Federal Trust Fund for the California State University for the purposes of this item and that are in excess of the amount appropriated by this item are hereby appropriated in augmentation of this item and are exempt from Section 28.00 of this act, pursuant to subdivision (a) of Section 89753 of the Education Code.

6610-002-0001—For support of the California State University for transfer to and in augmentation of Item 6610-001-0001, for the purpose of providing direct costs and administrative overhead expenses for the Assembly, Senate, Executive and Judicial Fellows programs and the Center for California Studies 2,291,000

Schedule:

(a) Center for California Studies— Fellows Program	320,000
(b) Center for California Studies— Other	25,000
(c) Assembly Fellows	606,000
(d) Senate Fellows	606,000
(e) Executive Fellows	534,000
(f) Judicial Fellows	200,000

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6610-003-0001—For support of the California State University for payments on lease-purchase bonds.....		60,058,000
Schedule:		
(a) Rental, insurance and administrative payments.....	62,817,000	
(b) Reimbursements.....	−2,759,000	
6610-301-0001—For capital outlay, California State University.....		11,678,000
Schedule:		
(1) 06.56.087-CSU, Fresno: Infrastructure Improvements—Preliminary plans, working drawings, and construction	7,192,000	
(2) 06.98.099-CSU, Pomona: Chilled Water Central Plant—Preliminary plans, working drawings, and construction	4,486,000	
6610-301-0574—For capital outlay, California State University, payable from the Higher Education Capital Outlay Bond Fund of 1998		14,373,000
Schedule:		
(1) 06.48.315-Systemwide: Minor Capital Outlay Program—Preliminary plans, working drawings, and construction	14,173,000	
(2) 06.48.375-Systemwide: Seismic Studies—Preliminary plans.....	200,000	

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used prior to the appropriation reversion date: (a) to begin working drawings for a project for which preliminary plans funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990.

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No later than March 1, 1999, the California State University shall provide the Legislative Analyst with a progress report showing the identified savings, by project, and the purpose for which the identified savings were used.	
No later than November 1, 1999, the California State University shall prepare a report showing the identified savings, by project, and the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons of the fiscal committees in each house.	
6610-301-0658—For capital outlay, California State University, payable from the 1996 Higher Education Capital Outlay Bond Fund	3,478,000
Schedule:	
(.5) 06.52.103-CSU, Chico: Fire Life Safety—Construction 1,298,000	
(1) 06.67.088-Humboldt State University: Wildlife/Fisheries Renovation and Addition—Equipment 588,000	
(2) 06.68.116-CSU, San Marcos: Initial Facility—Construction 570,000	
(3) 06.78.072-CSU, San Bernardino: Corporation Yard/Administrative Services Addition/Renovation—Equipment 322,000	
(4) 06.82.058-CSU, Northridge: Business Administration, Economics and Education Building—Construction 700,000	
Provisions:	
1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used prior to the appropriation reversion date as follows: (a) to begin working drawings for a project for which preliminary plans funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evalu-	

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ations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990.

No later than March 1, 1999, the California State University shall provide the Legislative Analyst with a progress report showing the identified savings, by project, and the purpose for which the identified savings were used.

No later than November 1, 1999, the California State University shall prepare a report showing the identified savings, by project, and the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons of the fiscal committees in each house.

6610-301-0660—For capital outlay, California State University payable from the Public Building Construction Fund 11,303,000

(1) 06.82.076-CSU, Northridge, Ventura, Off-Campus Center: Renovation for Initial Facility, Phase 1a—Construction and equipment 11,303,000

6610-301-0705—For capital outlay, California State University, payable from the Higher Education Capital Outlay Bond Fund of 1992 1,468,000

Schedule:

(1) 06.56.086-CSU, Fresno: Renovate McLane Hall—Equipment 606,000

(2) 06.67.088-Humboldt State University: Wildlife/Fisheries Renovation and Addition—Equipment 365,000

(3) 70.68.004-California Maritime Academy: Laboratory Addition/Library Addition—Equipment 497,000

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used prior to the appropriation reversion date: (a) to begin working drawings for a project for which preliminary plans funds have been appropriated and the plans have been approved by the State

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Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act.

No later than March 1, 1999, the California State University shall provide the Legislative Analyst with a progress report showing the identified savings, by project, and the purpose for which the identified savings were used.

No later than November 1, 1999, the California State University shall prepare a report showing the identified savings, by project, and the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons of the fiscal committees in each house.

6610-301-0782—For capital outlay, California State University, payable from the Higher Education Capital Outlay Bond Fund of 1986.

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used prior to the appropriation reversion date: (a) to begin working drawings for a project for which preliminary plans funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act.

   No later than March 1, 1999, the California State University shall provide the Legislative Analyst with a progress report showing the iden-

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tified savings, by project, and the purpose for which the identified savings were used.

No later than November 1, 1999, the California State University shall prepare a report showing the identified savings, by project, and the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons of the fiscal committees in each house.

6610-301-0785—For capital outlay, California State University, payable from the 1988 Higher Education Capital Outlay Bond Fund.

Provisions:

1. Identified savings in funds encumbered for construction contracts from this general obligation bond fund after completion of a capital outlay project, and upon resolution of all change orders and claims, may be used prior to the appropriation reversion date: (a) to begin working drawings for a capital outlay project for which preliminary plans funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act.

   No later than March 1, 1999, the California State University shall provide the Legislative Analyst with a progress report showing the identified savings, by project, and the purpose for which the identified savings were used.

   No later than November 1, 1999, the California State University shall prepare a report showing the identified savings, by project, and the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons of the fiscal committees in each house.

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6610-301-0791—For capital outlay, California State University, payable from the 1990 Higher Education Capital Outlay Bond Fund	196,000

Schedule:

(1) 70.68.004-California Maritime Academy: Laboratory Addition, Library Addition—Equipment 196,000

Provisions:

1. Identified savings in funds encumbered from this general obligation bond fund for construction contracts for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used prior to the appropriation reversion date: (a) to begin working drawings for a project for which preliminary plans funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only, (b) to proceed further with the underground tank corrections program, (c) to perform engineering evaluations on buildings identified as potentially in need of seismic retrofitting, or (d) to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990.

   No later than March 1, 1999, the California State University shall provide the Legislative Analyst with a progress report showing the identified savings, by project, and the purpose for which the identified savings were used.

   No later than November 1, 1999, the California State University shall prepare a report showing the identified savings, by project, and the purpose for which the identified savings were used. This report shall be submitted to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons of the fiscal committees in each house.

6610-302-0001—For capital outlay, California State University	4,000,000

Provisions:

1. Funds appropriated in this item shall be available for a feasibility study of, an environmental impact report on, and the design of the Events Center on the Fresno Campus.

Item		Amount
6610-302-0574—For capital outlay, California State University, payable from the 1998 Higher Education Capital Outlay Bond Fund		118,807,000
Schedule:		
(1) 06.51.003-California Maritime Academy: Seismic upgrade, campuswide—Construction	3,743,000	
(4) 06.54.059-CSU, Dominguez Hills: Technology Center, Health and Administrative Services Building—Working drawings and construction	30,915,000	
(5) 06.54.073-CSU, Dominguez Hills: Natural Sciences and Mathematics Building HVAC Upgrade—Preliminary plans, working drawings, and construction	3,919,000	
(8) 06.62.083-CSU, Fullerton: Seismic Upgrade, Langsdorf Hall—Construction	3,923,000	
(10) 06.67.092-Humboldt State University: Infrastructure Improvements—Construction	19,618,000	
(11) 06.71.097-CSU, Long Beach: Renovate Fine Arts 1, 2, 3 and 4—Working drawings and construction	15,116,000	
(12) 06.73.082-CSU, Los Angeles: Remodel Music Building—Working drawings and construction	9,895,000	
(13) 06.73.084-CSU, Los Angeles: Renovate Engineering and Technology Building—Equipment	4,400,000	
(15) 06.98.085-CSPU, Pomona: Science Building Addition and Renovation—Equipment	1,703,000	
(17) 06.76.088-CSU, Sacramento: Classroom Building II—Working drawings and construction	13,910,000	
(19) 06.80.146-San Diego State University: Infrastructure Improvements—Construction	6,530,000	
(20) 06.86.105-San Jose State University: Business Building Capital Renewal and Seismic—Preliminary plans, working drawings and construction	5,135,000	

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Provisions:

1. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the California State University may proceed with any phase of any project identified in the above schedule, including preparation of preliminary plans, working drawings, construction, or equipment purchase, without the need for any further approvals.
2. The California State University shall complete each project identified in the above schedule within the total funding amount specified in the schedule for that project. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the budget for any project to be funded from the 1998 Higher Education Capital Outlay Bond Fund may be augmented by the California State University within the total appropriation made by this item, in an amount not to exceed 10 percent of the amount appropriated for that project. No funds appropriated by this item for equipment may be used for an augmentation under this provision, or be augmented from any other funds appropriated by this item. This condition does not limit the authority of the California State University to use nonstate funds for these purposes.
3. The California State University shall complete each project identified in the above schedule without any change to its scope. The scope of a project means, in this respect, the intended purpose of the project as determined by reference to the following elements of the budget request for that project submitted by the university to the Department of Finance: (a) the program elements related to project type, and (b) the functional description of spaces required to deliver the academic and supporting programs as approved by the Legislature.
4. Notwithstanding Section 2.00 of this act or any other provision of law, the appropriation made by this item is available for encumbrance until December 31, 2000, except that the funds appropriated for construction only must be bid by December 31, 1999, and funds appropriated for equipment purposes are available for encumbrance until December 31, 2001. For the purposes of encumbrance, funds appropriated for construc-

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tion management and project contingencies purposes as well as any bid savings, shall be deemed to be encumbered at the time a contract for that purpose is awarded; these funds also may be used to initiate consulting contracts necessary for management of the project during the liquidation period. Any savings identified at the completion of the projects also may be used during the liquidation period to fund the purposes described in subdivisions (a), (b), (c), and (d) of Provision 5.

5. Identified savings in a budget for a capital outlay project, as appropriated by this item, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used: (a) to proceed further with the underground tank corrections program, (b) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, (c) to proceed with the design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990, or (d) to fund minor capital outlay projects.

6. No later than December 1 of each year, the California State University shall submit a report detailing the expenditure for each project of the funds appropriated by this item to the Chair of the Joint Legislative Budget Committee, the chairs of the fiscal committees of each house, the Legislative Analyst, and the Director of Finance. The report also shall include the following elements: (a) a statement of the identified savings by project, and the purpose for which the identified savings were used; (b) a certification that each project as proceeding or as completed, has remained within its scope and the amount funded for that project under this item; and (c) an evaluation of the outcome of the project measured against performance criteria.

6610-303-0574—For capital outlay, California State University, payable from the 1998 Higher Education Capital Outlay Bond Fund 100,000,000

Schedule:

(.5) 06.48.315-Systemwide: Minor Capital Outlay Program—Preliminary plans, working drawings, construction, and equipment. 1,078,000

Item	Amount
(1) 06.50.058-CSU, Bakersfield: Business Public Administration Building—Preliminary plans, working drawings, and construction	8,338,000
(2) 06.52.097-CSU, Chico: Education/Classroom/Faculty Office Addition—Working drawings and construction	12,124,000
(3) 06.78.081-CSU, San Bernardino: Social and Behavioral Sciences Building—Working drawings and construction	29,365,000
(4) 06.68.063-CSU, San Marcos: Academic II-Buildings 26/27 and 37—Working drawings and construction	26,879,000
(5) 06.92.052-CSU, Stanislaus: Educational Services Building—Working drawings and construction	22,216,000

Provisions:

1. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the California State University may proceed with any phase of any project identified in the above schedule, including preparation of preliminary plans, working drawings, construction, or equipment purchase, without the need for any further approvals.
2. The California State University shall complete each project identified in the above schedule within the total funding amount specified in the schedule for that project. Notwithstanding Section 13332.11 of the Government Code or any other provision of law, the budget for any project to be funded from the 1998 Higher Education Capital Outlay Bond Fund may be augmented by the California State University within the total appropriation made by this item, in an amount not to exceed 10 percent of the amount appropriated for that project. No funds appropriated by this item for equipment may be used for an augmentation under this provision, or be augmented from any other funds appropriated by this item. This condition does not limit the authority of the California State University to use nonstate funds for these purposes.

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3. The California State University shall complete each project identified in the above schedule without any change to its scope. The scope of a project means, in this respect, the intended purpose of the project as determined by reference to the following elements of the budget request for that project submitted by the university to the Department of Finance: (a) the program elements related to project type, and (b) the functional description of spaces required to deliver the academic and supporting programs as approved by the Legislature.
4. Notwithstanding Section 2.00 of this act or any other provision of law, the appropriation made by this item is available for encumbrance until December 31, 2000, except that the funds appropriated for construction only must be bid by December 31, 1999, and funds appropriated for equipment purposes are available for encumbrance until December 31, 2001. For the purposes of encumbrance, funds appropriated for construction management and project contingencies purposes as well as any bid savings, shall be deemed to be encumbered at the time a contract for that purpose is awarded; these funds also may be used to initiate consulting contracts necessary for management of the project during the liquidation period. Any savings identified at the completion of the projects also may be used during the liquidation period to fund the purposes described in subdivisions (a), (b), (c), and (d) of Provision 5.
5. Identified savings in a budget for a capital outlay project, as appropriated by this item, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used: (a) to proceed further with the underground tank corrections program, (b) to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, (c) to proceed with the design and construction of projects to meet requirements under the federal Americans with Disabilities Act of 1990, or (d) to fund minor capital outlay projects.
6. No later than December 1 of each year, the California State University shall submit a report detailing the expenditure for each project of the funds appropriated by this item to the Chair of the Joint Legislative Budget Committee, the chairs of

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the fiscal committees of each house, the Legislative Analyst, and the Director of Finance. The report also shall include the following elements: (a) a statement of the identified savings by project, and the purpose for which the identified savings were used, (b) a certification that each project as proceeding or as completed, has remained within its scope and the amount funded for that project under this item, and (c) an evaluation of the outcome of the project measured against performance criteria.

7. Funding for the projects identified in this item shall be provided only to the extent that the 1998 Higher Education Bond Act is enacted and approved by the voters and provides funding in excess of $900 million.

6610-490—Reappropriation, California State University. Notwithstanding any other provision of law, the balances of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriations and shall be available for expenditure until June 30, 2000:

0001—General Fund

(1) Item 6610-001-0001, Budget Act of 1997.

Provisions:

1. Of the funds reappropriated by this item from Item 6610-001-0001, Budget Act of 1997, up to $15,000,000 shall be available for the general support of the California State University. This $15,000,000 limitation applies only to reappropriations generated from systemwide allocations. As of June 30, 1998, the balance generated from systemwide allocations in excess of $15,000,000 shall revert to the General Fund.
2. The California State University shall, by September 30, 1998, report to the Department of Finance and the Joint Legislative Budget Committee the amount of the balance as of June 30, 1998, of Item 6610-001-0001 of the Budget Act of 1997, and a proposed expenditure plan for that balance. The California State University shall report by September 30, 1999, and September 30, 2000, on the expenditures made pursuant to this item.

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0498—Higher Education Fees and Income, CSU Fund	
(1) Item 6610-001-0498, Budget Act of 1997.	
6870-001-0001—For support of Board of Governors of the California Community Colleges	10,830,000
Schedule:	
(a) 10-Apportionments 1,248,000	
(b) 20-Special Services and Operations 16,722,000	
(c) 30.01-Administration 4,668,000	
(d) 30.02-Administration—Distributed ..... −4,668,000	
(e) Reimbursements ..... −7,140,000	

Provisions:

1. Funds appropriated by this item may be expended or encumbered to make one or more payments under a personal services contract of a visiting educator pursuant to Section 19050.8 of the Government Code, a long-term special consultant services contract, or an employment contract between an entity that is not a state agency and a person who is under the direct or daily supervision of a state agency, only if all of the following conditions are met:
   (a) The person providing service under the contract provides full financial disclosure to the Fair Political Practices Commission in accordance with the rules and regulations of the commission.
   (b) The service provided under the contract does not result in the displacement of any represented civil service employee.
   (c) The rate of compensation for salary and health benefits for the person providing service under the contract does not exceed by more than 10 percent the current rate of compensation for salary and health benefits determined by the Department of Personnel Administration for civil service personnel in a comparable position. The payment of any other compensation or any reimbursement for travel or per diem expenses shall be in accordance with the State Administrative Manual and the rules and regulations of the Department of Personnel Administration.
2. Of the funds appropriated by this item, $115,000 in Schedule (b) is for half-year costs for three po-

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sitions in the Facilities Planning Unit. The expenditure of these funds is contingent upon passage of a Higher Education Bond in November 1998. Upon passage of the Higher Education Bond in November 1998, funds shall not be available prior to January 1, 1999.	
6870-001-0705—For support of Board of Governors of the California Community Colleges, Program 20.40.010-Facilities Planning, payable from the Higher Education Capital Outlay Bond Fund of 1992	929,000
6870-001-0925—For support of Board of Governors of the California Community Colleges, payable from the California Business Resources and Assistance Innovation Network Fund	17,000
6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98)	2,183,845,000
Schedule:	
(a) 10.10.010-Apportionments 1,482,152,000	
(b) 10.10.020-Basic Skills, CalWORKs, Apprenticeship 37,291,000	
(c) 10.10.030-Growth for Apportionment 89,644,000	
(d) 10.10.040-Partnership for Excellence 100,000,000	
(e) 20.10.005-Student Financial Aid Administration 7,232,000	
(f) 20.10.010-Extended Opportunity Programs and Services and Special Services 68,316,000	
(g) 20.10.020-Disabled Students 62,395,000	
(h) 20.10.040-Fund for Student Success 11,418,000	
(i) 20.10.045-Special Services for CalWORKs Recipients 65,000,000	
(j) 20.10.060-Foster Care Education Program 1,866,000	
(k) 20.10.070-Matriculation 63,960,000	
(*l*) 20.20.020-Academic Senate for the Community Colleges 452,000	
(m) 20.20.040-Faculty and Staff Diversity 1,859,000	
(n) 20.20.050-Part-Time Faculty Health Insurance 500,000	
(o) 20.20.055-Part-Time Faculty Office Hours 2,000,000	

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(p) 20.30.010-Faculty and Staff Development	5,233,000
(q) 20.30.011.005-Telecommunications and Technology Infrastructure	28,000,000
(r) 20.30.011.010-California Virtual University	2,900,000
(s) 20.30.020-Instructional Improvement, for tsf to 0909-Comm Colleges Fd for Instructional Improvements	1,630,000
(t) 20.30.050-Economic Development	33,073,000
(u) 20.30.070-Transfer Education and Articulation	1,424,000
(v) 20.40.025-Scheduled Maintenance/ Special Repairs	39,000,000
(w) 20.40.035 Instructional Equipment and Library Materials-Replacement	54,000,000
(x) 20.40.040 Hazardous Substances	8,000,000
(y) 20.20.080-Full-Time Faculty	15,000,000
(z) 20.20.090-Copper Mountain Campus	1,500,000

Provisions:

1. The funds appropriated in Schedules (a), (b), (c), (d), (e), (f), (g), (i), (j), (k), (m), (n), (o), (p), (q), (r), (t), (w), and (y) are for transfer by the Controller during the 1998–99 fiscal year to Section B of the State School Fund.
2. Of the funds appropriated in Schedule (a), up to $100,000 is for a maintenance allowance, pursuant to regulations adopted by the board of governors.
3. Notwithstanding any other provision of law, $22,202,000 of the funds appropriated in Schedule (b) shall be for allocation to community college districts in the 1998–99 fiscal year for the purposes of funding FTES in courses in basic skills, including English-as-a-second-language courses and work force preparation courses for newly legalized immigrants, to the extent the total FTES claimed by a district for the 1998–99 fiscal year exceeds the level of total FTES funded for that district in the 1998–99 fiscal year. The Chancellor of the California Community Colleges shall develop criteria for allocating these funds.

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4. (a) Of the amount appropriated in Schedule (b), up to $7,089,000 shall be available as necessary upon certification by the Chancellor of the California Community Colleges for the purpose of funding community college-related and supplemental instruction pursuant to Section 3074 of the Labor Code as provided in Section 8152 of the Education Code. No community college district shall use funds available under this provision to offer any new apprenticeship training program or the expansion of any existing program unless the new program or expansion has been approved by the chancellor.

   (b) Notwithstanding Section 8152 of the Education Code, each 60-minute hour of teaching time devoted to each indentured apprentice enrolled in and attending classes of related and supplemental instruction as provided under Section 3074 of the Labor Code shall be reimbursed at the rate of four dollars and twenty-two cents ($4.22) per hour. For purposes of this provision, each hour of teaching time may include up to 10 minutes for passing time and breaks.

5. Notwithstanding any other provision of law, the funds appropriated in Schedule (c) shall only be allocated for growth in FTES, on a district-by-district basis, as determined by the Chancellor of the California Community Colleges.

6. Funds provided in Schedule (d) are for the Partnership for Excellence Program established pursuant to legislation enacted during the 1997–98 Regular Session.

7. Of the funds appropriated in Schedules (b) and (e), the funds not required for the 1998–99 fiscal year to meet the demand for the programs funded under those schedules shall be made available on a one-time basis for general apportionment under Schedule (a), provided that no transfer shall occur prior to May 15, 1999.

8. Of the funds appropriated in Schedule (f), $56,921,000 is for Extended Opportunity Programs and Services in accordance with Article 8 (commencing with Section 69640) of Chapter 2 of Part 42 of the Education Code; $11,395,000 is for funding, at all colleges, the Cooperative Agencies

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Resources for Education (CARE) program in accordance with Article 4 (commencing with Section 79150) of Chapter 9 of Part 48 of the Education Code. The board of governors shall allocate funds on a priority basis and to local programs on the basis of need for student services.

9. (a) The funds appropriated in Schedule (g) are for local assistance for funding the excess direct instructional cost of providing special support services or instruction, or both, to disabled students enrolled at community colleges, and for state hospital programs.

   (b) Of the amount appropriated in Schedule (g) at least $652,090 shall be used for support of the High Tech Centers for activities including, but not limited to, training of district employees and students in the use of specialized computer equipment for the disabled. All High Tech Centers shall meet standards developed by the Chancellor's Office. Colleges that receive these augmentations shall not supplant existing resources provided to the centers.

   (c) Notwithstanding any other provision of law, of the funds appropriated in Schedule (g), $1,466,363 shall be for state hospital adult education programs at the hospitals served by the Coast, Kern, and West Valley Community College Districts since the 1986–87 fiscal year. The amount provided includes the level of funding provided for these state hospital programs in the 1986–87 fiscal year, plus subsequent cost-of-living adjustments if provided. If adult education services at any of the three hospitals are not supported by the community colleges in the 1998–99 fiscal year, the associated funds shall, upon order of the Department of Finance, after 30 days' notice to the Chairperson of the Joint Legislative Budget Committee, be transferred to the State Department of Developmental Services (DDS). For any transfer of funds to DDS during the 1998–99 fiscal year, the Proposition 98 base funding levels for community colleges and DDS shall be adjusted accordingly.

10. The funds in Schedule (h), with the exception of the funds identified in subdivisions (c) and (d) of

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this provision, shall be used for competitive grants to increase student success based on an analysis of student outcomes. The funds used for these grants shall be available for a limited duration, after which colleges shall institutionalize the programs within their budgets. The Chancellor shall develop criteria for allocation of the competitive grants. Of the funds appropriated in Schedule (h): (a) $1,000,000 shall be available for small planning grants of up to one year duration. (b) $8,985,000 shall be available for the initial year of two or three year projects where the state share shall be no greater than 75% of the costs of the first year and no more than 25% in the last. (c) Up to $944,000 is for the Puente Project if these funds are matched by $100,000 of private funds and the participating community colleges and University of California campuses maintain their 1995–96 support level for the Puente Project. These funds are not required to be allocated on a temporary basis and may be allocated on a permanent basis to support a Puente Project that meets the conditions of the Puente Project contract agreement. (d) Up to $489,000 is for the Mathematics, Engineering and Science Achievement/Minority Engineering (MESA/MEP) Programs. These funds are not required to be allocated on a temporary basis and may be allocated on a permanent basis provided the conditions for receipt of funds continue to be met. As a condition of receipt of funds pursuant to Provision 15 (a) and (b), colleges must submit to the Chancellor's Office a yearly report including: an expenditure plan, a progress report detailing number of students served, and the ability of the college to increase student success based on an analysis of student outcomes. It is the intent that the Chancellor's Office submit a report to the Legislature and Department of Finance by November 1, 1998. The report shall include an analysis of the programs funded at each campus, including the effects on student outcomes. The	

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Chancellor shall also identify any colleges which did not continue operation of the program after state funds have ceased and the reasons therefore.	
11. The funds appropriated in Schedule (i) are for the purpose of assisting welfare recipient students and those in transition off of welfare to achieve long-term self-sufficiency through coordinated student services offered at community colleges including: work-study; other educational related work experience; job placement services; child care services; and coordination with county welfare offices to determine eligibility and availability of services. All services funded in this schedule shall be for CalWORKs recipients who may utilize these services until their educational objectives are met but for no longer than three years. These funds shall be used to supplement and not supplant existing funds and services provided for CalWORKs recipients attending community colleges. The Chancellor shall develop an equitable method for allocating funds to all districts and colleges based on the relative numbers of CalWORKs recipients in attendance and shall allocate funds for the following purposes: (a) Job placement and coordination. (b) Curriculum development and redesign. (c) Child care and work study. (d) Instruction. Of the amount appropriated in Schedule (i), $49,500,000 shall be allocated for the purpose identified in subdivision (c) above and, of this amount, not less than $15,000,000 shall be for child care. Funds utilized for subsidized child care shall be for children of CalWORKs recipients through campus-based centers or parental choice vouchers at rates and with rules consistent with those applied to related programs operated by the State Department of Education, including parental contribution schedules. Subsidized campus child care for CalWORKs recipients shall be provided during the period they are engaged in qualifying state and federal work activities for up to three months or until the end of the academic	

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year, whichever period of time is greater, for those recipients who are in transition off welfare and enrolled in not less than six units of classes within their educational plan.

Funds utilized for work study shall be used solely for payments to employers that currently participate in campus-based work-study programs or are providing work experiences that are directly related to and in furtherance of student educational programs, provided that those payments may not exceed 75 percent of the wage for the work-study positions; the employers shall pay at least 25 percent of the wage for the work-study position. These funds may be expended only if the total hours of education, employment, and work-study for the student are sufficient to meet both state and federal minimum requirements for qualifying work-related activities.

Of the funds available for work study, the Chancellor may allocate up to $18,000,000 in the first semester. The balance shall be allocated to provide either instructional services, work study or child care for CalWORKs students. Funds can be used to provide credit or noncredit classes for CalWORKs students if a district has committed all of its funded FTES and is unable to offer the additional instructional services to meet the demand for CalWORKs students. This determination shall be based on fall enrollment information. Districts shall make application to the Chancellor's Office by October 15. The Chancellor's Office shall submit a report to the Joint Legislative Budget Committee by November 15, 1998, that (a) identifies the enrollment of new CalWORKs students, (b) states whether and why additional classes were needed to accommodate the needs of CalWORKs students, and (c) sets forth an expenditure plan for the balance of funds.

As a condition of receipt of the funds appropriated in Schedule (i), by the fourth week following the end of the semester or quarter term commencing in January 1999, each participating

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community college shall submit to the Chancellor's Office a report, in the format specified by the Chancellor, in consultation with the Department of Social Services, that includes but may not be limited to the funded components, the number of hours of child care provided, average monthly enrollment of CalWORKs dependents served in childcare, the number of work/study hours provided, the hourly salaries and type of jobs, the number of students being case managed, the short-term programs available, student participation rates, and other outcome data. It is intended that, to the extent practical, reporting from colleges utilize data gathered for federal reporting requirements at the state and local level. Further, it is intended that the Chancellor's Office compile the information for annual reports to the Legislature, the Governor's Office, the Legislative Analyst, and the Departments of Finance and Social Services by October 30 of each year as specified in the annual Budget Act.	
12. Of the funds appropriated in Schedule (b) $8,000,000 is to fund additional fixed, variable, and one-time costs for providing support services and instruction for CalWORKs students which include but are not limited to: job placement and coordination; curriculum development and redesign; child care and work study; and instruction. As a condition for funding, colleges are required to submit a plan to the Chancellor's Office on how the funds will be utilized which shall be based on collaboration with county welfare offices about the services and instruction that is needed for CalWORKs recipients. The funds matched by federal TANF block grant funds and scheduled in Item 6870-111-0001(a) are also subject to all these same conditions.	
13. The funds in Schedule (j) shall be allocated to provide foster parent training. Funds shall be allocated in such a manner as to ensure priority for training required by Chapter 1016, Statutes of 1996. Districts shall make services available to foster parents to satisfy the requirements of Chapter 1016, Statutes of 1996 as a first priority. Remaining funds may be used for services to foster child relative caretakers and for additional parenting skills, thereafter.	

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14. (a) The funds appropriated in Schedule (k) are for the purpose of student matriculation, as specified in Article 1 (commencing with Section 78210) of Chapter 2 of Part 48 of the Education Code.	
(b) Of the amount appropriated in Schedule (k), $10,000,000 shall be allocated to community college districts on a one-to-one matching fund basis to provide matriculation services to include, but not be limited to, orientation, assessment, and counseling for students enrolled in designated noncredit classes and programs who may benefit most, as determined by the Chancellor of the California Community Colleges pursuant to Sections 78216 to 78218, inclusive, of the Education Code.	
15. (a) $15,600,000 of the funds provided in Schedule (q) shall be for the purpose of providing allocations to all districts. It is the intent that colleges receiving these funds shall maintain all of the capabilities specified in the 1996–97 and 1997–98 Budget Acts for the Telecommunications and Technology Infrastructure program. The funds appropriated in this item shall be allocated by the Chancellor, shall not supplant existing funds used for technology and networking purposes, and shall be subject to established fiscal controls, annual reporting and accountability requirements specified by the Chancellor. It is the intent that this allocation shall enable further development of networks. Therefore, colleges shall match maintenance and ongoing costs with other funds, after installation, for the following required purposes: (1) maintenance of communication lines, software and other costs associated with connecting to the collaborative California State University/California Community College telecommunications wide area network (C Net); (2) video conference connectivity, transport, maintenance, and training; (3) local planning and development for improving library technology including library automation, connections to college local area networks and connections to external data bases; (4)	

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digital satellite systems and the following optional purposes: (5) the development and expansion of local area networks both within and between buildings: (6) development of districtwide wide area networks for interconnecting multiple campuses and off campus centers within a district; and (7) implementation of local technology applications that are intended to improve student learning and other services. The Chancellor shall allocate the $15,600,000 by providing $138,645 for each of the 107 colleges and $45,000 for each of the 17 governing sites that are not co-located with the colleges. All provisions related to technology standards and telecommunication plans as specified in Item 6870-101-001, Provision 17 (a) of the 1996–97 Budget Act and Item 6870-101-0001, Provision 14(a) of the 1997–98 Budget Act, shall apply.	
(b) $6,400,000 of the funds provided in Schedule (q) shall be for the purpose of supporting technical and application innovations and for coordination of activities that serve to maximize the utility of the technology investments of the community college system toward improving learning outcomes. Allocations shall be made by the Chancellor, based on criteria and guidelines as developed by the Chancellor, on a competitive basis through the RFA/RFP application process as follows: (1) At least $2,200,000 shall be available for technical and application pilot projects that improve inter-college relationships in the areas of: (a) learning and instructional services; (b) student services; and (c) administrative services, however not more than 25 percent of the amount shall be allocated for this purpose. (2) All provisions as specified in Item 6870-101-0001, Provision 17 (b) (2) of the 1996–97 Budget Act shall apply to provision (1) above.	

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(3) Not more than $2,200,000 shall be available for centers to provide regional coordination for technical assistance and planning, cooperative purchase agreements, and faculty and staff development. All other provisions as specified in Item 6870-101-0001, Provision 17 (b) (3) of the 1996–97 Budget Act shall apply.

(4) $2,000,000, or as much as necessary, shall be available for a statewide digital uplink for the purpose of delivering statewide satellite services to system colleges and districts related to instruction, student support, and administration.

(c) $6,000,000 of the funds provided in Schedule (q), shall be for allocations to community college districts to fund faculty and staff training in the use of technology to assist learning (including distance education and on-line courses), expand access, and contribute to student success. The Chancellor shall develop an allocation formula that reflects the number of faculty and provides a minimum grant for small sites. The disbursement of funds shall be contingent upon inclusion of a satisfactory staff development component by each district within its telecommunications and technology use plan, as specified by the Chancellor. Districts may not use these funds to supplant existing training and staff development efforts related to technology; the Chancellor shall ensure that these funds are used for additional training and development in the use of technology. The use of technology training allocations shall be included in reports required for this program.

(d) Not later than November 1, 1999, the Chancellor shall submit a report to the Legislative Analyst, the budget fiscal committees, and the Department of Finance on any changes to the standards developed pursuant to the control provisions for this program in the 1996–97 Budget Act. The report shall include a status report on the implementation

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of the telecommunication and technology infrastructure program to date.	
16. The funds provided in Schedule (r) shall be available for grants to districts to fund California Virtual University distance education centers, for instructing faculty in teaching courses on-line, and other expenses for conversion of courses for distance education. The funds appropriated in this item shall not supplant existing funds and shall be subject to established fiscal controls, annual reporting and accountability requirements specified by the Chancellor. The Chancellor shall develop criteria for the allocation of these funds. As a condition of receipt of the funds, colleges are required to submit to the Chancellor's Office reports in a format specified by the Chancellor sufficient to document the value and productivity of this program including but not limited to numbers and nature of courses converted, and the amount of distance education instructional workload services provided as a result of these courses. It is intended that the Chancellor's Office further develop the reporting criteria for participating colleges and submit that for review along with a progress report on program implementation to the Legislative Analyst, the Governor's Office of Child Development and Education, and the Department of Finance no later than November 1, 1998, for review and comment.	
17. (a) Of the funds appropriated in Schedule (t), $15,000,000, as augmented by the Budget Act of 1997, is for the purpose of establishing incentives for expanded industry-driven cooperative education and work force training programs and centers that support California's regional economies and are consistent with the needs identified in regional plans pursuant to Sections 15379.25 and 15363.10 of the Government Code.	
These funds shall be expended for grants to districts as determined by the Board of Governors on a competitive basis to support economic development program centers and the participation of the California Community Colleges in industry-driven regional	

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collaboratives. This grant funding shall be provided for the following purposes: (a) eligible economic development program activities pursuant to Section 15379.653 of the Government Code, and (b) ongoing development of regional plans, reconfiguration and designation of new regions, and the coordination of services centers. No more than $5,000,000 of the funds may be expended for purposes of (b) above and subdivisions (a) through (f) of Section 15379.653 of the Government Code above. Funds allocated to districts for purposes of subdivisions (g) and (i) of Section 15379.653 of the Government Code for performance-based training and student internships shall be matched by a minimum of one dollar of private business and industry funding for each one dollar of state funds. Funds allocated for purposes of subdivision (h) of Government Code Section 15379.653 for credit and noncredit instruction may be transferred to Schedules (c) or (a) to facilitate distribution, at the Chancellor's discretion.	
(b) Of the remaining funds in Schedule (t), $4,000,000 shall be exclusively for augmenting the amount of funds allocated in the 1997–98 fiscal year by the Board of Governors for industry-driven regional education and training collaboratives. These funds shall only be available to continue existing programs awarded grants from the Budget Act of 1997, augment programs initiated from the Budget Act of 1997 funds, and award grants for new programs meeting the requirements of the industry-driven regional collaboratives program through a new requests for applications process. These grants shall be made on a competitive basis and the award amounts shall not be restricted to any predetermined limit, but rather shall be funded on their individual merits.	
(c) Funds allocated by the Board of Governors under this provision shall not be used by community college districts to supplant existing courses or contract education offer-	

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ings. The Chancellor shall ensure that funds are spent only for expanded services and shall implement accountability reporting for districts receiving these funds to ensure that training, credit, and noncredit programs remain relevant to business needs. Programs that do not demonstrate continued relevance and support by business shall not be eligible for continued funding. The Board of Governors shall consider the level of involvement and financial commitments of business and industry as primary factors in making awards. The Board of Governors shall fully report the allocations and results of this program within the annual report of the Economic Development program pursuant to Section 15379.23 of the Government Code. This report shall include a separate section to report on the results of the $15 million augmentation from the Budget Act of 1997 which identifies by center/district, region and industry cluster the following: 1) the allocations by category listed in Government Code Section 15379.653; 2) the increment of additional hours of contract, credit and noncredit education added; 3) the number of job placements; and 4) the amount of industry funds leveraged from participating businesses.	
(d) Of the total amount included in Schedule (t), any funds which become available within the program due to discontinuance or reduction of amounts allocated to previously funded centers or programs shall first be made available to any industry driven regional education and training collaborative to increase the level of subsidized training otherwise available, without any predetermined limitations imposed through the application announcement by the Chancellor and the Board of Governors.	
(e) It is the intent of the Legislature that the expansion of funds provided in Schedule (t) of this item be considered for use to encourage community college districts to work to establish a collaborative or collaboratives between hospitals and community college dis-	

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tricts to provide nursing training programs in an effort to meet the demand for specialized nurses.	
18. Of the funds appropriated in Schedule (t), $5,000,000 is available to support activities that are eligible for funding pursuant to Sections 15379.655 through 15379.658 of the Government Code if, as a result of work force improvement services provided to employers within an industry cluster, entry-level positions are created within the industry cluster that are filled by recipients of aid under Division 9 of the Welfare and Institutions Code. Any annual savings from this provision shall only be available for expenditure for one-time activities listed under subsection (j) of Section 15379.653 of the Government Code.	
19. Of the funds appropriated in Schedule (u), $589,000 is for Project Assist and $835,000 is for the California Articulation Number (CAN) system.	
20. The funds appropriated in Schedule (v) shall be distributed by the Chancellor of the California Community Colleges to community college districts on a project-by-project basis based on priority of need for the project. As a condition of receiving these funds, a district shall certify that it will increase its operations and maintenance spending from 1995–96 fiscal year actual levels by the amount of the allocation plus an amount to be provided from district discretionary funds equivalent to $1 for each $1 of state funds. The Chancellor may waive the matching requirement, case-by-case, based upon a review of a district's financial condition. The question of whether a district has complied with its resolution shall be reviewed under the annual audit of that district.	
21. The funds appropriated in Schedule (w) are available for the purpose of providing community college districts with funds to replace high priority instructional equipment, and library materials. The Chancellor of the California Community Colleges shall allocate these funds on the basis that, for every $3 of funds allocated from Schedule (w), the recipient district shall provide	

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$1 in matching funds. These funds shall not be used for personal services costs or operating expense.	
22. Notwithstanding any other provision of law or regulation, if 1998–99 local revenues (property tax and student fees) exceed the estimates included in the Budget Act, an equivalent amount of funds in Schedule (a) shall only be allocated to districts for one-time purposes based on the statewide ratio of actual FTES served for the preceding fiscal year. This amount will be reduced from the apportionment base of districts in subsequent years. Also, if local revenues in excess of the amount estimated for the 1997 Budget Act occurs, funds allocated by the Chancellor from Schedule (a) of Item 6870-101-001 of the 1997 Budget Act, equivalent to the excess local revenue amounts, shall be reduced from district base apportionments for purposes of determining allocations of funds budgeted herein in Schedules (a) and (c).	
23. Pursuant to Sections 69648.5, 78216, and 84850 of the Education Code, the Board of Governors of the California Community Colleges may allocate funds appropriated in Schedules (f), (g), and (k) by grant or contract, or through the apportionment process, to one or more districts for the purpose of providing program evaluation, accountability, monitoring, or program development services, as appropriate under the applicable statute.	
24. It is the intent of the Legislature that the California Community Colleges incorporate service learning into its curricula and encourage and help students participate in service learning opportunities.	
25. Of the amount appropriated in Schedule (a) of this item, up to $11,000,000 shall be available to increase the apportionment rate for noncredit courses, as described in subdivision (a) of Section 8475, of the Education Code.	
26. As a condition of receiving funding for ESL/Citizenship noncredit courses, community colleges shall assist any student enrolled in such a course who needs assistance in activities necessary to become a naturalized United States citizen. This assistance shall include, but not be lim-	

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ited to, filling out the required forms, providing information on obtaining the fingerprints and photographs required for the naturalization process, or any other practical assistance necessary for the student to become a naturalized United States citizen.

27. Of the amount appropriated in Schedule (z) of this item, $1,500,000 shall be allocated to the Desert Community College District, of which $500,000 shall be allocated for the Copper Mountain Campus. Allocation of future funds to facilitate the transition of the Copper Mountain Campus to an independent community college district shall be contingent upon enactment of legislation.

6870-101-0814—For local assistance, Board of Governors of the California Community Colleges, for allocation by the State Controller in accordance with the provisions of Government Code Section 8880.5 as enacted by the voters in Proposition 37 at the November 1984 general election, payable from the California State Lottery Education Fund..... 120,437,000

Provisions:

1. All funds received pursuant to Proposition 37 that are allocable to community college districts pursuant to Section 8880.5 of the Government Code, that are in excess of the amount appropriated in this item, are hereby appropriated in augmentation of this item.

6870-101-0909—For local assistance, Board of Governors of the California Community Colleges Program 20.30.020—Instructional Improvement and Innovation, payable from the Community College Fund for Instructional Improvement 1,975,000

Provisions:

1. Of the amount appropriated by this item, not more than $1,630,000 shall be allocated for grants and not more than $345,000 shall be allocated for loans.

6870-101-0925—For local assistance, Board of Governors of the California Community Colleges, payable from California Business Resources and Assistance Innovation Network Fund 128,000

6870-101-0959—For local assistance, Board of Governors of the California Community Colleges, for Program 20.10.060-Student Services-Foster Parent Training Program, payable from the Foster Children

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and Parent Training Fund pursuant to Section 903.7 of the Welfare and Institutions Code	467,000
6870-103-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98), for transfer to and in augmentation of Item 6870-101-0001, for lease-purchase payments, including base rental and fees, to be allocated upon order of the Department of Finance no sooner than necessary to allow selected community colleges to make the required lease-purchase payments.....	46,624,000
Schedule:	
(a) Rental and administration 60,057,000	
(b) Reimbursements .....–13,433,000	
6870-111-0001—For local assistance, Board of Governors of the California Community Colleges.....	0
Schedule:	
(a) 10.20-CalWORKs Services Match . 8,000,000	
(b) 20.10.015-AmeriCorps Program..... 1,295,000	
(c) 20.10.060-Foster Parent Training ... 2,713,000	
(d) 20.30.030-Vocational Education Special Projects 20,031,000	
(e) 20.30.031-Vocational Education Allocations 33,057,000	
(f) 20.30.060-Job Training Partnership Act 2,337,000	
(g) Reimbursements .....–67,433,000	
Provisions:	
1. The amount appropriated in Schedule (f) shall be available for expenditure until June 30, 2000.	
2. The amounts appropriated in Schedules (a), (d), and (e) are for transfer by the Controller to Section B of the State School Fund.	
6870-295-0001—For local assistance, Board of Governors of the California Community Colleges, (Proposition 98), for reimbursement, in accordance with provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandate by statute or executive order, Controller...	1,691,000
Schedule:	
(1) 98.01.000.184—Health Fees (Ch. 1, Stats. 1984, 2nd Ex. Sess.)..... 1,691,000	
Provisions:	
1. Allocation of funds appropriated by this item to the appropriate local entities shall be made by the Controller in accordance with the provisions of	

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each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated by this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.		
6870-301-0574—For capital outlay, Board of Governors of the California Community Colleges, to be allocated by the board of governors to community college districts for expenditure as set forth in the schedule below, payable from the 1998 Higher Education Capital Outlay Bond Fund		140,386,000
Schedule:		
Antelope Valley Community College District		
Antelope Valley College		
(1) 40.03.109-Business Multi-Media, Center—Construction	8,299,000	
Coast Community College District		
Orange Coast College		
(3) 40.11.301-Art Center—Construction	14,443,000	
Compton Community College District		
Compton College		
(4.5) 40.12.109-Child Development Center—Preliminary and working drawings	125,000	
Contra Costa Community College District		
Diablo Valley College		
(7) 40.13.216-Business Language Building—Construction	5,320,000	
(8) 40.13.217-Library Building Addition—Construction	4,156,000	
Desert Community College District		
College of the Desert		
(10) 40.10.11-Math/Social Science Building—Construction	5,373,000	
Gavilan Community College District		
Gavilan College		
(12) 40.17.106-Health Occupations Building—Construction	2,423,000	

Item	Amount
Glendale Community College District	
Glendale Community College	
(13) 40.18.121-Science Building Renovation—Health and Safety—Preliminary plans and working drawings	342,000
Los Rios Community College District	
Folsom Lake Center	
(16) 40.27.500-Onsite Development—Construction	4,997,000
(17) 40.27.501-Instructional Facilities, Phase 1A—Construction	13,390,000
Mt. San Jacinto Community College District	
Mt. San Jacinto College	
(18) 40.34.113-Business and Technology, Secondary Effects—Construction	857,000
Redwoods Community College District	
College of the Redwoods	
(19) 40.42.104-Library and Media Services—Construction	10,872,000
San Diego Community College District	
San Diego City College	
(20) 40.47.101-Learning Resource Center—Construction	16,047,000
San Jose—Evergreen Community College District	
Evergreen Valley College	
(22) 40.50.105-Biology/Nursing Addition—Construction	9,173,000
San Luis Obispo County Community College District	
Cuesta College	
(23) 40.51.108-Art/Music Laboratories Addition—Construction	5,596,000
(24) 40.51.109-Learning Skills Center/Classroom Building—Construction	10,221,000
Sequoias Community College District	
College of the Sequoias	
(26) 40.56.109-Music Building—Construction	3,572,000
Sierra Joint Community College District	
Sierra College	
(27) 40.58.106-Student Services Center, Secondary Effects LRC—Construction	3,076,000

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Sonoma County Community College District		
Criminal Justice Center Santa Rosa		
(28) 40.61.400-Criminal Justice Training Center, Facilities Phase I—Preliminary plans and working drawings	809,000	
South Orange County Community College District		
Irvine Valley College		
(29) 40.45.127-Learning Resource Center—Construction	597,000	
Madera College		
(31) 40.64.300-Offsite Development—Construction	1,825,000	
(32) 40.64.301-Onsite Development, Phase I Facilities—Construction	11,090,000	
West Valley-Mission Community College District		
Mission College		
(33) 40.69.205-Learning Resource Center—Construction	7,783,000	
6870-301-0658—For capital outlay, Board of Governors of the California Community Colleges, to be allocated by the board of governors to community college districts for expenditure as set forth in the schedule below, payable from the Higher Education Capital Outlay Bond Fund of 1996		13,315,000
Schedule:		
Cabrillo Community College District		
Cabrillo College		
(1) 40.06.107-Code Compliance: Health and Safety—Equipment	77,000	
Citrus Community College District		
Citrus College		
(2) 40.09.119-Cosmetology Addition and Remodel—Equipment	85,000	
(3) 40.09.121-Library Addition/Reconstruction—Preliminary plans and working drawings	559,000	
Contra Costa Community College District		
Los Medanos College		
(3.5) 40.13.310-Vocational Technology Addition—Construction	1,932,000	
Foothill-DeAnza Community College District		
Foothill College		
(3.2) 40.15.203-Child Care/Development Center (Health and Safety)—Equipment	135,000	

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Mt. San Antonio Community College District	
Mt. San Antonio College	
(4) 40.33.109-Learning Technology Center/Telecommunication Structure—Equipment 1,472,000	
South Orange County Community College District	
Irvine Valley College	
(5) 40.45.126-Fire/Safety Emergency Access—Construction 2,119,000	
Santa Monica Community College District	
Santa Monica College	
(6) 40.55.106-Replace Science Building (FEMA)—Equipment 3,107,000	
Santa Clarita Community College District	
College of the Canyons	
(6.1) 40.54.109-Remodel Old Library and Labs, Secondary Effects—Equipment 912,000	
Chabot-Las Positas Community College District	
Chabot College	
(7) 40.62.112-Chemistry/Computer Science Renovation—Equipment.. 349,000	
Chabot-Las Positas Community College District	
Las Positas College	
(7.1) 40.62.213-Math/Design Building Renovation/Addition—Equipment. 357,000	
State Center Community College District	
Fresno City College	
(7.2) 40.64.105-Lab/Office Space Reconstruction, Secondary Effects—Construction 2,081,000	
Ventura County Community College District	
Moorpark College	
(8) 40.65.107-Mathematics/Science Secondary Effects—Equipment 130,000	
6870-302-0574—For capital outlay, Board of Governors of the California Community Colleges, to be allocated by the Board of Governors to community college districts for expenditure as set forth in the schedule below, payable from the Higher Education Capital Outlay Bond Fund of 1998	57,536,000
Schedule:	
Butte-Glenn Community College District	
Butte College	
(1) 40.05.105-Allied Health and Public Service—Preliminary plans and working drawings 1,280,000	

Item	Amount
Fremont Newark Community College District	
Ohlone College	
(3) 40.16.110-Instructional Computing—Construction	11,035,000
Grossmont-Cuyamaca Community College District	
Cuyamaca College	
(4) 40.19.115-Remodel Vocational Technology N Building—Preliminary plans and working drawings	65,000
Los Angeles Community College District	
Los Angeles Valley College	
(5) 40.26.802-Ventilation System, Phase III—Preliminary plans and working drawings	169,000
Merced Community College District	
Merced College	
(6) 40.30.114-Interdisciplinary Academic Center—Preliminary plans and working drawings	633,000
Palo Verde Community College District	
Palo Verde College	
(7) 40.37.100-Phase I Facilities—Construction	16,454,000
San Jose-Evergreen Community College District	
San Jose City College	
(8) 40.50.201-Learning Resource Center—Preliminary plans and working drawings	974,000
San Mateo Community College District	
San Mateo College	
(9) 40.52.205-Seismic Upgrade—Preliminary plans, working drawings, and construction	3,650,000
Sequoias Community College District	
College of the Sequoias	
(10) 40.56.110-Multimedia Learning Resource Center—Preliminary plans and working drawings	994,000
Southwestern Community College District	
Southwestern College	
(11) 40.63.103-Learning Resource Center—Preliminary plans and working drawings	2,011,000

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Victor Valley Community College District		
Victor Valley College		
(12) 40.66.115-Advanced Technology Building—Preliminary plans and working drawings	1,099,000	
Yosemite Community College District		
Modesto Junior College		
(13) 40.70.210-Sierra Hall Instructional Facility—Construction	18,856,000	
Feather River Community College District		
Feather River College		
(14) 40.73.104-Physical Plant Reconstruction—Preliminary plans, working drawings, and construction	316,000	
Provisions:		
2. Funding for the projects identified in this item shall be provided only to the extent the Higher Education Bond Act of 1998 is enacted and provides funding in excess of $900,000,000.		
6870-302-0705—For capital outlay, Board of Governors of the California Community Colleges, to be allocated by the board of governors to community college districts for expenditure as set forth in the schedule below, payable from the 1992 Higher Education Capital Outlay Bond Fund		4,590,000
Schedule:		
Compton Community College District		
Compton College		
(1) 40.12.004-Health and Safety—Math/Science—Equipment	2,396,000	
Contra Costa Community College District		
Diablo Valley College		
(2) 40.13.214-Physical Science Building (Health and Safety)—Equipment	412,000	
(3) 40.13.215-Music Remodel/Addition—Equipment	279,000	
Contra Costa Community College District		
Los Medanos College		
(3.5) 40.13.310-Vocational Technology Addition—Construction	37,000	
Long Beach Community College District		
Long Beach City College		
(4) 40.25.113-Science/Math Building D (Health and Safety)—Equipment	946,000	

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Los Angeles Community College District
East Los Angeles College
(5) 40.26.103-Child Care/Development Center (Health and Safety)—Equipment 269,000
San Francisco Community College District
San Francisco City College
(6) 40.48.104-Remodel Allied Health—Equipment..... 251,000

6870-490—Reappropriation, California Community Colleges. The balances of the appropriations provided for in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in those appropriations:

0705—1992 Higher Education Capital Outlay Bond Fund

Item 6870-301-705, Sec. 2.00, Budget Act of 1992 (Ch. 587, Stats. 1992)

San Francisco Community College District
San Francisco City College
(89) 40.48.102 Central Shops and Warehouse—Construction

Item 6870-301-705, Budget Act of 1992 as reappropriated by Item 6870-490 of Section 2.00 of the Budget Act of 1997 (Ch. 282, Stats. 1997)

Los Angeles CCD
Los Angeles Mission College
(55.1) 40.26.403-Site Acquisition

Provisions:

1. Notwithstanding Section 2.00 of this act, the balance of the appropriation provided in this item for the project at Los Angeles Community College District, Mission College, is available for encumbrance only until December 31, 1998, and shall revert on January 1, 1999.

0660—Public Buildings Construction Fund

Item 6870-301-660, Sec. 2.00, Budget Act of 1993 (Ch. 55, Stats. 1993)

Los Rios Community College District
Sacramento City College
(8.1) 40.27.306 Learning Resource Center—Construction

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0658—Higher Education Capital Outlay Bond Fund	
Item 6870-301-0658, Sec. 2.00, Budget Act of 1996 (Ch. 162, Stats. 1996)	
San Mateo Community College District	
Districtwide	
(62) 40.52.006-Fire Alarm Renovation Phase II—Construction	
Item 6870-301-0658, Sec. 2.00, Budget Act of 1997 (Ch. 282, Stats. 1997)	
Compton Community College District	
Compton College	
(14) 40.12.005-Demolition, Phase 1— Construction	
Contra Costa Community College District	
Diablo Valley College	
(18) 40.13.215-Music Remodel/Addition—Construction	
(20) 40.13.217-Library Building Addition— Working drawings	
Imperial Community College District	
Imperial Valley College	
(34) 40.21.104-Library Addition—Construction and equipment	
Los Angeles Community College District	
Los Angeles Valley College	
(42) 40.26.801-Ventilation System—Construction	
Rio Hondo Community College District	
Rio Hondo College	
(64) 40.43.105-Science Building Health & Safety—Construction	
San Mateo County Community College District	
Skyline College	
(75) 40.52.305-Learning Resources Center, Secondary Effects—Construction and equipment	
Santa Barbara Community College District	
Santa Barbara City College	
(77) 40.53.118-Life Science/Geology Code corrections—Construction	
Ventura County Community College District	
Moorpark College	
(87) 40.65.107-Math/Science, Secondary Effects—Construction	
Yosemite Community College District	
Modesto Junior College	
(93) 40.70.210-Sierra Hall Instructional Facility—Working drawings	

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6870-495—Reversion, California Community Colleges (Proposition 98). The balance as of June 30, 1998, of the appropriation provided for in the following citation shall revert to the Proposition 98 Reversion Account:	
(1) Revert $4,291,000 from Item 6870-103-0001, Budget Act of 1997, based on a reduced estimate of lease purchase payment needs.	
7980-001-0001—For support of the Student Aid Commission	7,498,000
Schedule:	
(a) 15-Financial Aid Grants Program... 7,544,000	
(ax) California Loan Program 641,000	
(b) 80.01-Administration and Support Services 2,607,000	
(c) 80.02-Distributed Administration and Support Services ..... −2,607,000	
(d) Reimbursements ..... −687,000	
Provisions:	
1. No funds may be expended for the salary of the Executive Director of the Student Aid Commission that are in excess of the salary level approved by the Department of Personnel Administration.	
7980-001-0564—For support of the Student Aid Commission, payable from the Golden State Scholarshare Program Administration Fund	338,000
Schedule:	
(a) 30-Scholarshare Trust 338,000	
7980-002-0001—For support of the California Student Aid Commission, Golden State Scholarshare Trust Program	580,000
Schedule:	
(a) 30-Scholarshare Trust 580,000	
Provisions:	
1. The amount appropriated by this item shall be repaid to the General Fund, within five years, at the rate earned by the Pooled Money Investment Account.	
7980-101-0001—For local assistance, Student Aid Commission	368,768,000
Schedule:	
(a) 15-Financial Aid Grants Program...377,671,000	
(b) Reimbursements ..... −4,844,000	
(c) Amount payable from the Federal Trust Fund (Item 7980-101-0890) .. −4,059,000	

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Provisions:

1. Funds appropriated in Schedule (a) are for the purposes of all of the following:
   (a) Awards in the Cal Grant Program under Article 3 (commencing with Section 69530) of Chapter 2 of Part 42 of the Education Code.
   (b) Graduate fellowship renewal awards under Article 9 (commencing with Section 69670) of Chapter 2 of Part 42 of the Education Code.
   (c) Grants under Article 16 (commencing with Section 69900) of Chapter 2 of Part 42 of the Education Code, and for grants under Section 4709 of the Labor Code.
   (d) California Student Opportunity and Access Program contract agreements under Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of the Education Code.
   (e) The purchase of loan assumptions under Article 6.5 (commencing with Section 69612) of Chapter 2 of Part 42 of the Education Code. Of the 4,000 warrants issued to California students pursuant to the purchase of loan assumptions, 35 percent shall be made available to program participants who are not yet enrolled in an accredited credential program.
   (f) Grants under the California State Work-Study Program, Article 18 (commencing with Section 69950) of Chapter 2 of Part 42 of the Education Code.
   (g) New and renewal Cal Grant awards in amounts not to exceed award levels comparable to those in effect for the 1997–98 award year except as otherwise provided by law.
2. If federal trust funds for the 1998–99 fiscal year exceed budgeted levels, the funds appropriated shall, to the extent allowable by federal law, be reduced on a dollar-for-dollar basis.
3. Eligibility for money appropriated by this item is limited to students who demonstrate financial need according to nationally accepted needs analysis methodologies, who meet other Student Aid Commission eligibility criteria, and whose income or family's gross income does not exceed $67,000 for the purposes of determining recipients for the 1998–99 award year.

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4. Of the amount appropriated in Schedule (a), $4,900,000 shall be available to increase the maximum award for new recipients attending private and independent institutions pursuant to the enactment of a statutory change to the formula for determining the maximum award level.
5. Of the amount appropriated in this item, $10,000,000 is for Cal Grant T awards for prospective teachers enrolled in teacher preparation programs. Up to 3,000 awards may be provided, or other number determined by the Student Aid Commission.
6. It is the intent of the Legislature that, of the funds provided in Schedule (a), $1,000,000 be used to expand the Cal-SOAP program and to provide services such as college admissions test preparation programs, fee waivers for Advanced Placement tests, and increase the number of field trips for high school and middle school participants to visit college campuses.
7. Notwithstanding any other provision of law, of the amount appropriated in Schedule (a), $41,100,000 shall be used to increase the number of new Cal Grant awards above the number awarded in 1997–98. These funds shall be used to provide approximately 6,440 new Cal Grant A awards and 6,440 new Cal Grant B awards; or a different number of awards as determined by the Student Aid Commission to be consistent with the funding provided in this item for new Cal Grant A and B awards.

7980-101-0890—For local assistance, Student Aid Commission, for payment to Item 7980-101-0001, payable from the Federal Trust Fund 4,059,000

Provisions:

1. Of the amount appropriated by this item, $300,000 is for the federal National Early Intervention Scholarship Program (NEISP), contingent upon the Student Aid Commission reaching an agreement with the United States Department of Education on the establishment of a scholarship component for this program. If the commission can reach agreement on this issue, any portion of the $300,000 not needed to support the NEISP scholarship component shall be used to support NEISP early intervention services as provided through the California Student Opportunity and

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Access Program. The commission shall report to the budget committees of each house of the Legislature and the Joint Legislative Budget Committee by December 31, 1998, on the status of its efforts to reach agreement with the United States Department of Education.	
7980-102-0001—For local assistance, Student Aid Commission (Proposition 98), for the California Student Opportunity and Access Program (Cal-SOAP).....	990,000

GENERAL GOVERNMENT

8100-001-0001—For support of Office of Criminal Justice Planning		3,669,000
Schedule:		
(a) 20.01-Administration	2,357,000	
(b) 20.02-Distributed Administration ...	–2,357,000	
(c) 50-Criminal Justice Projects.....	12,887,000	
(d) Reimbursements.....	–460,000	
(e) Amount payable from Local Public Prosecutors and Public Defenders Training Fund (Item 8100-001-0241).....	–67,000	
(f) Amount payable from Victim Witness Assistance Fund (Item 8100-001-0425)	–1,469,000	
(g) Amount payable from the High Technology Theft Apprehension and Prosecution Trust Fund (Item 8100-001-0597)	–32,000	
(h) Amount payable from the Federal Trust Fund (Item 8100-001-0890).	–7,190,000	
8100-001-0241—For support of Office of Criminal Justice Planning, for payment to Item 8100-001-0001, payable from the Local Public Prosecutors and Public Defenders Training Fund.....		67,000
Provisions:		
1. Notwithstanding any other provision of law restricting the costs of administering individual programs, the full amount of this appropriation may be used by the Office of Criminal Justice Planning for administrative costs.		
8100-001-0425—For support of Office of Criminal Justice Planning, for payment to Item 8100-001-0001, payable from the Victim-Witness Assistance Fund..		1,469,000

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8100-001-0597 —For support of Office of Criminal Justice Planning, for payment to Item 8100-001-0001, payable from the High Technology Theft Apprehension and Prosecution Program Trust Fund		32,000
8100-001-0890—For support of Office of Criminal Justice Planning, for payment to Item 8100-001-0001, payable from the Federal Trust Fund.....		7,190,000
8100-101-0001—For local assistance, Office of Criminal Justice Planning, Program 50, Criminal Justice Projects		39,749,000
Schedule:		
(a) 50.20.102-Victims Legal Resources Center	173,000	
(b) 50.20.103-Joint Venture.....	166,000	
(c) 50.20.151-Domestic Violence Program.....	1,460,000	
(d) 50.20.152-Family Violence Prevention.....	194,000	
(e) 50.20.301-Rape Crisis Program.....	101,000	
(f) 50.20.351-Homeless Youth Project.	883,000	
(g) 50.20.352-Youth Emergency Telephone Referral.....	359,000	
(h) 50.20.353-Child Sexual Abuse and Exploitation Program	3,000	
(i) 50.20.354-Child Sexual Abuse Prevention and Training	672,000	
(ix) 50.20.358-Child Abuse and Abduction Prevention	495,000	
(j) 50.30.501-California Community Crime Resistance Program, to be allocated pursuant to Chapter 5 (commencing with Section 13840) of Title 6 of Part 4 of the Penal Code.....	923,000	
(k) 50.30.511-California Career Criminal Apprehension Program	2,308,000	
(*l*) 50.30.512-California Career Criminal Prosecution Program, to be allocated pursuant to Chapter 2.2 (commencing with Section 999b) of Title 6 of Part 2 of the Penal Code.....	3,987,000	
(m) 50.30.513-Major Narcotic Vendors Prosecution Program.....	2,641,000	
(n) 50.30.514-Serious Habitual Offender.....	547,000	

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(o) 50.30.515-Vertical Prosecution of Statutory Rape	8,361,000
(p) 50.30.521-Child Sexual Assault Prosecution Program	1,304,000
(q) 50.30.522-Evidentiary Medical Training	1,364,000
(r) 50.30.531-Vertical Defense	692,000
(s) 50.30.541-Public Prosecutors and Public Defenders	29,000
(sx) 50.30.562-High Technology Theft Apprehension and Prosecution Program	965,000
(t) 50.30.651-Suppression of Drug Abuse in Schools Program	3,263,000
(u) 50.30.661-California Gang Violence Suppression Program	5,615,000
(v) 50.30.672-Multi-Agency Gang Enforcement Consortium	248,000
(w) 50.30.700-Special Projects: Public Safety	4,941,000
(wx) 50.30.704-MUNI Video Surveillance Program	920,000
(x) Reimbursements	–2,865,000

Provisions:

1. Notwithstanding any other provisions of law, the Office of Criminal Justice Planning may provide advance payment of up to 25 percent of grant funds awarded to community-based, nonprofit organizations, cities, school districts, counties, and other units of local government that have demonstrated cash-flow problems according to the criteria set forth by the office.
2. To maximize the use of program funds and demonstrate the commitment of the grantees to program objectives, the Office of Criminal Justice Planning shall require all grantees for funds from the Gang Violence Suppression-Curfew Enforcement Strategy program to provide local matching funds, of at least 10 percent, for the first year and each subsequent year of operation. This match requirement applies to each agency that is to receive grant funds. An agency may meet its match requirements with an in-kind match, if approved by the Office of Criminal Justice Planning.
3. The funds appropriated in Schedule (sx) shall be available for the High Technology Theft Apprehension and Prosecution Program, as established

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by Chapter 5.7 (commencing with Section 13848) of Title 6 of Part 4 of the Penal Code, and as subsequently amended by statute during the 1997–98 Regular Session. The funds shall be deposited in the High Technology Theft Apprehension and Prosecution Program Trust Fund established pursuant to Section 13848.4 of the Penal Code and distributed as follows:

(a) Up to 10 percent of the funds shall be used for developing and maintaining a statewide data base on high technology crime for use in developing and distributing intelligence information to participating law enforcement agencies. Any funds not expended for these purposes shall be distributed to regional high technology theft task forces pursuant to subdivision (c) of this provision. Funds set aside for the purpose of this subdivision may be expended no sooner than 30 days after notice to the Chair of the Joint Legislative Budget Committee and the chairs of the budget committees of each house of the Legislature of a plan for the expenditure of the funds.

(b) Funds shall be distributed by the Office of Criminal Justice Planning, pursuant to Section 13848.6 of the Penal Code, for no more than two regional high tech crime programs which meet the criteria established in subdivision (b) of Section 13848.6 of the Penal Code.

(c) Grantees are required to provide 50 percent local matching funds from the regional program.

8100-101-0241—For local assistance, Office of Criminal Justice Planning, Program 50, Criminal Justice Projects, payable from the Local Public Prosecutors and Public Defenders Training Fund 727,000

Provisions:

1. Notwithstanding any other provisions of law, the Office of Criminal Justice Planning may provide advance payment of up to 25 percent of grant funds awarded to community-based, nonprofit organizations, cities, school districts, counties, and other units of local government that have demonstrated cash-flow problems according to the criteria set forth by the office.

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8100-101-0425—For local assistance, Office of Criminal Justice Planning, Program 50, Criminal Justice Projects, payable from the Victim-Witness Assistance Fund		15,519,000
Schedule:		
(a) 50.20.101-Victim-Witness Assistance Program	10,871,000	
(b) 50.20.301-Rape Crisis Program	3,670,000	
(c) 50.20.353-Child Sexual Abuse and Exploitation Program	978,000	
Provisions:		
1. Notwithstanding any other provisions of law, the Office of Criminal Justice Planning may provide advance payment of up to 25 percent of grant funds awarded to community-based, nonprofit organizations, cities, school districts, counties, and other units of local government that have demonstrated cash-flow problems according to the criteria set forth by the office.		
8100-101-0597—For local assistance, Office of Criminal Justice Planning, Program 50, Criminal Justice Projects, payable from the High Technology Theft Apprehension and Prosecution Program Trust Fund.		218,000
Schedule:		
(a) 50.30.562-High Technology Theft Apprehension and Prosecution Program	218,000	
8100-101-0890—For local assistance, Office of Criminal Justice Planning, Program 50, Criminal Justice Projects, payable from the Federal Trust Fund		153,784,000
Schedule:		
(a) 50.20.151-Domestic Violence Program	5,355,000	
(b) 50.20.161-Violence Against Women Act	12,661,000	
(c) 50.20.302-Rape Prevention	5,571,000	
(d) 50.20.451-Victims of Crime Act (VOCA)	38,022,000	
(e) 50.30.525-Child Justice Act	1,045,000	
(f) 50.30.550-Byrne State/Local Law Enforcement Assistance	51,901,000	
(g) 50.30.555-Residential Substance Abuse Treatment	4,205,000	
(gx) 50.30.557-Special Projects—Residential Substance Abuse Treatment	500,000	

Item	Amount
(h) 50.30.661-Gang Violence Suppression	1,005,000
(i) 50.30.701-Juvenile Justice and Delinquency Prevention	6,310,000
(j) 50.30.703-Community Delinquency Prevention Program	2,254,000
(jx) 50.30.705-Juvenile Accountability Incentive	21,769,000
(k) 50.30.706-Juvenile Justice—Project Challenge	1,114,000
(*l*) 50.30.708-Innovative Local Law Enforcement and Community Policing	2,072,000

Provisions:

1. Notwithstanding any other provision of law, the Office of Criminal Justice Planning may provide advance payment of up to 25 percent of grant funds awarded to community-based, nonprofit organizations, cities, school districts, counties, and other units of local government that have demonstrated cash-flow problems according to the criteria set forth by the office.
2. Funds appropriated in Schedule (gx) shall be available for substance abuse treatment beds in the Northern California Juvenile Detention Center in Humboldt County. These funds shall be allocated in accordance with the federal Residential Substance Abuse Treatment Program, including any local match requirements. It is the intent of the Legislature that this appropriation represent the first year allocation of a three-year funding program for treatment beds at the Northern California Juvenile Detention Center.

8120-001-0268—For support of Commission on Peace Officer Standards and Training, payable from the Peace Officers' Training Fund	10,394,000
Schedule:	
(a) 10-Standards	3,800,000
(b) 20-Training	15,362,000
(c) 30-Peace Officer Training	88,000
(d) 40.01-Administration	4,038,000
(e) 40.02-Distributed Administration	–4,038,000
(f) Amount payable from the Peace Officers' Training Fund (Item 8120-011-0268)	–7,300,000

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(g) Amount payable from the Peace Officers' Training Fund (Item 8120-012-0268) ..... −1,556,000

8120-011-0268—For support of Commission on Peace Officer Standards and Training, for payment to Item 8120-001-0268, payable from the Peace Officers' Training Fund 7,300,000

Provisions:

1. Funds appropriated by this item are to be used for contractual services in support of local training programs, pursuant to Section 13503(c) of the Penal Code.
2. Funds may be transferred between this item and Item 8120-101-0268 to meet the needs of local training programs.

8120-012-0268—For support of Commission on Peace Officer Standards and Training, for payment to Item 8120-001-0268, payable from the Peace Officers' Training Fund 1,556,000

Provisions:

1. The funds appropriated by this item are to be used for the implementation of "Tools for Tolerance" training program for law enforcement personnel operated by the Simon Wiesenthal Center-Museum of Tolerance. Eligibility to receive funds appropriated by this item as reimbursements is limited to law enforcement agencies authorized by law to receive training reimbursements from the Peace Officers' Training Fund. Both sworn officers and nonsworn personnel who have contact with the public shall, at the discretion of the head of the law enforcement agency seeking reimbursement under this provision, be eligible for reimbursement, provided that the Museum of Tolerance gives priority to training sworn officers.

8120-101-0268—For local assistance, Commission on Peace Officer Standards and Training, Program 30, for allocation to cities, counties, and cities and counties pursuant to Section 13523 of the Penal Code, payable from the Peace Officers' Training Fund 28,058,000

Provisions:

1. Funds may be transferred between this item and Item 8120-011-0268 to meet the needs of local training programs.
2. The Director of Finance may authorize the augmentation of the total amount available for expenditure under this item in the amount of revenue re-

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ceived by the Peace Officers' Training Fund that is in addition to the revenue appropriated by this item, not sooner than 30 days after notification in writing to the chairpersons of the respective fiscal committees and the Chairperson of the Joint Legislative Budget Committee.

8120-102-0268—For local assistance, Commission on Peace Officer Standards and Training, Program 30, payable from the Peace Officers' Training Fund 444,000

Provisions:

1. Funds appropriated by this item are to be used for the implementation of the "Tools for Tolerance" training program for law enforcement personnel operated by the Simon Wiesenthal Center-Museum of Tolerance. Eligibility to receive funds appropriated by this item as reimbursements is limited to law enforcement agencies authorized by law to receive training reimbursements from the Peace Officers' Training Fund. Both sworn officers and nonsworn personnel who have contact with the public shall, at the discretion of the head of the law enforcement agency seeking reimbursement under this provision, be eligible for reimbursement, provided that the Museum of Tolerance gives priority to training sworn officers.

8140-001-0001—For support of State Public Defender.. 11,233,000

Schedule:

(a) 10-State Public Defender 11,233,000

Provisions:

1. Any federal funds received by the Office of the State Public Defender as reimbursements for legal services provided for capital cases shall revert to the unappropriated surplus of the General Fund.

8180-101-0001—For local assistance, Payment to Counties for Costs of Homicide Trials, for payment by the State Controller 9,541,000

Provisions:

1. This item is for payment to counties for costs of homicide trials pursuant to Sections 15201 to 15203, inclusive, of the Government Code, provided that expenditures made under this item shall be charged to the fiscal year in which the warrant is issued by the Controller.
2. The Controller shall reimburse counties for reasonable and necessary expenses incurred pursuant to Section 15202 of the Government Code except

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that reimbursements to a county shall not exceed: (a) for attorney services, an hourly rate equal to that county's average hourly cost for public defenders, the hourly rate paid to appointed counsel, or the hourly rate charged state agencies by the Attorney General for attorney services, whichever rate is less; (b) for investigators, an hourly rate equal to that county's average hourly cost for county-employed investigators or the hourly rate charged state agencies by the Attorney General for investigators, whichever rate is less; and (c) for expert witnesses, the hourly rate that the county generally pays for these services.	
3. Notwithstanding any other provision of law, funds appropriated by this item shall be available for reimbursement for one hundred percent of any extraordinary costs incurred during the 1997–98 and 1998–99 fiscal years in the County of Mendocino in the homicide trials of People v. Lincoln and People v. Diaz, the County of Siskiyou in the homicide trial of People v. Bowcutt, and the County of Yuba in the homicide trial of People v. Petersen.	
4. Notwithstanding any other provision of law, funds appropriated by this item shall be available for reimbursement for 100 percent of any extraordinary costs incurred in the County of Lake during the 1996–97, 1997–98, and 1998–99 fiscal years in the homicide trials of People v. Craft, People v. Featherman, People v. Statler, People v. Jensen, People v. Frank Burrows, and People v. Josh Burrows.	
8200-001-0001—For support of Commission for Economic Development	250,000
Schedule:	
(a) 10-Commission for Economic Development 250,000	
Provisions:	
1. No funds appropriated by this item shall be expended prior to January 1, 1999.	
8260-001-0001—For support of California Arts Council	1,943,000
Schedule:	
(a) 10-Artists in Residence 824,000	
(b) 20-Organizational Grants 1,111,000	
(c) 25-Performing Arts Touring/Presenting Program 326,000	

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(d) 40-Statewide Projects	510,000	
(e) 45-California Challenge Program	65,000	
(f) 50.01-Administration	965,000	
(g) 50.02-Distributed Administration	–965,000	
(h) Reimbursements	–70,000	
(i) Amount payable from the Graphic Design License Plate Account (Item 8260-001-0078)	–206,000	
(j) Amount payable from the Federal Trust Fund (Item 8260-001-0890).	–617,000	
8260-001-0078—For support of California Arts Council, for payment to Item 8260-001-0001, payable from the Graphic Design License Plate Account		206,000
8260-001-0890—For support of California Arts Council, for payment to Item 8260-001-0001, payable from the Federal Trust Fund		617,000
8260-101-0001—For local assistance, California Arts Council, for grants and subventions		9,842,000
Schedule:		
(a) 10-Artists in Residence	2,045,000	
(b) 20-Organizational Grants	6,010,000	
(c) 25-Performing Arts Touring/ Presenting Program	492,000	
(d) 40-Statewide Projects	1,761,000	
(e) Reimbursements	–31,000	
(f) Amount payable from the Graphic Design License Plate Account (Item 8260-101-0078)	–435,000	
Provisions:		
1. Funds appropriated for the Small- and Mid-size Organizations element and the Large Budget Organizations element of the Organizational Grants program shall not be expended unless the grant recipient provides at least a dollar-for-dollar cash match. No matching funds shall be required for grants to individual artists.		
8260-101-0078—For local assistance, California Arts Council, for payment to Item 8260-101-0001, payable from the Graphic Design License Plate Account		435,000
8260-101-0890—For local assistance, California Arts Council, payable from the Federal Trust Fund		170,000
Schedule:		
(a) 10-Artists in Residence	74,000	
(c) 25-Performing Arts Touring/ Presenting Program	12,000	
(d) 40-Statewide Projects	84,000	

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Provisions:

1. Any organization applying for a grant under the Large Budget Organizations element of the Organizational Grants program may not receive a grant under the Small- and Mid-size Organizations element of the Organizational Grants program.
2. Any organization applying for a grant under the Small- and Mid-size Organizations element of the Organizational Grants program may not receive a grant under the Large Budget Organizations element of the Organizational Grants program.
3. Funds appropriated for the Small- and Mid-size Organizations element and the Large Budget Organizations element of the Organizational Grants program shall not be expended unless the grant recipient provides at least a dollar-for-dollar cash match. No matching funds shall be required for grants to individual artists.

8260-102-0001—For local assistance, California Arts Council 27,580,000

Provisions:

1. Of the funds appropriated by this item, the following allocations shall be made: $835,000 for the Military Museum; $300,000 for the Chabot Observatory; $750,000 for the Discovery Science Center; $120,000 for the Fender Museum in the City of Corona; $750,000 for the Central Valley Learning Center; $2,000,000 for the Hollywood Museum; $500,000 for the National Steinbeck Center; $880,000 for the New California Center; $475,000 for the Orange County Marine Institute; $1,750,000 for the San Diego Natural History Museum; $250,000 for the Maritime Museum of San Diego; $2,000,000 for the Simon Weisenthal Museum; $2,000,000 for the Skirball Museum in the City of Santa Monica; $2,000,000 for the Great Central Valley History Museum; $30,000 for the Children's Museum in the City of La Habra; $500,000 for a Cultural Arts Center in the San Fernando Valley; $100,000 for the Turtle Bay Museum Complex; $500,000 for the Los Angeles Police Museum; $50,000 for the Clarke Memorial Museum; $50,000 for the Napa Valley Museum; $120,000 for the Antelope Valley Indian Museum; $264,000 for the Randall; $75,000 for the San Francisco Art Commission; $100,000 for the Fine Arts Museums of San Francisco; $481,000 for the

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Asian Art Museum; $150,000 for the Edwards Air Force Base Historical Flight Museum; $5,000,000 for the San Francisco Academy of Sciences; $5,000,000 for the Walt Disney Concert Hall at the Los Angeles Music Center; and $250,000 for the Mexican Museum.	
2. The funds appropriated by this item are for one-time grants to museums to provide educational services to public school students and for one-time grants to museums for capital outlay. In making this appropriation, it is the intent of the Legislature to provide a simple system for allocating funds to museums that ensures accountability of public funds. It is not the intent of the Legislature to establish an ongoing system of local assistance for museums.	
3. (a) For purposes of this item, educational services may include teacher training, curriculum development, schoolsite presentations or workshops, distance learning, and reduced price or free admissions. No funds appropriated by this item may be expended for hiring of permanent staff, purchase of vehicles, or the general operating expenses of these museums. Funds appropriated by this item shall be used to supplement, and not supplant, current funding for educational services for public school students from other funding sources.	
(b) On or before October 1, 1998, each museum shall submit to the California Arts Council a detailed expenditure plan on the proposed uses of the funds appropriated to it by this item for educational services. Notwithstanding Section 2.00 of this act, funds appropriated in this item for educational services may be expended only for educational services provided from July 1, 1998, to June 30, 2001, inclusive.	
(c) The California Arts Council shall review and approve each expenditure plan to ensure that (1) funds are proposed to be expended for educational purposes consistent with paragraph (a) of this Provision 3 and (2) the expenditure plan proposes a cost-effective use of the funds. The council shall develop a process for reviewing, approving, and paying	

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grantees in a timely fashion. To ensure financial accountability, the council shall develop a reporting process and specify information to be reported by grantees on a regular basis.

(d) The California Arts Council shall report to the Joint Legislative Budget Committee by October 1, 1999, detailing expenditures made and programmatic outcomes achieved by each grant funded pursuant to this item during the 1998–99 fiscal year, and by October 1 for each subsequent fiscal year during which funds are expended, including, but not limited to, the number of students and teachers served, evidence of student achievement, curriculum materials developed, and evidence of professional growth among teachers trained.

4. (a) For purposes of this item, capital outlay includes expenditures for planning, working drawings, and repair, renovation, and construction of museum facilities. No funds appropriated by this item for purposes of capital outlay may be used for hiring of permanent staff, operating expenses, or non-capital-outlay-related expenditures.

(b) On or before October 1, 1998, each museum shall submit to the California Arts Council a detailed expenditure plan on the proposed uses of the funds appropriated to it by this item for capital outlay. Notwithstanding Section 2.00 of this act, funds appropriated in this item for capital outlay may be expended only for capital outlay purposes from July 1, 1998, to June 30, 2001, inclusive.

(c) The California Arts Council shall review and approve each expenditure plan to ensure that (1) funds are expended for the capital outlay purposes consistent with paragraph (a) of this Provision 4 and (2) the expenditure plan proposes a cost-effective use of the funds. The council shall develop a process for reviewing, approving, and paying grantees in a timely fashion. To ensure financial accountability, the council shall develop a reporting process and specify information for grantees to report on a regular basis.

(d) The California Arts Council shall report to the Joint Legislative Budget Committee by Octo-

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ber 1, 1999, detailing expenditures made and the outcome in terms of facilities repaired, renovated, or constructed for the 1998–99 fiscal year, and by October 1 for each subsequent fiscal year during which funds appropriated by this item are expended.

5. Any museum that received a grant from the General Fund subject to Proposition 98 in the 1995–96, 1996–97, or 1997–98 fiscal years shall receive the funds appropriated by this item only after a report is submitted to the California Arts Council that outlines the expenditure of the museum's funds during the fiscal year in which Proposition 98 funds were received.
6. Of the funds appropriated by this item, $300,000 shall be used by the California Arts Council to defray it for support and related expenses for performing its responsibilities under this item. The council may enter into an interagency agreement to obtain personnel services relating to the review and approval of capital outlay expenditure plans.

8260-103-0001—For local assistance, California Arts Council 20,000,000

Schedule:

(a) 15-California Arts Program..... 20,000,000

Provisions:

1. Of the funds appropriated by this item, $2,000,000 shall be for the support of the Artists in Residence Program. These funds shall be used to increase the grants and projects that focus on K–12 students, at-risk youth, children in after-school community programs, and disabled children.
2. Of the funds appropriated by this item, up to $800,000 shall be used to defray the administrative and related expenses of the California Arts Council in performing its responsibilities under this item.

8260-111-0001—For local assistance, California Arts Council 759,000

Provisions:

1. Funds appropriated for the California Challenge Program shall not be expended unless the grant recipient provides matching funds through new and increased private contributions based on criteria established by the California Arts Council specifically for this program.

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8280-001-0001—For support of Native American Heritage Commission, Program 10		309,000
8300-001-0001—For support of Agricultural Labor Relations Board		4,553,000
Schedule:		
(a) 10-Board Administration	2,134,000	
(b) 20-General Counsel Administration	2,419,000	
(c) 30.01-Administrative Services	233,000	
(d) 30.02-Distributed Administrative Services	–233,000	
8320-001-0001—For support of Public Employment Relations Board		4,288,000
Schedule:		
(a) 11-Public Employment Relations	4,295,000	
(b) Reimbursements	–7,000	
8350-001-0001—For support of Department of Industrial Relations		125,858,000
Schedule:		
(1) 10-Regulation of Workers' Compensation Self-Insurance Plans	2,909,000	
(2) 20-Conciliation of Employer-Employee Disputes	1,820,000	
(3) 30-Workers' Compensation Administration	93,254,000	
(4) 35-Industrial Medical Council	3,771,000	
(5) 36-Commission on Health and Safety and Workers' Compensation.	2,244,000	
(6) 40-Prevention of Industrial Injuries and Deaths of California Workers	64,728,000	
(7) 50-Enforcement and Promulgation of Laws Relating to Wages, Hours, and Conditions of Employment, and Licensing and Adjudication	27,147,000	
(8.1) 60.10-California Apprenticeship Council	0	
(8.2) 60.20-Division of Apprenticeship Standards for promotion, development, and administration of apprenticeship and other on-the-job training	3,886,000	
(9.1) 70.10-Occupational Injuries and Illness Statistics	1,875,000	
(9.2) 70.20-Industrial Relations Research	1,193,000	
(10) 80-Payment of Claims, Wages, and Contingencies	23,632,000	

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(11) 94.01-Administration	17,715,000
(12) 94.02-Distributed Administration	–17,715,000
(13) Reimbursements	–3,287,000
(14) Amount payable from the Farm Labor Contractor's Special Account (Item 8350-001-0023)	–27,000
(15) Amount payable from the Industrial Medicine Fund (Item 8350-001-0079)	–1,685,000
(16) Amount payable from the Cal-OSHA Targeted Inspection and Consultation Fund (Item 8350-001-0096)	–6,202,000
(18) Amount payable from the Industrial Relations Construction Industry Enforcement Fund (Item 8350-001-0216)	–50,000
(19) Amount payable from the Workplace Health and Safety Revolving Fund (Item 8350-001-0222)	–2,257,000
(20) Amount payable from Workers' Compensation Administration Revolving Fund (Item 8350-001-0223)	–18,202,000
(21) Amount payable from the Loss Control Certification Fund (Item 8350-001-0284)	–783,000
(22) Amount payable from Asbestos Consultant Certification Account (Item 8350-001-0368)	–324,000
(23) Amount payable from Asbestos Training Approval Account (Item 8350-001-0369)	–237,000
(24) Amount payable from the Self-Insurance Plans Fund (Item 8350-001-0396)	–2,856,000
(25) Amount payable from the Elevator Safety Inspection Account, General Fund (Item 8350-001-0452)	–6,702,000
(26) Amount payable from the Pressure Vessel Inspection Account, General Fund (Item 8350-001-0453)	–3,274,000
(27) Amount payable from the Garment Manufacturer's Special Account (Item 8350-001-0481)	–50,000

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(28) Amount payable from Employment Training Fund (Item 8350-001-0514)	–2,808,000
(29) Amount payable from the Uninsured Employer's Account, Uninsured Employer's Fund (Item 8350-001-0571)	–23,529,000
(30) Amount payable from the Federal Trust Fund (Item 8350-001-0890)	–26,393,000
(31) Amount payable from the Industrial Relations Unpaid Wage Fund (Item 8350-001-0913)	–946,000
(32) Amount payable from the Workers' Compensation Administration Revolving Fund (Item 8350-015-0223)	–489,000
(33) Amount payable from the Industrial Relations Unpaid Wage Fund (Sec. 96.6, Labor Code)	–500,000

Provisions:

1. It is the intent of the Legislature that legislative authorization be obtained prior to implementing a change from the modal method of calculating prevailing wage rates as set forth in Assembly Concurrent Resolution 17 of the 1997–98 Regular Session (Res. Ch. 34, Stats. 1997). Therefore, no funds are being appropriated in this act for the purpose of implementing any other method of calculating the prevailing wage rate.
2. Notwithstanding any other provision of law, no funds from any source shall be transferred or otherwise expended by the Department of Industrial Relations or Department of Finance to circumvent the condition placed on the appropriation by Provision 1 of this item.
3. No funds appropriated by this item shall be used for the payment of the salaries and wages or the operating expenses of the Managed Care Program for which funds are appropriated in Item 8350-011-0132.
4. In addition to the amount otherwise appropriated by this item, the amount of $28,300 is appropriated for support of the California Apprenticeship Council on the condition that no funds shall be used for the costs of rulemaking proceedings to

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adopt or modify administrative regulations concerning apprenticeship. Notwithstanding any other provision of law, no funds shall be used or transferred by the Department of Industrial Relations or the Department of Finance for rulemaking proceedings concerning apprenticeship.	
5. In addition to the amount otherwise appropriated by this item, the amount of $110,000 is appropriated to the Industrial Welfare Commission for staffing for the commission's duties regarding the minimum wage and for recision of the commission's amendments to Section 3 of Wage Order Nos. 1-98, 4-98, 5-98, 7-98, and 9-98, that purported to be effective January 1, 1998. Notwithstanding any other provision of law, no funds shall be used or transferred by the Department of Industrial Relations or the Department of Finance for any other activities of the Industrial Welfare Commission.	
8350-001-0023—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Farm Labor Contractor's Special Account	27,000
8350-001-0079—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Industrial Medicine Fund	1,685,000
8350-001-0096—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Cal-OSHA Targeted Inspection and Consultation Fund	6,202,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.	
8350-001-0216—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Industrial Relations Construction Industry Enforcement Fund	50,000
8350-001-0222—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Workplace Health and Safety Revolving Fund	2,257,000
Provisions:	
1. Funds appropriated by this item are for the purpose of supporting the activities of the Commission on Health and Safety and Workers' Compen-	

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sation within the Department of Industrial Relations as established by Chapter 227 of the Statutes of 1993.	
8350-001-0223—For support of Department of Industrial Relations, for Workers' Compensation Administration, for payment to Item 8350-001-0001, payable from the Workers' Compensation Administration Revolving Fund	18,202,000
Provisions:	
1. No funds appropriated by this item shall be used for the payment of the salaries and wages or the operating expenses of the Managed Care Program for which funds are appropriated in Item 8350-011-0132.	
8350-001-0284—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Loss Control Certification Fund	783,000
8350-001-0368—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Asbestos Consultant Certification Account	324,000
8350-001-0369—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Asbestos Training Approval Account.	237,000
8350-001-0396—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Self-Insurance Plans Fund	2,856,000
8350-001-0452—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Elevator Safety Account, General Fund	6,702,000
8350-001-0453—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Pressure Vessel Account, General Fund	3,274,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
8350-001-0481—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Garment Manufacturer's Special Account	50,000
8350-001-0514—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Employment Training Fund	2,808,000

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Provisions:

1. Notwithstanding Section 1611 of, and Chapter 3.5 (commencing with Section 10200) of Part 1 of Division 3 of, the Unemployment Insurance Code, $2,882,000 from the interest earned from money in the Employment Training Fund shall be transferred by the State Controller to the Department of Industrial Relations for the support of the Division of Apprenticeship Standards.
2. In addition to the amount otherwise appropriated in this item, the sum of $28,300 is appropriated for support of the California Apprenticeship Council on the condition that no funds shall be used for the costs of rulemaking proceedings to adopt or modify administrative regulations concerning apprenticeship. Notwithstanding any other provision of law, no funds shall be used or transferred by the Department of Industrial Relations or Department of Finance for rulemaking proceedings concerning apprenticeship.

8350-001-0571—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Uninsured Employer's Account, Uninsured Employer's Fund 23,529,000

8350-001-0890—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Federal Trust Fund 26,393,000

8350-001-0913—For support of Department of Industrial Relations, for payment to Item 8350-001-0001, payable from the Industrial Relations Unpaid Wage Fund 946,000

Provisions:

1. Notwithstanding any other provision of law, funds appropriated by this item shall be expended by the Department of Industrial Relations Division of Labor Standards Enforcement to administer the Targeted Industries Partnership Program to increase enforcement and compliance in the agricultural, garment, and restaurant industries.
2. It is the intent of the Legislature that the Targeted Industries Partnership Program result in increased enforcement of, and compliance by, the agricultural, garment, and restaurant industries regarding wages, hours, conditions of employment, licensing, registration, and child labor laws and regulations.

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8350-011-0001—For support of Department of Industrial Relations, for transfer to the Uninsured Employer's Account		18,603,000
8350-011-0132—For support of Department of Industrial Relations, Program 30, Workers' Compensation Administration, payable from the Workers' Compensation Managed Care Fund		222,000
8350-015-0223—For support of Department of Industrial Relations, Industrial Medical Council for payment to Item 8350-001-0001, payable from the Workers' Compensation Administration Revolving Fund		489,000
8350-295-0001—For local assistance, Department of Industrial Relations, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		1,395,000
Schedule:		
(1) 98.01.117.189-Peace Officer's Cancer Presumption (Ch. 1171, Stats. 1989)	711,000	
(2) 98.01.156.882-Firefighter's Cancer Presumption (Ch. 1568, Stats. 1982)	684,000	
(3) 98.01.999.001-Personal alarm devices (8 Cal. Code Regs. Sec. 3401(c))	0	
(4) 98.01.999.002-Structural and wildland firefighter safety clothing and equipment (8 Cal. Code Regs. Secs. 3401 to 3410, incl.)	0	

Provisions:

1. Allocations of funds appropriated by this item to the appropriate local entities shall be made by the Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated by this item may be used to provide reimbursement pursuant to Article

Item	Amount
5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.	
2. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the State Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.	
3. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:	
(a) Personal alarm devices (8 Cal. Code Regs. Sec. 3401(c))	
(b) Structural and wildland firefighter safety clothing and equipment (8 Cal. Code Regs. Secs. 3401 to 3410, incl.)	
8380-001-0001—For support of Department of Personnel Administration	5,444,000
Schedule:	
(a) 20-Labor Relations 1,517,000	
(b) 25-Legal 4,386,000	
(c) 40.01-Administration 4,346,000	
(d) 40.02-Distributed Administration ... –3,697,000	
(e) 52-Classification and Compensation 3,257,000	
(f) 54-Benefits Administration 9,973,000	
(g) 56-Training and Development 6,220,000	
(h) 58-Merit Award 341,000	
(i) Reimbursements ..... –14,125,000	
(j) Amount payable from the Flexelect Benefit Fund (Item 8380-001-0821) ..... –739,000	
(k) Amount payable from the Deferred Compensation Plan Fund (Item 8380-001-0915) ..... –6,035,000	

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8380-001-0821—For support of Department of Personnel Administration, for payment to Item 8380-001-0001, payable from the Flexelect Benefit Fund.....	739,000
8380-001-0915—For support of Department of Personnel Administration, for payment to Item 8380-001-0001, payable from the Deferred Compensation Plan Fund	6,035,000

Provisions:

1. No funds derived from the float earned on investor contributions shall be expended for Savings Plus Program administration or other purposes without complete disclosure to the investors.
2. The Department of Personnel Administration shall compare its administrative costs with other private and public entities managing similar programs and report the findings to the Legislature on or before January 1, 1999.
3. Notwithstanding any other law, the Deferred Compensation Plan Fund shall be exempt from the provisions of Sections 11270 to 11277, inclusive, of the Government Code.

8385-001-0001—For support of California Citizens' Compensation Commission, Program 10	25,000
8450-001-0001—For support of Workers' Compensation Benefit Program, for payment of the additional compensation for subsequent injuries provided for by Article 5 (commencing with Section 4750) of Chapter 2 of Part 2 of Division 4 of the Labor Code.....	5,507,000

Schedule:

(a) Payment of Claims	7,570,000
(b) Support, State Compensation Insurance Fund.....	379,000
(c) Prelitigation Expenses	170,000
(d) Support, Department of Industrial Relations	688,000
(e) Amount payable from Subsequent Injuries Moneys Account, General Fund (Item 8450-001-0016).....	–3,300,000

Provisions:

1. This item shall not be construed as a limitation on funds appropriated by Item 8450-001-0016.
2. The funds appropriated by this item shall not be available for expenditure at any time that funds appropriated by Item 8450-001-0016 are available for expenditure.
3. At the end of the 1998–99 fiscal year, any expenditures made from the General Fund against this

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item shall be reduced by any amounts remaining available from the funds appropriated by Item 8450-001-0016.	
8450-001-0016—For payment of workers' compensation benefits for subsequent injuries, for payment to Item 8450-001-0001, payable from the Subsequent Injuries Moneys Account	3,300,000
Provisions:	
1. The Director of Finance may authorize the augmentation of the total amount available for expenditure under this item in the amount of revenue received by the Subsequent Injuries Moneys Account that is in addition to the amount appropriated by this item, not sooner than 30 days after notification in writing to the chairpersons of the respective fiscal committees and the Chairperson of the Joint Legislative Budget Committee. The director may authorize these augmentations only up to the amount required for payment of the additional compensation for subsequent injuries provided by Article 5 (commencing with Section 4750) of Chapter 2 of Part 2 of Division 4 of the Labor Code.	
8460-101-0001—For local assistance, Workers' Compensation Benefits for Disaster Service Workers	663,000
Provisions:	
1. Funds appropriated by the item are for furnishing workers' compensation to disaster service workers and their dependents, in accordance with Division 4 (commencing with Section 3200) of the Labor Code, including the reimbursing of the State Compensation Insurance Fund for the cost of services as adjusting agent, Governor's office, Office of Emergency Services. The State Compensation Insurance Fund may draw from the State Treasury any funds appropriated by this item, without at the time presenting vouchers and itemized statements, to be used as a cash revolving fund. Expenditures made from the revolving fund in payment of claims for workers' compensation and adjusting services are exempted from Section 925.6 of the Government Code. Reimbursement of the revolving fund for those expenditures shall be made upon presentation to the State Controller of an abstract or statement of the expenditures. The abstract or statement shall be in such form as the State Controller requires.	

Item		Amount
8500-001-0152—For support of Board of Chiropractic Examiners, payable from the State Board of Chiropractic Examiners Fund		1,800,000
Schedule:		
(a) 10-Board of Chiropractic Examiners	1,830,000	
(b) Reimbursements	−30,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
8510-001-0264—For support of Osteopathic Medical Board of California payable from the Osteopathic Contingent Fund		898,000
Schedule:		
(a) 10-Osteopathic Medical Board of California	914,000	
(b) Reimbursements	−16,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
8530-001-0290—For support of Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun, payable from the Board of Pilot Commissioners' Special Fund		1,180,000
Schedule:		
(a) 10.01 Support	541,000	
(b) 10.02 Training	639,000	
Provisions:		
1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.		
8550-001-0191—For support of California Horse Racing Board, payable from the Fair and Exposition Fund		7,607,000
Schedule:		
(a) 10-California Horse Racing Board	7,870,000	
(c) Amount payable from the Racetrack Security Account, Special Deposit Fund (Item 8550-001-0942)	−263,000	

Item		Amount
8550-001-0942—For support of California Horse Racing Board, for payment to Item 8550-001-0191, payable from the Racetrack Security Account, Special Deposit Fund		263,000
8550-011-0942—Notwithstanding paragraph (1) of subdivision (b) of Section 19641 of the Business and Professions Code, there is hereby transferred to the General Fund the unencumbered balance of the Racetrack Security Account, Special Deposit Fund, as of June 30, 1999		(2,000,000)
8570-001-0001—For support of Department of Food and Agriculture		52,975,000
Schedule:		
(a) 11-Agricultural Plant and Animal, Pest and Disease Prevention	58,964,000	
(b) 21-Marketing, Commodities, and Agricultural Services	18,954,000	
(c) 31-Assistance to Fairs and County Agricultural Activities	2,707,000	
(d) 41.01-Executive, Management, and Administrative Services	9,817,000	
(e) 41.02-Distributed Executive, Management, and Administrative Services	–9,367,000	
(f) Reimbursements	–8,604,000	
(g) Amount payable from the Agriculture Fund (Item 8570-001-0111)	–11,009,000	
(h) Amount payable from the Fair and Exposition Fund (Item 8570-001-0191)	–1,675,000	
(i) Amount payable from the Harbors and Watercraft Revolving Fund (Item 8570-001-0516)	–935,000	
(j) Amount payable from the Agriculture Building Fund (Item 8570-001-0601)	–1,355,000	
(k) Amount payable from the Federal Trust Fund (Item 8570-001-0890)	–4,195,000	
(*l*) Amount payable from the Agricultural Pest Control Research Account (Item 8570-011-0112)	–5,000	
(m) Amount payable from the Satellite Wagering Account (Item 8570-012-0192)	–322,000	

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Provisions:

1. Funds appropriated to Schedule (a) from Item 8570-001-0111 are in lieu of the appropriation provided by subdivision (b) of Section 224 of the Food and Agricultural Code for emergency detection, eradication, or research of agricultural plant or animal pests or diseases. Any unencumbered balance of these funds shall be available for transfer to local assistance for payment to counties during the 1999–2000 fiscal year, as provided in subdivision (c) of Section 224 of the Food and Agricultural Code. In addition, notwithstanding any other provision of law, up to an additional $800,000 of the funds appropriated pursuant to subdivision (c) of Section 224 of the Food and Agricultural Code shall be available for use by the Department of Food and Agriculture for emergency projects to augment Schedule (a) of this item. The Secretary of Food and Agriculture may expend the funds identified in this provision with the approval of the Director of Finance. The funds that are so appropriated are not subject to Section 26.00, 27.00, 28.00, or 28.50 of this act.
2. Funds appropriated from Item 8570-001-0111 are in lieu of the appropriation provided by subdivision (a) of Section 224 of the Food and Agricultural Code. In addition, notwithstanding any other provision of law, of the funds appropriated pursuant to subdivision (c) of Section 224 of the Food and Agricultural Code, $650,000 shall be available for use by the Department of Food and Agriculture for departmental overhead expenses.
3. Notwithstanding any other provision of law, of the funds appropriated pursuant to Business and Professions Code Section 19630, $227,000 shall be available for use by the Department of Food and Agriculture to develop and administer an operational and policy framework for the network of California fairs. The Secretary of Food and Agriculture may augment Schedule (c) of this item with the approval of the Director of Finance. The funds that are so appropriated are not subject to Section 26.00, 27.00, 28.00, or 28.50 of this act.
4. Notwithstanding any other provision of law, of the funds appropriated pursuant to subdivision (c) of Section 224 of the Food and Agricultural Code, $176,000 shall be available for use by the Depart-

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ment of Food and Agriculture for the County/State Liaison Director. The Secretary of Food and Agriculture may augment Schedule (c) of this item with the approval of the Director of Finance. The funds that are so appropriated are not subject to Section 26.00, 27.00, 28.00, or 28.50 of this act.

5. Of the amount appropriated by this item, $250,000 shall be expended for an expedited review by the University of California of the risk assessment prepared by the Department of Food and Agriculture entitled "Development of Risk-Based Concentrations for Arsenic, Cadmium, and Lead in Inorganic Commercial Fertilizers" and any other related scientific literature.

8570-001-0111—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Agriculture Fund 11,009,000

Provisions:

1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.

8570-001-0191—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Fair and Exposition Fund 1,675,000

8570-001-0516—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Harbors and Watercraft Revolving Fund 935,000

8570-001-0601—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Agriculture Building Fund 1,355,000

Provisions:

1. Funds appropriated by this item are in lieu of the appropriation made by Section 624 of the Food and Agricultural Code.

8570-001-0890—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Federal Trust Fund 4,195,000

Provisions:

1. The Department of Finance may authorize the augmentation of this item in an amount not to exceed a cumulative total of $1,500,000. Any augmentation pursuant to this provision shall be made only if the Department of Food and Agriculture has a valid federal contract or grant. These funds

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shall not be used for state or federal cooperative fruit fly eradication projects. The augmentations pursuant to this authority are not subject to Section 26.00 or 28.00 of this act.	
8570-002-0001—For support of Department of Food and Agriculture, Program 11, for sterile medfly release program in the Los Angeles Basin	7,427,000
8570-003-0001—For support of Department of Food and Agriculture for rental payments on lease revenue bonds	629,000
Schedule:	
(a) Base Rental and Fees 1,622,000	
(b) Insurance 7,000	
(c) Reimbursements ..... −1,000,000	
8570-003-0111—For support of Department of Food and Agriculture, for rental payments on lease revenue bonds, payable from the Agriculture Fund	40,000
8570-003-0601—For support of Department of Food and Agriculture, for rental payments on lease revenue bonds, payable from the Agriculture Building Fund.	230,000
Schedule:	
(a) Base rental and fees 228,000	
(b) Insurance 2,000	
8570-011-0112—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Agricultural Pest Control Research Account	5,000
Provisions:	
1. The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Government Code Section 13332.18.	
8570-011-0191—For transfer by the State Controller from the Fair and Exposition Fund to the General Fund, for health benefits for retired employees of district agricultural associations	(246,000)
8570-012-0192—For support of Department of Food and Agriculture, for payment to Item 8570-001-0001, payable from the Satellite Wagering Account	322,000
8570-101-0001—For local assistance, Department of Food and Agriculture	10,015,000
Schedule:	
(a) 11-Agricultural Plant and Animal, Pest and Disease Prevention 10,015,000	
(b) 31-Assistance to Fairs and County Agricultural Activities 1,333,000	

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(c) Amount payable from the Fair and Exposition Fund (Item 8570-101-0191)	−950,000	
(d) Amount payable from the General Fund (Item 8570-111-0001)	−383,000	
8570-101-0191—For local assistance, Department of Food and Agriculture, for payment to Item 8570-101-0001, payable from the Fair and Exposition Fund		950,000

Provisions:

1. The funds appropriated by this item are for unemployment insurance at local fairs.
2. The funds appropriated by this item are for the contributions, or the cost of benefits in lieu of contributions, payable from the Fair and Exposition Fund to the Unemployment Fund by all entities conducting fairs, including county, district, combined county and district, and citrus fruit fairs receiving funds pursuant to Chapter 4 (commencing with Section 19400) of Division 8 of the Business and Professions Code, as a result of unemployment insurance coverage pursuant to Section 605 of the Unemployment Insurance Code.

8570-111-0001—For local assistance, Department of Food and Agriculture, for payment to Item 8570-101-0001		383,000

Provisions:

1. The funds appropriated by this item are also available for compensation for services performed for agricultural departments and are to be expended in accordance with the provisions of Sections 2221 to 2224, inclusive, of the Food and Agricultural Code.

8570-301-0001—For capital outlay, Department of Food and Agriculture		676,000
Schedule:		
(1) 90.80.010-Relocation: Truckee Agriculture Inspection Station—Acquisition and preliminary plans	676,000	

8570-401—For support of the Department of Food and Agriculture: Notwithstanding any other provision of law, $2,900,000 of the funds appropriated pursuant to subdivision (c) of Section 224 of the Food and Agricultural Code shall be allocated to counties in a manner prescribed by the secretary for pest detection/trapping programs. These funds are in-

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tended to supplement funds available for pest detection/trapping in Item 8570-101-0001. As a condition of receiving these funds, counties shall not reduce their level of support from any other funds for pest detection/trapping programs. If a county declines to participate in a pest detection/ trapping program, or fails to conduct the program to the state's satisfaction, the secretary shall reduce, by the amount that would otherwise be allocated to the county, funds available pursuant to subdivision (c) of Section 224 and other state allocations from Item 8570-101-0001. These funds are hereby appropriated to the Department of Food and Agriculture Item 8570-001-0001 for purposes of operating the pest detection/trapping programs in the counties.

8570-402—For local assistance, Department of Food and Agriculture: The remaining funds available pursuant to subdivision (c) of Section 224 of the Food and Agricultural Code, after allocation in accordance with Item 8570-401 and Provisions 1 and 2 of Item 8570-001-0001, shall be apportioned to the counties as follows: In relation to each county's expenditures to the total amount expended by all counties for the preceding fiscal year for agricultural programs that are supervised by the department and for pesticide use enforcement programs supervised by the Department of Pesticide Regulation. This item shall not be effective if a later enacted statute amends subdivision (c) of Section 224 of the Food and Agricultural Code.

8570-403—For the Department of Food and Agriculture. Notwithstanding any other provision of law, 30 days prior to the Department of Food and Agriculture's entering into interim financing or long-term financing, including bond agreements, pursuant to Article 9 (commencing with Section 19590) of Chapter 4 of Division 8 of the Business and Professions Code, the department shall submit a report to the Chairperson of the Joint Legislative Budget Committee with copies to the Chairpersons of Senate Budget and Fiscal Review Subcommittee Number 2, Assembly Ways and Means Subcommittee Number 3, the Senate Select Committee on Fairs and Rural Issues, and the Subcommittee on Fairs and Expositions of the Assembly Committee on Agriculture. The report shall list: (a) proposed individual satellite wagering expansion projects at fairs, (b) costs for constructing,

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operating, and maintaining individual satellite wagering projects, (c) net revenue projections for individual satellite wagering projects, and (d) projected effect on net Satellite Wagering Account revenue resulting from individual satellite wagering projects and satellite wagering-related projects. Additional notification is not required for financing proposals unless refinancing will result in the expenditure of additional funds, in which case the report shall include the above-requested information relating only to the new debt. Reporting shall be required only for satellite wagering projects that are funded by interim financing or long-term financing, including bond agreements.

8620-001-0001—For support of Fair Political Practices Commission 1,426,000

Schedule:

(a) 10.10-Local enforcement 322,040

(b) 10.20-Legal, technical assistance and state enforcement 1,103,960

Provisions:

1. By December 1, 1998, the Fair Political Practices Commission shall provide the Joint Legislative Budget Committee and the fiscal committees of both houses of the Legislature with a plan to implement the recommendations of the May 28, 1998, Bureau of State Audits (BSA) report on FPPC legal and technical assistance operations. The plan shall be specific in regard to the timetable, method, and approach of the FPPC in implementing each BSA recommendation, and shall specify, where applicable, the additional funding and staffing, if any, necessary to complete the implementation of the BSA recommendations.

8640-001-0001—For support of Political Reform Act of 1974, the following sums are appropriated to, and in augmentation of, the following agencies and officers for the administration, investigation and regulation of political campaigns, officials, and lobbyists..... 2,198,000

Schedule:

(1) 10-Secretary of State..... 713,000

For transfer by the State Controller to Item 0890-001-0001 as follows:

(a) Personal Services... 487,000

(b) Operating expenses and equipment..... 226,000

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(2) 20-Franchise Tax Board..... 1,271,000
For transfer by the State Controller to Item 1730-001-0001 as follows:
(c) 30-Political Reform Audit..... 1,271,000

(3) 30-Department of Justice..... 222,000
For transfer by the State Controller to Item 0820-001-0001 as follows:
(d) 40-Criminal Law ... 80,000
(e) 50-Law Enforcement..... 142,000

(4) 40-Fair Political Practices Commission ..... (3,297,000)

(5) Reimbursements..... –8,000
For transfer by the State Controller to Item 0890-001-0001(d)

Provisions:

1. The Controller shall transfer funds as specified above, including any allocations made by the Department of Finance, on January 1, 1999.

8660-001-0001—For support of Public Utilities Commission..... 28,000,000

8660-001-0042—For support of Public Utilities Commission, for payment to Item 8660-001-0462, payable from the State Highway Account, State Transportation Fund..... 2,354,000

8660-001-0046—For support of Public Utilities Commission, for payment to Item 8660-001-0462, payable from the Public Transportation Account, State Transportation Fund..... 2,403,000

8660-001-0412—For support of Public Utilities Commission, for payment to Item 8660-001-0462, payable from the Transportation Rate Fund 1,807,000

8660-001-0461—For support of Public Utilities Commission, for payment to Item 8660-001-0462, payable from the Public Utilities Commission Transportation Reimbursement Account, General Fund 7,272,000

8660-001-0462—For support of Public Utilities Commission, payable from the Public Utilities Commission Utilities Reimbursement Account, General Fund 51,008,000

Schedule:

(a) 10-Regulation of Utilities 92,499,000
(b) 20-Regulation of Transportation 13,836,000
(c) 30.01-Administration..... 15,031,000
(d) 30.02-Distributed Administration ...–15,031,000
(e) Reimbursements.....–12,503,000

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(ex) Amount payable from the General Fund (Item 8660-001-0001)	–28,000,000
(f) Amount payable from the State Highway Account, State Transportation Fund (Item 8660-001-0042)	–2,354,000
(g) Amount payable from the Public Transportation Account, State Transportation Fund (Item 8660-001-0046)	–2,403,000
(h) Amount payable from the Transportation Rate Fund (Item 8660-001-0412)	–1,807,000
(i) Amount payable from the Public Utilities Commission Transportation Reimbursement Account, General Fund (Item 8660-001-0461)	–7,272,000
(j) Amount payable from the Federal Trust Fund (Item 8660-001-0890)	–988,000

Provisions:

1. The Public Utilities Commission shall require any public utility requesting a merger to reimburse the commission for those expenses that the commission deems necessary to assist in its consideration of the proposed merger.
2. Notwithstanding any other provision of law, on or before March 1, 1999, the Public Utilities Commission shall deliver to the Legislature a Memorandum of Understanding between the Public Utilities Commission and the Department of General Services with regard to lease terms and conditions of the San Francisco building.
3. The following positions shall be established for support of the California Board for Energy Efficiency (CBEE) and the Low-Income Governing Board (LIGB): 1 Executive Assistant; 2 Associate Governmental Program Analysts; 2 Public Utility Financial Examiner IV's; 3 Public Utility Regulatory Analyst IV's; 1 Senior Utilities Engineer; and 1 Public Utilities Counsel III.
4. Of the funds appropriated by Schedule (e) of this item, the Public Utilities Commission is directed to redirect existing or vacant positions prior to the establishment of new positions.

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5. The costs associated with a payment by an electrical corporation, as defined in Section 380 of the Public Utilities Code, in the amount of $229,000, and a payment by an electrical corporation which is also a gas corporation, as described in Section 397 of the Public Utilities Code, in the amount of $477,000, to San Diego County for general purposes shall be recoverable from all customers on a nonbypassable basis under Section 367 of the Public Utilities Code. Payments of those amounts and the acceptance of those amounts by San Diego County shall constitute a binding settlement resolving all current and future claims by San Diego County relating to the effects on the county of Chapter 854 of the Statutes of 1996.
6. In order to ensure that California's interests are represented clearly and consistently before the Federal Energy Regulatory Commission (FERC), the California Public Utilities Commission (CPUC) and the Electricity Oversight Board (EOB) shall, under the Governor's direction, enter into a Memorandum of Understanding (MOU) that sets forth their respective responsibilities in the electricity area. Until the MOU is completed and implemented, the following shall apply to the relationship between the CPUC and the EOB. These provisions shall be elaborated in the MOU.

   In representations before the FERC, the EOB shall have principal authority and shall be considered lead agency for representing the State on electricity matters relating to the Independent System Operator and the Power Exchange and their interests, the operation or reliability of the interconnected transmission system, and generation and bulk energy markets; the CPUC shall have principal authority and shall be considered lead agency for representing the State on all gas matters and electricity matters concerning retail distribution service, retail elements of direct access (not including FERC-approved costs that may be passed through to customers), the regulation of retail providers, the administration of investor-owned utility contracts with qualifying facilities, and for ratesetting matters in investor-owned utility rate cases as described below. The CPUC may participate as a party in investor-owned utility transmission rate cases provided

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that such participation does not conflict with the EOB on matters for which the EOB has the lead role including transmission system operation and reliability, system expansion and ratesetting policy including the rate methodology proposal required of the Independent System Operator pursuant to paragraph (a) of Section 9600 of the Public Utilities Code. In addition, the CPUC will continue to be responsible to represent the State in FERC proceedings involving investor-owned mergers.

In other forums, where both the EOB and the PUC have interests, the two agencies shall meet and confer prior to such forums to coordinate their presentations. Where either the EOB or PUC has an opportunity to take a position representing the State before another body or organization that could take a position in a FERC proceeding or make recommendations to FERC, any positions advocated on behalf of the State shall be authorized by the appropriate lead agency.

To ensure a clear and consistent articulation of State policies, the following procedures shall be adopted in the MOU and shall govern until the MOU is completed: (1) If an agency desires to have a position represented in an area in which it is not lead agency, the agency shall inform the lead agency for that subject of the proposed position, and promptly transmit to the lead agency filings or notices that it may receive for proceedings in which it is not the lead agency. (2) The lead agency shall consider and incorporate as appropriate on a timely basis such positions into its filings on behalf of the State. (3) Additionally, where a lead agency determines it to be in the State's interest, it may authorize another agency to participate in a proceeding for which it has lead authority. (4) The lead agency shall obtain the approval of its Chairman or President prior to submitting substantive filings to the FERC.

7. Of the funds appropriated by Schedule (ex), $15,000,000 shall be expended for the support of the San Diego Unified Port District purchase of the South Bay powerplant from the San Diego Gas and Electric Company, and $13,000,000 shall be expended for the support of the City and County of San Francisco, with $3,000,000 to be

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used to mitigate community issues and avoid environmental impacts arising from the sale of the Potrero powerplant by the Pacific Gas and Electric Company and $10,000,000 to used by the City and County of San Francisco for infrastructure associated with the shut down of the Hunter's Point powerplant or the sale of the Potrero powerplant. For those bayside fossil fueled electric generation and associated transmission facilities that an electrical corporation has proposed to divest in a public auction and for which the Legislature has appropriated state funds in this act for the 1998–99 fiscal year to assist local governmental entities in acquiring the facilities or to mitigate environmental and community issues, and where the local governmental entity proposes that the closure of the power plant would serve the public interest by mitigating air, water, and other environmental, health and safety, and community impacts associated with the facilities, and where the local governmental entity and electrical corporation have engaged in significant negotiations with the purpose of shutting down the powerplant, and where there is an agreement between the electrical corporation and the local governmental entity for closure of the facilities or for the local governmental entity to acquire the facilities, the commission shall approve the closure of these facilities or the transfer of these electric generation and associated transmission facilities to the local governmental entity and shall consider the utility transactions with the community to be just and reasonable for its ratepayers. For purposes of calculating the Competition Transition Charge, the commission shall not use any inferred market value for the facilities predicated on the continued use of the plant, the construction of successor facilities, or the alternate use of the site, and shall net the costs of the depreciated book value of the powerplant and the unrecovered costs of decommissioning, environmental remediation and site restoration against the net proceeds received from the local governmental entity for the acquisition or closure of the facilities. Thereafter, any net proceeds received from the ultimate disposition by	

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the electrical corporation of the site shall be credited to recovery of Competition Transition Charges.		
8. The Public Utilities Commission may investigate issues associated with the further restructuring of natural gas services beyond decisions made prior to July 1, 1998. If the commission determines that further natural gas industry restructuring for core customers as considered in Rulemaking 98-01-011, including, but not limited to, opening or changing competitive markets, establishing consumer protection standards, or unbundling costs, rates or services, is in the public interest, the commission shall submit its findings and recommendations to the Legislature. Prior to January 1, 2000, the commission shall not enact any such gas industry restructuring decisions. Any commission natural gas restructuring decisions for core customers as considered in Rulemaking 98-01-011 enacted prior to the effective date of this section, but after July 1, 1998, shall not be enforced.		
8660-001-0890—For support of Public Utilities Commission, for payment to Item 8660-001-0462, payable from the Federal Trust Fund		988,000
8660-003-0462—For support of Public Utilities Commission for rental payments on lease revenue bonds		5,065,000
Schedule:		
(a) Base Rental and Fees	5,022,000	
(b) Insurance	43,000	
8660-011-0412—For transfer by the Controller, on June 30, 1998, from the Transportation Rate Fund to the Motor Carrier Permit Fund		(8,249,000)
8700-001-0001—For support of Board of Control		1,137,000
Schedule:		
(a) 11-Citizens Indemnification	49,388,000	
(b) 21-Disaster Relief Claim Program	20,000	
(c) 31-Civil Claims Against the State	1,137,000	
(d) 41-Citizens Benefiting the Public	20,000	
(e) 51.01-Administration	3,299,000	
(f) 51.03-Executive Office	175,000	
(g) 51.04-Revenue Recovery and Compliance Branch	3,754,000	
(h) 51.02-Distributed Administration Executive Office and Revenue Recovery and Compliance Branch	−7,228,000	
(i) Reimbursements	−20,000	

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(j) Amount payable from the Restitution Fund (Item 8700-001-0214)...–30,708,000

(k) Amount payable from the Federal Trust Fund (Item 8700-001-0890).....–18,680,000

(*l*) Amount payable from the Restitution Fund (Item 8700-002-0214)... –20,000

Provisions:

1. The Board of Control shall not routinely notify all local agencies and school districts regarding its proceedings. However, for each of its meetings, the board shall notify all parties whose claims or proposals are scheduled for consideration and any party requesting notice of the proceedings.

8700-001-0214—For support of Board of Control, for support services pursuant to Chapter 5 (commencing with Section 13959) of Part 4 of Division 3 of Title 2 of the Government Code, for payment to Item 8700-001-0001, payable from the Restitution Fund 30,708,000

8700-001-0890—For support of the Board of Control, for payment to Item 8700-001-0001, payable from the Federal Trust Fund 18,680,000

8700-002-0214—For support of Board of Control for support services pursuant to subdivision (e) of Section 13973 of the Government Code for payment to Item 8700-001-0001, payable from the Restitution Fund 20,000

8700-011-0001—For transfer to the Restitution Fund upon written approval of the Department of Finance to provide operating funds for support of the Victims of Crimes Program on a monthly basis, as needed, for cash-flow purposes, with all money transferred during the 1998–99 fiscal year to be repaid to the General Fund prior to September 30, 1999..... (29,449,000)

Provisions:

1. Notwithstanding Section 16314 of the Government Code, any funds transferred pursuant to this item shall not be subject to the payment of interest charges thereon.

8700-101-0001—For local assistance, Board of Control, for reimbursement of special election costs pursuant to Chapter 1102 of the Statutes of 1996..... 2,007,000

Provisions:

1. All expenses authorized and necessarily incurred in the preparation for and conduct of elections pursuant to Chapter 1102 of the Statutes of 1996

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shall be reimbursed at a maximum rate of up to $1.37 per registered voter or the actual amount claimed for nonconsolidated elections, whichever is less, and a maximum rate of up to $0.66 per registered voter or the actual amount claimed for consolidated elections, whichever is less.

2. The Board of Control may approve claims of counties in which fewer than 20,000 registered voters were eligible to participate in a special election in amounts greater than the maximums specified in Provision 1.

8700-295-0001—For local assistance, Board of Control, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller 0

Schedule:

(1) 98.01.112.377—Adult Felony Restitution (Ch. 1123, Stats. 1977)..... 0

Provisions:

1. Pursuant to Section 17581 of the Government Code, the mandate identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision is specifically identified by the Legislature for suspension during the 1998–99 fiscal year:

(a) Adult Felony Restitution (Ch. 1123, Stats. 1977)

8750-001-0001—For support, Commission On Local Governance For the 21st Century, Program 10 222,000

8750-490—Reappropriation, Commission on Local Governance for the 21st Century. Notwithstanding any other provision of law, the balance of the appropriation provided in the following citation is reappropriated and shall be available for expenditure until June 30, 1999:

0001-General Fund

(1) Section 2 of Chapter 943, Statutes of 1997

8760-001-0001—For support of the Commission of the Californias..... 250,000

8770-001-0001—For support of the Electricity Oversight Board..... 0

Schedule:

(a) 30-Administration..... 1,249,000

Item		Amount
(c) Amount payable from Public Utilities Commission Utilities Reimbursement Account, General Fund (Item 8770-001-0462)	−1,249,000	
8770-001-0462—For support of the Electricity Oversight Board, for payment to Item 8770-001-0001, payable from the Public Utilities Commission Utilities Reimbursement Account, General Fund		1,249,000
Provisions:		
1. Notwithstanding any other provision of law, the Public Utilities Commission shall continue to directly appropriate funds for the support of the Electricity Oversight Board.		
8780-001-0001—For support of Milton Marks "Little Hoover" Commission on California State Government Organization and Economy		697,000
Schedule:		
(a) 10-Milton Marks Commission on California State Government Organization and Economy	699,000	
(b) Reimbursements	−2,000	
8800-001-0001—For support of Memberships in Interstate Organizations, to be allocated by the State Controller		2,840,567
Schedule:		
(a) 10-Council of State Governments	956,500	
(b) 20-National Conference of State Legislatures	637,609	
(c) 30-Western States Legislative Forestry Task Force	33,000	
(d) 35-Pacific Fisheries Legislative Task Force	22,000	
(e) 50-State and Local Legal Center	12,000	
(f) 60-National Governors' Association	201,200	
(g) 70-Council of State Policy and Planning Agencies	22,900	
(h) 80-Coastal States' Organization	23,000	
(i) 90-Western Governors' Association	36,000	
(j) 91-National Center for State Courts	518,808	
(k) 92-Western Interstate Commission for Higher Education	108,000	

Item		Amount
(*l*) 93-Interstate Compact for Education	160,800	
(m) 94-For the Sake of the Salmon	75,000	
(n) 95-Governmental Standards Accounting Board	33,750	
8820-001-0001—For support of Commission on the Status of Women		420,000
Schedule:		
(a) 100000-Personal Services	280,000	
(b) 300000-Operating Expenses and Equipment	143,000	
(c) Reimbursements	–3,000	
8830-001-0001—For support of California Law Revision Commission		597,000
Schedule:		
(a) 10-Law Revision Commission	612,000	
(b) Reimbursements	–15,000	
8840-001-0001—For support of California Commission on Uniform State Laws		126,000
8855-001-0001—For support of Bureau of State Audits, for transfer to the State Audit Fund		10,922,000
Schedule:		
(a) 10-State Auditor	11,252,000	
(b) Reimbursements	–330,000	
8860-001-0001—For support of Department of Finance		23,005,000
Schedule:		
(a) 10-Annual Financial Plan	14,098,000	
(b) 20-Program and Information System Assessments	5,966,000	
(c) 30-Supportive Data	9,071,000	
(d) 40.01-Administration	4,598,000	
(e) 40.02-Distributed Administration	–4,123,000	
(f) Reimbursements	–6,605,000	

Provisions:

1. The funds appropriated by this item for CALSTARS shall be transferred by the Controller, upon order of the Department of Finance, or made available by the Department of Finance as a reimbursement, to other items and departments for CALSTARS-related activities by the Department of Finance.
2. The funds appropriated in this act for purposes of CALSTARS-related data processing costs may be transferred between any items in this act by the Controller upon order of the Director of Finance. Any funds so transferred shall be used only for support of CALSTARS-related data processing costs incurred.

Item	Amount
8885-001-0001—For support of Commission on State Mandates, Program 10	1,215,000

Provisions:

1. The Commission on State Mandates shall provide, in applicable parameters and guidelines, as follows:
   (a) If a local agency or school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual costs that necessarily would have been incurred for that purpose if performed by employees of the local agency or school district.
   (b) The maximum amount of reimbursement authorized by subdivision (a) may be exceeded only if the local agency or school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished without the incurring of the additional costs claimed by the local agency or school district.
2. In the case where the commission receives one or more county applications for a finding of significant financial distress pursuant to Section 17000.6 of the Welfare and Institutions Code, and where the commission files a request under Section 27.00 of the Budget Act in order to carry out its duties with respect to those applications, then, notwithstanding the provisions of Section 17000.6 of the Welfare and Institutions Code, the time limit imposed on the commission to reach its preliminary and final decisions shall be tolled until such time as the commission has received spending authorization.

8910-001-0001–For support of Office of Administrative Law	1,006,000

Schedule:

(a) 10-Regulatory Oversight	1,076,000
(b) Reimbursements	–70,000

Provisions:

1. In addition to the amount that is otherwise appropriated by this item, $538,250 is hereby appropriated from the General Fund on January 1, 1999,

Item	Amount
contingent upon certification by the Finance Director that 50 percent of the backlog of regulatory determinations existing on July 1, 1998, is eliminated by January 1, 1999.	
2. In addition to the amount that is otherwise appropriated by this item, $538,250 is hereby appropriated from the General Fund on April 1, 1999, contingent upon certification by the Finance Director that 75 percent of the backlog of regulatory determinations existing on July 1, 1998, is eliminated by April 1, 1999.	
3. The Director of Finance may allocate funds to the Office of Administrative Law from Item 9903-001-0001 for the purchase of services and data processing software, hardware, and related equipment to publish the California Code of Regulations and provide access to the California Code of Regulations by the public at no cost, pursuant to Chapter 501 of the Statutes of 1996, upon at least 30 days written notice to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house of the Legislature that considers the budget.	
8940-001-0001—For support of Military Department....	23,142,000
Schedule:	
(a) 10-Army National Guard..... 36,129,000	
(b) 20-Air National Guard 12,400,000	
(c) 30.01-Office of the Adjutant General..... 8,276,000	
(d) 30.02-Distributed Office of the Adjutant General ..... –8,276,000	
(e) 35-Military Support to Civil Authority 3,159,000	
(f) 40-Military Retirement..... 2,587,000	
(fx) 50-California Cadet Corps Program..... 250,000	
(g) 65-California National Guard youth programs..... 5,152,000	
(h) Reimbursements..... –2,232,000	
(i) Amount payable from the Armory Discretionary Improvement Fund (Item 8940-001-0485) ..... –150,000	
(j) Amount payable from the Federal Trust Fund (Item 8940-001-0890) ..... –34,153,000	

Item		Amount
Provisions:		
1. No expenditures shall be made from the funds appropriated by this item as a substitution for personnel, equipment, facilities, or other assistance, or for any portion thereof, that, in the absence of the expenditure, or of this appropriation, would be available to the Adjutant General of the State Military Forces, the California National Guard, or the California National Guard Reserve from the federal government.		
2. The funds appropriated in Schedule (f) shall be for military retirements, in accordance with Sections 228 and 256 of the Military and Veterans Code.		
8940-001-0485—For support of Military Department, for payment to Item 8940-001-0001, payable from the Armory Discretionary Improvement Fund		150,000
Provisions:		
1. No expenditures shall be made from this appropriation until sufficient revenues or income from armories have been deposited into the State Treasury to the credit of the General Fund pursuant to subdivision (c) of Section 431 of the Military and Veterans Code.		
8940-001-0890—For support of Military Department, for payment to Item 8940-001-0001, payable from the Federal Trust Fund		34,153,000
8940-301-0001—For capital outlay, Military Department.....		11,550,000
Schedule:		
(1) 70.10.010-Statewide—Project planning, working drawings, and supervision of construction.....	1,151,000	
(2) 70.12.010-Statewide—Facility Survey and Master Plan, Phase I	485,000	
(2.1) 70.24.030-Sacramento-Meadowview: Security Lighting—Preliminary plans, working drawings, and construction.....	433,000	
(4) 70.43.030-Long Beach-Redondo: Security Lighting—Preliminary plans, working drawings, and construction	293,000	
(5) 70.44.030-San Diego: Security Lighting—Preliminary plans, working drawings, and construction	1,051,000	

Item		Amount
(6) 70.52.010-Los Angeles: Armory—Construction	5,692,000	
(8) 70.59.030-Stockton: Security Lighting—Preliminary plans, working drawings, and construction	278,000	
(8.1) 70.60.030-San Francisco: Security Lighting—Preliminary plans, working drawings, and construction	528,000	
(8.2) 70.61.030-Long Beach-Stearns: Security Lighting—Preliminary plans, working drawings and construction	566,000	
(8.3) 70.62.030-Sacramento-58th Street: Security Lighting—Preliminary plans, working drawings, and construction	252,000	
(8.4) 70.63.030 Gardena: Security Lighting—Preliminary plans, working drawings, and construction	301,000	
(10) 70.90.030-Statewide: Minor Projects	520,000	
8940-301-0890—For capital outlay, Military Department, payable from the Federal Trust Fund		7,366,000
Schedule:		
(1) 70.52.010-Los Angeles: Armory—Construction	7,330,000	
(2) 70.99.020-Advanced Plans and Studies—Construction	36,000	

8940-490—Reappropriation, Military Department. The balance of the appropriations provided for working drawings in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, provided for in the appropriations:

0001—General Fund

Item 8940-301-0001, Budget Act of 1996 (Ch. 162, Stats. 1996), as reappropriated by Item 8940-490, Budget Act of 1997 (Ch. 282, Stats. 1997), Schedule (2) 70.52.010-Los Angeles: Armory-Site Acquisition and Working Drawings.

0890—Federal Trust Fund

Item 8940-301-0890, Budget Act of 1996 (Ch. 162, Stats. 1996), as reappropriated by Item 8940-490, Budget Act of 1997 (Ch. 282, Stats. 1997), Schedule

Item		Amount
(2) 70.52.010-Los Angeles: Armory-Site Acquisition and Working Drawings.		
8955-001-0001—For support of Department of Veterans Affairs		2,691,000
Schedule:		
(a) 10-Farm and Home Loans to Veterans	1,245,000	
(b) 20-Veterans Claims and Rights	1,448,000	
(c) 30-Care of Sick and Disabled Veterans	755,000	
(d) 35-Home Startup Costs	832,000	
(e) 50.01-General Administration	2,100,000	
(f) 50.02-Distributed General Administration	−2,100,000	
(g) Reimbursements	−319,000	
(h) Amount payable from the Veterans Service Office Fund (Item 8955-001-0083)	−25,000	
(i) Amount payable from the Veterans' Farm and Home Building Fund of 1943 (Item 8955-001-0592)	−1,245,000	
Provisions:		
1. The Department of Veterans Affairs shall notify the chairpersons of the fiscal and policy committees of the Legislature of specific outcomes resulting from citations and the results of annual surveys conducted by the State Department of Health Services, as well as the findings of any other agency or entity that pertains to the health, safety, and general well-being of the veterans living at the veterans homes. The Department of Veterans Affairs shall forward the notifications, including a copy of the specific findings, to the chairpersons of the respective committees within 10 working days after receiving these findings.		
8955-001-0083—For support of Department of Veterans Affairs, for payment to Item 8955-001-0001, payable from the Veterans Service Office Fund		25,000
8955-001-0592—For support of Department of Veterans Affairs, for payment to Item 8955-001-0001, payable from the Veterans' Farm and Home Building Fund of 1943		1,245,000
8955-101-0001—For local assistance, Department of Veterans Affairs, for contribution to counties toward compensation and expenses of county veteran services offices, to be expended in accordance with Section 972 et seq. of the Military and Veterans Code		2,100,000

Item	Amount
Schedule:	
(a) 20-Veterans Claims and Rights 2,938,000	
(b) Reimbursements ..... −838,000	
8955-101-0083—For local assistance, Department of Veterans Affairs, county veteran services offices, payable from the Veterans Service Office Fund	196,000
8960-011-0001—For support of Veterans' Home of California-Yountville	29,801,000
Schedule:	
(a) 30-Care of Sick and Disabled Veterans 59,577,000	
(b) Reimbursements ..... −19,702,000	
(c) Amount payable from the Federal Trust Fund (Item 8960-011-0890) ..... −10,074,000	

Provisions:

1. The General Fund shall make a loan available to the Veterans' Home of California to meet cash needs resulting from the delay in receipt of federal funds or reimbursements for medical services provided. The loan is short term, and shall be repaid within six months. Interest charges shall be waived pursuant to subdivision (e) of Section 16314 of the Government Code.
2. Any loan authorized pursuant to this item shall require approval by the Department of Finance. Provisions 2, 3, and 4 of Item 9840-011-0001 shall also apply to any loan authorized pursuant to this item.
3. Notwithstanding Section 1012.3 of the Military and Veterans Code or any other provision of law, the Department of Veterans Affairs may increase the fees and charges to residents of the Veterans' Home of California. The department shall assess the fees on an ability-to-pay basis and under no circumstances shall the fees charged exceed the cost of the level of care provided to the resident. In addition, the department shall determine a reasonable level of monthly income for residents' personal use and shall exempt this income from the monthly fees.
4. Of the funds appropriated in Schedule (a), $500,000 shall be made available for special projects that provide a direct benefit to the members of the Veterans' Home of California at Yountville, including the maintenance of facilities used by members of the public. A budget for ex-

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penditure of these funds shall be reviewed and approved by the Allied Council, the Administrator of the Veterans' Home of California at Yountville, and the Secretary of Veterans Affairs.

5. The State Department of Veterans Affairs shall have a comprehensive management operation plan prepared to ensure that the installation of the Veterans Home Information System (VHIS) at the Veterans' Home of California at Yountville is implemented successfully. At a minimum, this review shall include an analysis of patient acuity, long-term care policies and procedures, staff knowledge in applying principles applicable to the provision of long-term care services, clinical and operational processes, the current operational environment including manual and automated systems, management tracking and control mechanisms, and other factors necessary to ensure the operation of efficient and effectively provided long-term care services to the veterans residing at the home, and the successful implementation of the VHIS. This plan shall be completed prior to implementation of the clinical modules.
6. The State Department of Veterans Affairs shall provide the Legislative Analyst's Office, for the purpose of review and comment, with an advance copy of the Corrective Action Plan for the Veterans' Home of California at Yountville developed in response to the Internal Audits Division report dated April 29, 1998. The State Department of Veterans Affairs shall also provide the fiscal and policy committees of each house of the Legislature with periodic progress reports on the implementation of the Corrective Action Plan. The progress reports shall address the findings and recommendations made in the Internal Audits Division report and shall be provided within 60 days, six months, and one year from the audit release date.
7. By March 1, 1999, the Department of Finance, in consultation with the Department of Veterans Affairs, shall review whether the Veterans' Home of California at Yountville has succeeded in contracting out for laundry services, and shall estimate the amount of savings in funding and staff positions that will be achieved thereby in the

Item		Amount
1998–99 fiscal year. Based upon that determination by the Department of Finance, up to $350,000 of the appropriation in this item shall revert to the General Fund. The Department of Finance shall report its determination to the fiscal committees of each house of the Legislature.		
8960-011-0890—For support of Veterans' Home of California-Yountville, for payment to Item 8960-011-0001, payable from the Federal Trust Fund		10,074,000
8960-301-0001—For capital outlay, Veterans' Home of California-Yountville		4,744,000
Schedule:		
(1) 80.20.270-Yountville: Lincoln Theater HVAC system—Preliminary plans, working drawings, and construction	250,000	
(2) 80.20.275-Yountville: Rector Reservoir—Study	24,000	
(3) 80.20.285-Yountville: Rector Reservoir Water Treatment Plant Renovation and Upgrade—Preliminary plans, working drawings, and construction	4,470,000	
8965-001-0001—For support of Veterans' Home of California-Barstow		9,083,000
Schedule:		
(a) 30-Care of Sick and Disabled Veterans	15,536,000	
(b) Reimbursements	−3,359,000	
(c) Amount payable from the Federal Trust Fund (Item 8965-001-0890)	−3,094,000	

Provisions:

1. The General Fund shall make a loan available to the Veterans' Home of California-Barstow to meet cash needs resulting from the delay in receipt of federal funds or reimbursements for medical services provided. The loan is short term, and shall be repaid within six months. Interest charges shall be waived pursuant to subdivision (e) of Section 16314 of the Government Code.
2. Any loan authorized pursuant to this item shall require approval by the Department of Finance. Provisions 2, 3, and 4 of Item 9840-011-0001 shall also apply to any loan authorized pursuant to this item.
3. Notwithstanding Section 1012.3 of the Military and Veterans Code or any other provision of law,

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the Department of Veterans Affairs may increase the fees and charges to residents of the Veterans' Home of California-Barstow. The department shall assess the fees on an ability-to-pay basis, and under no circumstances shall the fees charged exceed the cost of the level of care provided to the resident. In addition, the department shall determine a reasonable level of monthly income for residents' personal use and shall exempt this income from the monthly fees.	
8965-001-0890—For support of Veterans' Home of California-Barstow, for payment to Item 8965-001-0001, payable from the Federal Trust Fund	3,094,000
8965-003-0001—For Support of the Veterans' Home of California-Barstow for rental payments on lease revenue bonds	987,000
Schedule:	
(a) Base rental and fees 1,116,000	
(b) Insurance 30,000	
(c) Amount payable from Federal Trust Fund (Item 8965-003-0890)..... −159,000	
8965-003-0890—For support of the Veterans' Home of California-Barstow for rental payments on lease revenue bonds, for payment to Item 8965-003-0001, payable from the Federal Trust Fund	159,000
8966-301-0001—For capital outlay, Veterans' Home of California-Chula Vista	200,000
Schedule:	
(1) 80.30.200-Augmentation for Chula Vista Veterans' Home—Construction 200,000	
Provisions:	
1. The State Public Works Board shall review in a timely manner the need to increase funds for the development of the Chula Vista Veterans' Home due to an unanticipated easement problem which was identified prior to the start of construction.	
8966-401—In the event bonds authorized for the project as funded through Ch. 335, Statutes of 1996, are not sold, the Department of Veterans Affairs shall commit a sufficient portion of its support appropriation provided for in this Budget Act to repay any loans from the Pooled Money Investment Account. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until outstanding loans are repaid, either through the sale of bonds or from an appropriation.	

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9100-101-0001—For local assistance, Tax Relief.....	464,426,000

Schedule:

(a) 10-Senior Citizens' Property Tax Assistance..... 2,100,000

(b) 20-Senior Citizens' Property Tax Deferral Program..... 16,500,000

(c) 30-Senior Citizen Renters' Tax Assistance..... 14,500,000

(d) 50-Homeowners' Property Tax Relief..... 394,812,000

(e) 60-Subventions for Open Space..... 36,500,000

(f) 90-Substandard Housing..... 14,000

Provisions:

1. Schedule (a) is for property tax assistance to homeowner claimants in accordance with the Senior Citizens Property Tax Assistance and Postponement Law, as set forth in Part 10.5 (commencing with Section 20501) of Division 2 of the Revenue and Taxation Code.

   Any unexpended balance in Schedule (a) may be used to make payments to senior citizen renter claimants under Schedule (c).

2. Schedule (b) is for property tax postponement and assistance to claimants in accordance with the Senior Citizens Property Tax Assistance and Postponement Law, as set forth in Part 10.5 (commencing with Section 20501) of Division 2 of the Revenue and Taxation Code. The appropriation made by this schedule shall be in lieu of the appropriation for the same purpose contained in Section 16100 of the Government Code.

3. Schedule (c) is for property tax assistance to renter claimants in accordance with the Senior Citizens Property Tax Assistance and Postponement Law, as set forth in Part 10.5 (commencing with Section 20501) of Division 2 of the Revenue and Taxation Code.

   Any unexpended balance in Schedule (c) may be used to make payments to senior citizen homeowner claimants under Schedule (a).

4. Schedule (d) is for reimbursement to local taxing authorities for revenue lost by reason of the homeowners' property tax exemption granted pursuant to subdivision (k) of Section 3 of Article XIII of the California Constitution. The appropriation made by this schedule shall be in lieu of the appropriation required pursuant to Section 25

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of Article XIII of the California Constitution and the appropriation for the same purposes contained in Section 16100 or Section 16120 of the Government Code.

5. Schedule (e) is for providing reimbursement to local taxing authorities for revenue lost by reason of the assessment of open-space lands under Sections 423, 423.3, and 423.5 of the Revenue and Taxation Code, and in accordance with Chapter 3 (commencing with Section 16140) of Part 1 of Division 4 of Title 2 of the Government Code. The appropriation made by this schedule shall be in lieu of the appropriation for the same purpose contained in Section 16100 or Section 16140 of the Government Code.
6. Schedule (f) is for transfer by the Controller to the Local Agency Code Enforcement and Rehabilitation Fund, for the purpose of providing funds to defray costs incurred in the enforcement of local housing code provisions and to fund housing rehabilitation programs for persons and families of low and moderate income, as defined in Section 50093 of the Health and Safety Code, to be allocated to local agencies, prorated on the basis of their share of disallowed deductions that resulted from the agencies' proceedings. Notwithstanding Section 27 of this act, the Director of the Department of Finance, upon notification by the Franchise Tax Board, may revise the estimated appropriation of substandard housing abatement revenues to reflect the actual revenues received in 1997–98 pursuant to Sections 17299 and 24436.5 of the Revenue and Taxation Code.

This amount is in lieu of any statutory requirement.

9100-295-0001—For local assistance, Tax Relief, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller 978,000

Schedule:

(1) 98.01.124.277-Senior Citizens' Property Tax Deferral Program (Ch. 1242, Stats. 1977) 265,000

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(2) 98.01.092.187-Countywide Tax Rates (Ch. 921, Stats. 1987).....	360,000
(3) 98.01.069.792-Allocation of Property Tax Revenue (Ch. 697, Stats. 1992).....	353,000
(4) 98.01.105.183-Senior Citizen's Mobilehome Property Tax Deferral (Ch. 1051, Stats. 1983).....	0
(5) 98.01.004.887-Property Tax-Family Transfers (Ch. 48, Stats. 1987).....	0

Provisions:

1. Except as provided in Provision 2 below, allocations of funds provided in this item to the appropriate local entities shall be made by the State Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated in this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.
2. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1997–98 fiscal year:
   (a) Senior Citizen's Mobilehome Property Tax Deferral (Ch. 1051, Stats. 1983)
   (b) Property Tax-Family Transfers (Ch. 48, Stats. 1987)
3. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the State Controller may, upon notifying the Director of Finance in writing, augment those deficient amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house

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which considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.

9210-101-0001—For local assistance, Local Government Financing 100,000,000

Provisions:

1. The funds appropriated by this item are for allocation by the Controller to local jurisdictions for public safety purposes, as determined by the Director of Finance pursuant to Chapter 6.7 (commencing with Section 30061) of Division 3 of Title 3 of the Government Code.

9210-103-0001—For local assistance, Local Government Financing. For assistance to redevelopment agencies, to be allocated by the State Controller..... 5,000,000

Provisions:

1. The appropriation made by this item shall be in lieu of any appropriation required pursuant to Chapter 1.5 (commencing with Section 16110) of Part 1 of Division 4 of Title 2 of the Government Code.
2. The Controller shall allocate funds appropriated in this item to redevelopment agencies that have pledged, pursuant to bond instruments and supporting documents, special supplemental subventions as security for payment of the principal and interest on bonds, and have demonstrated that gross tax increment revenues allocated to them in the 1997–98 fiscal year (as reported for inclusion in the Controller's "Annual Report of Financial Transactions Concerning Community Redevelopment Agencies of California, Fiscal Year 1997–98"), less housing set-aside amounts not available for debt service, and less any reserve requirement deficiency existing as of December 31, 1998, would be insufficient to cover their maximum annual debt service requirements on bonds to which special supplemental subventions have been pledged. The amount allocated to any redevelopment agency shall not exceed the lesser of: (a) the amount that the redevelopment agency would otherwise be entitled to receive pursuant to paragraph (3) of subdivision (c) of Section 16111 of the Government Code, or (b) the amount required by the redevelopment agency to cover its maximum annual debt service requirements on bonds to which special supplemental subventions

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have been pledged, plus any reserve requirement deficiency existing as of December 31, 1998, less the amount of gross tax increment revenues allocated to it in the 1997–98 fiscal year, less housing set-aside amounts not available for debt service.

3. If the allocation required pursuant to Provision 2 would exceed the amount of the appropriation in this item, the Controller shall prorate the allocation to those redevelopment agencies that meet the requirements of Provision 2.
4. Notwithstanding Section 2.00, the Controller shall allocate 50 percent of the appropriation in this item on or before December 31, 1998, and 50 percent of the appropriation in this item on July 31, 1999. Expenditure of the amount to be allocated on July 31, 1999, shall be accounted by the Controller as an expenditure of the 1999–00 fiscal year.
5. The Controller shall allocate any funds remaining following the allocation required pursuant to Provision 2 of this item to those redevelopment agencies that met the requirements of Provision 2 of Item 9210-103-001 of Section 2.00 of the Budget Act of 1994 (Ch. 139, Stats. 1994), in an amount sufficient to eliminate any then-remaining shortfall in payment of eligible claims for the 1994–95 fiscal year. If the allocation required by this provision would exceed the amount of the appropriation remaining following the allocation required pursuant to Provision 2 of this item, the Controller shall prorate the allocation required pursuant to this provision. Any allocation required pursuant to this provision shall be made by the Controller on or before September 30, 1998.

9210-104-0001—For Local Assistance, Local Government Financing, for allocation by the Controller to the County of Los Angeles for the construction of three comprehensive outpatient health facilities 40,000,000

9210-105-0001—For local assistance, Local Government Financing, to be allocated by the State Controller... 340,000

Provisions:

1. Notwithstanding any other provision of law, the appropriation made by this item is to reimburse the Los Angeles Local Agency Formation Commission for any costs that it incurs pursuant to Part 3 (commencing with Section 56650) of Division 3 of Title 5 of the Government Code, in-

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cluding, but not limited to, the costs of complying with Division 13 (commencing with Section 21000) of the Public Resources Code, with respect to a special reorganization pursuant to Section 56075.5 of the Government Code which includes territory defined in Section 11093 of the Government Code. The preceding sentence shall not be interpreted to provide reimbursements for any proceedings pursuant to Section 56656 of the Government Code.		
2. The appropriation made by this item is contingent upon provision of $330,000 from the County of Los Angeles and $330,000 from the City of Los Angeles to the Los Angeles Local Agency Formation Commission for the purposes specified in Provision 1.		
9210-107-0001—For local assistance, Local Government Financing. For allocation by the Controller to Orange County for a van-mounted mobile computerized paint system		87,000
9210-108-0001—For local assistance, Local Government Financing		232,000
Provisions:		
1. The funds appropriated by this item are for allocation by the Controller to the City of Compton for the purchase of two emergency vehicles.		
9210-295-0001—For local assistance, Local Government Financing, for reimbursement, in accordance with the provisions of Section 6 of Article XIII B of the California Constitution or of Section 17561 of the Government Code, of the costs of any new program or increased level of service of an existing program mandated by statute or executive order, State Controller		5,800,000
Schedule:		
(1) 98.01.048.675-Test Claims and Reimbursement Claims (Ch. 486, Stats. 1975)	2,886,000	
(2) 98.01.064.186-Open Meetings Act Notices (Ch. 641, Stats. 1986)	2,828,000	
(3) 98.01.084.578-Filipino Employee Surveys (Ch. 845, Stats. 1978)	0	
(4) 98.01.088.981-Lis Pendens (Ch. 889, Stats. 1981)	0	
(5) 98.01.098.084-Proration of Fines and Court Audits (Ch. 980, Stats. 1984)	0	

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(6) 98.01.099.991-Rape Victim Counseling Ctr. Notices (Ch. 999, Stats. 1991)	86,000
(7) 98.01.128.180-Involuntary Lien Notices (Ch. 1281, Stats. 1980)	0
(8) 98.01.160.984-Domestic Violence Information (Ch. 1609, Stats. 1984)	0
(9) 98.01.133.487-CPR Pocket Masks (Ch. 1334, Stats. 1987)	0

Provisions:

1. Except as provided in Provision 2 below, allocations of funds provided in this item to the appropriate local entities shall be made by the State Controller in accordance with the provisions of each statute or executive order that mandates the reimbursement of the costs, and shall be audited to verify the actual amount of the mandated costs in accordance with subdivision (d) of Section 17561 of the Government Code. Audit adjustments to prior year claims may be paid from this item. Funds appropriated in this item may be used to provide reimbursement pursuant to Article 5 (commencing with Section 17615) of Chapter 4 of Part 7 of Division 4 of Title 2 of the Government Code.
2. Pursuant to Section 17581 of the Government Code, mandates identified in the appropriation schedule of this item with an appropriation of $0 and included in the language of this provision are specifically identified by the Legislature for suspension during the 1998–99 fiscal year:
   (a) Filipino Employee Surveys (Ch. 845, Stats. 1978)
   (b) Lis Pendens (Ch. 889, Stats. 1981)
   (c) Proration of Fines and Court Audits (Ch. 980, Stats. 1984)
   (d) Involuntary Lien Notices (Ch. 1281, Stats. 1980)
   (e) Domestic Violence Information (Ch. 1609, Stats. 1984)
   (f) CPR Pocket Masks (Chapter 1334, Stats. 1987)
3. If any of the scheduled amounts are insufficient to provide full reimbursement of costs, the State Controller may, upon notifying the Director of Finance in writing, augment those deficient

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amounts from the unencumbered balance of any other scheduled amounts therein. No order may be issued pursuant to this provision unless written notification of the necessity therefor is provided to the chairperson of the committee in each house which considers appropriations and the Chairperson of the Joint Legislative Budget Committee or his or her designee.

9620-001-0001—For Payment of Interest on General Fund loans, upon order of the Director of Finance, for any General Fund loan 20,000,000

Provisions:

1. The Director of Finance, the Controller, and the State Treasurer shall satisfy any need of the General Fund for borrowed funds in a manner consistent with the Legislature's objective of obtaining the lowest possible rate of interest on this borrowing. The state fiscal officers shall use external borrowing rather than borrowing from internal state funds whenever it is economically advantageous to the General Fund.
2. In the event that interest expenses related to internal borrowing exceed the amount appropriated by this item, there is hereby appropriated any amounts necessary to pay the interest. Funds appropriated by this item shall not be expended prior to 30 days after the Department of Finance notifies the Joint Legislative Budget Committee of the amount(s) necessary or not sooner than such lesser time as the Chairperson of the Joint Legislative Budget Committee may determine.

9625-001-0001—For Interest Payments to the Federal Government arising from the federal Cash Management Improvement Act of 1990 1,000

Provisions:

1. Expenditures from the funds appropriated by this item shall be made by the Controller, subject to the approval of the Department of Finance, and shall be charged to the fiscal year in which the disbursement is issued.
2. In the event that expenditures for interest payments to the federal government arising from the federal Cash Management Improvement Act of 1990 exceed the amount appropriated by this item, the Director of Finance may allocate an additional amount not to exceed $15,000,000 over the amount appropriated by this item. This allo-

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cation shall be made no sooner than 30 days after notification to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the fiscal committees in each house.	
9625-001-0042—For Interest Payment to the Federal Government arising from the Cash Management Improvement Act of 1990, payable from the State Highway Account, State Transportation Fund.....	500,000
Provisions:	
1. Provision 1 of Item 9625-001-0001 also applies to this item.	
2. In the event that expenditures for interest payments to the federal government arising from the Cash Management Improvement Act of 1990 exceed the amount appropriated by this item, the Director of Finance may allocate an additional amount not to exceed $1,000,000 over the amount appropriated by this item. This allocation shall be made no sooner than 30 days after notification to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the fiscal committees in each house.	
9625-001-0494—For Interest Payments to the Federal Government arising from the Cash Management Improvement Act of 1990, payable from the appropriate special fund.....	1,000
Provisions:	
1. Provision 1 of Item 9625-001-0001 and Provision 2 of Item 9625-001-0042 also apply to this item.	
9625-001-0988—For interest payments to the Federal Government arising from the Cash Management Improvement Act of 1990, payable from the appropriate nongovernmental cost fund.....	1,000
Provisions:	
1. Provision 1 of Item 9625-001-0001 and Provision 2 of Item 9625-001-0042 also apply to this item.	
9650-001-0001—For support of Health and Dental Benefits for Annuitants. For the state's contribution for the cost of a health benefits plan and dental care premiums, for annuitants and other employees, in accordance with Sections 22825.7, 22828, 22829, and 22952 of the Government Code, which cost is not chargeable to any other appropriation.....	317,685,000
Schedule:	
(a) Health benefit premiums.....285,059,000	
(b) Dental care premiums 32,626,000	

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Provisions:

1. The maximum transfer amounts specified in subdivision (b) of Section 26.00 of this act do not apply to this item.
2. Notwithstanding Section 22819 of the Government Code or any other provision of law, annuitants and their family members who were employed by the California State University, and who become eligible for Part A and Part B of Medicare during the 1998–99 fiscal year, shall not be enrolled in a basic health benefits plan during the 1998–99 fiscal year. If the annuitant or family member is enrolled in Part A and Part B of Medicare, he or she may enroll in a supplement to the Medicare plan. This provision does not apply to employees and family members who are specifically excluded from enrollment in a supplement to the Medicare plan by federal law or regulation.
3. The maximum monthly contribution for annuitants shall be $180 for a single enrollee, $333 for an enrollee and one dependent, and $411 for an enrollee and two or more dependents.

9670-001-0001—For equity claims before the State Board of Control and for settlements and judgments in cases in which the state is represented by the Department of Justice for the administration and payment of tort liability claims, settlements, compromises and judgments against the state, its officers, servants and employees of state agencies, departments, boards, bureaus or commissions supported from the General Fund, for expenditure by the Department of Justice, subject to approval of the Department of Finance in its discretion 1,000

Provisions:

1. In the event that expenditures for purposes of Item 9670-001-0001 exceed the amount appropriated in this item, the Director of Finance may allocate sufficient amounts, not to exceed $1,200,000, from the Special Fund for Economic Uncertainties to this item.
2. There is hereby appropriated from each fund, other than the General Fund, an amount sufficient for payment of tort liability claims, settlements, compromises, and judgments against the state, its officers, servants and employees of state agencies, departments, boards, bureaus, or commissions arising from activities supported from that fund.

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No expenditure from any appropriation from a fund other than the General Fund for payment of tort liability claims, settlements, compromises, and judgments shall be made unless approved by the Department of Finance in its discretion.

3. Expenditures made under this item shall be charged to the fiscal year in which the warrant is issued by the State Controller.
4. Payment under this item is limited in amount to claims, settlements, compromises, and judgments which do not exceed $70,000, exclusive of interest, and no payment from this item exceeding that amount shall be approved by the Department of Finance or made by the Department of Justice.
5. No payment shall be approved by the Department of Finance or made by the Department of Justice from this item except in full and final satisfaction of the claim, settlement, compromise, or judgment upon which the payment is based.
6. Funding for the payment of tort liability claims, settlements, compromises, and judgments which require the approval of the Director of Finance shall first be considered from within the affected agency, department, board, bureau, or commission's existing budgeted resources. Payment pursuant to this item (from the General Fund or funds other than the General Fund) shall be made only after the affected agency, department, board, bureau, or commission has demonstrated to the Department of Finance that insufficient funds are available for payment of all or a portion of the claim.

9670-401—For maintenance of accounting records by the State Controller's office or any other agency maintaining these records, appropriations made in this act for Organization Code 9670 (Equity Claims of Board of Control and Settlements and Judgments by Department of Justice) are to be recorded under Organization Code 9671 (Equity Claims of Board of Control) and Organization Code 9672 (Settlements and Judgments by Department of Justice).

9800-001-0001—For Augmentation for Employee Compensation 356,310,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bar-

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gaining between the state employer and employee representatives.

2. The funds appropriated in this item are for employee compensation increases and increases in benefits related thereto, whose compensation or portion thereof, is chargeable to the General Fund, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9800-001-0494—For Augmentation for Employee Compensation, payable from other unallocated special funds 172,673,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bargaining between the state employer and employee representatives.
2. The funds appropriated in this item are for employee compensation increases and increases in benefits related thereto, whose compensation or portion thereof, is chargeable to special funds, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9800-001-0988—For Augmentation for Employee Compensation, payable from other unallocated nongovernmental cost funds 172,673,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bargaining between the state employer and employee representatives.

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2. The funds appropriated in this item are for employee compensation increases and increases in benefits related thereto, whose compensation or portion thereof, is chargeable to nongovernmental cost funds, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9800-002-0001—For Augmentation for Employer's Health Benefit Costs 8,741,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bargaining between the state employer and employee representatives.
2. The funds appropriated in this item are for the employer's share of health benefit premium contributions, the cost of which or portion thereof, is chargeable to the General Fund, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9800-002-0494—For Augmentation for Employer's Health Benefit Costs, payable from other unallocated special funds 4,370,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bargaining between the state employer and employee representatives.
2. The funds appropriated in this item are for the employer's share of health benefit premium contributions, the cost of which or portion thereof, is

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chargeable to special funds, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9800-002-0988—For Augmentation for Employer's Health Benefit Costs, payable from other unallocated nongovernmental cost funds 4,370,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bargaining between the state employer and employee representatives.
2. The funds appropriated in this item are for the employer's share of health benefit premium contributions, the cost of which or portion thereof, is chargeable to nongovernmental cost funds, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9800-011-0001—For Augmentation for Employee Compensation (Proposition 98) 4,169,000

Provisions:

1. The amount appropriated in this item shall not be construed to control or influence collective bargaining between the state employer and employee representatives.
2. The funds appropriated in this item are for employee compensation increases and increases in benefits related thereto, whose compensation or portion thereof, is chargeable to the General Fund, to be allocated by executive order by the Department of Finance to the several state offices, departments, boards, bureaus, commissions, and

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other state agencies, in augmentation of their respective appropriations or allocations for support, in accordance with approved memoranda of understanding or, for employees excluded from collective bargaining in accordance with salary and benefit schedules established by the Department of Personnel Administration.

9840-001-0001—For Augmentation for Contingencies or Emergencies 2,000,000

Provisions:

1. The funds appropriated for the augmentation for contingencies or emergencies are to be expended only on written authorization of the Department of Finance for contingencies or emergencies.
2. Contingencies, within the meaning of these funds, are defined as proposed expenditures arising from unexpected conditions or losses for which no appropriation, or insufficient appropriation, has been made by law and which, in the judgment of the Director of Finance, constitute cases of actual necessity. Emergencies, within the meaning of this item, are defined as expenditures incurred in response to conditions of disaster or extreme peril which threaten the health or safety of persons or property within the state.
3. Emergency and contingency expenditure authorizations and deficiency expenditure authorizations shall be limited to purposes which have been specifically approved by the Legislature in Budget Acts or other legislation, except that not more than $200,000 of each fund may be expended for purposes for which no such specific prior authorizations exist.
4. Authorizations for expenditures or deficiency expenditures arising from a contingency shall become effective no sooner than 30 days after notification in writing to the Joint Legislative Budget Committee, or no sooner than such lesser time as the committee, or its designee, may in each instance determine.
5. For expenditure authorizations or deficiency expenditure authorizations arising from an emergency, the Director of Finance shall file with the Joint Legislative Budget Committee, within 10 days after approval, copies of all executive orders for emergency-related encumbrance or expenditure authorizations, stating the reasons for, and the

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amount of, all such authorizations, except that any emergency augmentation from this item to any program in excess of 10 percent of the amount authorized for expenditure in the 1998–99 fiscal year for such program shall become effective no sooner than 30 days after notification in writing to the Joint Legislative Budget Committee or no sooner than such lesser time as the committee, or its designee, may in each instance determine, except that no such limit shall apply if the Director of Finance states in writing to the Chairperson of the Joint Legislative Budget Committee the necessity and urgency for the allocation which, in the judgment of the director, makes prior approval impractical.

6. For purposes for which the Governor previously vetoed funding, allocation of funds or authorization for deficiency expenditures shall not be made under the emergency provisions.

9840-001-0494—For Augmentation for Contingencies or Emergencies, payable from unallocated special funds 1,500,000

Provisions:

1. Provisions 1, 2, 3, 4, 5, and 6 of Item 9840-001-0001 also apply to this item.
2. For the Augmentation for Contingencies or Emergencies, payable from special funds, there are appropriated from each special fund sums necessary to meet contingencies or emergencies, to be expended only on written authorization of the Director of Finance. No deficiencies shall be authorized by the Director of Finance in any appropriation of money from special funds made by this act for the 1998–99 fiscal year under the provisions of Section 11006 of the Government Code. Accounts, special accounts, and funds in the General Fund, that are treated as other governmental cost funds for accounting and budgeting purposes in accordance with Section 13303 of the Government Code, shall be considered to be special funds within the meaning of this item.

9840-001-0988—For Augmentation for Contingencies or Emergencies, payable from unallocated nongovernmental cost funds 1,500,000

Provisions:

1. Provisions 1, 2, 3, 4, 5, and 6 of Item 9840-001-0001 also apply to this item.

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2. For Reserve for Contingencies or Emergencies, payable from nongovernmental cost funds, there is appropriated from each nongovernmental cost fund that is subject to control or limited by this act, sums necessary to meet contingencies or emergencies, to be expended only on written authorization of the Director of Finance. No deficiencies shall be authorized by the Director of Finance in any appropriation of money from nongovernmental cost funds made by this act for the 1998–99 fiscal year under the provisions of Section 11006 of the Government Code.

9840-011-0001—For Augmentation for Contingencies or Emergencies (Loans) ..... (2,500,000)

Provisions:

1. This appropriation is for loans that may be made to state agencies which derive their support from the General Fund or from sources other than the General Fund, upon terms and conditions for repayment as may be prescribed by the Department of Finance. Any sum so loaned shall, if ordered by the Department of Finance, be transferred by the State Controller to the fund from which the support of the agency is derived.
2. No loan shall be made which requires repayment from a future legislative appropriation.
3. Authorizations for loans shall become effective no sooner than 30 days after notification in writing to the Joint Legislative Budget Committee, or no sooner than a lesser time which the committee, or its designee, may in each instance determine, except that this limit shall not apply if the Director of Finance states in writing to the Chairperson of the Joint Legislative Budget Committee the necessity and urgency for the loan which, in the judgment of the director, makes prior approval impractical.
4. Within 10 days after approval, the Director of Finance shall file with the Joint Legislative Budget Committee copies of all executive orders for loans stating the reasons for, and the amount of, all of these authorizations.

9840-490—Reappropriation, Augmentation for Contingencies or Emergencies. As of June 30, 1998, the balances of the appropriations made by Items 9840-001-0001, 9840-001-0494 and 9840-001-0988, Budget Act of 1997, shall revert to the unappropriated

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surplus of the General Fund, special funds, and nongovernmental cost funds, respectively.

As of July 1, 1998, the amounts reverted as of June 30, 1998, for Items 9840-001-0001, 9840-001-0494 and 9840-001-0988, Budget Act of 1997, are reappropriated and shall be available until June 30, 1999, and may be expended on written authorization of the Department of Finance issued on or before said date, for contingencies and emergencies, within the meaning of those items, occurring during the 1997–98 fiscal year.

9860-301-0001—For unallocated capital outlay (10.10.010) 744,000

Provisions:

1. The funds appropriated by this item are to be allocated by the Department of Finance to state agencies to develop design and cost information for new projects for which funds have not been appropriated previously, but which are anticipated to be included in the 1999–2000 or 2000–2001 Governor's Budget. The amount appropriated in this item shall not be construed as a commitment by the Legislature as to the amount of capital outlay funds it will appropriate in any future fiscal year.

9903-001-0001—For allocation by Department of Finance, in support of procurement projects for applicant state agencies, departments, boards, commissions, or other entities of state government..... 1,831,000

Provisions:

1. The Department of Finance may make allocations from the funds appropriated by this item for the 1998–99 fiscal year to authorize an applicant state agency to purchase electronic data processing software, hardware, and related equipment and services for an information technology project under the alternative procurement specified in this provision in compliance with all of the following conditions:
   (a) The project is authorized under an item of appropriation contained in this act.
   (b) The project will result in monetary savings, an increase in revenues, the enhancement of services, or improved efficiency and effectiveness.
   (c) The state agency provides, for each project, a concise statement of objectives, documenta-

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tion of benefits pursuant to subdivision (b) of this Provision, the required timeframes, performance standards, articulated implementation, and independent verification.

(d) The proposal and procurement documents do not identify the technology and process required to achieve the desired outcome.

(e) The technical aspects of the project shall be reviewed by the Department of Information Technology.

(f) The financial aspects of the project shall be reviewed by the Department of Finance.

(g) The procurement is made pursuant to the policies and procedures specified in Section 5215 of the State Administrative Manual.

(h) The allocation of funding for the project is made not sooner than 30 days after written notification thereof is provided to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chairperson of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee may determine.

2. The Department of Finance may make allocations from the funds appropriated by this item for the 1998–99 fiscal year to authorize an applicant state agency to purchase services and electronic data processing software, hardware, and related equipment in compliance with all of the following conditions:

(a) The project is authorized under an item of appropriation contained in this act.

(b) The project will result in monetary savings, an increase in revenues, the enhancement of services, or improved efficiency and effectiveness.

(c) The state agency provides, for each project, a concise statement of objectives, documentation of benefits pursuant to subdivision (b) of this Provision, the required timeframes, performance standards, articulated implementation, and independent verification.

(d) The proposal and procurement documents do not identify the process required to achieve the desired outcome.

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(e) The technical aspects of the project shall be reviewed by the Department of Information Technology.

(f) The financial aspects of the project shall be reviewed by the Department of Finance.

(g) The allocation of funding for the project is made not sooner than 30 days after written notification thereof is provided to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chairperson of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than any lesser time as the Chairperson of the Joint Legislative Budget Committee may determine.

9903-001-0494—For allocation by Department of Finance in support of alternative procurement projects for applicant state agencies, departments, boards, commissions, or other entities of state government, payable from unallocated special funds 5,000,000

Provisions:

1. The Department of Finance may make allocations from the funds appropriated by this item to authorize an applicant state agency to purchase electronic data processing software, hardware, and related equipment and services for an information technology project under the alternative procurement method specified in this provision in compliance with all of the following conditions:

(a) The project is authorized under an item of appropriation contained in this act.

(b) The project will result in monetary savings, an increase in revenues, the enhancement of services, or improved efficiency and effectiveness.

(c) The state agency provides, for each project, a concise statement of objectives, documentation of benefits pursuant to subdivision (b) of this provision, the required timeframes, performance standards, articulated implementation, and independent verification.

(d) The proposal and procurement documents do not identify the technology and process required to achieve the desired outcome.

(e) The technical aspects of the project shall be reviewed by the Department of Information Technology.

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(f) The financial aspects of the project shall be reviewed by the Department of Finance.

(g) The procurement is made pursuant to the policies and procedures specified in Section 5215 of the State Administrative Manual.

(h) The allocation of funding for the project is made not sooner than 30 days after written notification thereof is provided to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chairperson of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee may determine.

9903-001-0988—For allocation by Department of Finance in support of alternative procurement projects for applicant state agencies, departments, boards, commissions, or other entities of state government, payable from unallocated non-governmental cost funds 455,000

Provisions:

1. The Department of Finance may make allocations from the funds appropriated by this item to authorize an applicant state agency to purchase electronic data processing software, hardware, and related equipment and services for an information technology project under the alternative procurement method specified in this provision in compliance with all of the following conditions:

(a) The project is authorized under an item of appropriation contained in this act.

(b) The project will result in monetary savings, an increase in revenues, the enhancement of services, or improved efficiency and effectiveness.

(c) The state agency provides, for each project, a concise statement of objectives, documentation of benefits pursuant to subdivision (b) of this provision, the required time frames, performance standards, articulated implementation, and independent verification.

(d) The proposal and procurement documents do not identify the technology and process required to achieve the desired outcome.

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(e) The technical aspects of the project shall be reviewed by the Department of Information Technology.

(f) The financial aspects of the project shall be reviewed by the Department of Finance.

(g) The procurement is made pursuant to the policies and procedures specified in Section 5215 of the State Administrative Manual.

(h) The allocation of funding for the project is made not sooner than 30 days after written notification thereof is provided to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chairperson of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee may determine.

9904-001-0001—For allocation by Department of Finance, in support of century change information technology activities for applicant state agencies, departments, boards, commissions, or other entities of state government 10,000,000

Provisions:

1. The Department of Finance shall make allocations from the funds appropriated by this item for the 1998–99 fiscal year for century change information technology activities of applicant state agencies, departments, boards, commissions, or other entities of state government (hereafter "state agency") that comply with the Department of Information Technology's California 2000 Program Guide. The requests must be reviewed and approved by the Department of Information Technology before the Department of Finance allocates the funds.
2. No authorization for expenditure may be granted under this item to the Legislature, the University of California, the California State University, the State Compensation Insurance Fund, or any agency provided for under Article VI of the California Constitution.
3. An allocation approved by the Department of Finance under this item shall be made not sooner than 30 days after written notification thereof is provided to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chair-

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person of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee may determine. Commencing October 1, 1998, the Department of Finance shall provide quarterly reports to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chairperson of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee, listing the allocations made pursuant to this item and identifying the department, the project, and the amount for each allocation.

4. The Department of Information Technology shall provide the Legislature by July 15, 1998, and quarterly thereafter, a report as to the status of the state's Year 2000 computer application conversion effort. The report, to be submitted to the fiscal committees in each house and the Joint Legislative Budget Committee, shall indicate the state's progress and level of compliance with the Department's California 2000 Program Guide and specifically include identification of any system and project that the department believes is at risk in terms of completing necessary remediation efforts before the system's failure date, and identification of each essential but non-mission critical system and project the department is planning to remediate. For those systems and projects determined to be at risk, the Department of Information Technology shall identify the factors that create the risk and the steps that are being taken to mitigate the risk.
5. Special consideration shall be made for allocation from this item for remediation of embedded chip and Year 2000 projects within state buildings, provided that the requesting department has made efforts to redirect funds within its existing budget wherever possible.
6. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for the purposes of this item in excess of the $10,000,000 appropriated in this item.

Item	Amount
9904-001-0494—For allocation by Department of Finance in support of century change information technology activities for applicant state agencies, departments, boards, commissions or other entities of state government	8,000,000

Provisions:

1. Provisions 1, 2, 3, 4, and 5 of Item 9904-001-0001 of this act also apply to allocations authorized by this item.
2. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for purposes of Item 9904-001-0494 in excess of the amount appropriated.

9904-001-0988—For allocation by Department of Finance, in support of century change information technology activities for applicant state agencies departments, boards, commissions or other entities of state government	2,000,000

Provisions:

1. Provisions 1, 2, 3, 4, and 5 of Item 9904-001-0001 of Section 2.00 of this act shall also apply to allocations authorized by this item.
2. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures for purposes of this item in excess of the $2,000,000 appropriated in this item.

GENERAL SECTIONS
STATEWIDE

SEC. 3.00. Whenever herein an appropriation is made for support, it shall include salaries and all other proper expenses, including repairs and equipment, incurred in connection with the institution, department, board, bureau, commission, officer, employee, or other agency for which the appropriation is made.

Each item appropriating funds for salaries and wages includes the additional funds necessary to continue the payment of the amount of salaries in effect on June 30, 1998, for the state officers whose salaries are specified by statute.

Whenever herein an appropriation is made for capital outlay, it shall include acquisition of land or other real property, major construction, improvements, equipment, designs, working plans, specifications, repairs, and equipment necessary in connection with a construction or improvement project.

Whenever herein any item of appropriation contains provisions for acquisition of land or other real property, it shall include all necessary expenses in connection with the acquisition of the property.

Whenever herein an appropriation is made in accordance with a schedule set forth after the appropriation, the expenditures from that item for each category, program, or project included in the schedule shall be limited to the amount specified for that category, program, or project, except as otherwise provided in this act. Each schedule is a restriction or limitation upon the expenditure of the respective appropriation made by this act, does not itself appropriate any money, and is not itself an item of appropriation.

As used in this act in reference to the schedules "category", "program", or "project" means a class of expenditure such as, but not limited to:

(a) "Personal services," which shall include all expenditures for payment of officers and employees of the state, including: salaries and wages, workers' compensation, compensation paid to employees on approved leave of absence on account of sickness, unemployment compensation benefits, insurance premiums for workers' compensation coverage, industrial disability leave and payments, nonindustrial disability benefits and payments, the state's contributions to the Public Employees' Retirement Fund, the Teachers' Retirement Fund, the University of California Retirement Fund to provide for that portion of retirement costs to be provided for Hastings College of the Law in Item 6600-001-0001 of this Budget Act, the Old Age and Survivors' Insurance Revolving Fund, the Public Employees' Contingency Reserve Fund, and the state's cost of health benefits plans; but do not include compensation of independent contractors rendering personal services to the state under contract.

(b) "Operating expenses and equipment," which shall include all expenditures for purchase of materials, supplies, equipment, services (other than services of state officers and employees), departmental services (services provided by other organizational units within a department, including indirect distributed costs), and all other proper expenses.

(c) "Preliminary plans" are defined as a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. For each utility, site development, conversion and remodeling project, the drawings shall be sufficiently descriptive to accurately convey the location, scope, cost, and the nature of the improvement being proposed.

(d) "Working drawings" are defined as a complete set of plans and specifications showing and describing all phases of a project, architectural, structural, mechanical, electrical, civil engineering, and landscaping systems to the degree necessary for the purposes of accurate bidding by contractors and for the use of artisans in constructing the project. All necessary professional fees and administrative service costs are included in the preparation of these drawings.

(e) "Construction," when used in connection with a capital outlay project, shall include all such related things as fixtures, installed equipment, auxiliary facilities, contingencies, project construction, management, administration and associated costs.

(f) "Minor projects" include planning, working drawings, construction, improvements, and equipment projects not specifically set forth in the schedule.

(g) "Programs" include all expenditures, regardless of category, required to carry out the objectives of the named activity.

For the purpose of further interpreting the meaning of the words, terms and phrases, and uniform codes used in the schedules, reference is hereby made to those documents entitled, "State of California Governor's Budget for 1998–99," submitted by the Governor to the Legislature at the 1998 portion of the 1997–98 Regular Session, the uniform accounting system prescribed by the Department of Finance under the provisions of Section 13300 and following of the Government Code, the Uniform Codes Manual, and the appropriate portions thereof. The Department of Finance shall establish interpretations necessary to carry out the provisions of this section and shall furnish the same to the State Controller and to every state agency to which appropriations are made under this act.

SEC. 3.50. Whenever herein an appropriation is made for support or other expenses for an institution, department, board, bureau, commission, officer, employee, or other agency, there shall be charged to the appropriation from which salaries and wages are paid: workers' compensation, compensation paid to employees on approved leave of absence on account of sickness, unemployment compensation benefits, industrial disability leave and payments, nonindustrial disability benefits and payments, the administrative costs of the Merit Award Program provided by Section 19823 of the Government Code, the State's contribution to the Public Employees' Retirement Fund as provided by Sections 20822 and 20824 of the Government Code, the State's contribution to the Teachers' Retirement Fund as provided by Sections 22950, 22951, and 23000 of the Education Code, the State's contribution to the Old Age and Survivors Insurance Revolving Fund as provided by Sections 20862 and 20863 of the Government Code, the State's contribution to the Old Age and Survivors Insurance Revolving Fund for payment of hospital insurance taxes imposed by the Internal Revenue Code, the State's contribution to the Public Employees' Contingency Reserve Fund, the State's contribution for the cost of health benefits plans as provided by Sections 22825.1, 22828 and 22829 of the Government Code, and the State's contribution for costs of other employee benefits and the administrative costs associated with the provision of benefits established by any state agency legally authorized to negotiate and set salary and benefit levels.

As of the effective date of this act, the State's contributions as provided by Sections 22825.1, 22828 and 22829 of the Government Code and for costs of any other employee benefits and the administrative costs associated with the provisions of these benefits established by any state agency legally authorized to negotiate and set salary and benefit

levels for any month shall be charged to the same appropriations used for payment of salaries and wages from which the employee premium contributions for such month are deducted.

The appropriations made by Sections 20822, 20824, 20862, 20863, 22825.1, 22828, and 22829 of the Government Code and by Sections 22950, 22951, and 23000 of the Education Code, shall continue to be available for expenditure, and shall be charged for any expenditure that is not chargeable to an appropriation for support or other expenses as provided in this section. This transfer may be chargeable to such appropriation for a previous fiscal year if there are no funds available from that fiscal year.

The Controller may transfer to the State Payroll Revolving Fund the contributions required by Sections 20822, 20824, 20862, 20863, 22825.1, 22828, and 22829 of the Government Code, contributions required for payment of the hospital insurance tax, and upon certification by the Board of Administration of the Public Employees' Retirement System as required by Section 20826 of the Government Code, may transfer from the State Payroll Revolving Fund to the Public Employees' Retirement Fund and the Old Age and Survivors Insurance Revolving Fund the amounts of contributions.

SEC. 3.60. (a) Notwithstanding any other provision of law, the employers' retirement contributions for the 1998–99 fiscal year that are chargeable to an appropriation made in this act, with respect to each state officer and employee who is a member of the Public Employees' Retirement System and who is in that employment or office, including university members as provided by Section 20751 of the Government Code, shall be the percentage of salaries and wages by state member category as follows:

Miscellaneous, First Tier	8.541%
Miscellaneous, Second Tier	6.437%
State Industrial	4.583%
State Safety	9.440%
Highway Patrol	13.541%
Peace Officer/Firefighter	9.591%

The Department of Finance may adjust amounts in any appropriation item, or in any category thereof, in this act as a result of changes from amounts budgeted for employer contribution for 1998–99 fiscal year retirement benefits.

(b) Notwithstanding any other provisions of law, the Department of Finance shall require retirement contributions computed pursuant to subdivision (a) to be offset by the Controller with surplus funds in the Public Employees' Retirement Fund, employer surplus asset accounts.

(c) Notwithstanding any other provision of law, for purposes of calculating the "appropriations subject to limitation" as defined in Section 8 of Article XIII B of the California Constitution, the appropriations in this act shall be deemed to be the amounts remaining after the reductions required by subdivisions (a) and (b) are made.

SEC. 4.11. No funds appropriated by this act shall be used by a state or local agency to implement the prohibition contained in Section 411 of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 regarding the eligibility of aliens for state and local public benefits until the state enacts legislation authorizing the implementation of that prohibition.

SEC. 4.20. Notwithstanding any other provision of law, the employer's contributions to the Public Employees' Contingency Reserve Fund, as required by Section 22826 of the Government Code, shall be 0.5 percent of the gross health insurance premiums paid by the employer and employee for administrative expenses.

SEC. 5.00. Each state agency shall prepare an itemized schedule listing, by category and funding source, of all claims, judgments, compromises, and settlement payments paid in the 1997–98 fiscal year. This itemized schedule of payments shall include a summary description of payments by category and funding source. The Department of Finance shall transmit a copy of the schedule along with the other supplemental budget documents that are annually transmitted to the Legislature and the Office of the Legislative Analyst.

SEC. 5.25. (a) Payment of specified attorney's fee claims, settlements, compromises, and judgments arising from actions in state courts against the state, its officers, and officers and employees of state agencies, departments, boards, bureaus, or commissions, shall be paid from items of appropriation in this act that support the state operations of the affected agency, department, board, bureau, or commission.

(b) Expenditures authorized by subdivision (a) shall be made by the State Controller, subject to the approval of the Department of Finance, and shall be charged to the fiscal year in which the disbursement is issued.

(c) Payments authorized by this section shall be made only for (1) state court actions filed pursuant to Section 1021.5 of the Code of Civil Procedure, the "private attorney general" doctrine, or the "substantial benefit" doctrine, or for (2) writ of mandate actions filed pursuant to Section 10962 of the Welfare and Institutions Code.

(d) No payment shall be made by the State Controller for expenditures pursuant to subdivision (a) except in full and final satisfaction of the claim, settlement, compromise, or judgment for attorney's fees incurred in connection with a single action.

(e) The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee, the Chairperson of the Senate Committee on Budget and Fiscal Review, and the Chairperson of the Assembly Budget Committee pursuant to Section 27.00 of this act when there are insufficient funds appropriated in this act in support of the state operations of the affected agency, department, board, bureau, or commission to satisfy the claim completely.

SEC. 6.00. No more than $35,000 of the funds appropriated for support purposes under Section 2.00 or any other sections of this act may be encumbered for preliminary plans, working drawings, or construction of any project for the alteration of a state facility unless the Director of Finance determines that the proposed alteration is critical and that it is necessary to proceed using funds appropriated for support purposes. The maximum cost of any such project shall not exceed $250,000, and any approved critical project costing more than $35,000, but not greater than $250,000, shall be reported to the Chairperson of the Joint Legislative Budget Committee or his or her designee, not less than 30 days prior to requesting bids for the project. The report shall detail those factors that make the project so critical that it must proceed using support funds.

SEC. 8.50. (a) In making appropriations to state agencies that are eligible for federal programs, it is the intent and understanding of the Legislature that applications made by the agencies for federal funds under federal programs shall be for the maximum amount allowable under federal law. Therefore, any amounts received from the federal government are hereby appropriated from federal funds for expenditure or for transfer to, and disbursement from, the State Treasury fund established for the purpose of receiving the federal assistance subject to any provisions of this act that apply to the expenditure of these funds, including Section 28.00 of this act.

(b) However, if federal funds for block grant programs assumed by the state or for any item receiving federal funds are reduced by more than 5 percent of the amount appropriated in this act, the Director of Finance shall notify the chairperson of the committee in each house which considers appropriations, and the Chairperson of the Joint Legislative Budget Committee, in writing within 30 days after notification by the federal government that federal funds have been reduced, and shall include an estimate of the amount of the available or anticipated federal funds, the 1998–99 fiscal year expenditures of each program affected by the reduction, the effect of reduced funding on service levels authorized by this act, and a plan of reduced expenditures for each program affected by the reduction. The plan shall be operational on an interim basis for up to 45 days pending legislative review, after which time the plan shall become permanent.

SEC. 8.51. Each state agency shall, by certification to the State Controller, identify the account within the Federal Trust Fund when charges are made against any appropriation made herein from the Federal Trust Fund.

SEC. 8.80. There is hereby appropriated from the General Fund, an amount up to one million two hundred thousand dollars ($1,200,000) to be allocated by the Department of Finance to the State Controller's Office and the Department of Personnel Administration for the purpose of establishing the business requirements and preparing and releasing a Request For Proposal for the development of a statewide Human Resource Management System. The allocation of funds

from this control section is contingent upon the State Controller's Office and the Department of Personnel Administration each submitting written justification, which has been mutually agreed upon, no later than June 30, 1998. The justification shall include, but is not limited to, an explanation of the need for funds and position(s) and identification of a project schedule and deliverables in fiscal year 1998–99.

The Department of Finance shall review the written justification by July 15, 1998. The allocation of funding for the project shall be made no sooner than 30 days after written notification thereof is provided to the Chairperson of the Senate Committee on Budget and Fiscal Review, the Chairperson of the Assembly Budget Committee, and the Chairperson of the Joint Legislative Budget Committee or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee may determine.

SEC. 9.20. Notwithstanding Section 15860 of the Government Code, the amount of funds expended for administrative costs associated with any appropriation contained in this act for acquisition of property pursuant to the Property Acquisition Law shall be limited to the amount specified for those costs in the Supplemental Report of the Budget Act of 1998. Amounts for administrative costs may be augmented by no more than 5 percent by the State Public Works Board. Notwithstanding the foregoing, any amounts needed for administrative costs associated with acquisition through the condemnation authority of the State Public Works Board shall be provided through augmentation of the affected appropriations as authorized by existing law.

SEC. 9.30. In the event that federal courts issue writs of execution for the levy of state funds and such writs are executed, the State Controller shall so notify the Department of Finance. The Department of Finance shall then notify the State Controller of the specific appropriation or fund to be charged. Federal writs of execution for the levy of state funds may only be charged against appropriations or funds having a direct programmatic link to the circumstances under which the federal writ was issued. If the appropriate department or agency no longer exists, or no linkage can be identified, the federal writ shall be charged to the unappropriated surplus of the General Fund. In the event that an appropriation in the act is made deficient by such a charge, funding augmentations must follow the regular budget processes including Section 27.00 of the Budget Act. However, the 30-day notification requirement is waived for payments mandated by federal courts.

SEC. 9.50. For minor capital outlay projects for which, pursuant to Sections 10108 and 10108.5 of the Public Contract Code, the services of the Department of General Services are not required and a state agency or department is authorized to carry out its own project, the amount of the unencumbered balance of the project shall be determined in accordance with Section 14959 of the Government Code. Upon receipt of bids for the project, an estimate of any amount necessary for the completion of the project, including supervision, engineering, and

other items, if any, shall be deemed a valid encumbrance and shall be included with any other valid encumbrance in determining the amount of an unencumbered balance.

SEC. 11.00. (a) A state agency to which state funds are appropriated by one or more statutes, including this act, for an information technology project may not enter into one or more contracts, or agree to one or more contract amendments, in the 1998–99 fiscal year that result, in the aggregate, in an increase in the budgeted cost of the project exceeding five hundred thousand dollars ($500,000), or 10 percent of the budgeted cost of the project, whichever is less, unless the approval of the Department of Finance is first obtained and written notification of that approval is provided by the department to the Chairperson of the Joint Legislative Budget Committee, and the chairperson of the budget committee of each house of the Legislature, not less than 30 days prior to the effective date of the approval, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine. Each notification required by this section shall (1) explain the necessity and rationale for the proposed contract or amendment, (2) identify the cost savings, revenue increase, or other fiscal benefit of the proposed contract or amendment, and (3) identify the funding source for the proposed contract or amendment.

(b) Subdivision (a) does not apply to a resulting increase in the budgeted cost of a project that is less than one hundred thousand dollars ($100,000), or that is funded by an augmentation authorized pursuant to Section 26.00 of this act.

(c) The following definitions apply for the purposes of this section:

(1) "Budgeted cost of a project" means the total cost of the project as identified in the most recent feasibility study report, special project report, or equivalent document submitted to the Legislature in connection with its consideration of a bill that appropriated any state funding for that project.

(2) "State agency" means each agency of the state that is subject to both Chapter 7 (commencing with Section 11700) of Part 1 of, and Article 2 (commencing with Section 13320) of Chapter 3 of Part 3 of, Division 3 of Title 2 of the Government Code.

SEC. 11.11. In order to protect the privacy of state employees and ensure the security of the payment of public funds, all departments, boards, offices, and other agencies and entities of the state shall distribute pay warrants and direct deposit advice to employees in a manner that ensures that personal and confidential information contained on the warrants and direct deposit advice is protected from unauthorized access. The Department of Personnel Administration shall advise all departments, boards, offices, and other agencies and entities of state government of the requirements contained in this section.

SEC. 11.52. Notwithstanding any other provision of law, the State Controller shall transfer to the General Fund the unencumbered balance, as of June 30, 1998, from the following funds: (a) State Construction Program Fund; (b) Special Account for Capital Outlay; (c) Energy and Resources Fund; and (d) Capital Outlay Fund for Public Higher Education.

SEC. 11.60. Notwithstanding Article 12 (commencing with Section 16429.30) of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, or any other provision of law, all moneys deposited in the California Unitary Fund during the 1998–99 fiscal year and all expenditures, disbursements, and transfers from the California Unitary Fund shall be budgeted and accounted for at the fund level. No expenditure, disbursement, or transfer shall be made from the California Unitary Fund except in accordance with this act.

SEC. 11.61. Notwithstanding Article 12 (commencing with Section 16429.30) of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, or any other provision of law, all moneys deposited in the California Unitary Fund during the 1998–99 fiscal year shall be transferred to the General Fund on a quarterly basis.

SEC. 11.65. Any state agency, including the Judicial Council, that moves into the Elihu M. Harris State Office Building, the San Francisco Civic Center, or the Junipero Serra State Office Building during the 1998–99 fiscal year shall report the following to the Department of Finance within 30 days of moving all functions into the respective state facility: (1) the actual rental amounts paid for all functions that are moved into those facilities, and (2) the rental amounts for the state facilities for the remaining portion of 1998–99. The Department of Finance shall reduce appropriations to reflect any savings in the amounts budgeted for rental costs associated with these state facilities. The Department of Finance shall report to the Joint Legislative Budget Committee the results of the findings by August 1, 1999.

SEC. 12.00. For the purposes of Article XIII B of the California Constitution, there is hereby established a state "appropriations limit" of forty-seven billion five hundred seventy-three million dollars ($47,573,000,000) for the 1998–99 fiscal year.

Any judicial action or proceeding to attack, review, set aside, void, or annul the "appropriations limit" for the 1998–99 fiscal year shall be commenced within 45 days of the effective date of this act.

SEC. 12.20. (a) The Controller shall transfer from the General Fund to the Special Deposit Fund for the 1998–99 fiscal year the sum of eighty-three million five hundred thousand dollars ($83,500,000), which is hereby appropriated to satisfy the state's obligation for the 1998–99 fiscal year, as identified in the February 14, 1996, Stipulation For Settlement And Entry of Judgment in the cases of Malibu Video Systems v. Brown and Abramovitz v. Wilson, as consolidated (Case Nos. BC101796, BC103453, BC106884, and BC120571 in the Superior Court of the County of Los Angeles), to make repayments, including interest as specified in the stipulation, to various special funds as

identified in Exhibit A of that stipulation. The Controller shall transfer, from those moneys in the Special Deposit Fund to each identified special fund, an amount equal to the repayment obligation for that special fund for the 1998–99 fiscal year, including an adjustment for interest, pursuant to the stipulation.

SEC. 12.30. There is hereby appropriated from the General Fund for transfer to the Special Fund for Economic Uncertainties by the Controller, upon order of the Director of Finance, an amount necessary to bring the balance of this special fund up to the amount stated in the Final Change Book for the 1998–99 fiscal year ending balance in the Special Fund for Economic Uncertainties, as of July 1, 1998. The amount so transferred shall be reduced by the amount of excess revenues subject to Section 2 of Article XIII B of the California Constitution, as determined by the Director of Finance.

SEC. 12.32. (a) It is the intent of the Legislature that appropriations that are subject to Section 8 of Article XVI of the California Constitution be designated with the wording "Proposition 98." In the event these appropriations are not so designated, they may be designated as such by the Department of Finance, where that designation is consistent with legislative intent, within 30 days after notification in writing of the proposed designation to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or within a lesser time that the chairperson of the joint committee, or his or her designee, determines.

(b) Pursuant to the Proposition 98 funding requirements established in Chapter 2 (commencing with Section 41200) of Part 24 of the Education Code, the total appropriations for Proposition 98 for the 1998–99 fiscal year are twenty-four billion eight hundred fifty million eight hundred seventy-one thousand dollars ($24,850,871,000) or 43.2 percent of total General Fund revenues and transfers subject to the state appropriations limit. General Fund revenues appropriated for school districts are twenty-two billion two hundred seventy-seven million eight hundred fifteen thousand dollars ($22,277,815,000), or 38.7 percent of total General Fund revenues and transfers subject to the state appropriations limit. General Fund revenues appropriated for community college districts are two billion two hundred thirty-two million one hundred sixty thousand dollars ($2,232,160,000), or 3.9 percent of total General Fund revenues and transfers subject to the state appropriations limit. General Fund revenues appropriated for other state agencies that provide direct elementary and secondary level education, as defined in Section 41302.5 of the Education Code, are ninety million eight hundred ninety-six thousand dollars ($90,896,000), or 0.2 percent of total General Fund revenues and transfers subject to the state appropriations limit. General Fund revenues appropriated for partial repayment of emergency loans are two hundred fifty million dollars ($250,000,000), or 0.4 percent of total General Fund revenues and transfers subject to the state appropriations limit.

SEC. 13.00. (a) Notwithstanding any other provision of law, expenditures under Item 0160-001-0001 of Section 2.00 of this act or any appropriation in augmentation of that item shall be exempt from Chapter 7 (commencing with Section 11700) of Part 1 of, and Article 2 (commencing with Section 13320) of Chapter 3 of Part 3 of, Division 3 of Title 2 of the Government Code, Division 2 (commencing with Section 1100) of the Public Contract Code, and subdivision (a) of Section 713 of Title 2 of the California Code of Regulations, and may be expended as set forth in the Governor's Budget, or for other purposes, including expenditures for the number of positions in various classifications authorized by the Joint Rules Committee.

(b) Notwithstanding any other provision of law, the unencumbered balances as of June 30, 1998, of the appropriations made by Items 0160-001-0001 and 8840-001-0001 of the Budget Act of 1997 are reappropriated and shall be available for encumbrance until June 30, 1999, for the same programs and purposes for which appropriations for these items have been made by this act.

(c) Notwithstanding any other provision of law, all money that is received as payment for the sale of services or personal property by the agency that has not been taken into consideration in the schedule of Item 0160-001-0001 or is in excess of the amount so taken into consideration is to be credited to that item and is hereby appropriated in augmentation of that item for the same programs and purposes for which appropriations for that item have been made by this act.

(d) Notwithstanding any other provision of law, the Legislative Counsel Bureau may convert or reclassify positions in the bureau, as deemed appropriate by the Legislative Counsel, for inclusion, or redesignation, in the career executive assignment band, to the extent that the total number of positions in the career executive band in the bureau does not exceed 3 percent of the positions in the bureau. Any position that is converted or reclassified shall not be subject to review or approval by the Department of Personnel Administration or State Personnel Board.

SEC. 14.00. (a) Notwithstanding any other provision of law, if the Director of the Department of Consumer Affairs determines in writing that there is insufficient cash in a special fund under the authority of a board, commission, or bureau of the department to make one or more payments currently due and payable, the director may order the transfer of moneys to that special fund, in the amount necessary to make the payment or payments, as a loan from a special fund under the authority of another board, commission, or bureau of the department. That loan shall be subject to all of the following conditions:

(1) No loan from a special fund shall be made that would interfere with the carrying out of the object for which the special fund was created.

(2) The loan shall be repaid as soon as there is sufficient money in the recipient fund to repay the amount loaned, but no later than a date 18 months after the date of the loan. Interest on the loan shall be paid from the recipient fund at the rate accruing during the loan period to moneys in the Pooled Money Investment Account.

(3) The amount loaned shall not exceed the amount that the appropriate board, commission, or bureau is statutorily authorized at the time of the loan to expend during the 1998–99 fiscal year from the recipient fund.

(4) The terms and conditions of the loan are approved, prior to the transfer of funds, by the Department of Finance pursuant to appropriate fiscal standards.

(b) (1) Notwithstanding any other provision of law, the Department of Consumer Affairs, during the 1998–99 fiscal year, may order the release of moneys from the clearing account in the Consumer Affairs Fund in an amount exceeding the amount advanced to the clearing account from a special fund within the department, as a loan to make one or more payments on behalf of that special fund that are currently due and payable. To the extent that the amount of moneys currently in the clearing account is insufficient to make the payment or payments on behalf of that special fund, the department may transfer additional moneys to the clearing account from any other special fund under the authority of a board, commission, or bureau of the department to include in the loan. A loan made to a special fund under this subdivision shall be subject to all of the following conditions:

(A) The loan shall not be made if it would reduce the amount advanced to the clearing account from another special fund, or the amount contained in that special fund, as applicable, to an extent that would interfere with the carrying out of the object for which that special fund was created.

(B) The loan shall be repaid as soon as there is sufficient money in the recipient fund to repay the amount loaned, but no later than a date 60 days after the date of the loan.

(C) The amount loaned shall not exceed the amount that the appropriate board, commission, or bureau is statutorily authorized at the time of the loan to expend during the 1998–99 fiscal year from the recipient fund.

(2) For purposes of this subdivision, the "clearing account" in the Consumer Affairs Fund is the account established in that fund, consisting of moneys advanced from the various special funds within the department, from which the Department of Consumer Affairs pays operating and other expenses of each special fund in an amount ordinarily not exceeding the amount advanced from that special fund.

(c) The Director of the Department of Consumer Affairs shall provide a report by March 1, 1999, on all loans initiated or repayments made pursuant to subdivision (a) or (b) within the preceding 12-month period to the chairperson of the budget committee, and the chairperson of the appropriate legislative oversight committee, of each house of the Legislature.

(d) At least 10 days prior to initiating a loan to be made pursuant to subdivision (a) or (b), the Director of the Department of Consumer Affairs shall provide written notification to the Joint Legislative Budget Committee if either (1) any loan from any one fund exceeds $200,000 or (2) the aggregate amount of loans from any one fund exceeds $200,000.

SEC. 16.01. (a) Upon receipt of written notice from the Medical Board of California, the Osteopathic Medical Board of California or the Board of Dental Examiners (Boards) that a licensee's license is under suspension or revocation due to a disciplinary action, the Department shall not pay any Medi-Cal claim for any service rendered by the licensee to any patient after the effective date of the disciplinary action and for the duration of that action.

(b) Upon receipt of written notice from the Medical Board of California, the Osteopathic Medical Board of California or the Board of Dental Examiners that a licensee's license has been placed on probation due to a disciplinary action for the performance of any type of surgical service or other invasive procedure on a patient, the Department shall not pay any Medi-Cal claim for that type of service or procedure rendered by the licensee to any patient after the effective date of the disciplinary action, and for the duration of that action, except in any case where the Board makes a determination during its disciplinary process that there exists compelling circumstances that warrant continued Medi-Cal reimbursement during the probationary period.

(c) The Medical Board of California, the Osteopathic Medical Board of California and the Board of Dental Examiners (Boards) shall work with the State Department of Health Services to provide all information necessary to accomplish the purpose of this Section. The Boards and the Department shall report to the Legislature upon the conclusion of each calendar quarter of the 1998–99 fiscal year on the number of licensees placed on probation for the previous calendar year, who are not receiving Medi-Cal reimbursement as a result of this Section, and the number of licensees on probation who continue to be eligible for Medi-Cal reimbursement as a result of a determination of the Boards.

EDUCATION

SEC. 24.00. For the 1998–99 fiscal year, the donations and oil and mineral revenues from federal lands that are deposited in the State School Fund shall be divided between Section A and Section B of the State School Fund, with 85 percent of these revenues to be credited to Section A of the fund exclusively for regular apportionments for school districts serving pupils in kindergarten or any of grades 1 to 12, inclusive, and 15 percent to Section B of the fund exclusively for community college district regular apportionments. The amounts accruing to the State School Fund under this section shall be disbursed fully before any General Fund transfers to Section A or Section B of the State School Fund are disbursed for regular apportionments.

SEC. 24.03. Notwithstanding any other provision of law, funds appropriated by Section 2.00, Section 8.50, Section 28.00, Section 28.50, or any other provision of this act may not be expended for the support of any program, network, or material, with the exception of instruction to pupils who are identified as deaf or hearing impaired pursuant to 34 C.F.R. 300.7(b) paragraphs (3) and (4), that promotes or uses reading instruction methodologies that emphasize contextual clues in lieu of fluent decoding.

SEC. 24.10. (a) Notwithstanding Section 1464 of the Penal Code or Section 41304 of the Education Code, the first nine hundred and ninety-three thousand dollars ($993,000) received by the Driver Training Penalty Assessment Fund for the 1998–99 fiscal year shall be available for the purposes of Item 6110-001-0178 of Section 2.00 of this act. The amount retained by the Driver Training Penalty Assessment Fund for the purposes of Item 6110-001-0178 may be adjusted by the Department of Finance for actions pursuant to any control section of this act.

(b) After moneys are retained in the Driver Training Penalty Assessment Fund pursuant to subdivision (a), the Controller shall transfer, on a monthly basis, any balance in the fund to the Victim Witness Assistance Fund, the Peace Officers' Training Fund, and the Corrections Training Fund, using ratios of 15.245 percent, 42.685 percent, and 19.574 percent, respectively. Any remaining unallocated moneys in the Driver Training Penalty Assessment Fund shall be transferred to the General Fund.

SEC. 24.60. (a) From the funds appropriated in Items 4300-003-0814, 4440-011-0814, 5460-001-0831, 6110-006-0814, 6110-101-0814, 6440-001-0814, 6600-001-0814, and 6870-101-0814 of this act, the State Department of Developmental Services, the State Department of Mental Health, the Department of the Youth Authority, the State Special Schools, the Regents of the University of California, the Board of Directors of Hastings College of the Law, the Board of Trustees of the California State University, and community college districts through the Chancellor of the California Community Colleges shall report to the Governor and the Legislature no later than January 15, 2000,

the amount of lottery funds that each entity received and the purposes for which those funds were expended in the 1998–99 fiscal year, including administrative costs, and proposed expenditures and purposes for expenditure for the 1999–00 fiscal year. If applicable, the amount of lottery funds received on the basis of adult education average daily attendance (ADA) and the amount of lottery funds expended for adult education also shall be reported.

(b) The State Department of Education shall conduct a survey of a representative sample of 100 local education agencies to determine the patterns of use of lottery funds in those agencies. The sample shall be drawn to include all local education agencies having more than 200,000 ADA and representative local education agencies randomly selected by size, range, type, and geographical dispersion. On or before May 15, 1999, the State Department of Education shall report to the Legislature and the Governor the results of the survey for the 1997–98 fiscal year.

SEC. 24.70. From the funds appropriated to the State Department of Education for local assistance, the department shall ensure that the expenditure of funds allocated to a local education agency (LEA), through a contract between the department and the LEA or through a grant from the department to the LEA, shall be subject to the LEA's fiscal accountability policies and procedures. If it is necessary for the LEA to establish a separate entity to complete the work scope of the contract or grant, the fiscal accountability policies and procedures for that entity shall be the same as those of the LEA, or amended only with the approval of both the superintendent of schools of the LEA and a fiscal representative of the department designated by the Superintendent of Public Instruction. Further, the department shall have the authority to provide for an audit of the expenditures under the contract or grant between the department and the LEA to verify conformance with appropriate fiscal accountability policies and procedures. The cost of the audit, if required, shall be charged to the audited contract or grant.

SEC. 26.00. (a) It is the intent of the Legislature, in enacting this section, to provide flexibility for the administrative approval of intra-schedule transfers within individual items of appropriation in those instances where the transfers are necessary for the efficient and cost-effective implementation of the programs, projects, and functions funded by this act. No transfer shall be authorized under this section to either eliminate any program, project, or function, except when implementation is found to be no longer feasible in light of changing circumstances or new information, or establish any new program, project, or function.

(b) The Director of Finance may, pursuant to a request by the officer, department, division, bureau, board, commission, or other agency to which an appropriation is made by this act, authorize the augmentation of the amount available for expenditure for personal services or operating expenses and equipment for a program, project, or function, which amount is designated in any schedule set forth for that appropriation, by making a transfer from any of the other designated pro-

grams, projects, or functions within the same schedule. No intraschedule transfer may be made under this section to fund any capital outlay purpose. Upon the conclusion of the 1998–99 fiscal year, the Director of Finance shall furnish the chairpersons of the committees in each house of the Legislature that consider appropriations and the budget, and the Chairperson of the Joint Legislative Budget Committee, with a report on all authorizations given pursuant to this section during that fiscal year.

(c) Intraschedule transfers of the amounts available for expenditure for a program, project, or function designated in any line of any schedule set forth for that appropriation by transfer from any of the other designated programs, projects, or functions within the same schedule shall not exceed, during any fiscal year:

(1) 20 percent of the amount so scheduled on that line for those appropriations made by this act that are $2,000,000 or less.

(2) $400,000 of the amount so scheduled on that line for those appropriations made by this act that are more than $2,000,000 but equal to or less than $4,000,000.

(3) 10 percent of the amount so scheduled on that line for those appropriations made by this act that are more than $4,000,000.

(4) The Department of Transportation Highway Program shall be limited to a schedule change of 10 percent.

(d) Any transfer in excess of $200,000 may be authorized pursuant to this section not sooner than 30 days after notification in writing of the necessity therefor is provided to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

SEC. 27.00. (a) Approval by the Department of Finance of the creation of deficiencies pursuant to Section 11006 of the Government Code or approval to expend at rates that, in the opinion of the Director of Finance, will require a deficiency appropriation may be granted only in cases of actual necessity. It is the intent of the Legislature that authorization for deficiency spending under this section should be limited to cases of unanticipated expenses incurred in the operation of existing programs, where it is necessary to incur those expenses during the 1998–99 fiscal year. No deficiency authorization may be made under this section for any expenditure for capital outlay.

(b) The Director of Finance may not approve any deficiency authorization unless the approval is made in writing and filed with the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations not later than 30 days prior to the effective date of the approval, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine, except for an approval for an emergency expenditure. "Emergency expenditure," for this purpose, means an expenditure incurred in response to conditions of di-

saster or extreme peril that threaten the health or safety of persons or property within the state. This notification requirement is not applicable to caseload increases in Medi-Cal, California Work Opportunity and Responsibility to Kids (CalWORKs), and Supplemental Security Income/State Supplementary Program (SSI/SSP). All notifications shall include: (1) the date a deficiency request was received by the Department of Finance, (2) the reason for the proposed deficiency, (3) the approved amount, and (4) the basis of the department's determination that the expenditure for which the deficiency authorization is approved is required by a case of actual necessity.

(c) Approval for any emergency expenditure shall be made in writing and filed with the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations not later than 10 days after the effective date of the approval. All notices shall state the reason for and the amount of the deficiency, together with the director's determination that the expenditure for which the deficiency authorization is approved satisfies the criteria for emergency expenditures set forth in this section, and the basis for that determination.

(d) Each notification of a deficiency or emergency expenditure shall include a determination by the Director of Finance as to whether the expenditure was proposed previously at any point in the Legislature's consideration of the Budget Bill for the 1998–99 fiscal year and was not approved and, if the expenditure not approved, for what reasons.

(e) The Department of Finance shall provide copies of all requests from agencies to spend at rates that will result in a deficiency appropriation, in an aggregate amount for the 1998–99 fiscal year that exceeds five hundred thousand dollars ($500,000), to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations. The department shall submit these copies within 10 days of receipt. The transmittal of this information to the Legislature shall not be construed by the requesting agency as approval of the deficiency request.

(f) The Department of Finance shall provide deficiency bill updates to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations if requested by the Legislature or as deemed necessary by the Department of Finance.

SEC. 27.50. (a) Notwithstanding any other provision of this act or any other provision of law, the amount available for expenditure pursuant to each item of appropriation in this act or any other provision of law shall be reduced by the amount of any expenditure, encumbrance, or other transaction made for the purposes of that item from funds allocated by the Department of Finance pursuant to Chapter 213 of the Statutes of 1998.

(b) For the purposes of state budgeting and accounting only, the allocations made by the Department of Finance pursuant to Chapter 213 of the Statutes of 1998 shall be reversed by the Controller and the expenditures, encumbrances, or other transactions made pursuant to those allocations shall be deemed, for that purpose, to be expenditures, encumbrances, or other lawful transactions, respectively, made pursuant to the items of appropriation set forth in this act or any other provision of law. In no event may those allocations be deemed to augment any appropriations made by this act or other provisions of law.

SEC. 28.00. (a) It is the intent of the Legislature in enacting this section to provide flexibility for administrative approval of augmentations for the expenditure of unanticipated federal funds or other nonstate funds in cases that meet the criteria set forth in this section. However, this section is not intended to provide an alternative budget process, and proposals for additional spending ordinarily should be considered in the annual State Budget or other state legislation.

(b) The Director of Finance may authorize the augmentation of the amount available for expenditure for any program, project, or function in the schedule set forth for any appropriation in this act or any additional program, project, or function in the amount of any additional, unanticipated funds that he or she estimates will be received by the state during the 1998–99 fiscal year from any agency of local government or the federal government, or from any other nonstate source, provided that the additional funding meets all of the following requirements:

(1) The funds will be expended for a purpose that is consistent with state law.

(2) The funds are made available to the state under conditions permitting their use only for a specified purpose, and the additional expenditure proposed under this section would apply to that specified funding purpose.

(3) Acceptance of the additional funding does not impose on the state any requirement to commit or expend new state funds for any program or purpose.

(4) The need exists to expend the additional funding during the 1998–99 fiscal year.

(c) The Director of Finance also may reduce any program, project, or function whenever he or she determines that funds to be received will be less than the amount taken into consideration in the schedule.

(d) Any augmentation or reduction that exceeds either (1) two hundred thousand dollars ($200,000) or (2) 10 percent of the amount available for expenditure in the affected program, project, or function may be authorized not sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house of the Legislature that considers appropriations, the chairpersons of the committees, and the appropriate subcommittees, in each house that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her desig-

nee, may in each instance determine. With regard to any proposed augmentation, the notification shall state the basis for the determination by the Director of Finance that the augmentation meets each of the requirements set forth in subdivision (b). This notification requirement does not apply to federal funds related to caseload increases in Medi-Cal and Supplemental Security Income/State Supplementary Program (SSI/SSP).

(e) Any personnel action that is dependent on funds subject to this section shall not be effective until after the provisions of this section have been complied with. Any authorization made pursuant to this section shall remain in effect for the period the Director may determine in each instance, but in no event after June 30, 1999.

SEC. 28.50. Except as otherwise provided by law, an officer, department, division, bureau, or other agency of the state may expend for the 1998–99 fiscal year all money received as reimbursement from another officer, department, division, bureau, or other agency of the state that has not been taken into consideration by this act or any other statute, upon the prior written approval of the Director of Finance. For any expenditure of reimbursements for the 1998–99 fiscal year that exceed two hundred thousand dollars ($200,000), the Director of Finance shall provide notification in writing of any approval granted under this section, not less than 30 days prior to the effective date of that approval, to the chairperson of the committee in each house of the Legislature that considers appropriations, the chairpersons of the committees and the appropriate subcommittees in each house of the Legislature that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

SEC. 29.00. The Department of Finance shall calculate and publish a listing of total personnel-years and estimated salary savings for each department and agency. These listings shall be published by the Department of Finance at the same time as the publication of (a) the Governor's Budget, (b) the May Revision and (c) the Final Change Book.

(a) The listing provided at the time of the publication of the Governor's Budget shall contain estimates of personnel-years for the prior year, current year, and budget year.

(b) The listing provided at the time of publication of the May Revision shall contain estimates of personnel-years proposed for the budget year.

(c) The listing provided at the time of the publication of the Final Change Book shall contain estimates of personnel-years for the budget year just enacted.

SEC. 30.00. Section 13340 of the Government Code is amended to read:

13340. (a) Except as provided in subdivision (b), on and after July 1, 1999, no moneys in that fund that, by any statute other than a Budget Act, is continuously appropriated without regard to fiscal years, may be encumbered unless the Legislature, by statute, specifies that the moneys in the fund are appropriated for encumbrance.

(b) Subdivision (a) does not apply to any of the following:

(1) The scheduled disbursement of any local sales and use tax proceeds to an entity of local government pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code.

(2) The scheduled disbursement of any transactions and use tax proceeds to an entity of local government pursuant to Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code.

(3) The scheduled disbursement of any funds by a state or local agency or department that issues bonds and administers related programs for which funds are continuously appropriated as of June 30, 1999.

(4) Moneys that are deposited in proprietary or fiduciary funds of the California State University and that are continuously appropriated without regard to fiscal years.

SEC. 31.00. (a) The appropriations made by this act shall be subject, unless otherwise provided by law, to Section 13320 of, and Article 2.5 (commencing with Section 13332) of Chapter 3 of Part 3 of Division 3 of Title 2 of, the Government Code, requiring expenditures to be made in accordance with the allotments and other provisions of fiscal year budgets approved by the Department of Finance.

(b) The fiscal year budget shall authorize, in the manner that the Department of Finance shall prescribe, all established positions whose continuance for the year is approved and all new positions. No new position shall be established unless authorized by the Department of Finance on the basis of work program and organization.

(c) The Director of Finance, or his or her authorized designee, shall notify the Chairperson of the Joint Legislative Budget Committee within 30 days of authorizing any position not authorized for that fiscal year by the Legislature or any reclassification to a position with a minimum step per month of five thousand four hundred forty dollars ($5,440) as of July 1, 1998. He or she also shall report all transfers to blanket authorizations and the establishment of any permanent positions out of a blanket authorization.

(d) All positions administratively established pursuant to this section during the 1998–99 fiscal year shall terminate on June 30, 1999, except for those positions that have been (a) included in the Governor's Budget for the 1999–2000 fiscal year as proposed new positions, or (b) approved by the Department of Finance and reported to the Legislature after the 1999–2000 Governor's Budget submission to the Legislature.

The positions identified in (a) and (b) above may be reestablished by the Department of Finance during the 1999–2000 fiscal year, provided these positions are shown in the Governor's Budget for the 2000–01 fiscal year as submitted to the Legislature, or in subsequent Department of Finance letters to the Legislature, and provided that these positions do not result in the establishment of positions deleted by the Legislature through the budget process for the 1999–2000 fiscal year.

(e) No money in any 1998–99 fiscal year appropriation not appropriated for that purpose may be expended for increases in salary ranges or any other employee compensation action unless the Department of Finance certifies to the salary and other compensation-setting authority, prior to the adoption of the action, that funds are available to pay the increased salary or employee compensation resulting from the action. Prior to certification, the Department of Finance shall determine whether the increase in salary range or employee compensation action will require supplemental funding in the 1999–2000 fiscal year. If the Department of Finance determines that supplemental funding will be required, no certification shall be issued unless notification in writing is given by the Department of Finance, at least 30 days before certification is made, to the chairperson of the committee in each house that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or a lesser time which the chairperson of the joint committee, or his or her designee, determines.

(f) A certification on a payroll claim that expenditures therein are in accordance with current budgetary provisions as approved by the Department of Finance shall be sufficient evidence to the Controller that these expenditures comply with the provisions of this section.

SEC. 32.00. The officers of the various departments, boards, commissions, and institutions, for whose benefit and support appropriations are made in this act, are expressly forbidden to make any expenditures in excess of these appropriations unless the consent of the Department of Finance is first obtained, and a certificate in writing is duly signed by the director of the department seeking authority for the expenditure, certifying the unavoidable necessity of the expenditure. Any indebtedness attempted to be created against the state in violation of this section shall be null and void, and shall not be allowed by the Controller nor paid out of any state appropriation. Any member of a department, board, commission, or institution who shall vote for any expenditure, or create any indebtedness against the state in excess of the respective appropriations made by this act, unless the consent of the Department of Finance and the director's signature on the certificate, as required by this section, are first obtained, shall be liable both personally and on his or her official bond for the amount of the indebtedness, to be recovered in any court of competent jurisdiction by the person or persons, firm, or corporation to which the indebtedness is owing.

SEC. 33.00. If any item of appropriation in this act is vetoed, eliminated, or reduced by the Governor under Section 10 of Article IV of the California Constitution, while approving portions of this act, such veto, elimination, or reduction shall not affect the other portions of this act, and these other portions of this act, so approved, shall have the same effect in law as if any vetoed or eliminated items of appropriation had not been present in this act, and as if any reduced item of appropriation had not been reduced.

SEC. 34.00. If any portion of this act is held unconstitutional, that decision shall not affect the validity of any other portion of this act. The Legislature hereby declares that it would have passed this act, and each portion thereof, irrespective of the fact that any other portion be declared unconstitutional.

SEC. 36.00. This act, inasmuch as it provides for an appropriation for the usual current expenses of the State, shall, under the provisions of Section 8 of Article IV of the California Constitution, take effect immediately.

SEC. 37.00. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

This act makes appropriations and contains related provisions for support of state and local government for the 1998–99 fiscal year and provides for capital outlay appropriations, in continuation of existing programs and to promote and sustain the economy of the State. It is imperative that these appropriations be available for expenditure commencing not later than July 1, 1998. It is therefore necessary that this act go into immediate effect.

INDEX BY BUDGET TITLE

SEC. 99.00. The following provides an index to the appropriations and related provisions of this act, by organization in alphabetical order, with the code number of the affected organization. The organization code is the first four numbers of any item number in this act. For ease of reference, the appropriation items in this act are organized in numerical order, and all of the appropriation items for any one organization are adjacent to one another.

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INDEX FOR CONTROL SECTIONS

SEC. 99.50. The following is an index to the general sections of this act. These sections serve to define terms and identify restrictions concerning the appropriations contained in this act.

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3.00 Defines purposes of Appropriations
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CHAPTER 325

An act to amend Sections 749.21, 749.22, 749.23, 749.26, and 749.27 of the Welfare and Institutions Code, relating to juvenile crime, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 749.21 of the Welfare and Institutions Code is amended to read:

749.21. The Juvenile Crime Enforcement and Accountability Challenge Grant Program shall be administered by the Board of Corrections for the purpose of reducing juvenile crime and delinquency. This program shall award grants on a competitive basis following request-for-proposal evaluation standards and guidelines developed by the Board of Corrections, as authorized by this article, to counties that (a) develop and implement a comprehensive, multiagency local action plan that provides for a continuum of responses to juvenile crime and delinquency, including collaborative ways to address local problems of juvenile crime; and (b) demonstrate a collaborative and integrated approach for implementing a system of swift, certain, graduated responses, and appropriate sanctions for at-risk youth and juvenile offenders.

SEC. 2. Section 749.22 of the Welfare and Institutions Code is amended to read:

749.22. To be eligible for this grant, each county shall be required to establish a multiagency juvenile justice coordinating council that shall develop and implement a continuum of county-based responses to juvenile crime. The coordinating councils shall, at a minimum, include the chief probation officer, as chair, and one representative each from the district attorney's office, the public defender's office, the sheriff's department, the board of supervisors, the department of social services, the department of mental health, a community-based drug and alcohol program, a city police department, the county office of education or a school district, and an at-large community representative. In order to carry out its duties pursuant to this section, a coordinating council shall also include representatives from nonprofit community-based organizations providing services to minors. The board of supervisors shall be informed of community-based organizations participating on a coordinating council. The coordinating councils shall develop a comprehensive, multiagency plan that identifies the resources and strategies for providing an effective continuum of responses for the prevention, intervention, supervision, treatment, and incarceration of juvenile offenders, including strategies to develop and implement locally

based or regionally based out-of-home placement options for youths who are persons described in Section 602. Counties may utilize community punishment plans developed pursuant to grants awarded from funds included in the 1995 Budget Act to the extent the plans address juvenile crime and the juvenile justice system or local action plans previously developed for this program. The plan shall include, but not be limited to, the following components:

(a) An assessment of existing law enforcement, probation, education, mental health, health, social services, drug and alcohol and youth services resources which specifically target at-risk juveniles, juvenile offenders, and their families.

(b) An identification and prioritization of the neighborhoods, schools, and other areas in the community that face a significant public safety risk from juvenile crime, such as gang activity, daylight burglary, late-night robbery, vandalism, truancy, controlled substance sales, firearm-related violence, and juvenile alcohol use within the council's jurisdiction.

(c) A local action plan (LAP) for improving and marshaling the resources set forth in subdivision (a) to reduce the incidence of juvenile crime and delinquency in the areas targeted pursuant to subdivision (b) and the greater community. The councils shall prepare their plans to maximize the provision of collaborative and integrated services of all the resources set forth in subdivision (a), and shall provide specified strategies for all elements of response, including prevention, intervention, suppression, and incapacitation, to provide a continuum for addressing the identified juvenile crime problem, and strategies to develop and implement locally based or regionally based out-of-home placement options for youths who are persons described in Section 602.

(d) Develop information and intelligence-sharing systems to ensure that county actions are fully coordinated, and to provide data for measuring the success of the grantee in achieving its goals. The plan shall develop goals related to the outcome measures that shall be used to determine the effectiveness of the program.

(e) Identify outcome measures which shall include, but not be limited to, the following:

(1) The rate of juvenile arrests.

(2) The rate of successful completion of probation.

(3) The rate of successful completion of restitution and court-ordered community service responsibilities.

SEC. 3. Section 749.23 of the Welfare and Institutions Code is amended to read:

749.23. The Board of Corrections shall award grants that provide funding for three years. Funding shall be used to supplement, rather than supplant, existing programs and grants may be awarded to any county including those counties currently receiving funds pursuant to this article. Grant funds shall be used for programs that are identified in the local action plan as part of a continuum of responses

to reduce juvenile crime and delinquency. No grant shall be awarded unless the applicant makes available resources in an amount equal to at least 25 percent of the amount of the grant. Resources may include in-kind contributions from participating agencies. In awarding grants, priority shall be given to those proposals which include additional funding that exceeds 25 percent of the amount of the grant. In awarding grants, priority shall also be given to programs in counties where the population exceeds 500,000 and the rate of violent crime exceeds the state average.

SEC. 4. Section 749.26 of the Welfare and Institutions Code is amended to read:

749.26. The Board of Corrections shall create an evaluation design for the Juvenile Crime Enforcement and Accountability Challenge Grant Program that will assess the effectiveness of the program. For grants awarded before July 1, 1998, the board shall develop an interim report to be submitted to the Legislature on or before March 1, 1999, and a final analysis of the grant program in a report to be submitted to the Legislature on or before March 1, 2001. For grants awarded after July 1, 1998, the board shall develop an interim report to be submitted to the Legislature on or before March 1, 2001, and a final analysis of the grant program in a report to be submitted to the Legislature on or before March 1, 2003.

SEC. 5. Section 749.27 of the Welfare and Institutions Code is amended to read:

749.27. Funding for the Juvenile Crime Enforcement and Accountability Challenge Grant Program for grant awards made before July 1, 1998, shall be provided from the amount appropriated in Item 5430-101-0001 of the Budget Act of 1996. Up to 5 percent of the amount appropriated in Item 5430-101-0001 of the Budget Act of 1996 shall be transferred upon the approval of the Director of Finance, to Item 5430-001-0001 for expenditure as necessary for the board to administer this program, including technical assistance to counties and the development of an evaluation component.

SEC. 6. It is the intent of the Legislature that the Juvenile Crime Enforcement and Accountability Challenge Grant Program be funded at a minimum of twenty-five million dollars ($25,000,000) annually through the 2001–02 fiscal year.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide resources for the immediate needs of counties to establish or enhance programs that provide a continuum of swift, graduated responses to juvenile crime, including increasing or enhancing the existing number of out-of-home placement options for delinquent youth, it is necessary that this act take effect immediately.

CHAPTER 326

An act to add Section 25141.2 to, and to add and repeal Section 25157.8 of, the Health and Safety Code, to amend Section 6217 of, and to add Section 6217.2 to the Public Resources Code, to amend Section 5107 of the Vehicle Code, and to add Section 12585.7 to the Water Code, relating to natural resources, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

On this date I am signing Assembly Bill No. 2784 with a deletion.

This bill would serve as the legislative vehicle for a number of statutory changes related to the implementation of the 1998 Budget Act for various environmental and natural resource programs. Among other things, this bill would establish guidance for the Department of Toxic Substance Control regarding proposed changes to th criteria and guidelines for identification of hazardous waste and management standards, including appropriating $617,000 from the Hazardous Waste Control Account to the Department for the initiative known as the Regulatory Structure Update (RSU).

Although I am signing AB 2784, I am deleting Section 17 in its entirety. The appropriation is linked to unnecessarily restrictive language that is currently the subject of litigation. Furthermore, the Department informs me that the RSU project is complete, thus the appropriation contained in this Section is unnecessary.

PETE WILSON, Governor

The people of the State of California do enact as follows:

SECTION 1. Section 25141.2 is added to the Health and Safety Code, to read:

25141.2. (a) (1) Except as provided in paragraph (2), the department shall not publish a notice of a proposal to adopt, amend, or repeal regulations pursuant to the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) pertaining to the criteria and guidelines for the identification of hazardous waste or to management standards for special wastes until the findings of the external scientific peer review entity convened pursuant to Section 57004 have been issued and the department has reviewed those findings.

(2) Notwithstanding any other provision of law, the department shall not publish a notice of a proposal to adopt, amend, or repeal the regulations specified in paragraph (1) before January 1, 1999.

(b) With respect to the regulations specified in subdivision (a), the department shall submit for public comment its analysis of any hazardous waste management activity to be exempted from this chapter pursuant to subdivision (b) of Section 25150.6 and its demonstration that the exemption satisfies the requirements of subdivision (c) of Section 25150.6 on the earlier of the following dates:

(1) The date that the department issues its draft environmental impact report on the proposed regulations.

(2) The date the department publishes its notice of proposed regulatory action pursuant to the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(c) Subdivision (b) does not prohibit the department from revising its analysis or demonstration to respond to public comments before the adoption of the regulations.

(d) The department shall, prior to adopting the final version of any regulations specifying the criteria and guidelines for the identification of hazardous waste pursuant to Section 25141 and submitting the adopted regulations to the Office of Administrative Law, do all of the following:

(1) Determine which aspects of the final version of the regulations have been changed subsequent to an external scientific peer review of the scientific basis and scientific portions of the regulations as initially proposed and identify the scientific basis and empirical data or other scientific findings, conclusions, and assumptions upon which the changes are premised.

(2) Submit each change identified pursuant to paragraph (1), together with all supporting scientific material, to external scientific peer review pursuant to paragraph (1) of subdivision (d) of Section 57004 if both of the following apply:

(A) The change is related to establishing a regulatory level, standard, or other requirement for the protection of public health, safety, or the environment.

(B) The change is not directly related to, and is not a response to, the findings of the external scientific peer review of the regulations as initially proposed.

(3) Comply with the requirements of paragraph (2) of subdivision (d) of Section 57004.

(e) (1) The department may utilize the CalTox model and the criteria and guidelines for the identification of hazardous waste, if the criteria and guidelines have been adopted pursuant to the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), to generate new values for soluble constituents.

(2) Notwithstanding paragraph (1), the department shall not amend or repeal the regulations adopted pursuant to this chapter that are in effect on the effective date of the act adding this section during the 1997–98 Regular Session, with respect to the testing procedure employed to measure solubility or with respect to the regulatory thresholds measured by that testing procedure until an external scientific peer review entity convened pursuant to Section 57004 makes the following finding:

(A) The new proposed testing procedure for solubility is based on sound scientific knowledge, methods, and practices and will predict, with a reasonable degree of accuracy, the long-term mobility in landfill leachate of each hazardous constituent for which the department has established by regulation a soluble threshold limit concentration.

(B) For those hazardous constituents whose long-term mobility in landfill leachate cannot be accurately measured by any testing procedure that can be developed within a reasonable period of time, the soluble threshold limit concentration can be adjusted in a scientifically sound manner to compensate for the extent of inaccuracy of the testing procedure for that constituent.

(3) In establishing revised total threshold limit concentrations in any proposed regulations pertaining to the criteria and guidelines for the identification of hazardous waste pursuant to Section 25141, the department shall not base the total threshold limit concentration for any hazardous constituent in whole, or in part, on an assumption that when wastes are placed on or in the land outside of a permitted disposal facility, those wastes will be mixed or diluted, unless an external scientific peer review entity convened pursuant to Section 57004 finds that the department has demonstrated, in a sound scientific manner, that the assumption that dilution or mixing will occur when the wastes are applied or disposed to land is a reasonable representation of waste management practices in the state, while taking into account reasonably foreseeable mismanagement of wastes, and that these application or disposal practices do not pose significant public health or environmental risks.

SEC. 2. Section 25157.8 is added to the Health and Safety Code, to read:

25157.8. (a) On and after January 1, 1999, no person shall dispose waste that contains total lead in excess of 350 parts per million, copper in excess of 2500 parts per million, or nickel in excess of 2000 parts per million to land other than a Class I hazardous waste disposal facility, unless the waste is disposed at the site of generation pursuant to express approval of the regional water quality control board granted prior to the operative date of the act that added this section during the 1997–98 Regular Session and the waste was classified as nonhazardous at that time, until both of the following occur:

(1) The appropriate California regional water quality control board has amended the solid waste facility's waste discharge requirements to specifically allow disposal of the waste.

(2) The appropriate local enforcement agency has revised the solid waste facility permit of the facility to specifically allow this disposal pursuant to Chapter 3 (commencing with Section 44001) of Part 4 of Division 30 of the Public Resources Code.

(b) (1) Except as provided in paragraph (2), no person shall dispose any material to land at other than a Class I hazardous waste

disposal facility, if the material is regulated as a hazardous waste by the department, until all of the following have occurred:

(A) The department has issued a variance pursuant to Section 25143 to specifically allow disposal of the material to a disposal facility other than a Class I hazardous waste disposal facility.

(B) The appropriate California regional water quality control board has amended the solid waste facility's waste discharge requirements to specifically allow disposal of the material.

(C) The appropriate local enforcement agency has revised the solid waste facility permit of the facility at which the material is proposed to be disposed to specifically allow this disposal pursuant to Chapter 3 (commencing with Section 44001) of Part 4 of Division 30 of the Public Resources Code.

(2) This subdivision does not apply to either of the following:

(A) Wastes that are disposed of pursuant to a variance issued by the department prior to the operative date of the act adding this section.

(B) Wastes that are disposed of pursuant to a variance issued by the department and that the department classified and managed as a "special waste" pursuant to regulations adopted by the department that were in effect on the operative date of the act adding this section.

(c) This section shall remain in effect until July 1, 2003, and as of that date is repealed unless a later enacted statute repeals or extends that date.

SEC. 3. Section 6217 of the Public Resources Code, as added by Section 2 of Chapter 293 of the Statutes of 1997, is amended to read:

6217. With the exception of revenue derived from state school lands and from sources described in Sections 6217.6, 6301.5, 6301.6, 6855, and Sections 8551 to 8558, inclusive, and Section 6406 (insofar as the proceeds are from property that has been distributed or escheated to the state in connection with unclaimed estates of deceased persons), the commission shall deposit in the State Treasury all revenue, money, and remittances received by the commission under this division, and under Chapter 138 of the Statutes of 1964, First Extraordinary Session, and those funds shall be applied to the following obligations in the following order of priority:

(a) To the General Fund, the revenue necessary to provide in any fiscal year for the following:

(1) Payment of refunds, authorized by the commission, out of appropriations made for that purpose by the Legislature.

(2) Payment of expenditures of the commission as provided in the annual Budget Act enacted by the Legislature.

(3) Payments to cities and counties of the amounts specified in Section 6817 for the purposes specified in that section, and the revenues so deposited are appropriated for that purpose.

(4) Payments to cities and counties of the amounts agreed to pursuant to Section 6875.

(b) To the California Housing Trust Fund, each fiscal year, the amount of two million dollars ($2,000,000).

(c) After meeting the obligations in subdivisions (a) and (b), the Controller shall transfer the balance of all such revenue, money, and remittances received by the commission pursuant to this section in each fiscal year to the Resources Trust Fund.

The money in the Resources Trust Fund shall be collected for the purposes of, and held in trust for, preserving and protecting the natural and recreational resources of the state and, for this purpose, the Controller shall annually transfer the following sums from the Resources Trust Fund to the following accounts and funds in the following order of priority:

(1) Eight million dollars ($8,000,000) to the Salmon and Steelhead Trout Restoration Account in the Resources Trust Fund. The money in the account shall be appropriated in the annual Budget Act to the Department of Fish and Game for expenditure for the recovery of coho salmon, other species of salmon, and anadromous trout pursuant to Section 6217.1 of this code and Chapter 8 (commencing with Section 2760) of Division 3 of the Fish and Game Code.

(2) Two million two hundred thousand dollars ($2,200,000) to the Marine Life and Marine Reserve Management Account, which is hereby created in the Resources Trust Fund. The money in the account shall be appropriated in the annual Budget Act to the Department of Fish and Game for expenditure for marine life management pursuant to Section 6217.2.

(3) Ten million dollars ($10,000,000) to the State Parks System Deferred Maintenance Account, which is hereby created in the Resources Trust Fund. The money in the account shall be appropriated in the annual Budget Act to the Department of Parks and Recreation for deferred maintenance expenses.

(4) The remainder to the Natural Resources Infrastructure Fund which is an account in the Resources Trust Fund. The money in the Natural Resources Infrastructure Fund shall be available for expenditure, upon appropriation by the Legislature, for the purposes of preserving and protecting the natural and recreational resources of the state. Priority for the use of the money in the Natural Resources Infrastructure Fund shall be given to the following:

(A) For expenditure by the Department of Fish and Game, upon appropriation by the Legislature, for environmental review and monitoring, consultation with lead agencies, recommending mitigation measures, and enforcement related activities pursuant to Division 13 (commencing with Section 21000).

(B) For expenditure, upon appropriation by the Legislature, for the purposes of land acquisition in Orange County and San Diego County pursuant to Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code.

(C) For expenditure to meet the requirements of Section 2796 of the Fish and Game Code that are not met pursuant to Section 2795 of the Fish and Game Code, upon appropriation by the Legislature.

(D) For expenditure for nonpoint source pollution control programs of the State Water Resources Control Board and the California Coastal Commission, upon appropriation by the Legislature.

The Controller shall transfer any unencumbered balances remaining in the Salmon and Steelhead Trout Restoration Account, the Marine Life and Marine Reserve Management Account, the State Parks Deferred Maintenance Account, and the Natural Resources Infrastructure Fund on June 30 of each year to the General Fund.

This section shall become inoperative on July 1, 2006, and, as of January 1, 2007, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2007, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 4. Section 6217 of the Public Resources Code, as added by Section 3 of Chapter 293 of the Statutes of 1997, is amended to read:

6217. (a) With the exception of revenue derived from state school lands and from sources described in Sections 6217.6, 6301.5, 6301.6, 6855, and Sections 8551 to 8558, inclusive, and Section 6404 (insofar as the proceeds are from property that has been distributed or escheated to the state in connection with unclaimed estates of deceased persons), the commission shall deposit all revenue, money, and remittances received by the commission under this division, and under Chapter 138 of the Statutes of 1964, First Extraordinary Session, in the General Fund.

(b) This section shall become operative on July 1, 2006.

SEC. 5. Section 6217.2 is added to the Public Resources Code, to read:

6217.2. Moneys in the Marine Life and Marine Reserve Management Account created in the Resources Trust Fund pursuant to paragraph (2) of subdivision (c) of Section 6217, shall be expended by the Department of Fish and Game for the following purposes:

(a) To develop and implement fishery management plans.

(b) To fund research on marine life and marine fisheries.

(c) To fund peer reviews of research plans and fishery management plans.

(d) To fund the evaluation, coordination, and management of marine reserves and other marine managed areas.

SEC. 6. Section 5107 of the Vehicle Code is amended to read:

5107. (a) All revenue derived from the fees provided for in this article shall be deposited in the California Environmental License Plate Fund.

(b) Not more than fifty cents ($0.50) of the amount collected from each applicant pursuant to Section 5106 on and after January 1, 1999, shall be set aside for use, upon appropriation by the Legislature, by

the appropriate agency for the purpose of increasing public awareness of the environmental license plate program.

SEC. 7. Section 12585.7 is added to the Water Code, to read:

12585.7. Notwithstanding any other provision of law, in order to be eligible for any state funds, a flood control project shall be authorized by the Legislature before it is authorized by Congress. For purposes of this section, a "flood control project" means a project for which there is a U.S. Army Corps of Engineers, Chief of Engineers report with a recommendation to build the project. This section does not apply to any of the following projects:

(a) Any project for which the Reclamation Board provides the assurances of cooperation to the United States as the nonfederal sponsor of the project.

(b) Any small flood control project under Section 12750.

(c) Any watershed protection and flood prevention project under Chapter 4 (commencing with Section 12850).

(d) Projects authorized by Congress on or before December 31, 1998.

SEC. 8. (a) There is hereby annually appropriated forty-four million dollars ($44,000,000) for each of the following fiscal years from the General Fund to the Department of Water Resources: 1999–2000, 2000–2001, and 2001–2002. The funds appropriated by this subdivision shall be annually allocated by the department for each of those fiscal years on a pro rata basis to pay for the state's share of the nonfederal costs of flood control projects that have been adopted and authorized in accordance with one or more of the following provisions of law:

(1) State Water Resources Law of 1945 (Ch. 1 (commencing with Sec. 12570) and Ch. 2 (commencing with Sec. 12639), Pt. 6, Div. 6, Wat. C.).

(2) Flood Control Law of 1946 (Ch. 3 (commencing with Sec. 12800), Pt. 6, Div. 6, Wat. C.).

(3) California Watershed Protection and Flood Prevention Law (Ch. 4 (commencing with Sec. 12850), Pt. 6, Div. 6, Wat. C.).

(b) The funds described in subdivision (a) shall be used to pay for costs for which valid written claims that have been submitted to the department as of June 17, 1998, and for estimated claims in fiscal year 1998-99, as determined by the department as of June 17, 1998. The funds shall be allocated on a pro rata basis to projects in the counties of Contra Costa, Fresno, Kern, Los Angeles, Marin, Napa, Orange, Riverside, San Bernardino, San Diego, Santa Clara, Sonoma, and Ventura.

SEC. 9. In accordance with Section 5922 of the Public Resources Code, any funds allocated to the Department of Parks and Recreation for expenditure for the purposes set forth in paragraphs (1) and (3) of subdivision (b), except for subparagraph (A) of paragraph (1) of subdivision (b), of Section 5907 of the Public Resources Code and not expended prior to July 1, 1998, shall be expended in accordance with the revised plan of expenditure submitted by the department to the

Legislature as part of the materials supporting the 1998–99 Governor's Budget. This plan constitutes the department's plan for expenditure of the unexpended balance and is hereby approved by the Legislature in accordance with Section 5922 of the Public Resources Code. These funds are available for expenditure without regard to fiscal years.

SEC. 10. In accordance with Section 5922 of the Public Resources Code, any funds allocated to the State Coastal Conservancy for expenditure for the purposes set forth in paragraphs (2), (3), (4), (5), and (6) of subdivision (d) of Section 5907 of the Public Resources Code and not expended prior to July 1, 1998, shall be expended in accordance with the plan of expenditure submitted by the conservancy to the Legislature as part of the materials supporting the 1998–99 Governor's Budget. This plan constitutes the conservancy's plan for expenditure of the unexpended balance and is hereby approved by the Legislature in accordance with Section 5922 of the Public Resources Code. These funds are available for expenditure without regard to fiscal years.

SEC. 11. In accordance with Section 5922 of the Public Resources Code, any funds allocated to the Department of Fish and Game for expenditure for the purposes set forth in subparagraph (A) of paragraph (1) of subdivision (e) of Section 5907 of the Public Resources Code and not expended prior to July 1, 1998, shall be expended in accordance with the plan of expenditure submitted by the department to the Legislature as part of the materials supporting the 1998–99 Governor's Budget. This plan constitutes the department's plan for expenditure of the unexpended balance and is hereby adopted by the Legislature in accordance with the requirements of Section 5922 of the Public Resources Code. These funds shall be available for expenditure only upon appropriation by the Legislature.

SEC. 12. (a) In accordance with Section 5922 of the Public Resources Code, the plan for expenditure of any funds allocated to the Department of Fish and Game for expenditure for the purposes set forth in subparagraph (B) of paragraph (1) of subdivision (e) of Section 5907 of the Public Resources Code shall be to acquire approximately 220 acre-feet of water rights in perpetuity at Heenan Lake, Alpine County, for propagation and perpetuation of wild trout. These funds shall be available for expenditure only upon appropriation by the Legislature.

(b) The plan described in subdivision (a) constitutes the Department of Fish and Game's plan for expenditure of the unexpended balance and is hereby adopted by the Legislature in accordance with the requirements of Section 5922 of the Public Resources Code. If the unexpended funds are not encumbered in their entirety within the time permitted by law, the department shall submit to the Legislature, for inclusion in an annual Budget Act, a proposal for the appropriation of the unexpended balance for any

purpose consistent with subparagraph (B) of paragraph (1) of subdivision (e) of Section 5907 of the Public Resources Code, which proposal, upon enactment of the particular Budget Act, shall constitute the required plan.

SEC. 13. (a) Notwithstanding Section 11032 of the Government Code, the California Conservation Corps may authorize its officers and employees to travel outside the state without approval by any other agency, and the funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose.

(b) Notwithstanding subdivisions (b), (c), and (d) of Section 31.00 of the Budget Act of 1998, the California Conservation Corps may authorize new positions, reclassifications, transfers to blanket authorizations, and the establishment of a blanket authorization without prior notification to the Department of Finance or the Legislature, and the funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose. The California Conservation Corps shall report to the Department of Finance and the Legislature on a quarterly basis regarding actions taken pursuant to this authority.

(c) Notwithstanding Sections 8647, 11005, and 11005.1 of the Government Code, the California Conservation Corps may accept gifts and donations of personal property without approval by the Director of Finance. The California Conservation Corps shall bear any costs associated with the acceptance of those gifts and donations, and the funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose.

(d) Notwithstanding Section 19080.3 of the Government Code, the California Conservation Corps may make limited-term appointments, not exceeding a period of four years for any appointment, without the review or approval of the State Personnel Board, and the funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose.

(e) Notwithstanding Section 2807 of the Penal Code, the California Conservation Corps may procure corpsmember-related goods and services from the private sector, and the funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose. Notwithstanding this grant of authority, the California Conservation Corps shall contract with the Prison Industry Authority for this purpose if the latter is able to meet the cost, quality, and time requirements established by the California Conservation Corps for the goods or services.

(f) Notwithstanding Sections 13332.06 and 14669 of, and Chapter 6 (commencing with Section 14825) and Chapter 6.5 (commencing with Section 14835) of Part 5.5 of Division 3 of Title 2 of, the Government Code, and Chapter 1 (commencing with Section 10100), Chapter 2 (commencing with Section 10290), and Chapter 3 (commencing with Section 12100) of Part 2 of Division 2 of the Public Contract Code, the California Conservation Corps may execute

contracts, procure all goods and services, including any fleet needs within 60 days or less, and negotiate all lease agreements for office, warehouse, and other appropriate facilities without review or approval by the Department of General Services and pursuant to methods and procedures other than those set forth in the State Administrative Manual, and funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose. The authority with regard to lease agreements set forth in this provision does not alter the authority or responsibilities of the Department of General Services concerning the consolidation of offices in the Sacramento Metropolitan Area or the consolidation plans for other metropolitan areas.

(g) Notwithstanding Sections 14931 and 14931.1 of, or Part 6.5 (commencing with Section 15250) of Division 3 of Title 2 of, the Government Code, the California Conservation Corps may purchase electronic data processing and telecommunications goods and services, not exceeding one million dollars ($1,000,000) for any one procurement, without the requirement of review or approval by the Department of General Services and pursuant to methods and procedures other than those set forth in the State Administrative Manual, and the funds appropriated to the corps by the Budget Act of 1998 may be used for this purpose. The California Conservation Corps shall continue to use the Department of General Services CALNET, except that if the department is unable to provide the information and maintenance required for the California Conservation Corps' statewide data base network on a cost-competitive and timely basis, the California Conservation Corps shall be exempt from any restrictions relating to CALNET that are imposed by the Office of Telecommunications of the Department of General Services.

(h) Notwithstanding any other provision of law, the Director of the California Conservation Corps may prepay vendors for noncapital outlay expenditures if it is cost-beneficial to the corps. In the event that the California Conservation Corps incurs any losses due to the prepayment of vendors, the corps shall report those losses to the Joint Legislative Budget Committee, to the appropriate fiscal committees of the Legislature, and to the Department of Finance.

(i) Notwithstanding subdivision (a) of Section 948 and Section 965 of the Government Code, the Director of the California Conservation Corps, or the director's designee, in lieu of the Director of Finance, may certify funds for payment of all legal settlements, State Board of Control claims, judgments, and tort claims for which the California Conservation Corps already has sufficient expenditure authority and funds without the need for an augmentation.

(j) Notwithstanding any other provision of law, the Director of the California Conservation Corps, or the director's designee, in lieu of the Director of Finance, is authorized to approve Budget Revision, Standard Form 26.

(k) Notwithstanding Section 12439 of the Government Code, the California Conservation Corps is exempt from the provisions that abolish, effective July 1, any positions that were vacant continuously during the period between October 1 and June 30 of the preceding year.

SEC. 14. (a) Notwithstanding any other provision of law, the Department of Parks and Recreation may do either of the following:

(1) Exercise the same authority granted to the Division of the State Architect and the Office of Real Estate and Design Services in the Department of General Services to acquire, plan, design, construct, and administer contracts and professional services.

(2) Permit the Prison Industry Authority to participate as a competitive bidder, rather than as the sole source with regard to contracts and services.

(b) Notwithstanding any other provision of law, the Director of Parks and Recreation, or the director's designee, in lieu of the Director of Finance, may carry out subdivisions (b), (c), and (d) of Section 31.00 of the Budget Act of 1998.

(c) Notwithstanding subdivision (a) of Section 948 and Section 965 of the Government Code, the Director of Parks and Recreation, or the director's designee, in lieu of the Director of Finance, may certify funds for payment of all legal settlements, Board of Control claims, judgments, and tort claims for which the Department of Parks and Recreation already has sufficient expenditure authority and funds without the need for an augmentation.

(d) Notwithstanding Section 11032 of the Government Code, the Director of Parks and Recreation, or the director's designee, may authorize its officers and employees to travel outside the state or country without approval by any other agency, and the funds appropriated to the Department of Parks and Recreation by the Budget Act of 1998 may be used for this purpose.

(e) (1) Notwithstanding Section 8647, 11005, and 11005.1 of the Government Code, the Department of Parks and Recreation may accept gifts and donations of personal and real property without approval by the Director of Finance. The Department of Parks and Recreation shall bear any costs associated with the acceptance of those gifts and donations, and the funds appropriated to the department by the Budget Act of 1998 may be used for this purpose. The Department of Parks and Recreation may not certify the value of any gift or donation of real property without its own appraisal. Upon receipt of any gift or donation of real property, the Department of Parks and Recreation shall certify to the Department of Finance, in writing, all of the following:

(A) The gift or donated property will have minimal impact on the department's operation and maintenance costs and the department will absorb the costs within its existing budget.

(B) The gift or donated property is adjacent to an existing park.

(C) The gift or donated property promotes park purposes.

(D) The gift or donated property has no indications or history of environmental hazards or contamination.

(E) There are no lawsuits pending concerning the property and clear title is a condition of the gift or donation acceptance.

(F) The gift or donated property has an estimated value of less than five hundred thousand dollars ($500,000).

(G) There are no provisions that will restrict the department from the divesting title to the gift or donated property.

(H) There are no structures on the gift or donated property or that any structures on the property will be razed.

(2) If any of the real property gift or donation criteria specified in paragraph (1) are not met, the Department of Parks and Recreation shall submit the real property gift or donation to the Department of Finance for approval. Any gifts and donations that will require future budget change proposals shall be submitted to the Department of Finance for approval.

(f) Notwithstanding Section 12439 of the Government Code, the Department of Parks and Recreation is exempt from the provisions that abolish, effective July 1, any positions that are vacant continuously during the period between October 1 and June 30 of the preceding year.

(g) Notwithstanding any other provision of law, the Director of Parks and Recreation, or the director's designee, in lieu of the Director of Finance, may approve Budget Revision, Standard Form 26.

(h) Notwithstanding Section 16304.1 of the Government Code, the Director of Parks and Recreation, or the director's designee, in lieu of the Director of Finance, may carry out this section as it relates to the reversion of undisturbed balances and payment of unpaid encumbrances.

(i) Notwithstanding any other provision of law, the Director of Parks and Recreation, or the director's designee, in lieu of the Director of Finance, may approve Department of General Services' Form 22's, Form 220's, and the Return of Funds Document, provided that the Department of Parks and Recreation has the following approved project forms for the related phase (Capital Outlay) or activity—DR14D or DPR18 (Capital Outlay) or DPR11 (Support).

(j) Notwithstanding any other provision of law, the Director of Parks and Recreation may prepay vendors for noncapital outlay expenditures if it is cost-beneficial to the Department of Parks and Recreation. In the event the Department of Parks and Recreation incurs any losses due to the prepayment of vendors, the department shall report those losses to the Joint Legislative Budget Committee, to the appropriate fiscal committees of the Legislature, and to the Department of Finance.

SEC. 15. Sections 13 and 14 of this act shall become inoperative on June 30, 1999, and, as of January 1, 2000, are repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000,

deletes or extends the dates on which those sections become inoperative and are repealed.

SEC. 16. (a) The Department of Boating and Waterways shall contract for the development of a business plan for the operation of the Spud Point Marina.

(b) The department and the County of Sonoma shall jointly select the contractor to develop the business plan.

(c) The business plan shall include, but not be limited to, a life cycle analysis of the marina improvements to determine replacement and dredging reserves needs, an investigation of alternatives for efficient operation of the marina, including private sector operation, a marketing plan to increase marina use by commercial fishing and recreational vessels, and a definition of the market area shared by the marina.

(d) Contingent upon the County of Sonoma's implementation of the recommendations contained in the final business plan, the department, with the consent of the Boating and Waterways Commission, may renegotiate or forgive any or all portions of the outstanding debt owed by the County of Sonoma to the department.

(e) Notwithstanding the provisions of the existing loan agreement between the department and the County of Sonoma relating to the Spud Point Marina, the department shall suspend collection of all loan and interest payments, penalties, and accrual of further interest and penalties under that loan agreement, for a maximum of three years.

SEC. 17. The amount of six hundred seventeen thousand dollars ($617,000) is hereby appropriated from the Hazardous Waste Control Account in the General Fund to the Department of Toxic Substances Control for the purposes of implementing, during the 1998–99 fiscal year, the initiative known as the Regulatory Structure Update project described on page EP32 of the Governor's Budget, 1998–99. The Legislature finds and declares that formal action within the meaning of Section 13332.15 of the Government Code was taken in the Budget Act of 1998 to deny funds to the Department of Toxic Substances Control to carry out this initiative. That formal action is rescinded by this act only upon the express condition that the department fully comply with this act, and if the Department of Toxic Substances Control does not fully comply with this act, the formal action taken in the Budget Act of 1998 to deny funding for the initiative known as the Regulatory Structure Update project for the 1998–99 fiscal year shall remain in effect.

SEC. 18. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government

Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 19. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make statutory changes necessary to implement the Budget Act of 1998, it is necessary that this act take effect immediately.

CHAPTER 327

An act to amend Sections 743, 744, 745, 746, 747, 748, and 749 of the Welfare and Institutions Code, relating to minors, and making an appropriation therefor.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

On this date I am signing Assembly Bill 2594 with the deletion of $4,000,000 - appropriated for the Department of Youth Authority. This bill would revise provisions of the Repeat Offender Prevention Project (ROPP), a program designed to provide comprehensive juvenile intervention programs to reduce recidivism among juvenile offenders in participating counties. The bill would transfer responsibility for the program from the California Youth Authority to the Board of Corrections.

The 1998–99 Budget Act already contains $4 million for the Board of Corrections to implement ROPP. Additional funding is both premature and misdirected as the Youth Authority will no longer remain responsible for administering ROPP.

PETE WILSON, Governor

The people of the State of California do enact as follows:

SECTION 1. Section 743 of the Welfare and Institutions Code is amended to read:

743. Contingent upon the appropriation of funds therefor, there is hereby established a three-year pilot project which shall be known as the "Repeat Offender Prevention Project." This project shall operate in the Counties of Fresno, Humboldt, Los Angeles, Orange, San Diego, San Mateo, and Solano, and the City and County of San Francisco, unless the board of supervisors of one or more of these counties adopts a resolution to the effect it will not participate in the project, each of which shall either design, establish, implement, and evaluate a model program to meet the needs of a juvenile offender population identified as having the potential to become repeat

serious offenders utilizing the findings of exploratory studies conducted in Orange County between 1989 and 1993 by the research staff of the Orange County Probation Department and which identified certain minors who were designated as the "8 percent" population. The main goal of this program is to develop and implement a cost-effective multiagency, multidisciplinary program which targets youth displaying behavior that may lead to delinquency and recidivism.

SEC. 2. Section 744 of the Welfare and Institutions Code is amended to read:

744. (a) The Repeat Offender Prevention Project shall be administered by the Board of Corrections and each program shall be under the onsite administration of the chief probation officer in the county selected for participation in the project or under a consortium of chief probation officers representing each participating county.

(b) Pursuant to this article, a chief probation officer or the regional consortium, with the approval of the appropriate board or boards of supervisors, may apply to the Board of Corrections for funding to implement a program meeting the criteria specified in subdivision (b) of Section 745. The goal of each program shall be to develop and demonstrate intervention strategies which will end each participating minor's escalating pattern of criminal and antisocial behavior, a pattern that leads to chronic delinquency and, potentially, to adult criminal careers. These strategies shall be provided within the parameters of community protection and offender accountability. Application for program funding shall be made in accordance with written guidelines established by the Board of Corrections in consultation with chief probation officers throughout the state.

SEC. 3. Section 745 of the Welfare and Institutions Code is amended to read:

745. The Board of Corrections shall establish goals and deadlines against which the success or failure of the program demonstration projects may be measured. The board shall also develop selection criteria and funding schedules for participating counties which shall take into consideration, but not be limited to, all of the following:

(1) Size of the eligible target population as defined in Section 746.

(2) Demonstrated ability to administer the program.

(3) Identification of service delivery area.

(4) Demonstrated ability to provide or develop the key intervention strategies described in Section 748 to the eligible target population and their families.

(5) A formal research component utilizing an experimental research design and random assignment to the program.

SEC. 4. Section 746 of the Welfare and Institutions Code is amended to read:

746. A minor shall be selected for participation in a program established pursuant to this article based upon the following factors:

(a) The minor is $15^1/_2$ years of age or younger, has been declared a ward of the juvenile court for the first time and is to be supervised by a probation department selected for participation in this project.

(b) The minor has been evaluated and found to have at least three of the following factors, that place the minor at a significantly greater risk of becoming a chronic juvenile or adult offender:

(1) School behavior and performance problems. This shall include at least one of the following: attendance problems; school suspension or expulsion; or failure in two or more academic classes during the previous six months or comparable academic period.

(2) Family problems. These shall include at least one of the following: poor parental supervision or control; documented circumstances of domestic violence; child abuse or neglect; or family members who have engaged in criminal activities.

(3) Substance abuse. This shall include any regular use of alcohol or drugs by the minor, other than experimentation.

(4) High-risk predelinquent behavior. This shall include at least one of the following: a pattern of stealing; chronic running away from home; or gang membership or association.

(5) The minor matches the at-risk profile for becoming a chronic and repeat juvenile offender according to the criteria developed by the Multi-Agency At-Risk Youth Committee (MAARYC).

SEC. 5. Section 747 of the Welfare and Institutions Code is amended to read:

747. The Board of Corrections shall adopt written minimum standards for project implementation, operation, and evaluation which shall include a written commitment by a county or region to the following objectives:

(a) Teamwork on the part of all treatment and intervention agents involved in the project including the family, the professionals, and any community volunteers.

(b) Empowerment of the family to recognize and, ultimately, to solve the problems related to their minor's delinquent behavior and their involvement as an integral part of the treatment team and process.

(c) Creation of a multiagency, multidisciplinary, and culturally competent team so that the program can effectively draw on the professional knowledge, skill, and experience of many treatment disciplines in areas including, but not limited to, the following: education; job preparation and search; job skills and vocational training; life skills; psychological counseling; mental health services; drug and alcohol treatment; health care; parenting skills; community service opportunities; building self-esteem and self-confidence; mentoring programs; restitution programs; gang intervention; crime prevention; recreational, social, and cultural activities; and transportation and child care as needed.

SEC. 6. Section 748 of the Welfare and Institutions Code is amended to read:

748. Each county or region shall, in implementing their respective programs, provide the following key intervention strategies to ensure the following:

(a) Adequate levels of supervision, structure, and support to minors and their families both during and after the intervention and treatment process, in order to accomplish the following:

(1) Ensure protection of the community, the minor, and his or her family.

(2) Facilitate the development of new patterns of thinking and behavior.

(3) Eliminate any obvious stumbling blocks to the family's progress.

(4) Facilitate the development of enhanced parenting skills and parent-child relationships.

(b) Accountability on the part of the minor for his or her actions and assistance to the minor in developing a greater awareness and sensitivity to the impact of his or her actions on both people and situations.

(c) Assistance to families in their efforts to ensure that minors are attending school regularly.

(d) Assistance to the minor in developing strategies for attaining and reinforcing educational success.

(e) Promotion and development of positive social values, behavior, and relationships by providing opportunities for the minor to directly help people; to improve his or her community; to participate in positive leisure-time activities specially chosen to match his or her individual interests, skills, and abilities; and to have greater access and exposure to positive adult and juvenile role models.

(f) Promotion of partnerships between public and private agencies to develop individualized intervention strategies which shall include, but not be limited to, the following:

(1) Delivery of services in close proximity to the minor's or the minor's family's home.

(2) Community case advocates to assist in building bridges of trust, communication, and understanding between the minor, the family, and all treatment and intervention agents.

(g) Provision of a continuum of care with strong followup services that continue to be available to the minor and family as long as needed, not just on a crisis basis.

SEC. 7. Section 749 of the Welfare and Institutions Code is amended to read:

749. (a) The Board of Corrections shall be responsible for monitoring demonstration project and expansion program implementations in accordance with an annual program plan submitted by the participating counties or regions. Written progress and evaluation reports shall be required of all participating counties

pursuant to a schedule and guidelines developed by the Board of Corrections.

(b) The success of each funded demonstration project shall be determined, at a minimum, by comparing a control group, consisting of juvenile offenders who were not selected for participation in the project, to an experimental group, consisting of juvenile offenders who have participated in the project. Juveniles in each group shall be evaluated at 6-, 12-, 18-, and 24-month intervals, according to the following criteria:

(1) The number of subsequent petitions to declare the minor a ward of the juvenile court, pursuant to Section 602, and the subject matter and disposition of each of those petitions.

(2) The number of days served in any local or state correctional facilities.

(3) The number of days of school attendance during the current or most recent semester.

(4) The minor's grade point average for the most recently completed school semester.

(c) The Board of Corrections, based on reports provided pursuant to subdivision (a), shall report upon request to the Legislature on the effectiveness of these programs in achieving the demonstration project and program goals described in this article.

(d) The Board of Corrections shall determine county or regional eligibility for funding and, from money appropriated therefor, the board shall allocate and award funds to those counties or regions applying and eligible therefor and selected for project participation.

(e) The Repeat Offender Prevention Project shall be implemented within six months of the appropriation of funds therefor and shall terminate at the end of three years from that appropriation.

(f) Five percent of the funds allocated each fiscal year for the Repeat Offender Prevention Project shall be set aside for the administrative expenses of the Board of Corrections.

SEC. 8. The sum of four million dollars ($4,000,000) is hereby appropriated from the General Fund to the Department of the Youth Authority for support of the Repeat Offender Prevention Project. Funds shall be divided equitably among the participating counties.

CHAPTER 328

An act to amend Section 25761 of the Business and Professions Code, to add Section 25608.2 to the Corporations Code, to amend Sections 4217.11, 4217.12, 4217.13, 4217.16, 4217.17, 14669.35, 15333.3, and 15333.4 of, and to add Section 7591.5 to, the Government Code, to amend Section 363 of the Public Utilities Code, and to amend Section 4 of Chapter 913 of the Statutes of 1995, relating to state

government administration, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. It is the intent of the Legislature in enacting this act to make the necessary statutory changes to implement the Budget Act of 1998 relative to state government administration.

SEC. 2. (a) The intent of the Performance and Results Act of 1993 (Chapter 8 (commencing with Section 11800) of Part 1 of Division 3 of Title 2 of the Government Code) is to improve the delivery of governmental services through the use of strategic planning and performance measurement. Therefore, the Department of General Services (DGS) shall commit itself to achieve improved levels of performance, as specified in this section, by focusing its efforts on enhancing the value of the services it delivers.

(b) (1) Under Goal Two of the DGS strategic plan, DGS shall commit itself to providing the following two categories of services by July 1, 1998: (A) services that the Legislature or Governor requires state agencies to purchase from DGS, and (B) services that state agencies are not required to purchase from DGS, but that DGS can provide on a cost-competitive basis.

(2) Notwithstanding Section 7550.5 of the Government Code, DGS shall prepare and submit a report to the Legislature and the Department of Finance on its performance twice per year as follows: on September 1, 1998, for the period January 1, 1998, to June 30, 1998, inclusive; for the 1998-99 fiscal year, DGS shall report on March 1, 1999, for the period July 1, 1998, to December 31, 1998, inclusive, and on September 1, 1999, for the period January 1, 1999, to June 30, 1999, inclusive. Each report shall provide data on DGS's performance as measured against its short-, mid-, and long-term objectives pursuant to its Performance Measurement Plan. The performance evaluation shall measure, as appropriate, customer satisfaction, cycle times, cost price comparisons, efficiency and effectiveness, and financial performance.

(c) Notwithstanding any other provision of law, the Director of General Services or his or her designee, in lieu of the Director of Finance, may approve DGS' Form 22's and Form 220's, including the extension of time to expend transferred funds, the transfer of funds from one work order to another, and the Return of Funds Document.

(d) Notwithstanding Chapter 1 (commencing with Section 16301.6) of Part 2 of Division 4 of Title 2 of the Government Code, the Director of General Services or his or her designee may approve "relief from accountability" for debts owed to DGS up to five

thousand dollars ($5,000) when DGS determines it cannot collect the debts or when the cost of collection exceeds the amount of the debt.

(e) Notwithstanding Section 2807 of the Penal Code, the Director of General Services or his or her designee may procure goods from the private sector even though the goods may be available through the Prison Industry Authority, when in his or her discretion, it is cost-beneficial to do so and if the director or his or her designee continues to include the authority in soliciting quotations for goods.

(f) Notwithstanding subdivision (a) of Section 948 and Section 965 of the Government Code, the Director of General Services or his or her designee, in lieu of the Director of Finance, may certify funds for payment of all legal settlements and tort claims for which DGS already has sufficient expenditure authority and funds without the need for an augmentation.

(g) Notwithstanding Section 14876 of the Government Code, the Director of Personnel Administration or his or her designee shall establish salary and wages for employees of the Office of State Printing pursuant to Sections 3516 to 3517.6, inclusive, of the Government Code.

(h) Notwithstanding Chapter 7 (commencing with Section 14850) of Part 5.5 of Division 3 of Title 2 of, or Section 14901 of, the Government Code, no agency is required to use the Office of State Printing for its printing needs and the Office of State Printing may offer printing services to both state and other public agencies, including cities, counties, special districts, community college districts, the California State University, the University of California, and agencies of the United States government.

(i) Notwithstanding Section 14851 of the Government Code, the Office of State Printing may accept paid advertisements in state publications or in publications promoting an Office of State Printing supported project or program from vendors who are participating as a partner in that project or program, except that the Office of State Printing may not accept or publish any paid political advertising.

(j) Notwithstanding Section 965.2 of the Government Code, the Director of General Services or his or her designee, in lieu of the Director of Finance, may certify funds for payment of all legal court settlements for projects funded from the Architecture Revolving Fund, if a sufficient fund balance exists in the work order to pay the claim and the payment does not require a budget augmentation to complete the project.

(k) Notwithstanding Section 14957 of the Government Code, the Director of General Services or his or her designee, in lieu of the Director of Finance, may approve the deposit of checks directly into the Architecture Revolving Fund. DGS shall notify the Department of Finance within 30 days of the date DGS makes such a deposit.

(*l*) Notwithstanding Section 12439 of the Government Code, DGS is exempt from the provisions that abolish, effective July 1, any

positions that were vacant continuously during the period between October 1 and June 30 of the preceding year.

(m) Notwithstanding Section 11032 of the Government Code, the Director of General Services or his or her designee may authorize its employees to travel outside the state or country without approval by the Department of Finance.

(n) Notwithstanding any other provision of law, the Director of General Services or his or her designee may prepay vendors when it is cost-beneficial to DGS. In the event DGS incurs any losses due to the prepayment of vendors, DGS shall report those losses to the Joint Legislative Budget Committee and to the appropriate fiscal committees of the Legislature.

(o) (1) Notwithstanding Sections 8647, 11005, and 11005.1 of the Government Code, DGS may accept gifts and donations of real property without approval by the Director of Finance. DGS shall bear any costs associated with the acceptance of those gifts and donations and the funds used for this purpose. DGS shall not certify the fair market value of any gift or donation of real property without performing its own appraisal. Upon receipt of any gift or donation of real property, DGS shall certify in writing to the Department of Finance all of the following:

(A) The gift or donated property will have minimal impact on the operation and maintenance costs and DGS will absorb the costs within its existing budget.

(B) The gift or donated property has no evidence or history of environmental hazards or contamination.

(C) There are no lawsuits pending concerning the property, and clear title is a condition of the gift or donation.

(D) The gift or donation has an estimated fair market value of less than five hundred thousand dollars ($500,000).

(E) There are no provisions that will restrict DGS from divesting title to the gift or donated property.

(F) There are no structures on the property, or any structures on the property will be razed.

(2) If one or more of the criteria listed in this subdivision are not met, DGS shall obtain approval from the Department of Finance to accept the gift or donation of real property.

(3) Any gifts and donations that will require future budget change proposals shall be submitted to the Department of Finance for approval.

(p) This section shall remain in effect only until the effective date of the Budget Act of 1999 or June 30, 1999, whichever occurs later.

SEC. 3. (a) The intent of the Performance and Results Act of 1993 (Chapter 8 (commencing with Section 11800) of Part 1 of Division 3 of Title 2 of the Government Code) is to improve the delivery of governmental services through the use of strategic planning and performance measurement. Therefore, the Department of Consumer Affairs shall commit itself to achieve

improved levels of performance, as specified, by focusing its efforts on enhancing the value of the services it delivers.

(b) (1) Notwithstanding any other provision of law, the Director of Consumer Affairs or his or her designee, in lieu of the Director of Finance, is authorized to carry out the provisions of Section 31.00 of the Budget Act as it pertains to the positions funded by the Budget Act.

(2) Notwithstanding Section 31.00 of the Budget Act, the Director of Consumer Affairs is not required to notify the Chairperson of the Joint Legislative Budget Committee regarding any position authorization, blanket transfer, or reclassification of positions funded by the Budget Act.

(c) Notwithstanding any other provision of law, the Director of Consumer Affairs or his or her designee, in lieu of the Director of Finance, is authorized to carry out the provisions of Section 26.00 of the Budget Act as it pertains to category transfers related to the Budget Act.

(d) Notwithstanding any other provision of law, the Director of Consumer Affairs or his or her designee, in lieu of the Director of Finance, is authorized to approve Budget Revision, Standard Form 26, for activities funded by the Budget Act.

(e) The Department of Consumer Affairs shall be exempt from Rule 444 of the State Personnel Board, which requires advertising vacant positions when filled by transfer within or between department offices or other agencies, or by training and development assignment. This exemption does not provide an exemption from any of the requirements imposed by Section 19232, 19404, or 19790 of the Government Code.

(f) Notwithstanding Sections 2050 to 2057, inclusive, Sections 10115 to 10115.13, inclusive, Sections 10290 to 10382, inclusive, and Sections 12100 to 12121, inclusive, of the Public Contract Code, and Section 14669 and Sections 14740 to 14880, inclusive, of the Government Code, the Director of Consumer Affairs or his or her designee shall have full authority and discretion to execute all contracts, procure all goods and services, negotiate lease agreements for office, warehouse, and other appropriate facilities, and determine appropriate methods to store and retrieve departmental records related to the bureaus, programs, and divisions under the Director of Consumer Affairs' appointing authority.

Except as provided in this subdivision, the Director of Consumer Affairs shall use the authority granted in this subdivision to implement alternative approaches, procedures, and methods, in lieu of the guidelines and procedures contained in the State Administrative Manual and in other state-issued guidelines to carry out the provisions of the Public Contract Code and the Government Code cited in this section, for execution of contracts, procurement of all goods and services, negotiate lease agreements for office, warehouse, and other appropriate facilities, and determine

appropriate methods to store and retrieve departmental records related to the bureaus, programs, and divisions under the Director of Consumer Affairs' appointing authority.

This authority granted by this subdivision shall not affect any of the following:

(1) The Department of Consumer Affairs' continued use of the state's private line voice network (CALNET).

(2) The Department of General Services' continued responsibility and authority for the consolidation of the Department of Consumer Affairs' offices in the Sacramento area.

(3) The requirement that the Department of Consumer Affairs obtain the written approval of the Secretary of the State and Consumer Services Agency for any leasing of offices that may affect the Los Angeles basin and San Francisco Area Consolidation Plans.

(g) Notwithstanding any other provision of law, the Director of Consumer Affairs may prepay vendors when it is a best value to the Department of Consumer Affairs. In the event the Department of Consumer Affairs incurs any losses due to the prepayment of vendors, the Department of Consumer Affairs shall report such losses in the semiannual report required in subdivision (r).

(h) Related to the implementation of information technology projects for the bureaus, programs, and divisions under the Director of Consumer Affairs' appointing authority:

(1) Notwithstanding Sections 4819.35 to 4819.37, inclusive, of the State Administrative Manual, the Director of Consumer Affairs or his or her designee, is authorized to internally approve all Feasibility Study Reports related to information technology projects whose aggregate total development costs do not exceed one million dollars ($1,000,000), provided the project activity is consistent with the department's Strategic Information Systems Plan and uses existing resources.

(2) Notwithstanding Sections 12100 to 12121, inclusive, of the Public Contract Code, the Director of Consumer Affairs or his or her designee, shall have full authority and discretion for the procurement of electronic data processing and telecommunications goods and services that do not exceed one million dollars ($1,000,000) per procurement.

(i) Notwithstanding Sections 14850 to 14855, inclusive, of the Government Code, the director, or his or her designee, shall have full authority and discretion to execute contracts and procure printing services, or both, that are timely and cost-beneficial to the bureaus, programs, and divisions under the director's appointing authority.

(j) Notwithstanding Section 2807 of the Penal Code, the Director of Consumer Affairs, or his or her designee, shall have full authority to procure goods and services from the private sector, even though these goods and services may be available through the Prison Industries Authority, when in his or her discretion it is more

cost-beneficial to the bureaus, programs, and divisions under the Director of Consumer Affairs' appointing authority.

(k) Notwithstanding subdivision (a) of Section 948 and Section 965 of the Government Code, the Director of Consumer Affairs or his or her designee, in lieu of the Director of Finance, is authorized to certify funds for the payment of all legal settlements, State Board of Control claims, judgments, and tort claims, for which the Department of Consumer Affairs has sufficient expenditure authority and funds without the need for an augmentation. This provision shall only apply to programs under the Director of Consumer Affairs' appointing authority.

(*l*) Notwithstanding Section 11032 of the Government Code, the Director of Consumer Affairs or his or her designee, may authorize officers and employees of the programs under the Director of Consumer Affairs' appointing authority, to travel outside the state or country without approval from any other agency, and the funds appropriated by the Budget Act may be used for that purpose.

(m) Notwithstanding any other provision of law, the Department of Consumer Affairs shall be exempt from Section 12439 of the Government Code regarding the abolition of vacant state positions.

(n) Notwithstanding Sections 8647, 11005, and 11005.1 of the Government Code, the Department of Consumer Affairs may accept gifts and donations without approval by the Director of Finance.

(o) All reports to the Legislature required in the sections cited in this section shall be made by the Director of Consumer Affairs in the same form and manner as currently reported by the otherwise appropriate agency.

(p) The Legislature finds and declares the following with regard to the Department of Consumer Affairs, and the bureaus and programs within the Department of Consumer Affairs:

(1) The traditional budgeting system does not appropriately measure results or outcomes.

(2) The Department of Consumer Affairs has drafted and submitted to the Legislature the following essential elements of performance budgeting:

(A) A strategic business and information systems plan.

(B) Meaningful outcome measures that are the primary focus of management accountability.

(C) Performance targets for each of the outcome measures.

(q) In connection with the support funding appropriated by the Budget Act and by any other act, for the 1998–99 fiscal year the Department of Consumer Affairs, pursuant to this subdivision and subdivision (r), shall continue the pilot performance funding project that holds the department accountable for results rather than process. The Department of Consumer Affairs' obligations under this project in the 1998–99 fiscal year shall include the following:

The Department of Consumer Affairs shall continue to conduct regulatory reviews of the programs under the authority of the

Director of Consumer Affairs, to determine whether the regulatory activities of the programs are appropriate and necessary, and whether the programs should be eliminated, modified, or continued. This assessment shall be based on the Department of Consumer Affairs' evaluation of the public benefit of the regulatory activity, the program's success in attaining those benefits, and the data gathered as part of the market condition assessment.

(r) (1) In addition to the commitments described in subdivision (q), the Department of Consumer Affairs shall do both of the following:

(A) Submit to the Legislature any revisions to its strategic business and information systems plans and performance measures in accordance with the schedule established by the administration for submission of strategic plans.

(B) Report semiannually: The Department of Consumer Affairs shall provide an annual report for the previous fiscal year no later than December 31, 1998, and a progress report for the first six months of the current fiscal year no later than April 1, 1999, regarding the status of the implementation of its strategic business and information systems plans, the attainment of its performance targets, and the implementation and impact of the administrative flexibilities provided for the previous fiscal year. The report shall be submitted to the Joint Legislative Budget Committee, the appropriate fiscal committees, and the Department of Finance.

(2) The Department of Consumer Affairs shall not modify its strategic business and information systems plans or performance measures sooner than 60 days after notification, in writing, to the Joint Legislative Budget Committee, the appropriate fiscal committees, and the Department of Finance.

(s) This section shall remain in effect only until the effective date of the Budget Act of 1999 or June 30, 1999, whichever occurs later.

SEC. 4. Section 25761 of the Business and Professions Code is amended to read:

25761. All money collected as fees pursuant to this division, as payments under Section 23096, and under the excise tax provisions of this division or Part 14 (commencing with Section 32001) of Division 2 of the Revenue and Taxation Code shall be deposited in the State Treasury to the credit of the Alcohol Beverage Control Fund, which fund is continued in existence.

The money in the Alcohol Beverage Control Fund shall be expended as follows:

(a) The amount necessary for the allowance of the refunds provided for in this division or Part 14 (commencing with Section 32001) of Division 2 of the Revenue and Taxation Code is hereby appropriated, without regard to fiscal years, to the Controller for payment of these refunds.

(b) All money derived as payment under Section 23096 and from excise taxes under Part 14 (commencing with Section 32001) of

Division 2 of the Revenue and Taxation Code remaining after compliance with subdivision (a) shall be transferred to the General Fund on the order of the Controller.

(c) All original license fees paid on or after July 1, 1998, pursuant to Section 23954.5 shall remain in the Alcohol Beverage Control Fund.

(d) All other money collected as fees and deposited in the Alcohol Beverage Control Fund shall be allocated, upon appropriation by the Legislature, to the Department of Alcoholic Beverage Control for the enforcement and administration of the Alcoholic Beverage Control Act.

(e) Money transferred to the General Fund pursuant to subdivision (b) shall be in lieu of any assessment that would be made on the Department of Alcoholic Beverage Control pursuant to Section 11270 and following of the Government Code.

SEC. 5. Section 25608.2 is added to the Corporations Code, to read:

25608.2. (a) Notwithstanding the fee provisions of subdivision (c) of Section 25608, as they apply to the fee for filing a notice pursuant to paragraph (4) of subdivision (f) of Section 25102, and notwithstanding the fee provisions of subdivisions (a), (b), (c), and (d) of Section 25608.1, the fees set forth in the subdivisions of these two sections shall be suspended for the period July 1, 1998 to June 30, 2000, inclusive.

(b) Commencing July 1, 2000, the fee provisions of subdivision (c) of Section 25608, as they apply to the fee for filing a notice pursuant to paragraph (4) of subdivision (f) of Section 25102, and the fee provisions of subdivisions (a), (b), (c), and (d) of Section 25608.1, shall be the maximum fees that may be levied on a notice filing under subdivision (b) of Section 25100.1, subdivision (f) of Section 25102, and subdivisions (a), (c), and (d) of Section 25102.1. The commissioner, however, may set the notice filing fee under subdivision (c) of Section 25608, as it relates to a notice filing under subdivision (f) of Section 25102, and the notice filing fees under subdivisions (a), (b), (c), and (d) of Section 25608.1, at amounts below the maximum fees set forth in those sections. The commissioner shall set the notice filing fees under those sections for the upcoming fiscal year on or about January 1 of each year. If the commissioner fails to set the notice filing fees for the upcoming fiscal year, then the filing fees shall be the maximum fees that may be levied under those sections for the upcoming fiscal year.

SEC. 6. Section 4217.11 of the Government Code is amended to read:

4217.11. The following terms, whenever used in this chapter, have the meanings given in this section, except where the context clearly indicates otherwise:

(a) "Alternate energy equipment" means equipment for the production or conversion of energy from alternate sources as its

primary fuel source, such as solar, biomass, wind, geothermal, hydroelectricity under 30 megawatts, remote natural gas of less than one billion cubic feet estimated reserves per mile from an existing gas gathering line, natural gas containing 850 or fewer British Thermal Units per standard cubic foot, or any other source of energy, the efficient use of which will reduce the use of fossil or nuclear fuels.

(b) "Cogeneration equipment" means equipment for cogeneration, as defined in Section 218.5 of the Public Utilities Code.

(c) "Conservation measures" means equipment, maintenance, load management techniques and equipment, or other measures to reduce energy use or make for a more efficient use of energy.

(d) "Conservation services" means the electrical, thermal, or other energy savings resulting from conservation measures, which shall be treated as a supply of such energy.

(e) "Energy conservation facility" means alternate energy equipment, cogeneration equipment, or conservation measures located in public buildings or on land owned by public agencies.

(f) "Energy service contract" means a contract entered into by a public agency with any person, pursuant to which the person will provide electrical or thermal energy or conservation services to a public agency from an energy conservation facility.

(g) "Facility financing contract" means a contract entered into by a public agency with any person whereby the person provides financing for an energy conservation facility in exchange for repayment of the financing and all costs and expenses related thereto by the public agency. A facility financing contract may provide for the person with whom the public agency contracts to provide any combination of feasibility studies for, and design and construction of, all or part of the energy conservation facility in addition to the financing and other related services, and may provide for an installment sale purchase, another form of purchase, or amortized lease of the energy conservation facility by the public agency.

(h) "Facility ground lease" means a lease of all, or any portion of, land or a public building owned by, or under lease to, a public agency to a person in conjunction with an energy service contract or a facility financing contract. A facility ground lease may include, in addition to the land on which energy conservation facilities will be located, easements, rights-of-way, licenses, and rights of access, for the construction, use, or ownership by the person of the facility and all related utility lines not owned or controlled by the interconnecting utility, and offsite improvements related thereto. A facility ground lease may also include the addition or improvement of utility lines and equipment owned by the interconnecting utility which are necessary to permit interconnection between that utility and an energy conservation facility.

(i) "Person" means, but is not limited to, any individual, company, corporation, partnership, limited liability company, public agency,

association, proprietorship, trust, joint venture, or other entity or group of entities.

(j) "Public agency" means the state, a county, city and county, city, district, community college district, school district, joint powers authority or other entity designated or created by a political subdivision relating to energy development projects, and any other political subdivision or public corporation in the state.

(k) "Public building" includes any structure, building, facility, or work which a public agency is authorized to construct or use, and automobile parking lots, landscaping, and other facilities, including furnishings and equipment, incidental to the use of any structure, building, facility, or work, and also includes the site thereof, and any easements, rights-of-way appurtenant thereto, or necessary for its full use.

SEC. 7. Section 4217.12 of the Government Code is amended to read:

4217.12. (a) Notwithstanding any other provision of law, a public agency may enter into an energy service contract and any necessarily related facility ground lease on terms that its governing body determines are in the best interests of the public agency if the determination is made at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance, and if the governing body finds:

(1) That the anticipated cost to the public agency for thermal or electrical energy or conservation services provided by the energy conservation facility under the contract will be less than the anticipated marginal cost to the public agency of thermal, electrical, or other energy that would have been consumed by the public agency in the absence of those purchases.

(2) That the difference, if any, between the fair rental value for the real property subject to the facility ground lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the energy service contract.

(b) State agency heads may make these findings without holding a public hearing.

SEC. 8. Section 4217.13 of the Government Code is amended to read:

4217.13. Notwithstanding any other provision of law, a public agency may enter into a facility financing contract and a facility ground lease on terms that its governing body determines are in the best interest of the public agency if the determination is made at a regularly scheduled public hearing, public notice of which is given at least two weeks in advance, and if the governing body finds that funds for the repayment of the financing or the cost of design, construction, and operation of the energy conservation facility, or both, as required by the contract, are projected to be available from revenues resulting from sales of electricity or thermal energy from the facility or from funding that otherwise would have been used for

purchase of electrical, thermal, or other energy required by the public agency in the absence of the energy conservation facility, or both. State agency heads may make these findings without holding a public hearing.

SEC. 9. Section 4217.16 of the Government Code is amended to read:

4217.16. Prior to awarding or entering into an agreement or lease, the public agency may request proposals from qualified persons. After evaluating the proposals, the public agency may award the contract on the basis of the experience of the contractor, the type of technology employed by the contractor, the cost to the local agency, and any other relevant considerations. The public agency may utilize the pool of qualified energy service companies established pursuant to Section 388 of the Public Utilities Code and the procedures contained in that section in awarding the contract.

SEC. 10. Section 4217.17 of the Government Code is amended to read:

4217.17. This chapter does not limit the authority of any public agency to construct energy conservation projects or to enter into other leases or contracts relating to the financing construction, operation, or use of alternate energy type facilities in any manner authorized under existing law. This chapter shall not be construed to abrogate Section 14671.6.

SEC. 11. Section 7591.5 is added to the Government Code, to read:

7591.5. The Secretary of Trade and Commerce shall remove any lien placed in connection with a loan authorized pursuant to Section 7591 by January 1, 1999. In requiring the removal of the lien placed on property owned by the United States Olympic Committee, the Legislature does not intend to relieve the San Diego National Sports Training Foundation from its obligation to repay the loan made pursuant to Section 7591.

SEC. 12. Section 14669.35 of the Government Code is amended to read:

14669.35. (a) The Director of General Services may purchase, exchange, or otherwise acquire real property and construct facilities, including any improvements, betterments, and related facilities, in the County of Sacramento, along the Highway 50 corridor in close proximity or contiguous to the Phase I and II sites of the Franchise Tax Board facilities, and may retrofit the existing Phase I and II buildings and infrastructure, for the purpose of acquiring and constructing approximately 1,000,000 square feet of office and warehouse space for use by state agencies. The site shall be within a reasonable distance of an existing or planned light rail station.

The acquisition of property shall be pursuant to the Property Acquisition Law (Part 11 (commencing with Section 15850)). In no event shall the Department of General Services pay more than fair market value for the sites. The award of construction contracts shall

be to the lowest responsible bidder. The Department of General Services shall determine which agencies will occupy these facilities after consulting with senior administrative staff of the affected agencies and based on which agencies can make the most cost-effective use of the facilities consistent with the programmatic needs of the agencies.

(b) The Department of General Services may contract for the design, construction, construction management, and other services related to the design and construction of the office, warehouse, infrastructure, and parking facilities authorized to be acquired pursuant to subdivision (a). The Department of General Services shall prepare preliminary plans before entering into a construction contract for the project.

(c) (1) The State Public Works Board may issue revenue bonds, negotiable notes, or negotiable bond anticipation notes pursuant to Chapter 5 (commencing with Section 15830) of Part 10b of Division 3 of Title 2 to finance the acquisition of land and facilities for the purposes of this section. The State Public Works Board and the Department of General Services may borrow funds for project costs from the Pooled Money Investment Account pursuant to Sections 16312 and 16313. In the event the bonds authorized by the project are not sold, the Department of General Services shall commit a sufficient amount of its support appropriation to repay any loans made for the project from the Pooled Money Investment Account. It is the intent of the Legislature that this commitment shall be included in future Budget Acts until all outstanding loans from the Pooled Money Investment Account are repaid either through the proceeds from the sale of bonds or from an appropriation. In the event the bonds authorized by the project are not sold, it is the intent of the Legislature to appropriate sufficient funds from the General Fund to the Department of General Services specifically to repay any loans made for the project from the Pooled Money Investment Account.

(2) The amount of revenue bonds, negotiable notes, or negotiable bond anticipation notes to be sold may equal, but shall not exceed the cost of acquisition, including land, construction, preliminary plans and working drawings, construction management and supervision, other costs relating to the design and construction of the facilities, and any additional sums necessary to pay interim and permanent financing costs. The additional amount may include interest and a reasonable required reserve fund.

(3) Authorized costs of the facilities, including land acquisition, preliminary plans, working drawings, and construction shall not exceed two hundred eleven million dollars ($211,000,000).

(4) Notwithstanding Section 13332.11, the State Public Works Board may authorize the augmentation of the amount authorized under this paragraph by up to, but not exceeding, 10 percent of the amount appropriated.

(5) The net present value of the cost to acquire and operate the facilities authorized by subdivision (a) may not exceed the net present value of the cost to lease and operate an equivalent amount of comparable office space, including the present facilities, over the same time period. The Department of General Services shall perform this analysis, and shall obtain interest rates, discount rates, and Consumer Price Index figures from the Treasurer.

(d) The Director of General Services may execute and deliver a contract with the State Public Works Board for the lease of the facilities described in this section that are financed with the proceeds of the board's bonds, notes, or bond anticipation notes issued in accordance with this section.

(e) The Director of General Services shall, not later than 45 days prior to entering into any agreement to construct facilities, as specified in subdivision (a), notify the Chairperson of the Joint Legislative Budget Committee of the pending agreement, including the information specified in paragraph (5) of subdivision (c). It is the intent of the Legislature that the Joint Legislative Budget Committee hold a hearing on the pending agreement.

SEC. 13. Section 15333.3 of the Government Code is amended to read:

15333.3. (a) The California Space and Technology Alliance shall exist to foster the development of activities in California related to space flight including, but not limited to, space vehicle launches, space education and job training infrastructure and research launches, manufacturing, academic research, applied research, economic diversification, business development, tourism, and education. The alliance shall also function as the California Spaceport Authority.

(b) The alliance shall be an official recipient of grants from federal, state, or local government or from private businesses or individuals, for California space flight-related activities, including, but not limited to, studies, services, infrastructure improvements and modernization, and defense transition programs to the extent permitted by law. Any other entity legally eligible may also receive grant funds for these purposes.

(c) The alliance shall be an advocate in support of California space flight-related activities, including, but not limited to, the businesses, facilities, programs, developments, alterations, modifications, educational activities, and other programs impacting those activities.

(d) To the extent authorized under the Internal Revenue Code, the alliance shall define and promote changes in federal, state, and local statutes and regulations that will enhance the development of California space flight-related activities.

(e) (1) To the extent authorized under the Internal Revenue Code, the alliance shall report on the economic and employment impacts of California space flight-related activities to the Governor and the Legislature and other state agencies and commissions

developing laws, regulations, decisions, or determinations affecting those activities.

(2) The alliance shall recommend to the Governor and the Legislature appropriate state funding mechanisms and amounts to promote development of California space flight-related activities.

(f) With regard to the development of California space flight-related activities, the alliance shall provide recommendations to the Governor and the Legislature in the form of strategic planning documents, and shall act as the official policy advisor to the Governor and the Legislature.

(g) On matters relating to space flight-related activities, the alliance shall act as the official representative of state government to the federal government, other state governments, local government agencies, and the private sector.

(h) The alliance shall review space flight-related grant applications on behalf of the Trade and Commerce Agency, the Department of Transportation, and all other state agencies, and shall make recommendations to the agency for award of those grants.

(i) The alliance shall act as a clearinghouse for space flight-related issues and information.

(j) The alliance may perform the activities listed in Section 15346.6.

(k) In accordance with the California Defense Conversion Act of 1993 (Article 3.7 (commencing with Section 15346)) and with the cooperation of the California Defense Conversion Council, the alliance shall coordinate with Regional Technology Alliances in the development of California space flight-related activities to achieve the optimum utilization of defense conversion and other grant funds.

(*l*) The alliance shall foster and promote activities related to space flight in all parts of California, and all of its actions shall be taken to benefit the entire State of California.

(m) The alliance shall be a membership organization open to any person or business interested in California space flight-related activities. It shall be organized as a nonprofit corporation with a board of directors composed of no less than 15, but no more than 27 members. Each director shall serve a three-year term, and shall serve no more than three consecutive terms. Board members shall be selected by the alliance, with no more than 40 percent selected from the space flight industry, no more than 30 percent from local government agencies, and no more than 30 percent from the general public and industries other than space flight. One-third of the board of directors shall be residents of northern California, one-third residents of southern California, and one-third residents of central California. Nonvoting, ex officio board directors may be added at the discretion of the board.

(n) The alliance acting as a corporation may not engage in or hold stock or any controlling interest in for-profit endeavors relating to space flight-related activities.

(o) The alliance shall be accountable to the Secretary of Trade and Commerce and shall provide the secretary with quarterly reports of its activities and finances. The agency shall provide guidance and support to the alliance.

(p) The California Space Flight Competitive Grant Program is hereby established to provide funding, upon appropriation by the Legislature, for the development of activities in California related to space flight. For purposes of this section, space flight activities shall include civil or commercial space transportation systems, new or improved space infrastructure, related space support services, or any additional activities that the alliance deems consistent with this section. Entities conducting activities in California intended to enhance or promote space flight, including public, private, educational, commercial, nonprofit, or for-profit entities are eligible to apply for the California Space Flight Competitive Grants.

(1) To the extent authorized by the Internal Revenue Code, the alliance shall promote California Space Flight Competitive Grants. If funding is appropriated by the Legislature, the alliance shall, at least annually, issue requests for proposals.

(2) (A) The alliance shall develop a minimum baseline set of requirements and points a grant application must receive in order to be considered for funding. Requirements in addition to the minimum baseline set, which are consistent with the goals and objectives of this program, may be added or deleted from each year's grant solicitation.

(B) Any grant application meeting the minimum baseline set of requirements and points described in subparagraph (A) is automatically eligible for consideration in three subsequent grant year solicitations. The applicant is not required to resubmit a new grant application during this time, but, in future grant solicitations, may provide the review panel with any of the following:

(i) Additional information to enhance its current minimum baseline set of requirements and points.

(ii) Any additional information on the grant application that may be necessary to complete any new or existing requirements as provided for in subparagraph (A).

(C) The program shall award grants based upon a competitive application process, addressing, at a minimum, each project's eligibility, a review of the proposal's scientific and technological aspects, and the ability to fulfill the goals of the program.

(q) It is the intent of the Legislature that the following be considered in developing the minimum baseline set of requirements in subparagraph (A) of paragraph (2) of subdivision (p):

(1) Identification of all sources of funding for the entire project, which should include at least one of the following:

(A) A private sector company or companies.

(B) One or more foundations, industry associations, or nonprofit cooperative associations, or any combination thereof.

(C) Tangible or intangible in-kind support, including staff, facilities, applied technology, or other, as defined further in the grant solicitation.

(D) Federal or local government funding.

(2) No substitution of other project funding by this grant.

(3) A demonstration that a majority of the project will be undertaken in California.

(4) Inclusion of one or more of the following in the project, each of which should have significant operations in the state:

(A) Private sector companies.

(B) Foundations, industry associations, or nonprofit cooperative associations.

(5) An agreement among all project participants as to the intellectual property rights relative to the project.

(6) The potential impact on the state's economy.

(7) The cost-effectiveness of the project.

(8) The importance of state funding for the viability of the project.

(9) Cost sharing by other project participants.

(r) In evaluating grant proposals, the alliance shall establish an impartial review panel comprised of technical and scientific experts and government representatives to review grant applications. The panel shall be composed of members from throughout the state who are knowledgeable about activities related to space flight. The panel membership shall be selected so as to afford representation of all parts of the state so far as it is practicable. No more than 30 percent of the panel members shall be government representatives, and all other members shall either be actively involved in industries related to space flight, or technical and scientific experts in activities related to space flight.

(1) The review panel shall review and evaluate California Space Flight Competitive Grant applications based on the grant solicitation requirements. In accordance with subparagraph (A) of paragraph (2) of subdivision (p), a point system shall be developed to evaluate the grant applications similar to those set forth in Sections 8450 and 15379.3. In making evaluations, the review panel shall apply the criteria and priorities as determined by the grant solicitation. The grant review shall include a determination as to whether the project is eligible, the application is complete, and the proposed use of funding is consistent with the requirements of the grant solicitation. The grant review shall also include a determination that there is no conflict of interest, and any other technical evaluation determined necessary.

(2) The review panel shall compile a preliminary list of grant applications for projects determined to be qualified pursuant to paragraph (1), and submit the list to a coalition composed of the review panel, the center, and the Trade and Commerce Agency, each of which shall have one vote.

(3) The coalition shall rank grant applications on the preliminary list by the degree to which each meets the criteria described in the grant solicitation, and shall forward this final, consolidated list to the Secretary of Trade and Commerce for awarding of grant funding. The final, consolidated list may include the coalition's recommendation as to the amount of state funding for each grant application, potential multiyear funding of a grant application which must be encumbered in a single fiscal year, or both.

(4) The Secretary of Trade and Commerce shall award grants, based on the review coalition's final recommendation list, and to the extent funds are available, to applications receiving the highest ranking, unless the secretary finds that changes to the ranking are necessary due to noncompliance with the grant solicitation criteria or because they pose conflicts of interest. The Secretary of Trade and Commerce may overturn a recommendation by the coalition only if the secretary finds clear and convincing evidence to support that action. A report on the funding determination shall be transmitted to the Governor and the chairs of the Senate and Assembly fiscal committees.

(s) The alliance is not eligible to apply for grant funding under this section.

(t) The alliance may establish an advisory committee to provide input, evaluation, program funding recommendations, and other recommendations on the California Space Flight Competitive Grant Program. The committee may also provide recommendations on other space flight-related issues, as directed by the alliance. The committee membership may include representatives from local governments, industry, civic and research organizations, or the general public located in areas with active grant applications. The committee may also include members from throughout the state with an interest in space flight activities.

(u) Nothing in this section shall preclude the state from providing alternative funding allocations for space-related activities.

SEC. 14. Section 15333.4 of the Government Code is amended to read:

15333.4. (a) The Highway to Space Program is hereby established to promote the development of a commercial space transportation system based in California. Any entity conducting commercial space flight-related activities in California may choose to participate in the Highway to Space Program.

(b) To the extent authorized by the Internal Revenue Code, the Western Commercial Space Center, a nonprofit corporation, shall be charged with promotion and coordination of entities choosing to participate in the Highway to Space Program.

(c) The Highway to Space Competitive Grant Program is hereby established to provide funding, upon appropriation by the Legislature, for the development of activities in California related to commercial space infrastructure. For purposes of this section,

commercial space infrastructure shall include civil or commercial space transportation systems, new or improved space infrastructure, related space support services, or any additional activities that the center deems consistent with these specifications. Entities conducting activities in California intended to enhance or promote commercial space infrastructure or space flight, including public, private, educational, commercial, nonprofit, or for-profit entities are eligible to apply for the Highway to Space Competitive Grants.

(1) To the extent authorized by the Internal Revenue Code, the center shall promote Highway to Space Competitive Grants. If funding is appropriated by the Legislature, the center shall, at least annually, issue requests for proposals.

(2) (A) The center shall develop a minimum baseline set of requirements and points a grant application must receive to be considered for funding. Requirements in addition to the minimum baseline set, which are consistent with the goals and objectives of this program, may be added or deleted from each year's grant solicitation.

(B) Any grant application meeting the minimum baseline set of requirements and points in paragraph (2) is automatically eligible for consideration in three subsequent grant year solicitations. The applicant is not required to resubmit a new grant application during this time, but may, in future grant solicitations, provide the review panel with any of the following:

(i) Additional information to enhance its current minimum baseline set of requirements and points.

(ii) Any additional information on the grant application that may be necessary to complete any new or existing requirements as provided for in subparagraph (A).

(C) The program shall award grants based upon a competitive application process, addressing, at a minimum, each project's eligibility, a review of the proposal's scientific and technological aspects, and the ability to fulfill the goals of the program.

(d) It is the intent of the Legislature that the following be considered in developing the minimum baseline set of requirements in subparagraph (A) of paragraph (2) of subdivision (c):

(1) Identification of all sources or funding for the entire project, which should include at least one of the following:

(A) A private sector company or companies.

(B) One or more foundations, industry associations, or nonprofit cooperative associations.

(C) Tangible or intangible in-kind support including staff, facilities, applied technology, or other, as defined further in the grant solicitation.

(D) Federal or local government funding.

(2) No substitution of other project funding by this grant.

(3) A demonstration that a majority of the project will be undertaken in California.

(4) Inclusion of one or more of the following in the project, each of which should have significant operations in the state:

(A) Private sector companies.

(B) Foundations, industry associations, or nonprofit cooperative associations.

(5) An agreement among all project participants as to the intellectual property rights relative to the project.

(6) The potential impact on the state's economy.

(7) The cost-effectiveness of the project.

(8) The importance of state funding for the viability of the project.

(9) Cost sharing by other project participants.

(e) In evaluating grant proposals, the center shall establish an impartial review panel comprised of technical and scientific experts and government representatives to review grant applications. The panel shall be composed of members from throughout the state who are knowledgeable of commercial space infrastructure, or related activities. The panel membership shall be selected so as to afford representation of all parts of the state so far as is practicable. No more than 30 percent of the panel members shall be government representatives, and all other members shall either be actively involved in industries related to space flight, or technical and scientific experts in activities related to space flight.

(1) The review panel shall review and evaluate Highway to Space Competitive Grant applications, based on the grant solicitation requirements. In accordance with subparagraph (A) of paragraph (2) of subdivision (c), a point system shall be developed to evaluate the grant applications similar to those set forth in Sections 8450 and 15379.3. In making evaluations, the review panel shall apply the criteria and priorities, as determined by the grant solicitation. The grant review shall include a determination as to whether the project is eligible, the application is complete, and the proposed use of funding is consistent with the requirements of the grant solicitation. The grant review shall include a determination that there is no conflict of interest, and any other technical evaluation determined necessary.

(2) The review panel shall compile a preliminary list of grant applications for projects determined to be qualified pursuant to paragraph (1), and submit the list to a coalition composed of the review panel, the alliance, and the Trade and Commerce Agency, each of which shall have one vote.

(3) The coalition shall rank grant applications on the preliminary list by the degree to which each meets the criteria described in the grant solicitation and shall forward this final, consolidated list to the Secretary of Trade and Commerce for awarding of grant funding. The list may include the coalition's recommendation as to the amount of state funding for each grant application, potential multiyear funding of a grant application which must be encumbered in a single fiscal year, or both.

(4) The Secretary of Trade and Commerce shall award grants, based on the coalition's final recommendation list, and to the extent funds are available, to applications receiving the highest ranking, unless the secretary finds that changes to the ranking are necessary due to noncompliance with the grant solicitation criteria or because they pose conflicts of interest. The Secretary of Trade and Commerce may overturn a recommendation by the coalition only if the secretary finds clear and convincing evidence to support that action. A report on the funding determination shall be transmitted to the Governor and the chairs of the Senate and Assembly fiscal committees.

(f) The center is not eligible to apply for grant funding under this section.

(g) The Western Commercial Space Center shall be an official recipient of grants from federal, state, or local government or from private businesses or individuals, for Highway to Space Program activities, including, but not limited to, studies, services, infrastructure improvements and modernization, and defense transition programs, to the extent permitted by law. Any other entity legally eligible may also receive grant funds for these purposes.

(h) The Western Commercial Space Center acting as a corporation may not engage in or hold stock or any controlling interest in for-profit endeavors relating to space flight-related activities.

(i) The center may establish an advisory committee to provide input, evaluation, program funding recommendations, and other recommendations on the Highway to Space Competitive Grant Program. The committee may also provide recommendations on other space flight-related issues, as directed by the center. The committee membership may include representatives from local governments, industry, civic and research organizations, or the general public located in areas with active grant applications. The committee may also include members from throughout the state with an interest in space flight activities.

(j) Nothing in this section shall preclude the state from providing alternative funding allocations for space-related activities.

SEC. 15. The Legislature finds and declares:

(a) In 1996, the Legislature restructured the monopoly electric industry, creating a competitive generation market and new market institutions to manage the interconnected electricity transmission and generation system.

(b) In implementing California's competitive market, the commission ordered electrical corporations to sell their power plants to mitigate potential monopoly power in the competitive generation market.

(c) The change in ownership of certain bayside located power plants could lead to adverse environmental, health and safety

impacts for local communities if these power plants are operated more intensively.

(d) Additionally, the commission has embarked upon an extensive series of proceedings to develop the framework to guide the behavior of its regulated entities in emerging competitive energy markets.

(e) These proceedings as well as the larger industry restructuring enterprise have altered long-standing relationships between regulated and unregulated entities, local and statewide interests, customers and sellers, and the electricity and natural gas industries.

(f) In the interests of an orderly transition that may be readily assimilated by consumers, there is now a need for a period of adjustment and consolidation to allow communities to proactively manage potential environmental impacts and to ensure that further energy industry restructuring efforts proceed at a deliberate pace.

SEC. 16. Section 363 of the Public Utilities Code is amended to read:

363. (a) In order to ensure the continued safe and reliable operation of public utility electric generating facilities, the commission shall require in any proceeding under Section 851 involving the sale, but not spinoff, of a public utility electric generating facility, for transactions initiated prior to December 31, 2001, and approved by the commission by December 31, 2002, that the selling utility contract with the purchaser of the facility for the selling utility, an affiliate, or a successor corporation to operate and maintain the facility for at least two years. The commission may require these conditions to be met for transactions initiated on or after January 1, 2002. The commission shall require the contracts to be reasonable for both the seller and the buyer.

(b) Subdivision (a) shall apply only if the facility is actually operated during the two-year period following the sale. Subdivision (a) shall not require the purchaser to operate a facility, nor shall it preclude a purchaser from temporarily closing the facility to make capital improvements.

(c) For those bayside fossil fueled electric generation and associated transmission facilities that an electrical corporation has proposed to divest in a public auction and for which the Legislature has appropriated state funds in the Budget Act of 1998 to assist local governmental entities in acquiring the facilities or to mitigate environmental and community issues, and where the local governmental entity proposes that the closure of the power plant would serve the public interest by mitigating air, water and other environmental, health and safety, and community impacts associated with the facilities, and where the local governmental entity and electrical corporation have engaged in significant negotiations with the purpose of shutting down the power plant, and where there is an agreement between the electrical corporation and the local governmental entity for closure of the facilities or for the local governmental entity to acquire the facilities, the commission shall

approve the closure of these facilities or the transfer of these electric generation and associated transmission facilities to the local governmental entity and shall consider the utility transactions with the community to be just and reasonable for its ratepayers. For purposes of calculating the Competition Transition Charge, the commission shall not use any inferred market value for the facilities predicated on the continued use of the plant, the construction of successor facilities or alternative use of the site and shall net the costs of the depreciated book value of the power plant and the unrecovered costs of decommissioning, environmental remediation and site restoration against the net proceeds received from the local governmental entity for the acquisition or closure of the facilities. Thereafter, any net proceeds received from the ultimate disposition, by the electrical corporation, of the site shall be credited to recovery of Competition Transition Charges.

SEC. 17. Section 4 of Chapter 913 of the Statutes of 1995 is amended to read:

Sec. 4. The sum of three million five hundred thousand dollars ($3,500,000) is hereby appropriated, without regard to fiscal years, from the General Fund to the Secretary of State as a loan, and shall be repaid with interest at the Pooled Money Investment Account rate not later than December 31, 2000, upon those terms and conditions deemed appropriate by the Director of Finance, including those specified in Section 5 of this act, for the purposes of implementing and administering Section 2168 of the Elections Code. Any expenditure of these funds shall be contingent upon successful completion by the Secretary of State of all necessary state procurement requirements, including the alternative procurement process, and approval of a feasibility study report by the Office of Technology and the Department of Finance.

SEC. 18. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to effectuate the necessary statutory changes to implement the Budget Act of 1998, it is necessary that this act take effect immediately.

CHAPTER 329

An act to amend Sections 8263, 8263.1, 8351, 8353, 8354, and 8358 of, and to add Section 8350.5 to, the Education Code, to amend Section 1596.67 of, to add Section 1588.3 to, the Health and Safety Code, to amend Sections 10005 and 10206 of, to add Section 1611.6 to, the Unemployment Insurance Code, to amend Sections 10069, 11453, 14132.90, 14132.95, 17000.6, 18221, 18932, 18960, 18963, 18996, 19356.7,

19629, 19800, 19802, 19803, and 19806 of, to amend and repeal Section 19356.6 of, to amend, repeal, and add Section 18930 of, to add Sections 10075.5, 10075.6, 11402.1, 12201.04, 12305.1, 18901.7, and 18930.5 to, to add Chapter 4 (commencing with Section 10080) to Part 1 of, to add Chapter 2.3 (commencing with Section 16135) to Part 4 of, to add Chapter 14.1 (commencing with Section 18994) to Part 6 of, Division 9 of, to add and repeal Chapter 10.3 (commencing with Section 18937) of Part 6 of Division 9 of, and to repeal Sections 10070, 10074, 10075, 10815, and 19806.1 of, the Welfare and Institutions Code, relating to human services, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 8263 of the Education Code is amended to read:

8263. (a) The Superintendent of Public Instruction shall adopt rules and regulations on eligibility, enrollment, and priority of services needed to implement this chapter. In order to be eligible for federal and state subsidized child development services, families shall meet at least one requirement in each of the following areas:

(1) A family is (A) a current aid recipient, (B) income eligible, (C) homeless, or (D) one whose children are recipients of protective services, or whose children have been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited.

(2) A family needs the child care service because the child is identified by a legal, medical, social service agency, or emergency shelter as (A) a recipient of protective services, (B) being neglected, abused, or exploited, or at risk of neglect, abuse, or exploitation, or (C) having a medical or psychiatric special need which cannot be met without provision of child day care, or the parents are (i) engaged in vocational training leading directly to a recognized trade, paraprofession, or profession, (ii) employed or seeking employment, (iii) seeking permanent housing for family stability, or (iv) incapacitated, including a medical or psychiatric special need which cannot be met without provision of child day care.

(b) Except as provided in Article 15.5 (commencing with Section 8350), priority for state and federally subsidized child development services is as follows:

(1) First priority shall be given to neglected or abused children who are recipients of child protective services, or recipients who are at risk of being neglected or abused, upon written referral from a legal, medical, or social service agency. When an agency is unable to enroll a child in the first priority category, the agency shall refer the

family to local resource and referral services to locate services for the child.

(2) Second priority shall be equally given to eligible families, regardless of the number of parents in the home, who are income eligible. Within this priority, families with the lowest gross monthly income in relation to family size, as determined by a schedule adopted by the superintendent, shall be admitted first. When two or more families are in the same priority in relation to income, the family that has been on the waiting list for the longest amount of time shall be admitted first. For purposes of determining order of admission, the grants of public assistance recipients shall be counted as income.

(3) The superintendent shall set criteria for and may grant specific waivers of the priorities established in this subdivision for agencies that wish to serve specific populations, including disabled children or children of prisoners. These new waivers shall not include proposals to avoid appropriate fee schedules or admit ineligible families, but may include proposals to accept members of special populations in other than strict income order, as long as appropriate fees are paid.

(c) Notwithstanding any other provision of law, in order to promote continuity of services, a family enrolled in a state or federally funded child care and development program whose services would otherwise be terminated because the family no longer meets the program income, eligibility, or need criteria may continue to receive child development services in another state or federally funded child care and development program if the contractor is able to transfer the family's enrollment to another program for which the family is eligible prior to the date of termination of services or to exchange the family's existing enrollment with the enrollment of a family in another program, provided that both families satisfy the eligibility requirements for the program in which they are being enrolled. The transfer of enrollment may be to another program within the same administrative agency or to another agency that administers state or federally funded child care and development programs within that county.

(d) A physical examination and evaluation, including age-appropriate immunization, shall be required prior to, or within six weeks of, enrollment. No standard, rule, or regulation shall require medical examination or immunization for admission to a child care and development program of a child whose parent or guardian files a letter with the governing board of the child care and development program stating that the medical examination or immunization is contrary to his or her religious beliefs, or provide for the exclusion of a child from the program because of a parent or guardian having filed the letter. However, whenever there is good cause to believe that a child is suffering from a recognized contagious or infectious disease, the child shall be temporarily excluded from the

program until the governing board of the child care and development program is satisfied that any contagious or infectious disease does not exist.

(e) Regulations formulated and promulgated pursuant to this section shall include the recommendations of the State Department of Health Services relative to health care screening and the provision of health care services. The superintendent shall seek the advice and assistance of these health authorities in situations where service under this chapter includes or requires care of ill or disabled children.

(f) The superintendent shall establish a fee schedule for families utilizing child care and development services pursuant to this chapter. The income of a recipient of federal supplemental security income benefits pursuant to Title XVI of the Federal Social Security Act (42 U.S.C. Sec. 1381 et seq.) and state supplemental program benefits pursuant to Title XVI of the Federal Social Security Act and Chapter 3 (commencing with Section 12000) of Part 3 of Division 9 of the Welfare and Institutions Code shall not be included as income for the purposes of determining the amount of the family fee. The fee schedule shall include, but not be limited to, the following restrictions:

(1) No fees shall be assessed for families whose children are enrolled in the state preschool program.

(2) A contractor or provider may require parents to provide diapers. A contractor or provider offering field trips either may include the cost of the field trips within the service rate charged to the parent or may charge parents an additional fee. No federal or state money shall be used to reimburse parents for the costs of field trips if those costs are charged as an additional fee. A contractor or provider that charges parents an additional fee for field trips shall inform parents, prior to enrolling the child, that a fee may be charged and that no reimbursement will be available. A contractor or provider may charge parents for field trips or require parents to provide diapers only under the following circumstances:

(A) The provider has a written policy that is adopted by the agency's governing board that includes parents in the decisionmaking process regarding both of the following:

(i) Whether or not, and how much, to charge for field trip expenses.

(ii) Whether or not to require parents to provide diapers.

(B) The maximum total of charges per child in a contract year does not exceed twenty-five dollars ($25).

(C) No child is denied participation in a field trip due to the parent's inability or refusal to pay the charge. No adverse action shall be taken against any parent for that inability or refusal.

Each contractor or provider shall establish a payment system that prevents the identification of children based on whether or not their parents have paid a field trip charge.

Expenses incurred and income received for field trips pursuant to this section, shall be reported to the State Department of Education. The income received for field trips shall be reported specifically as restricted income.

(g) The superintendent shall establish guidelines for the collection of employer-sponsored child care benefit payments from any parent whose child receives subsidized child care and development services. These guidelines shall provide for the collection of the full amount of the benefit payment, but not to exceed the actual cost of child care and development services provided, notwithstanding the applicable fee based on the fee schedule.

(h) The superintendent shall establish guidelines according to which the director or a duly authorized representative of the child care and development program will certify children as eligible for state reimbursement pursuant to this section.

(i) No public funds shall be paid directly or indirectly to any agency that does not pay at least the minimum wage to each of its employees.

SEC. 2. Section 8263.1 of the Education Code is amended to read:

8263.1. (a) For purposes of this chapter, "income eligible" means that a family's adjusted monthly income is at or below 75 percent of the state median income, adjusted for family size, and adjusted annually. The income of a recipient of federal supplemental security income benefits pursuant to Title XVI of the Federal Social Security Act (42 U.S.C. Sec. 1381 et seq.) and state supplementary program benefits pursuant to Title XVI of the Federal Social Security Act and Chapter 3 (commencing with Section 12000) of Part 3 of Division 9 of the Welfare and Institutions Code shall not be included as income for the purposes of determining eligibility for child care under this chapter.

(b) As of January 1, 1998, children in subsidized child care programs with an exit criteria of 100 percent of the state median income, whose family income adjusted for family size, is above 75 percent of the state median income shall not be displaced and shall continue to receive child care services as long as they continue to meet the criteria that apply to the program on December 31, 1997. The parent fee schedule for these programs in effect on December 31, 1997, shall continue to be applied until the department adopts a new fee schedule that applies to these families.

SEC. 3. Section 8350.5 is added to the Education Code, to read:

8350.5. Current CalWORKs recipients are eligible for all child care services under this article as long as they continue to receive aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program. Family size and income, for purposes of calculating family fees, shall be determined pursuant to Section 8263.

SEC. 4. Section 8351 of the Education Code is amended to read:

8351. (a) The county welfare department shall manage the first stage during which a family shall receive a child care subsidy for any legal care chosen by the parent. The first stage begins upon the entry of a person into the program prescribed by Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code.

(b) A county shall move recipients out of this first response stage as quickly as possible after the county determines that the need for child care is stable. A recipient may be served in this stage for a maximum of six months. The six-month time limit may be extended if the county determines that the recipient's situation is too unstable to be shifted to the second stage or if no funds are available to provide child care services in the second stage.

(c) Former CalWORKs recipients who cannot be transitioned from the first stage of child care because no funded slot is available are eligible to receive the first stage and any subsequent stage two child care services for up to a total of 24 months after they leave cash aid, or until they are otherwise ineligible within that 24-month period. Family size and income for purposes of determining eligibility and family fee shall be determined pursuant to Sections 8263 and 8263.1.

(d) A county may contract with public or private child care providers to provide any or all of the services during the first stage. If the county welfare department elects to contract with any child care provider that is also under contract with the State Department of Education, these contracts shall be consistent with state law.

SEC. 5. Section 8353 of the Education Code is amended to read:

8353. (a) The second stage of child care begins when the county determines that the recipient's work or approved work activity is stable or when a recipient is transitioning off of aid and child care is available through a local stage two program. The local stage two agency shall assist in moving families to stage three as quickly as feasible. Former CalWORKs recipients are eligible to receive child care services in stage one and stage two for up to a total of no more than 24 months after they leave cash aid, or until they are otherwise ineligible within that 24-month period. Family size and income for purposes of determining eligibility and calculating the family fee shall be determined pursuant to Sections 8263 and 8263.1.

(b) The second stage shall be administered by agencies contracting with the State Department of Education. These contractors may be either agencies that have an alternative payment contract pursuant to Section 8220.1 or county welfare departments that choose to administer this stage in order to continue to provide child care services for recipients or former recipients of aid. If the county chooses to contract with the department to provide alternative payment services, this contract shall not displace, or result in the reduction of an existing contract of, a current alternative payment program.

SEC. 6. Section 8354 of the Education Code is amended to read:

8354. (a) The third stage of child care begins when a funded space is available. CalWORKs recipients are eligible for the third stage of child care. Persons who received a lump-sum diversion payment and former CalWORKs participants are eligible if they have an income that does not exceed 75 percent of the state median income. The third stage shall be administered by programs contracting with the State Department of Education. Parents' eligibility for child care and development services will be governed by Section 8263 and regulations adopted by the State Department of Education.

(b) In order to move welfare recipients and former recipients from their relationship with county welfare departments to relationships with institutions providing services to working families, it is the intent of the Legislature that families that are former recipients of aid, or are transitioning off aid, receive their child care assistance in the same fashion as other low-income working families. Therefore, it is the intent of the Legislature that families no longer rely on county welfare departments to obtain child care subsidies beyond the time they are receiving other services from the welfare department.

(c) A county welfare department shall not administer the third stage of child care for CalWORKs recipients except to the extent to which it delivered those services to families receiving, or within one year of having received, Aid to Families with Dependent Children prior to the enactment of this section.

(d) This article does not preclude county welfare departments from operating an alternative payment program under contract with the State Department of Education to serve families referred by child protective services.

SEC. 7. Section 8358 of the Education Code is amended to read:

8358. (a) By January 31, 1998, the State Department of Education and the State Department of Social Services shall design a form for license-exempt child care providers to use for certifying health and safety requirements to the extent required by federal law. Until the form is adopted, the information required pursuant to Section 11324 of the Welfare and Institutions Code shall continue to be maintained by the county welfare department or contractor, as appropriate.

(b) By January 31, 1998, the State Department of Education and the State Department of Social Services shall do all of the following:

(1) Design a standard process for complaints by parents about the provision of child care that is exempt from licensure.

(2) Design, in consultation with local planning councils, a single application for all child care programs and all families.

(3) Present recommendations to the Legislature on ways to consolidate state and federal child care programs.

(c) (1) County welfare departments and alternative payment programs shall encourage all providers who are licensed or who are exempt from licensure and who are providing care under Section 8151, 8153, or 8155, to secure training and education in basic child development.

(2) Child care provider job training provided to CalWORKs recipients that is funded by either the State Department of Education or the State Department of Social Services shall include information on becoming a licensed child care provider.

(d) The State Department of Education shall increase consumer education and consumer awareness activities so that parents will have the information needed to seek child care of high quality. High quality child care shall include both licensed and license-exempt care.

SEC. 8. Section 1588.3 is added to the Health and Safety Code, to read:

1588.3. The grant amount available from funds appropriated through the Budget Act for the Adult Day Health Care Program shall not exceed one hundred thousand dollars ($100,000) for a single project.

SEC. 9. Section 1596.67 of the Health and Safety Code is amended to read:

1596.67. (a) To the extent permitted by federal law, each child care provider, as defined by Section 1596.60, who receives compensation, in whole or in part, under Stage 1 of the CalWORKs Child Care Program pursuant to Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code, for providing child care for a recipient or former recipient, except a provider who is, by marriage, blood, or court decree, the grandparent, aunt, or uncle of the child in care, shall be registered pursuant to Sections 1596.603 and 1596.605 in order to be eligible to receive this compensation. Active trustline registration is required for providers who receive compensation under Stage 1 of the CalWORKs Child Care Program pursuant to Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code, for providing child care for a recipient or former recipient only to the extent permitted by that law and the regulations adopted pursuant thereto. This section applies only to a license-exempt child care provider, as defined by Section 1596.60, who registers for payment under Stage 1 of the CalWORKs Child Care Program pursuant to Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code, for providing child care for a recipient or former recipient after the implementation of the trustline registration system in those programs. A provider, as defined by Section 1596.60, who was exempted from trustline registration because the provider was not compensated, in whole or in part, with funds provided under Stage 1 of the CalWORKs Child Care Program pursuant to Article 15.5

(commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code, for providing child care for a recipient or former recipient shall be registered, at no cost to the provider, pursuant to Sections 1596.603 and 1596.605 when either of the following occur:

(1) The provider begins to provide child care to an eligible family for which he or she has not provided care.

(2) The provider begins to provide child care to an eligible family subsequent to a lapse in providing care that is compensated under Stage 1 of the CalWORKs Child Care Program pursuant to Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code, for providing child care for a recipient or former recipient.

(b) Payment provided pursuant to subdivision (a) shall cease if the provider has a criminal conviction for which the department has not granted a criminal record exemption pursuant to subdivision (f) of Section 1596.871.

(c) Subdivision (a) shall not be implemented unless funding for trustline registration is appropriated to the department for this purpose in the annual Budget Act or in other legislation. The department shall enter into a contract with the California Child Care Resource and Referral Network to administer the trustline as it relates to providers who are compensated under Stage 1 of the CalWORKs Child Care Program pursuant to Article 15.5 (commencing with Section 8350) of Chapter 2 of Part 6 of the Education Code, for providing child care for a recipient or former recipient.

SEC. 10. Section 1611.6 is added to the Unemployment Insurance Code, to read:

1611.6. Notwithstanding the provisions of subdivision (d) of Section 1611, of the funds appropriated to the Employment Training Panel by the Budget Act of 1998, all funds, not encumbered by June 30, 1999, shall be returned to the Employment Training Fund.

SEC. 11. Section 10005 of the Unemployment Insurance Code is amended to read:

10005. The unit of general local government or each unit of general local government that is a member of a consortium described in Section 15025, and which shall be represented by the chief local elected official described in subsection (c) of Section 103 of the federal Job Training Partnership Act (29 U.S.C. Sec. 1513(c)), shall be liable to the department for all federal welfare-to-work funds distributed pursuant to subdivision (a) of Section 10003 that are not expended in accordance with this chapter and federal welfare-to-work grant program provisions.

SEC. 12. Section 10206 of the Unemployment Insurance Code is amended to read:

10206. (a) The panel may allocate money in the fund for any of the following purposes:

(1) Reimbursement of reasonable training costs, and administrative costs incurred by contractors. In making a determination of costs to be reimbursed under this paragraph, the panel may allocate funds in accordance with any of the following methods:

(A) For purposes of providing simplified fixed-fee performance contracts, a flat rate per hour for categories of training that are substantially similar with respect to content, methodology, and duration, as determined by the panel, not to exceed the reasonable and normal costs for the training. The panel shall periodically adjust the standardized rates established pursuant to this paragraph to reflect changes in training costs.

(B) A complete review of the proposal and its costs, including a budget listing the planned costs of training, including personnel, fringe benefits, equipment, supplies, fees for consulting or administrative services, and other costs attributable to training; the services provided by subcontractors; the length and complexity of the training; the method of training; the wages and occupations following training; whether the trainees are new hires or retrainees; and the cost of similar training that the panel has funded previously. The cost of administration shall not exceed 15 percent of the training costs under this paragraph, except that for new hire training the panel may fund administrative costs of up to 25 percent of the training cost.

(C) The panel may modify the specific requirements of this paragraph as they apply to employers or contractors proposing projects that involve training for a significant number of small employers in the same project.

(D) A contractor is prohibited from utilizing any funds earned or paid as advances or progress payments for the purpose of making payments to any other individual or entity, either directly or indirectly, for costs incurred as a finder's fee or for other compensation related to the predevelopment or development phase of a training program, which is based on a percentage of the preliminary or final panel award to the contractor for the training project.

(2) (A) Costs of program administration incurred under this chapter. These costs shall be reviewed annually by the Department of Finance and the Legislature and determined through the normal budgetary process.

The panel's administrative costs for the 1997–98 and 1998–99 fiscal years, exclusive of the cost of administering Section 976.6, shall not exceed 15 percent of the amount annually appropriated for expenditure by the panel.

(B) For purposes of calculating the amount available for the panel's administrative costs pursuant to subparagraph (A), the base amount shall not include funds disencumbered from Employment Training Fund job-training contracts.

(C) Expenditures for marketing, research, and evaluations provided under the contract to the panel under paragraph (1) that otherwise would have been provided directly by the panel shall not be included in this limitation.

(3) Service related to the purposes of this chapter provided by the Small Business Development Centers pursuant to an interagency agreement with the Trade and Commerce Agency.

(b) For all training contracts, the panel shall establish requirements for in-kind contributions by either the contractor or the employer that reflect a substantial commitment on the part of the contractor or the employer to the value of the training. In developing these requirements, the panel shall take into account the ability of the contractor or the employer, because of size or financial condition, to make any contribution, and the ability of the Employment Training Fund to meet the demand for training authorized by this chapter. Contributions shall be evaluated against plans required in subparagraph (A) of paragraph (2) of subdivision (b) of Section 10201 to sustain a commitment to workplace training after the contract ends. In developing policies regarding in-kind contributions, the panel shall hold public hearings.

(c) In order to encourage successful new hire training, the panel shall develop a new hire cost reimbursement system. The new hire cost reimbursement system shall recognize the additional risk attendant to new hire training if the contractor successfully meets at least 60 percent of the training and placement goals of a new hire contract. The reimbursement system authorized by this subdivision shall discourage excessive overenrollment at the beginning of the contract, and shall not provide reimbursements if the training and placement goals are achieved primarily through modification of the original contract. The new hire cost reimbursement system provided for in this subdivision shall remain in effect only until December 31, 1995.

SEC. 13. Section 10069 of the Welfare and Institutions Code is amended to read:

10069. The committee shall advise the department on the development and implementation of a statewide electronic benefits transfer system, and shall provide advice concerning the request for proposal. The system shall have the capability to deliver food stamps and, upon the election of the county, benefits under Chapter 2 (commencing with Section 11200) of Part 3. The system may also be used, with the approval of the department, for the distribution of other benefits. Any electronic benefits transfer processor shall be capable of implementing systems within nine months of contracting for services.

SEC. 14. Section 10070 of the Welfare and Institutions Code is repealed.

SEC. 15. Section 10074 of the Welfare and Institutions Code is repealed.

SEC. 16. Section 10075 of the Welfare and Institutions Code is repealed.

SEC. 17. Section 10075.5 is added to the Welfare and Institutions Code, to read:

10075.5. The state shall be responsible for procuring and contracting for a statewide electronic benefits transfer system.

SEC. 18. Section 10075.6 is added to the Welfare and Institutions Code, to read:

10075.6. The Health and Welfare Agency Data Center shall be the project manager of the electronic benefits transfer system, and shall be responsible for system planning, procurement, development, implementation, conversion, maintenance and operations, contract management, and all other activities that are consistent with a state-managed project and a statewide system.

SEC. 19. Chapter 4 (commencing with Section 10080) is added to Part 1 of Division 9 of the Welfare and Institutions Code, to read:

CHAPTER 4. CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM

10080. (a) The Legislature finds and declares the following:

(1) The failure of the Statewide Automated Child Support System (SACSS) has left California without a statewide automated child support system as required by federal law and subjects the state to significant federal penalties.

(2) A statewide automated child support system is essential to an effective child support collection system that keeps children out of poverty and reduces welfare costs.

(b) It is, therefore, the intent of the Legislature to accomplish all of the following:

(1) To create a statewide automated child support system that will ensure child support collections will continue to increase during the development of the statewide system and minimize federal penalties.

(2) Ensure, in the short term, the orderly transition of counties to selected automation systems that comply with the federal child support distribution rules that send more child support to children and families.

(3) To establish an interim system that will comply with federal requirements, effectively assist in the collection of child support and minimize federal penalties.

(4) To establish the best long-term solution for statewide child support automation.

10081. The definitions contained in this section shall govern the construction of this chapter, unless the context requires otherwise:

(a) "Consortia" means a single county or two or more counties that have entered into an agreement to use jointly and maintain a common automated child support system that interfaces with the central state automated child support functions as specified by the

department. In order to be classified as a consortia, the system shall meet all federal requirements for an alternative system as well as all requirements set forth by the department. For purposes of this chapter, the system used in Los Angeles County shall be considered to be a consortium.

(b) "Department" means the State Department of Social Services.

(c) "Plan of cooperation for automation" means an agreement between a county district attorney and the department that specifies the responsibilities, activities, and milestones in regard to automation that provides the authority for the department to pass through funding to the counties for automation.

(d) "Statewide automated system" means the automated child support system that interconnects all California counties, except Los Angeles County, by a single automated system. If approved by the United States Secretary of Health and Human Services, "statewide automated system" may also mean a combination of interconnected automated child support systems, as specified by the department, including the system used by Los Angeles County.

(e) "SACSS County" means a county that had converted all or a portion of its cases into live production on the Statewide Automated Child Support System and was still operating that system as of November 20, 1997. These counties are Alpine, Amador, Colusa, Del Norte, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Napa, Placer, Plumas, San Luis Obispo, Sierra, Siskiyou, Shasta, Trinity, and Ventura.

(f) "California Child Support Automation" system means a consortia-based statewide automated system containing up to four linked consortia systems.

10082. Each county shall, by October 1, 1998, select one of the following consortia systems:

(a) The Los Angeles ACSES Replacement System (ARS).

(b) The Best Enforcement Support Technology (BEST).

(c) The Computer Assisted Support Enforcement System (CASES).

(d) The Computer Has All Support Expertise Required (CHASER).

(e) KIDZ.

(f) Support Through Automated Resources/Keeping Integrated Data on System (STAR/KIDS).

(g) The San Diego consortium.

10083. (a) The department and Health and Welfare Agency Data Center, in consultation with the county district attorneys, shall be responsible for developing a linked statewide automated child support system for the purpose of child support enforcement.

(b) To the extent authorized by federal and state law, the system developed pursuant to this section shall consist of no more than four

linked county consortia, a state distribution unit, a statewide case registry, and all other data bases and necessary interfaces.

(c) The system shall function as a statewide system and shall maximize all federal financial participation requirements. The department shall seek, at the earliest possible date, all federal approvals and waivers necessary to secure federal financial participation and system design approval. It is the intent of the Legislature that General Fund moneys and federal funds shall be used to develop the interfaces between the ARS and the state distribution unit and the statewide case registry.

(d) The ARS, BEST, CASES, CHASER, KIDZ, STAR/KIDS, and the San Diego systems shall be the only systems that are eligible to be one of the not more than four consortia systems. The ARS shall be one of the four consortia.

(1) All consortia systems shall be in compliance with distribution requirements of Public Law 104-193 by October 1, 1998. Any system that is determined not in compliance shall not receive General Fund moneys for meeting these requirements for the period of noncompliance beyond that date. The determination of whether a consortium system is in compliance with these requirements shall be made by the department and the Health and Welfare Agency Data Center. No subsequent state General Fund moneys for child support automation for these requirements shall be available until the department and the Health and Welfare Agency Data Center determine that the consortium system is in compliance with these requirements under Public Law 104-193, as measured by the Federal Financial Distribution Test Deck Generator provided by the United States Department of Health and Human Services, with the results validated by the department. The department and the Health and Welfare Agency Data Center shall seek federal participation and assistance from the United States Department of Health and Human Services in making determinations of compliance with these requirements. Consortia systems shall be held harmless for any variance from implementation of the federal distribution methodology resulting from policy directives issued by the department.

(2) Each county shall, by December 1, 1998, enter into an annual plan of cooperation for automation with the department that begins December 1, 1998. Any county that has not entered into a plan of cooperation for automation by December 1, 1998, and each December 1 thereafter, shall not receive any state General Fund moneys or federal funds for child support automation until an annual plan is entered into with the department.

(3) Any consortium system in which the core child support application is not Year 2000 compliant by April 1, 1999, shall be excluded as a consortium system. The determination of whether a consortium system in which the core child support application is Year

2000 compliant shall be made by the Health and Welfare Agency Data Center.

(4) Any consortium system in which the core child support application is not federal Level I certifiable and in compliance with federal distribution requirements under Public Law 104-193 by April 1, 1999, shall be excluded as a consortium system.

(A) The Bureau of State Audits, in collaboration and consultation with the United States Department of Health and Human Services and the department, shall determine by May 1, 1999, which consortium systems' core child support applications are acceptable as federal Level I certifiable and in compliance with federal distribution requirements under Public Law 104-193. The Bureau of State Audits shall make its determination based on the federal law, procedures, and practices employed by the federal Office of Child Support Enforcement in certifying other states' systems. Consortia systems shall be held harmless for any variance from implementation of the federal distribution methodology resulting from policy directives issued by the department.

(B) The Bureau of State Audits shall submit its findings to the department, the Health and Welfare Agency Data Center, and the appropriate committees of the Legislature by June 1, 1999.

10084. (a) In the event that more than three of the consortia systems meet all of the requirements of Section 10083 no more than three shall be selected in addition to ARS. If three or fewer meet the requirements of Section 10083, each of the consortia systems shall be selected, subject to a decision of the consortia whether to proceed.

(b) The department, the Health and Welfare Agency Data Center, and the California District Attorneys Association shall jointly develop standards and criteria for the selection of the consortia by December 1, 1998. In developing the standards and criteria, it is the intent of the Legislature that the following be considered:

(1) Capability of efficiently transferring case data and information between the consortia and to and from the state.

(2) Cost-effectiveness over a five-year operating cycle, including but not limited to a combination of development, operating, and modification costs.

(3) Scalability to the largest counties or functionality for the smallest counties.

(4) Effectiveness of tracking and managing child support program and processing outcomes.

(5) Ease of modification and upgrading.

(6) User friendliness such that user interface is intuitive and requires minimal training of staff.

(7) Availability of technical support.

(8) Ability to provide future Internet access.

(c) The department shall submit a copy of the standards and criteria developed pursuant to subdivision (b) to the appropriate committees of the Legislature by January 1, 1999.

10085. Within 21 days of the release of the Bureau of State Audits' Level I certification determination the department and the Health and Welfare Agency Data Center, in consultation with the Bureau of State Audits, shall select the three consortia systems.

10086. (a) Within 90 days of the department and the Health and Welfare Agency Data Center determination, counties that are not part of one of the four consortia selected shall submit to the department an amendment to their plan of cooperation for automation to implement conversion to one of the selected consortia systems. All members of each consortia system shall enter into a memorandum of understanding or similar document by November 1, 1999. The memorandum of understanding or similar document shall include, but not be limited to, membership, a work plan, and a governance structure. A copy of the memorandum of understanding, or similar document, shall be provided to the department and the Health and Welfare Agency Data Center.

(b) Counties that fail to submit an amended plan of cooperation for automation within 90 days shall not receive state General Fund moneys or federal funds for child support automation efforts for the period of noncompliance and until the amended plan of cooperation for automation is submitted.

(c) Counties and the department shall enter into the amended plan of cooperation for automation within 90 days of the department receiving the first proposed amendment.

(d) Any county that has not entered into an amended plan of cooperation for automation within 90 days of first submitting the amended plan to the department shall not receive any state General Fund moneys or federal funds for child support automation for the period of noncompliance and until an amended plan is entered into with the department.

10087. Counties already converting to or operating on one of the systems specified in Section 10082 that is not selected pursuant to Section 10084 shall not be required to expend their own funds to convert to a selected system.

10088. (a) (1) Notwithstanding Section 15200.95, the state may pay, to the extent that funds are provided in the annual Budget Act, up to 100 percent of the nonfederal share of certain county automation costs as specified in subparagraphs (A) through (F), inclusive, and up to 50 percent of the nonfederal share of costs specified in subparagraphs (G) and (H), if counties meet the conditions set forth in paragraph (3) of subdivision (a). This paragraph does not apply to the County of Los Angeles, with the exception of subparagraph (H).

(A) For SACSS counties, hardware and software lease, maintenance and network infrastructure costs, as defined by the department, up to March 1, 1999, and costs for support of the SACSS production operational environment up to January 1, 1999.

(B) For SACSS counties, data clean-up and conversion activities, training costs, and costs associated with the development of two county interfaces, as defined by the department.

(C) For non-SACSS counties that transfer to CASES, costs associated with data conversion and training, as specified by the department.

(D) For all SACSS counties that transfer to one of the consortia systems listed in Section 10082, costs associated with ongoing maintenance and operation costs until statewide implementation is complete.

(E) For non-SACSS counties that transfer to CASES after November 20, 1997, and use the state-approved centralized facility, as specified by the department, costs associated with ongoing maintenance and operation costs until statewide implementation is complete.

(F) For other counties designated by the department, costs associated with data conversion and training, as specified by the department.

(G) For CASES, enhancement costs related to the year 2000, and state and federal mandates, as specified by the department.

(H) For SACSS counties and non-SACSS counties, enhancement costs related to welfare reform changes to welfare distribution, as specified by the department.

(2) The nonfederal share of costs to which this state automation funding shall apply shall be computed after the application of any federal funds provided to the state for automation enhancements required for the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193.

(3) State automation funding provided by this section shall be made available to a county toward the nonfederal share of automation expenditures only after the county has expended excess funds, as defined in subdivision (a) of Section 15200.97, earned after June 30, 1998, and not identified for expenditure in accordance with an expenditure plan as specified in subdivision (c) of Section 15200.97. This paragraph shall be deemed satisfied if the county submits an expenditure plan that designates that all excess funds will be expended in accordance with the expenditure plan or for the nonfederal share of automation expenditures, or both.

(b) The counties shall pay the nonfederal share of the ongoing operational and maintenance costs of their respective consortia, as determined in the consortia governing agreement.

10089. If any county has not been accepted as a member of a consortia system by November 1, 1999, federal funding for administrative support for each county shall be reduced by 10 percent of each county's proportioned share of the reduction in federal funding for administrative support until all counties have become members of a consortia system. For purposes of this section, a county shall be considered to have been accepted as a member of

a consortia system if the county has entered into a memorandum of understanding or other similar document with a consortium indicating that the county has been accepted by the consortium for admission into the consortium. A copy of the memorandum of understanding or similar document shall be provided to the department and to the Health and Welfare Agency Data Center.

10090. (a) In the event that the federal government imposes a penalty on California's child support program for failure to meet the federal automation requirements, that penalty, for purposes of this chapter, shall be considered a reduction of federal financial participation in county and state administrative costs of the child support program. In such a case, the department may supplant any dollar reduction to county administrative funding, up to 100 percent of the reduction, subject to conditions specified by the department and the Department of Finance, and the availability of funds in the annual Budget Act.

(b) If additional federal penalties result from the child support automation system not receiving federal approval by September 30, 2001, federal funding for administrative support for each county shall be reduced by 10 percent of each county's proportioned share of the reduction in federal funding for administrative support. All penalties imposed pursuant to this section shall be in addition to penalties imposed pursuant to Section 10089.

10091. Federal penalties incurred as a result of any county or consortium of counties delaying federal approval beyond September 30, 2001, shall be allocated as follows:

(a) Federal funding for administrative support for any county that delays federal approval beyond September 30, 2001, shall be reduced by 100 percent of the county's proportioned share of the reduction in federal funding for administrative support.

(b) The state shall incur the balance of any reduction of federal funds for administrative support.

10092. In the event that any portion of the state's child support automation plan is unfunded by the federal government, the department and the Health and Welfare Agency Data Center are responsible for ensuring that plan modifications are made in a manner that avoids federal penalties to the greatest extent possible while developing an approvable alternative plan. If the federal government will not fund full consortium costs, determined by the Director of Finance, the state shall pay 66 percent of the unfunded amount. The remaining 34 percent of any unfunded amount not attributable to costs incurred by Los Angeles County shall be shared by the state and all counties, except Los Angeles, on a proportional share basis as determined by the department and the Health and Welfare Agency Data Center, in consultation with the California District Attorneys Association. State funds shall be used to reimburse Los Angeles County's proportional share of the unfunded amount.

10093. It is the intent of the Legislature that the department and the Health and Welfare Agency Data Center use the alternative protest pilot project. Furthermore, notwithstanding any other provision of law, the Health and Welfare Agency Data Center may contract with existing child support consultants to provide their current roles and related services and project management through the life of the CCSA project to help meet legislative timeframes.

10094. Notwithstanding Sections 10083, 10084, and 10085, if the United States Department of Health and Human Services issues a written request within 45 days of the date of the enactment of this chapter, that in addition to, or in lieu of, the state's application for federal financial participation for CCSA, the department submit a proposal for a consortium-based system with fewer than eight systems, the department may submit such a proposal to the United States Department of Health and Human Services within 30 days of the written request. Each of the proposed systems shall meet the selection criteria and timeframes specified in Section 10083. The department shall proceed with CCSA until the United States Department of Health and Human Services approves an alternative proposal. Any federally approved system shall comply with all provisions of this chapter, with the exception of numerical limitations of the consortia system. No communications from the United States Department of Health and Human Services prior to the date of enactment of this chapter shall be construed as the federal request under this section.

10095. The CCSA shall be completed and federally approved by September 30, 2001.

10096. (a) The department shall establish, no later than December 1, 1998, a steering committee to advise the department on the development and implementation of a long-term solution using a statewide child support automation system.

(b) The steering committee shall develop standards, goals, priorities, objectives, and an evaluation model to guide the department on a study and report regarding the best long-term solution for statewide automation, including whether another entity should be responsible for managing the project.

(c) The steering committee shall include representatives of the department, who shall include a member who shall serve as the chair of the committee, and representatives of the Health and Welfare Agency Data Center, the Department of Information Technology, the California District Attorney Association, the County Welfare Directors Association, advocates, Members of the Legislature, and the United States Department of Health and Human Services.

10097. The department shall complete procurement of a vendor for a feasibility study report for the long-term solution by December 31, 1998.

SEC. 20. Section 10815 of the Welfare and Institutions Code is repealed.

SEC. 21. (a) The Legislature hereby finds and declares:

(1) (A) In the recent case of Land v. Anderson (1997) 55 Cal.App.4th 89, the California Court of Appeal held that children residing with relatives are to be paid foster care benefits based on an interpretation of the federal statute that has not been accepted by the United States Department of Health and Human Services nor any federal court.

(B) The Legislature hereby adopts an amendment to subdivision (a) of Section 11402 of the Welfare and Institutions Code that clarifies that the section has, at all times, including at the time of the Land decision, required that AFDC-FC payments can only be made to children residing with relatives if they are consistent with an approved IV-E State Plan which authorizes federal financial participation in the payment. The amendment is therefore declaratory of existing law. The Legislature furthermore adopts an amendment to subdivision (a) of Section 11402 of the Welfare and Institutions Code that states that payments may not be made to children residing with relatives whose eligibility for the federal foster care program is solely based on the eligibility criteria set forth in the Land decision.

(2) The Legislature further finds and declares that the sole purpose of these amendments is to ensure compliance with federal law and regulations pursuant to Title IV-E of the Socal Security Act that will result in the receipt of federal financial participation and is not an indication of legislative support for the current United States Department of Health and Human Services interpretation of federal statute and regulation as it relates to the issues raised in Land v. Anderson. It is the intent of the Legislature that the department continue to pursue federal financial participation for these payments and that when full federal financial participation is obtained, implementation of the payments for children will commence.

(3) The Legislature further finds and declares that kinship caregivers, including grandparents and other relatives providing a home for grandchildren, nieces, nephews, and other children related by blood or marriage, are a valuable resource for children who cannot reside with their own parents.

(b) Therefore, it is the intent of the Legislature that the State Department of Social Services shall work with counties, federal officials, kinship caregivers, and other interested parties to develop a plan to establish a Kinship Care Program that is separate and distinct from the existing foster care program, and which provides services uniquely suited to the needs of children being cared for by their kin.

SEC. 22. Section 11402.1 is added to the Welfare and Institutions Code, to read:

11402.1. For purposes of Section 11402, "eligible for federal financial participation" means that the payment is consistent with an approved state plan under Sections 671 and following of Title 42 of

the United States Code, authorizing federal financial participation in the payment. Notwithstanding any other provision of law, until and unless federal financial participation is obtained, no payment of AFDC-FC may be made from either state or county funds on behalf of a child determined to be eligible for AFDC-FC solely as a result of the decision of the California Court of Appeal in Land v. Anderson (1997) 55 Cal.App.4th 89.

SEC. 23. Section 11453 of the Welfare and Institutions Code is amended to read:

11453. (a) Except as provided in subdivision (c), the amounts set forth in Section 11452 and subdivision (a) of Section 11450 shall be adjusted annually by the department to reflect any increases or decreases in the cost of living. These adjustments shall become effective July 1 of each year, unless otherwise specified by the Legislature. For the 2000–01 fiscal year to the 2003–04 fiscal year, inclusive, these adjustments shall become effective October 1 of each year. The cost-of-living adjustment shall be calculated by the Department of Finance based on the changes in the California Necessities Index, which as used in this section means the weighted average changes for food, clothing, fuel, utilities, rent, and transportation for low-income consumers. The computation of annual adjustments in the California Necessities Index shall be made in accordance with the following steps:

(1) The base period expenditure amounts for each expenditure category within the California Necessities Index used to compute the annual grant adjustment are:

Food	$ 3,027
Clothing (apparel and upkeep)	406
Fuel and other utilities	529
Rent, residential	4,883
Transportation	1,757
Total	$10,602

(2) Based on the appropriate components of the Consumer Price Index for All Urban Consumers, as published by the United States Department of Labor, Bureau of Labor Statistics, the percentage change shall be determined for the 12-month period ending with the December preceding the year for which the cost-of-living adjustment will take effect, for each expenditure category specified in subdivision (a) within the following geographical areas: Los Angeles-Long Beach-Anaheim, San Francisco-Oakland, San Diego, and, to the extent statistically valid information is available from the Bureau of Labor Statistics, additional geographical areas within the state which include not less than 80 percent of recipients of aid under this chapter.

(3) Calculate a weighted percentage change for each of the expenditure categories specified in subdivision (a) using the applicable weighting factors for each area used by the State Department of Industrial Relations to calculate the California Consumer Price Index (CCPI).

(4) Calculate a category adjustment factor for each expenditure category in subdivision (a) by (1) adding 100 to the applicable weighted percentage change as determined in paragraph (2) and (2) dividing the sum by 100.

(5) Determine the expenditure amounts for the current year by multiplying each expenditure amount determined for the prior year by the applicable category adjustment factor determined in paragraph (4).

(6) Determine the overall adjustment factor by dividing (1) the sum of the expenditure amounts as determined in paragraph (4) for the current year by (2) the sum of the expenditure amounts as determined in subdivision (d) for the prior year.

(b) The overall adjustment factor determined by the preceding computation steps shall be multiplied by the schedules established pursuant to Section 11452 and subdivision (a) of Section 11450 as are in effect during the month of June preceding the fiscal year in which the adjustments are to occur and the product rounded to the nearest dollar. The resultant amounts shall constitute the new schedules which shall be filed with the Secretary of State.

(c) (1) No adjustment to the maximum aid payment set forth in subdivision (a) of Section 11450 shall be made under this section for the purpose of increasing the benefits under this chapter for the 1990–91, 1991–92, 1992–93, 1993–94, 1994–95, 1995–96, 1996–97, and 1997–98 fiscal years, and through October 31, 1998, to reflect any change in the cost of living. For the 1998–99 fiscal year, the cost-of-living adjustment that would have been provided on July 1, 1998, pursuant to subdivision (a) shall be made on November 1, 1998. Elimination of the cost-of-living adjustment pursuant to this paragraph shall satisfy the requirements of Section 11453.05, and no further reduction shall be made pursuant to that section.

(2) No adjustment to the minimum basic standard of adequate care set forth in Section 11452 shall be made under this section for the purpose of increasing the benefits under this chapter for the 1990–91 and 1991–92 fiscal years to reflect any change in the cost of living.

(3) In any fiscal year commencing with the 2000–01 fiscal year to the 2003–04 fiscal year, inclusive, when there is any increase in tax relief pursuant to the applicable paragraph of subdivision (a) of Section 10754 of the Revenue and Taxation Code, then the increase pursuant to subdivision (a) of this section shall occur. In any fiscal year commencing with the 2000–01 fiscal year to the 2003–04 fiscal year, inclusive, when there is no increase in tax relief pursuant to the applicable paragraph of subdivision (a) of Section 10754 of the

Revenue and Taxation Code, then any increase pursuant to subdivision (a) of this section shall be suspended.

(d) Adjustments for subsequent fiscal years pursuant to this section shall not include any adjustments for any fiscal year in which the cost of living was suspended pursuant to subdivision (c).

SEC. 24. Section 12201.04 is added to the Welfare and Institutions Code, to read:

12201.04. On January 1, 1999, in addition to the changes in the payment schedules in Section 12200 required by Section 12201, the payment schedules in Section 12200 shall be increased by an additional 1 percent.

SEC. 25. Section 12305.1 is added to the Welfare and Institutions Code, to read:

12305.1. (a) Any aged, blind, or disabled individual who is receiving Medi-Cal personal care services pursuant to subdivision (p) of Section 14132.95, and who would otherwise be deemed a categorically needy recipient pursuant to Section 12305, is eligible to receive a supplementary payment under this article to be used towards the purchase of personal care services.

(b) A supplementary payment pursuant to this section shall be the difference between the following amounts:

(1) A beneficiary's excess income as determined under Section 12304.5.

(2) The beneficiary's nonexempt income as determined pursuant to Section 14005.7, in excess of the income levels for maintenance need pursuant to Section 14005.12.

(c) Notwithstanding subdivisions (a) and (b), no supplementary payment shall be made pursuant to this section unless the amount specified in paragraph (2) of subdivision (b) is larger than the amount specified in paragraph (1) of subdivision (b).

(d) In the event of a final judicial determination by any court of appellate jurisdiction or a final determination by the Administrator of the federal Health Care Financing Administration that supplemental payments to medically needy persons not receiving services pursuant to subdivision (p) of Section 14132.95 must be made, then this section and subdivision (p) of Section 14132.95 shall cease to be operative on the first day of the month that begins after the expiration of a period of 30 days subsequent to a notification in writing by the Director of Finance to the chairperson of the committee in each house that considers appropriations, the chairpersons of the committees and the appropriate subcommittees in each house that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee.

(e) In the event that the Department of Finance determines that the costs of the supplementary payments made under this section exceed the savings resulting from federal financial participation in providing services under subdivision (p) of Section 14132.95, this section and subdivision (p) of Section 14132.95 shall cease to be

operative on the first day of the first month following such a determination and a 30-day notification in writing by the Department of Finance to the chairperson of the committee in each house of the Legislature that considers appropriations, the chairperson of the committees and the appropriate subcommittees in each house that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee. Persons who had been eligible for a supplementary payment under this section shall be eligible to receive uninterrupted services pursuant to Article 7 (commencing with Section 12300) of Chapter 3, if otherwise eligible.

SEC. 26. Section 14132.90 of the Welfare and Institutions Code is amended to read:

14132.90. (a) As of September 15, 1995, day care habilitative services, pursuant to subdivision (c) of Section 14021 shall be provided only to alcohol and drug exposed pregnant women and women in the postpartum period, or as required by federal law.

(b) (1) Notwithstanding any other provision of law, except to the extent required by federal law, if, as of May 15, 1999, the projected costs for the 1998–99 fiscal year for outpatient drug abuse services, as described in Section 14021, exceed forty-five million dollars ($45,000,000) in state General Fund moneys, then the outpatient drug free services, as defined in Section 51341.1 of Title 22 of the California Code of Regulations, shall not be a benefit under this chapter as of July 1, 1999.

(2) Notwithstanding paragraph (1), outpatient methadone maintenance and Naltrexone shall remain benefits under this chapter.

(3) Notwithstanding paragraph (1), residential care, outpatient drug free services, and day care habilitative services, for alcohol and drug exposed pregnant women and women in the postpartum period shall remain benefits under this chapter.

(c) Expenditures for services purchased at the direction of county welfare departments on behalf of CalWORKs recipients shall not be included in the computation of costs for subdivision (b).

SEC. 27. Section 14132.95 of the Welfare and Institutions Code is amended to read:

14132.95. (a) Personal care services, when provided to a categorically needy person as defined in Section 14050.1 is a covered benefit to the extent federal financial participation is available if these services are:

(1) Provided in the beneficiary's home and other locations as may be authorized by the director subject to federal approval.

(2) Authorized by county social services staff in accordance with a plan of treatment.

(3) Provided by a qualified person.

(4) Provided to a beneficiary who has a chronic, disabling condition that causes functional impairment that is expected to last at least 12 consecutive months or that is expected to result in death

within 12 months and who is unable to remain safely at home without the services described in this section.

(b) The department shall seek federal approval of a state plan amendment necessary to include personal care as a medicaid service pursuant to subdivision (f) of Section 440.170 of Title 42 of the Code of Federal Regulations. For any persons who meet the criteria specified in subdivision (a) or (p), but for whom federal financial participation is not available, eligibility shall be available pursuant to Article 7 (commencing with Section 12300) of Chapter 3, if otherwise eligible.

(c) Subdivision (a) shall not be implemented unless the department has obtained federal approval of the state plan amendment described in subdivision (b), and the Department of Finance has determined, and has informed the department in writing, that the implementation of this section will not result in additional costs to the state relative to state appropriation for in-home supportive services under Article 7 (commencing with Section 12300) of Chapter 3, in the 1992–93 fiscal year.

(d) (1) For purposes of this section, personal care services shall mean all of the following:

(A) Assistance with ambulation.

(B) Bathing, oral hygiene and grooming.

(C) Dressing.

(D) Care and assistance with prosthetic devices.

(E) Bowel, bladder, and menstrual care.

(F) Skin care.

(G) Repositioning, range of motion exercises, and transfers.

(H) Feeding and assurance of adequate fluid intake.

(I) Respiration.

(J) Paramedical services.

(K) Assistance with self-administration of medications.

(2) Ancillary services including meal preparation and cleanup, routine laundry, shopping for food and other necessities, and domestic services may also be provided as long as these ancillary services are subordinate to personal care services. Ancillary services may not be provided separately from the basic personal care services.

(e) (1) (A) After consulting with the State Department of Social Services, the department shall adopt emergency regulations to establish the amount, scope, and duration of personal care services available to persons described in subdivision (a) in the fiscal year whenever the department determines that General Fund expenditures for personal care services provided under this section and expenditures of both General Fund moneys and federal funds received under Title XX of the federal Social Security Act for services pursuant to Article 7 (commencing with Section 12300) of Chapter 3, are expected to exceed the General Fund appropriation and the federal appropriation under Title XX of the federal Social Security Act provided for the 1992–93 fiscal year pursuant to Article 7

(commencing with Section 12300) of Chapter 3, as it read on June 30, 1992, as adjusted for caseload growth or as increased in the Budget Act or appropriated by statute. At least 30 days prior to filing these regulations with the Secretary of State, the department shall give notice of the expected content of these regulations to the fiscal committees of both houses of the Legislature.

(B) In establishing the amount, scope, and duration of personal care services, the department shall ensure that General Fund expenditures for personal care services provided for under this section and expenditures of both General Fund moneys and federal funds received under Title XX of the federal Social Security Act for services pursuant to Article 7 (commencing with Section 12300) of Chapter 3, do not exceed the General Fund appropriation and the federal appropriation under Title XX of the federal Social Security Act provided for the 1992–93 fiscal year pursuant to Article 7 (commencing with Section 12300) of Chapter 3, as it read on June 30, 1992, as adjusted for caseload growth or as increased in the Budget Act or appropriated by statute.

(C) For purposes of this subdivision, "caseload growth" means an adjustment factor determined by the department based on (1) growth in the number of persons eligible for benefits under Chapter 3 (commencing with Section 12000) on the basis of their disability, (2) the average increase in the number of hours in the program established pursuant to Article 7 (commencing with Section 12300) of Chapter 3 in the 1988–89 to 1992–93 fiscal years, inclusive, due to the level of impairment, and (3) any increase in program costs that is required by an increase in the mandatory minimum wage.

(2) In establishing the amount, scope, and duration of personal care services pursuant to this subdivision, the department may define and take into account, among other things:

(A) The extent to which the particular personal care services are essential or nonessential.

(B) Standards establishing the medical necessity of the services to be provided.

(C) Utilization controls.

(D) A minimum number of hours of personal care services that must first be assessed as needed as a condition of receiving personal care services pursuant to this section.

The level of personal care services shall be established so as to avoid, to the extent feasible within budgetary constraints, medical out-of-home placements.

(3) To the extent that General Fund expenditures for services provided under this section and expenditures of both General Fund moneys and federal funds received under Title XX of the federal Social Security Act for services pursuant to Article 7 (commencing with Section 12300) of Chapter 3 in the 1992–93 fiscal year, adjusted for caseload growth, exceed General Fund expenditures for services provided under this section and expenditures of both General Fund

moneys and federal funds received under Title XX of the federal Social Security Act for services pursuant to Article 7 (commencing with Section 12300) of Chapter 3 in any fiscal year, the excess of these funds shall be expended for any purpose as directed in the Budget Act or as otherwise statutorily disbursed by the Legislature.

(f) Services pursuant to this section shall be rendered, under the administrative direction of the State Department of Social Services, in the manner authorized in Article 7 (commencing with Section 12300) of Chapter 3, for the In-Home Supportive Services program. A provider of personal care services shall be qualified to provide the service and shall be a person other than a member of the family. For purposes of this section, a family member means a parent of a minor child or a spouse.

(g) A beneficiary who is eligible for assistance under this section shall receive services that do not exceed 283 hours per month of personal care services.

(h) Personal care services shall not be provided to residents of facilities licensed by the department, and shall not be provided to residents of a community care facility or a residential care facility for the elderly licensed by the Community Care Licensing Division of the State Department of Social Services.

(i) Subject to any limitations that may be imposed pursuant to subdivision (e), determination of need and authorization for services shall be performed in accordance with Article 7 (commencing with Section 12300) of Chapter 3.

(j) (1) To the extent permitted by federal law, reimbursement rates for personal care services shall be equal to the rates in each county for the same mode of services in the In-Home Supportive Services program pursuant to Article 7 (commencing with Section 12300) of Chapter 3, plus any increase provided in the annual Budget Act for personal care services rates or included in a county budget pursuant to paragraph (2).

(2) (A) The department shall establish a provider reimbursement rate methodology to determine payment rates for the individual provider mode of service that does all of the following:

(i) Is consistent with the functions and duties of entities created pursuant to Section 12301.6.

(ii) Makes any additional expenditure of state general funds subject to appropriation in the annual Budget Act.

(iii) Permits county-only funds to draw down federal financial participation consistent with federal law.

(B) This ratesetting method shall be in effect in time for any rate increases to be included in the annual Budget Act.

(C) The department may, in establishing the ratesetting method required by subparagraph (A), do both of the following:

(i) Deem the market rate for like work in each county, as determined by the Employment Development Department, to be

the cap for increases in payment rates for individual practitioner services.

(ii) Provide for consideration of county input concerning the rate necessary to ensure access to services in that county.

(D) If an increase in individual practitioner rates is included in the annual Budget Act, the state-county sharing ratio shall be as established in Section 12306. If the annual Budget Act does not include an increase in individual practitioner rates, a county may use county-only funds to meet federal financial participation requirements consistent with federal law.

(3) (A) By November 1, 1993, the department shall submit a state plan amendment to the federal Health Care Financing Administration to implement this subdivision. To the extent that any element or requirement of this subdivision is not approved, the department shall submit a request to the federal Health Care Financing Administration for any waivers as would be necessary to implement this subdivision.

(B) The provider reimbursement ratesetting methodology authorized by the amendments to this subdivision in the 1993–94 Regular Session of the Legislature shall not be operative until all necessary federal approvals have been obtained.

(k) (1) The State Department of Social Services shall, by September 1, 1993, notify the following persons that they are eligible to participate in the personal care services program:

(A) Persons eligible for services pursuant to the Pickle Amendment, as adopted October 28, 1976.

(B) Persons eligible for services pursuant to subsection (c) of Section 1383c of Title 42 of the United States Code.

(2) The State Department of Social Services shall, by September 1, 1993, notify persons to whom paragraph (1) applies and who receive advance payment for in-home supportive services that they will qualify for services under this section without a share of cost if they elect to accept payment for services on an arrears rather than an advance payment basis.

(3) Upon request by the board of supervisors, of the funds in the subaccount created pursuant to Section 17600.110, the Controller shall allocate the following amounts for the establishment of an entity specified in Section 12301.6:

(A) Two hundred fifty thousand dollars ($250,000) each to a county of the 4th, 6th, and 10th class.

(B) Two million dollars ($2,000,000) to a county of the first class.

(C) Five hundred fifty thousand dollars ($550,000) shall be allocated to counties, in the order of application by counties for these funds, as follows:

(i) Not more than one hundred thousand dollars ($100,000) may be allocated to a county with a total of fewer than 3,000 recipients of services under this section and Article 7 (commencing with Section 12300) of Chapter 3.

(ii) Not more than two hundred thousand dollars ($200,000) may be allocated to a county with a total of more than 3,000 recipients of services under this section and Article 7 (commencing with Section 12300) of Chapter 3.

(iii) A county to whom either subparagraph (A) or (B) applies shall not be eligible for funds under this subparagraph.

(*l*) An individual who is eligible for services subject to the maximum amount specified in subdivision (b) of Section 12303.4 shall be given the option of hiring his or her own provider.

(m) The county welfare department shall inform in writing any individual who is potentially eligible for services under this section of his or her right to the services.

(n) It is the intent of the Legislature that this entire section be an inseparable whole and that no part of it be severable. If any portion of this section is found to be invalid, as determined by a final judgment of a court of competent jurisdiction, this section shall become inoperative.

(o) Paragraphs (2) and (3) of subdivision (a) shall be implemented so as to conform to federal law authorizing their implementation.

(p) (1) Personal care services shall be provided as a covered benefit to a medically needy aged, blind, or disabled person, as defined in subdivision (a) of Section 14051, to the same extent and under the same requirements as they are provided under subdivision (a) of this section to a categorically needy, aged, blind, or disabled person, as defined in subdivision (a) of Section 14050.1, and to the extent that federal financial participation is available.

(2) The department shall seek federal approval of a state plan amendment necessary to include personal care services described in paragraph (1) as a medicaid service pursuant to subdivision (f) of Section 440.170 of Title 42 of the Code of Federal Regulations.

(3) In the event that the Department of Finance determines that expenditures of both General Fund moneys for personal care services provided under this subdivision to medically needy aged, blind, or disabled persons together with expenditures of both General Fund moneys and federal funds received under Title XX of the federal Social Security Act for all aged, blind, and disabled persons receiving in-home supportive services pursuant to Article 7 (commencing with Section 12300) of Chapter 3, in the 2000–01 fiscal year or in any subsequent fiscal year, are expected to exceed the General Fund appropriation and the federal appropriation received under Title XX of the federal Social Security Act for expenditures for all aged, blind, and disabled persons receiving in-home supportive services provided in the 1999–2000 fiscal year pursuant to Article 7 (commencing with Section 12300) of Chapter 3, as it read on June 30, 1998, as adjusted for caseload growth or as changed in the Budget Act or by statute or regulation, then this subdivision shall cease to be operative on the first day of the month that begins after the expiration of a period of

30 days subsequent to a notification in writing by the Director of the Department of Finance to the chairperson of the committee in each house that considers appropriations, the chairpersons of the committees and the appropriate subcommittees in each house that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee.

(4) Solely for purposes of paragraph (3), caseload growth means an adjustment factor determined by the department based on:

(A) Growth in the number of persons eligible for benefits under Chapter 3 (commencing with Section 12000) on the basis of their disability.

(B) The average increase in the number of hours in the program established pursuant to Article 7 (commencing with Section 12300) of Chapter 3 in the 1994–95 to 1998–99 fiscal years, inclusive, due to the level of impairment.

(C) Any increase in program cost that is required by an increase in hourly costs pursuant to the Budget Act or statute.

(5) In the event of a final judicial determination by any court of appellate jurisdiction or a final determination by the Administrator of the federal Health Care Financing Administration that personal care services must be provided to any medically needy person who is not aged, blind, or disabled, then this subdivision shall cease to be operative on the first day of the first month that begins after the expiration of a period of 30 days subsequent to a notification in writing by the Director of Finance to the chairperson of the committee in each house that considers appropriations, the chairpersons of the committees and the appropriate subcommittees in each house that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee.

(6) If this subdivision ceases to be operative, all aged, blind, and disabled persons who would have received or been eligible to receive in-home supportive services pursuant to Article 7 (commencing with Section 12300) of Chapter 3, but for receiving services under this subdivision, shall be eligible immediately upon this section becoming inoperative for services pursuant to Article 7 (commencing with Section 12300) of Chapter 3.

(7) The department shall implement this subdivision on April 1, 1999, but only if the department has obtained federal approval of the state plan amendments described in paragraph (2) of this subdivision.

(q) This section shall become inoperative on July 1, 2002, and, as of January 1, 2003, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2003, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 28. The Legislature finds and declares all of the following:

(a) The Governor has implemented an adoption initiative that is aimed at increasing the number of adoptions of children who would otherwise remain in long-term foster care.

(b) Public Law 105-89, the Adoption and Safe Families Act of 1997, was signed into law in 1997 and includes provisions for implementing President Clinton's December 14, 1996, Executive Memorandum on Adoption that articulated the goal of doubling by the year 2002 the number of children adopted or placed in other permanent homes each year.

(c) Children with prenatal alcohol and or drug exposure are disproportionately represented in the foster care system and may be considered hard-to-place for purposes of adoption. Many of these children are born prematurely, remaining in hospitals almost five times as long as normal newborns. Many suffer long-term effects of drug exposure, requiring special education. Many may have developmental and behavioral problems and learning disabilities for which appropriate interventions must be provided.

(d) From 1995 to 1997, the United States Department of Health and Human Services' Administration on Children, Youth and Families funded a demonstration project awarded jointly to the Los Angeles County Department of Children and Family Services, Adoptions Division, and the UCLA Center for Healthier Children, Families and Communities. The goal of this program, known as TIES for Adoption, was to promote the successful adoption and healthy growth and development of infants and children who were prenatally exposed to alcohol or other drugs. The program's final evaluation substantiated its success in achieving this goal.

(e) The TIES for Adoption program has been proven to help the effort to ensure successful adoptions of drug- and alcohol-exposed children who would otherwise remain in foster care or experience disruptions of their adoptive placements.

SEC. 29. Chapter 2.3 (commencing with Section 16135) is added to Part 4 of Division 9 of the Welfare and Institutions Code, to read:

CHAPTER 2.3. ADOPTION OF ALCOHOL AND DRUG EXPOSED CHILDREN

16135. The purpose of this chapter is to establish a program for special training and services to facilitate the adoption of children who are HIV positive, or born to a substance-abusing mother. This program shall be available to any county that requests participation pursuant to procedures established by the department to the extent funds are appropriated through the annual Budget Act. Nothing in this chapter shall authorize the use of state funds appropriated for any other purpose to be used in this program.

16135.1. (a) "Eligible child" means any child who meets the requirements of paragraph (1) or (2), and paragraph (3).

(1) Any child who has a condition or symptoms resulting from, or are suspected as resulting from, alcohol or substance abuse by the mother.

(2) Any child who is HIV positive.

(3) Any child who meets the requirements of either paragraph (1) or (2) and who meets all of the following requirements:

(A) The child is a dependent child of the court.

(B) The child has an adoption case plan and resides with a preadoptive or adoptive caregiver, or the plan is to transition and move the child to a preadoptive or adoptive caregiver.

(b) "TIES for Adoption" means Training, Intervention, Education, and Services for Adoption, a training project developed and implemented by the Adoptions Division of the Los Angeles County Department of Children's Services, the UCLA Center for Healthier Children, Families, and Communities, and the UCLA Psychology Department, a demonstration project funded by the Federal Adoption Opportunities Program from September 30, 1995, to December 31, 1997, inclusive.

(c) "HIV positive" means having a human immunodeficiency virus infection.

(d) "Specialized in-home health care" means, but is not limited to, those services identified by the child's primary physician as appropriately administered by a prospective adoptive parent who has been trained by mental health or health care professionals.

16135.10. (a) In order to promote successful adoptions of substance and alcohol exposed court dependent children, the department shall establish a program of specialized training and supportive services to families adopting court dependent children who are either HIV positive or assessed as being prenatally exposed to alcohol or a controlled substance.

(b) Notwithstanding any other provision of law, respite services, if offered, shall be funded with a 30 percent nonfederal county share consistent with the normal sharing ratio for child welfare services. This county share may be provided with county general funds, in-kind contributions, or other funds not appropriated by the State Budget Act. The source of the county share shall meet all applicable state and federal requirements and provide counties with maximum flexibility.

16135.13. (a) A participating county shall provide special training to recruited adoptive parents to care for eligible children. The training curriculum shall include, but is not limited to:

(1) Orientation.

(2) Effect of alcohol and controlled substances on the fetus and children.

(3) Normal and abnormal infant and early childhood development.

(4) Special medical needs and disabilities.

(5) Recovery from addiction to alcohol and controlled substances.

(6) Self-care for the caregiver.

(7) HIV/AIDS in children.

(8) Issues in parenting and providing lifelong permanency and substance abuse prevention to, children with prenatal alcohol and other controlled substances exposure.

(9) Issues specific to caring for a child who tests HIV positive.

(b) Participating counties may provide the same special training to relative caretakers in the process of adopting program-eligible children.

16135.14. (a) The county shall determine whether a child is eligible for services pursuant to this section.

(b) A participating county shall select a specialized prospective adoptive home for the child.

(c) If an eligible child's adoptive placement changes from one participating county to another participating county, the child shall remain eligible for services.

16135.16. (a) In order to receive funding, all participating counties shall submit and have an approved plan that is in compliance with the policies and procedures established by the department.

(b) The requirements of this section may be met by the implementation of the TIES for Adoption program as defined in Subdivision (b) of Section 16135.1.

16135.17. Participating counties shall prepare an adoption services case plan pursuant to regulations adopted by the department and arrange for nonmedical support services. At county option, nonmedical support services may include respite care for specially trained prospective adoptive parents, including relative caretakers, pursuant to regulations adopted by the department. Nonmedical support services may also include, but are not limited to, temperament and behavior management training, consultation regarding medical and psychological issues and services, and educational advocacy.

16135.25. The department shall do all of the following:

(a) Develop necessary procedures and standardized programs for a specialized adoptive home training project.

(b) Assist counties in coordinating sources of funding and services available to eligible children in order to maximize the social services provided to these children and avoid duplication of program funding.

(c) Require that participating counties coordinate available services for this population and their adoptive families.

(d) Provide to a requesting county information necessary to establish a program.

16135.26. If a participating county has an existing contract for the provision of services provided for under this chapter, that contract may be continued through the 1998–99 state fiscal year.

16135.30. (a) Notwithstanding any other provision of law, subdivisions (b) and (c) shall control the placement of a child pursuant to this chapter.

(b) A county may place children who are alcohol or controlled substance exposed or HIV positive in prospective adoptive homes

pursuant to Chapter 3 (commencing with Section 1500) of Division 2 of the Health and Safety Code.

(c) If a county makes a placement pursuant to subdivision (b), a preadoptive parent trained by health care professionals may provide specialized in-home health care to that child who was placed in their home for the purpose of adoption.

SEC. 30. Section 17000.6 of the Welfare and Institutions Code is amended to read:

17000.6. (a) The board of supervisors of any county may adopt a standard of aid below the level established in Section 17000.5 if the Commission on State Mandates makes a finding that meeting the standards in Section 17000.5 would result in a significant financial distress to the county. When the commission makes a finding of significant financial distress concerning a county, the board of supervisors may establish a level of aid which is not less than 40 percent of the 1991 federal official poverty level, which may be further reduced pursuant to Section 17001.5 for shared housing. The commission shall not make a finding of significant financial distress unless the county has made a compelling case that, absent the finding, basic county services, including public safety, cannot be maintained.

(b) Upon receipt of a written application from a county board of supervisors, the commission may make a finding of financial distress for a period of up to 36 months pursuant to regulations that are necessary to implement this section, which shall be adopted by the commission. The period of reduction may be renewed by the commission upon reapplication by the county. Any county that filed an application or reapplication that was approved for a period of up to 12 months by the commission on or before December 31, 1996, shall be deemed to have had that application or reapplication approved for a period of 36 months. If the period of financial distress is delayed by court action, the period shall be tolled during that delay.

(c) As part of the decisionmaking process, the commission shall notice and hold a public hearing on the county's application or reapplication in the county of application. The commission shall provide a 30-day notice of the hearing in the county of application or reapplication. The commission shall notify the applicant county of its preliminary decision within 60 days after receiving the application and final decision within 90 days after receiving the application. If a county files an application while another county's application is pending, the commission may extend both the preliminary decision period up to 120 days and the final decision period up to 150 days from the date of the application and any current period of significant financial distress of the applicant county that has been set pursuant to subdivision (b) shall be extended for the same period.

(d) This section shall not be construed to eliminate the requirement that a county provide aid pursuant to Section 17000.

(e) Any standard of aid adopted pursuant to this section shall constitute a sufficient standard of aid.

(f) A county board of supervisors may continue the standard of aid adopted under this section beyond the period in subdivision (b), irrespective of whether the county has applied for or received a renewal of the authority to reduce aid as permitted by subdivision (b), provided the county acts in accordance with all of the following:

(1) The county may not prohibit an employable individual from receiving aid under this part for less than six months in a 12-month period, whether or not the months are consecutive. If an employable individual has taken and continues to take all steps to apply for appropriate positions and has not refused an offer of employment without good cause, a county shall extend aid until the individual has received aid for nine months in a 12-month period. The time limit provided in this paragraph shall begin for each employable individual at the time the employable individual is enrolled in the mandatory welfare-to-work program set forth in paragraph (2).

(2) The county shall, within six months of the county's implementation of this subdivision, require employable individuals to participate while on aid under this part in services equivalent to the welfare-to-work program provided for pursuant to Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3. Employable individuals shall participate in this program as a condition of eligibility for aid under this part.

(3) This subdivision shall not be construed to give preference to recipients of benefits under this part for welfare-to-work services under Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3.

(g) The commission may adopt emergency regulations for the implementation of this section.

SEC. 31. Section 18221 of the Welfare and Institutions Code is amended to read:

18221. (a) The State Department of Social Services is hereby designated as the state agency responsible for administering funds appropriated for the purposes of this chapter pursuant to this section.

(b) (1) Subject to the availability of funding in the annual Budget Act, the department shall allocate among counties in accordance with the following schedule:

Jurisdiction	Amount
Alameda	$ 6,667,935
Alpine	0
Amador	94,452
Butte	486,117
Calaveras	94,110
Colusa	51,612

Contra Costa	4,493,504
Del Norte	197,338
El Dorado	480,584
Fresno	3,528,375
Glenn	84,000
Humboldt	251,520
Imperial	544,516
Inyo	241,575
Kern	4,333,734
Kings	645,597
Lake	314,736
Lassen	85,703
Los Angeles	67,713,503
Madera	377,447
Marin	606,494
Mariposa	16,695
Mendocino	322,442
Merced	509,314
Modoc	34,791
Mono	7,405
Monterey	912,822
Napa	593,942
Nevada	179,349
Orange	14,270,138
Placer	370,735
Plumas	40,672
Riverside	5,136,164
Sacramento	3,350,278
San Benito	360,418
San Bernardino	5,442,585
San Diego	9,079,640
San Francisco	3,232,706
San Joaquin	1,315,232
San Luis Obispo	991,687
San Mateo	3,201,176
Santa Barbara	2,794,054
Santa Clara	9,799,213
Santa Cruz	1,012,615
Shasta	676,913

Sierra	5,000
Siskiyou	116,418
Solano	1,718,503
Sonoma	2,200,569
Stanislaus	719,052
Sutter	206,905
Tehama	238,090
Trinity	58,023
Tulare	2,381,471
Tuolumne	107,096
Ventura	2,805,490
Yolo	373,393
Yuba	174,194

In any year when the total amount appropriated by the Legislature for the purposes of this section differs from the total of the amounts in paragraph (1), the difference shall be apportioned in favor of those counties whose allocations in paragraph (1) are below the average dollar allocation per number of juveniles in the county so that these counties receive allocations that are closer to the resulting overall average allocation. Estimates of the numbers of juveniles may be determined by the Department of Finance based on the best available data and may include those age ranges for which data are available.

(c) Counties shall use no more than 15 percent of their annual allocation for administrative costs.

(d) Any audit exception, deferral, or disallowance resulting from an audit under this chapter shall be shared by each county based on the percentage of the total costs claimed by the county during the quarter being audited. To the extent the audit exception, deferral, or disallowance can be taken against an individual county and is not extrapolated to other counties, it shall be borne solely by that county.

SEC. 32. Section 18901.7 is added to the Welfare and Institutions Code, to read:

18901.7. (a) To the extent allowable by federal law, the income, resources, and deductible expenses of any household member who is rendered ineligible for food stamp benefits pursuant to Title IV of Public Law 104-193, and any amendments thereto, shall be excluded when calculating federal food stamp benefits, under this chapter.

(b) No household shall receive more food stamp benefits under this section than it would have received if no household member was rendered ineligible pursuant to Title IV of Public Law 104-193 and any subsequent amendments thereto.

(c) This section shall become operative on September 1, 1998.

SEC. 33. Section 18930 of the Welfare and Institutions Code is amended to read:

18930. (a) Effective September 1, 1997, the State Department of Social Services shall establish a Food Assistance Program to provide assistance for adults 65 years of age or older and minors described in subdivision (b). The department shall enter into an agreement with the United States Department of Agriculture to use the existing federal Food Stamp Program coupons for the purposes of administering this program.

(b) Adults 65 years of age or older and minors under 18 years of age who are noncitizens of the United States shall be eligible for the program established pursuant to subdivision (a) if the person's immigration status meets the eligibility criteria of the federal Food Stamp Program in effect on August 21, 1996, but he or she is not eligible for food stamp benefits solely due to his or her immigration status under Public Law 104-193. All eligible applicants shall have been legally present in the United States prior to August 22, 1996.

(c) In counties approved for alternate benefit issuance systems, that same alternate benefit issuance system shall be approved for the program established by this chapter.

(d) This section shall remain in effect only until September 1, 1998, and as of that date is repealed, unless a later enacted statute, that is enacted before September 1, 1998, deletes or extends that date.

SEC. 34. Section 18930 is added to the Welfare and Institutions Code, to read:

18930. (a) The State Department of Social Services shall establish a Food Assistance Program to provide assistance for those persons described in subdivision (b). The department shall enter into an agreement with the United States Department of Agriculture to use the existing federal Food Stamp Program coupons for the purposes of administering this program. Persons who are members of a household receiving food stamp benefits under this chapter or under Chapter 10 (commencing with Section 18900), and are receiving CalWORKs benefits under Chapter 2 (commencing with Section 11200) of Part 3 on September 1, 1998, shall have eligibility determined under this chapter without need for a new application no later than November 1, 1998, and the beginning date of assistance under this chapter for those persons shall be September 1, 1998.

(b) (1) Except as provided in paragraph (2) and Section 18930.5, noncitizens of the United States shall be eligible for the program established pursuant to subdivision (a) if the person's immigration status meets the eligibility criteria of the federal Food Stamp Program in effect on August 21, 1996, but he or she is not eligible for federal food stamp benefits solely due to his or her immigration status under Public Law 104-193 and any subsequent amendments thereto.

(2) An applicant who is otherwise eligible for the program but who entered the United States on or after August 22, 1996, shall be

eligible for aid under this chapter only if he or she is sponsored and one of the following apply:

(A) The sponsor has died.

(B) The sponsor is disabled as defined in subparagraph (A) of paragraph (3) of subdivision (b) of Section 11320.3.

(C) The applicant, after entry into the United States, is a victim of abuse by the sponsor or the spouse of the sponsor if the spouse is living with the sponsor.

(3) The applicant shall be required to provide verification that one of the conditions of subparagraph (A), (B), or (C) have been met.

(4) For purposes of subparagraph (C) of paragraph (2), abuse shall be defined in the same manner as provided in Section 11495.1 and Section 11495.12. A sworn statement of abuse by a victim, or the representative of the victim if the victim is not able to competently swear, shall be sufficient to establish abuse if one or more additional items of evidence of abuse is also provided. Additional evidence may include, but is not limited to, the following:

(A) Police, government agency, or court records or files.

(B) Documentation from a domestic violence program, legal, clinical, medical, or other professional from whom the applicant or recipient has sought assistance in dealing with abuse.

(C) A statement from any other individual with knowledge of the circumstances that provided the basis for the claim.

(D) Physical evidence of abuse.

(5) If the victim cannot provide additional evidence of abuse, then the sworn statement shall be sufficient if the county makes a determination documented in writing in the case file that the applicant is credible.

(c) In counties approved for alternate benefit issuance systems, that same alternate benefit issuance system shall be approved for the program established by this chapter.

(d) (1) To the extent allowed by federal law, the income, resources, and deductible expenses of those persons described in subdivision (b) shall be excluded when calculating food stamp benefits under Chapter 10 (commencing with Section 18900).

(2) No household shall receive more food stamp benefits under this section than it would if no household member was rendered ineligible pursuant to Title IV of Public Law 104-193 and any subsequent amendments thereto.

(e) This section shall become operative on September 1, 1998.

SEC. 35. Section 18930.5 is added to the Welfare and Institutions Code, to read:

18930.5. (a) As a condition of eligibility for assistance under this chapter:

(1) A recipient who is also receiving aid under Chapter 2 (commencing with Section 11200) of Part 3 shall be required to satisfactorily participate in welfare-to-work activities in accordance

with the recipient's welfare-to-work plan developed pursuant to Section 11325.21.

(2) A recipient who is not receiving aid under Chapter 2 shall be required to be employed in subsidized or unsubsidized employment for the number of hours specified in Section 11322.8 unless the recipient meets one of the conditions set forth in paragraph (3) of subdivision (b) of Section 11320.3.

(3) Migrant farmworker and seasonal farmworker households, as defined in federal food stamp law, who are not also receiving CalWORKs benefits under Chapter 2 (commencing with Section 11200) of Part 3 and who do not meet the requirements of paragraph (2), shall be eligible for benefits under this chapter on November 1, 1998. The department, in consultation with the counties, shall develop guidelines for determining eligibility under this section of migrant farmworker and seasonal farmworker households who are not also receiving CalWORKs benefits under Chapter 2 (commencing with Section 11200) of Part 3.

(b) This section shall become operative on September 1, 1998.

SEC. 36. (a) Notwithstanding the provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the State Department of Social Services may implement Section 18930, as added by this act, and Section 18930.5, as amended by this act, through all county letter or similar instructions from the director for 160 days.

(b) The director shall adopt regulations, as otherwise necessary, to implement those sections specified in subdivision (a). Emergency regulations to implement the sections may be adopted by the director in accordance with the Administrative Procedure Act. The adoption of emergency regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare. Emergency regulations shall be exempt from review by the Office of Administrative Law. The emergency regulations authorized by this section shall be submitted to the Office of Administrative Law for filing with the Secretary of State and shall remain in effect for no more than 180 days.

SEC. 37. Section 18932 of the Welfare and Institutions Code is amended to read:

18932. Except as otherwise provided in this chapter, the federal and state laws and regulations governing the federal Food Stamp Program, including provisions regarding the deeming of sponsors income, shall also govern the program provided for under this chapter.

SEC. 38. Chapter 10.3 (commencing with Section 18937) is added to Part 6 of Division 9 of the Welfare and Institutions Code, to read:

CHAPTER 10.3. CASH ASSISTANCE PROGRAM FOR AGED, BLIND, AND DISABLED LEGAL IMMIGRANTS

18937. The State Department of Social Services shall establish and supervise a county- or county consortia-administered program to provide cash assistance to aged, blind, and disabled legal immigrants who are not citizens and who successfully complete an application process. No application shall be required of individuals described in paragraph (1) of subdivision (b) of Section 18944. The department shall conduct the evaluations of disability for the program. If the federal government agrees to administer the program, the department shall contract with the federal government for this purpose, and the county responsibilities shall be reduced by the duties and responsibilities undertaken by the federal government.

18938. (a) (1) Subject to paragraph (2), an individual, upon application, shall be eligible for the program established pursuant to Section 18937 if his or her immigration status meets the eligibility criteria of the Supplemental Security Income/State Supplementary Program for the Aged, Blind, and Disabled (SSI/SSP) in effect on August 21, 1996, but he or she is not eligible for SSI/SSP benefits solely due to his or her immigration status under Title IV of Public Law 104-193 and any subsequent amendments thereto.

(2) An applicant who legally entered the United States on or after August 22, 1996, shall be eligible for aid under this chapter only if he or she is sponsored and one of the following conditions is met:

(A) The sponsor has died.

(B) The sponsor is disabled, as defined in subparagraph (A) of paragraph (3) of subdivision (b) of Section 11320.3.

(C) The applicant, after entry into the United States, is a victim of abuse by the sponsor or the spouse of the sponsor if the spouse is living with the sponsor.

(3) The applicant shall be required to provide verification that one of the conditions of subparagraphs (A), (B), or (C) of paragraph (2) has been met.

(4) (A) For purposes of subparagraph (C) of paragraph (2), abuse shall be defined in the same manner as provided in Section 11495.1 and Section 11495.12. A sworn statement of abuse by a victim, or the representative of the victim if the victim is not able to competently swear, shall be sufficient to establish abuse if one or more additional items of evidence of abuse is also provided. Additional evidence may include, but is not limited to, the following:

(i) Police, government agency, or court records or files.

(ii) Documentation from a domestic violence program, legal, clinical, medical, or other professional from whom the applicant or recipient has sought assistance in dealing with abuse.

(iii) A statement from any other individual with knowledge of the circumstances that provided the basis for the claim.

(iv) Physical evidence of abuse.

(B) If the victim cannot provide additional evidence of abuse, then the sworn statement shall be sufficient if the county makes a determination documented in the case file that the applicant is credible.

(b) The department shall periodically redetermine the eligibility of each individual.

(c) The department shall take all steps necessary to qualify any benefits paid under this section to be eligible for reimbursement as federal Interim Assistance including requiring a repayment agreement.

18939. Any person who is found to be eligible for federally funded SSI by the department shall be required to apply for SSI benefits. An individual may continue to receive benefits under this article if he or she fully cooperates in the application and administrative appeal process of the Social Security Administration. An individual shall continue to be eligible to receive benefits under this article if he or she receives an unfavorable decision from the Social Security Administration.

18940. Except as otherwise provided in this chapter, the federal and state laws and regulations governing the SSI/SSP program shall also govern the program provided for under this chapter.

18941. Benefits provided under this chapter shall be equivalent to the benefits provided under the SSI/SSP program, Chapter 3 (commencing with Section 12000) of Part 3, except that the schedules for individuals and couples shall be reduced ten dollars ($10) per individual and twenty dollars ($20) per couple per month.

18942. The department shall reimburse the counties for the cost of actual payments made pursuant to this chapter and for the administrative costs actually attributable to those payments. Any appropriation for this chapter may be transferred to pay for the costs of a contract entered into with the federal government to administer this chapter.

18943. (a) Notwithstanding the provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 1340) of Part 1 of Division 3 of Title 2 of the Government Code, through June 30, 1999, the State Department of Social Services may implement the applicable provisions of this chapter through all county letter or similar instructions from the director.

(b) The director shall adopt regulations, as otherwise necessary, to implement the applicable provisions of this chapter no later than July 1, 1999. Emergency regulations to implement the applicable provisions of this chapter may be adopted by the director in accordance with the Administrative Procedure Act. The adoption of emergency regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

(c) Emergency regulations shall be exempt from review by the Office of Administrative Law. The emergency regulations

authorized by this section shall be submitted to the Office of Administrative Law for filing with the Secretary of State and shall remain in effect for no more than 180 days.

18944. (a) It is the intent of the Legislature to appropriate in the Budget Act of 1998 and in the Budget Act of 1999 moneys for the purposes of implementing this chapter.

(b) This chapter shall become operative on:

(1) October 1, 1998, for those individuals who are eligible for aid under this chapter and are discontinued from the SSI/SSP program effective with their September 1998 benefits as a result of their immigration status under Title IV of Public Law 104-193 and any subsequent amendments thereto. Until the counties begin full operation the department shall cause a payment to each individual or couple to be issued through the Controller so that there is no interruption in these individual's receipt of aid to which they are eligible under this chapter.

(2) November 1, 1998, for applicants for this program to have their applications accepted by county welfare departments, and establish a beginning date of aid. Counties shall have the ability to make eligibility determinations and cause the issuance of payments no later than December 1, 1998, unless the federal government has agreed to provide the services under this chapter at an earlier date.

(c) This chapter shall become inoperative on July 1, 2000, and, as of January 1, 2001, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2001, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 39. Section 18960 of the Welfare and Institutions Code is amended to read:

18960. (a) (1) It is the intent of the Legislature that child abuse and neglect prevention and intervention programs be encouraged by the funding of agencies addressing needs of children at high risk of abuse or neglect and their families.

(2) Funding for this program is subject to appropriation in the annual Budget Act.

(3) Priority shall be given to prevention programs through nonprofit agencies, including, where appropriate, programs that identify and provide services to isolated families, particularly those with children five years of age or younger, high quality home visiting programs based on research-based models of best practice, and services to child victims of crime.

(b) (1) Projects funded in Calaveras, El Dorado, Humboldt, Lassen, Modoc, Plumas, San Luis Obispo, Siskiyou, Sutter, Tehama, Trinity, and Yuba Counties, with the exception of statewide innovative projects, shall be funded by the State Department of Social Services for the purposes established in this article until June 30, 1993.

(2) Beginning in the 1993–94 fiscal year and in subsequent years, projects funded in the counties set forth in paragraph (1) shall be

selected by the competitive process described in Section 18961. Projects funded in all other counties in the 1992–93 and subsequent fiscal years shall be selected by the competitive process.

SEC. 40. Section 18963 of the Welfare and Institutions Code is amended to read:

18963. Unless otherwise specified in the annual Budget Act, the funds appropriated in the annual Budget Act to the State Department of Social Services for the purposes of this article shall be allocated as follows:

(a) A sum equal to 90 percent of the appropriation shall be allocated to the board of supervisors of each of the participating counties.

(b) A sum equal to 7 percent of the appropriation shall be allocated to the State Children's Trust Fund established under Section 18969 for innovative, child-centered approaches which indicate promise of quality, cost-effective services to prevent child abuse and neglect.

(c) The Office of Child Abuse Prevention shall reserve a sum equal to 3 percent of the appropriation, to be used to provide administrative oversight and consultation that shall include activities necessary to do all of the following:

(1) Ensure that each county allocates revenues through the use of an accountable process that utilizes a multidisciplinary approach, particularly including strengthening child abuse councils and allocates revenues in a manner consistent with a county expenditure plan for all Child Abuse Prevention, Intervention, and Treatment program revenues. The county plans shall explain how services funded under this article are coordinated with the array of services available in the county and are based on unmet need. The Office of Child Abuse Prevention shall review and approve these plans prior to authorizing county expenditure of funds. The Office of Child Abuse Prevention shall require counties to submit annual reports on program services.

(2) Ensure Child Abuse Prevention, Intervention, and Treatment program compliance and accountability to the county plan and legislative intent.

(d) Counties with provider contracts in effect as of June 30, 1998, may continue those contracts. However, no county shall receive an augmentation of Child Abuse Prevention, Intervention, and Treatment funds unless the county modifies its program in accordance with subdivision (c). During the 1998–99 state fiscal year, if a county qualifies to receive an augmentation of funds, counties may augment existing provider contracts without competitive bids.

(e) The Office of Child Abuse Prevention may contract with a statewide nonprofit consortium with broad-based statewide representation to provide training and technical assistance, and to improve accountability for the use of funds in the Child Abuse

Prevention, Intervention, and Treatment program using funds identified in subdivision (c).

(f) A portion of the funds specified in subdivision (c) may be allocated to the State Children's Trust Fund to be used for statewide training and technical assistance services. Moneys for statewide training and technical assistance may be supplemented under subdivision (a) by an amount not to exceed 0.50 percent of the total Child Abuse Prevention, Intervention, and Treatment appropriation but the total amount allocated statewide for training and technical assistance shall not exceed 2 percent of the total Child Abuse Prevention, Intervention, and Treatment appropriation. This augmentation may be accomplished by means of the following:

(1) The board of supervisors of each participating county may allocate annually a portion of its allocation under this section as a supplement to funds for statewide training and technical assistance. Activities to be funded with these supplemental moneys may be specified by the allocating county and approved by the State Department of Social Services.

(2) In combination with funds provided by a county pursuant to paragraph (1) a portion of the moneys reverted to the State Children's Trust Fund pursuant to paragraph (3) of subdivision (a) of Section 18962 may be allocated annually for statewide training and technical assistance. Any amount allocated from the State Children's Trust Fund in a state fiscal year shall not exceed the moneys reverted under paragraph (3) of subdivision (a) of Section 18962 in that state fiscal year.

SEC. 41. Chapter 14.1 (commencing with Section 18994) is added to Part 6 of Division 9 of the Welfare and Institutions Code, to read:

CHAPTER 14.1. CALIFORNIA FAMILIES AND CHILDREN HOME VISIT PROGRAM

18994. (a) This chapter shall be known and may be cited as the California Families and Children Home Visit Program.

(b) The department shall implement this chapter only to the extent that funds are appropriated for that purpose in the annual Budget Act.

18994.1. The Legislature finds and declares all of the following:

(a) About 26 percent of California's children under the age of 18 years live in families with incomes below the federal poverty line, an increase of 56 percent since 1980. Poverty is associated with numerous problems, including low educational performance, poor nutrition, the mistreatment of children, and juvenile delinquency.

(b) State vital statistics data indicate that about 33 percent of California's children were born out-of-wedlock in 1991, an increase of 61 percent since 1980. Growing up in a single parent household is associated with greater likelihood of living in poverty, higher school

dropout rates, higher incidence of teenage pregnancy, and reduced levels of employment.

(c) Research has found that poor parenting practices and family stress can increase the incidence of child behavior problems in children as young as three years of age. These behavioral problems can affect a variety of children's life outcomes including success in school and incidence of juvenile delinquency.

(d) Over one-fourth of California's children speak a foreign language.

(e) California's children are becoming more culturally and ethnically diverse.

(f) Recent findings in the area of brain development research indicate that inadequate parent-child interaction can negatively affect the cognitive development of children.

(g) High quality voluntary home visit programs have been shown to improve a variety of parental and child outcomes. Specifically, these outcomes include reductions in poor birth outcomes, reductions in the mistreatment of children, reductions of and greater spacing between pregnancies, reduced use of welfare, and increased amounts of parental employment. Studies show that low-income, single parents exhibit the largest improvements over the long run from these programs.

(h) Research also shows that home visit programs that address a broad array of family needs are more likely to improve life outcomes for families and children. Examples of improved life outcomes include reductions in the mistreatment of children, increased rates of school completion, reduced incidence of teenage pregnancy, reduced interaction with the juvenile justice system, and improved health.

(i) It is the intent of the Legislature, in enacting this chapter, to establish a high-quality voluntary home visiting program for at-risk families.

18994.2. (a) "At risk" means families who experience multiple stress factors, and who are more likely than the general population to have adverse health, social, and economic outcomes.

(b) "Home visit" means a strategy of service delivery in which specially trained professional or paraprofessional personnel provide services in the client's home. These personnel typically make contact with at-risk families during pregnancy or at childbirth and continue contact with the client in the parent's home for between two and five years with the purpose of providing information and family support services.

(c) "Family support services" means any services intended to improve parent-child interaction, aid families to become more self-sufficient, or reduce family stress. These services include help with goal setting, information about parent-child interaction, information about and help in accessing other health and social services, and development of problem-solving skills.

18994.3. (a) The Office of Child Abuse Prevention in the State Department of Social Services shall be responsible for award of implementation grants and continued operation of the California Families and Children Home Visit Program.

(b) Office of Child Abuse Prevention's responsibilities include:

(1) Provision of technical assistance to local home visit programs.

(2) Evaluation and assessment of local programs with the objective of improving program results.

(3) Certification that local programs continue to meet standards determined by the agency to be important for successful positive life outcomes for clients. The Office of Child Abuse Prevention shall, when reviewing grant applications under this chapter, take into consideration geographical and population diversity.

18994.4. (a) Each county that chooses to participate in the California Families and Children Home Visit Program shall develop and submit to the Office of Child Abuse Prevention a three-year plan for phasing in a home visit program for eligible families.

(b) Each implementation plan shall include:

(1) The method of determining, and a description of the at-risk population served. Counties shall assess local community needs, and make modifications that are consistent with the California Safe and Healthy Families Model Program, or its successor.

(2) A clearly defined mission statement, and specific goals and objectives that are consistent with the mission statement.

(3) A proposed voluntary home visit service delivery model, incorporating the key components and standards of the California Safe and Healthy Families Model Program, or its successor. The essential components and standards of the California Safe and Healthy Families Program Model include:

(A) A comprehensive service array that includes, but is not limited to, systematic assessment, individualized family service planning, intensive home visiting, child health and development monitoring and intervention, center-based activities that serve parents, infants, and older siblings, linkage to health care and other community resources, and an on-going problem solving case coordination.

(B) Services provided by a multidisciplinary team, that includes appropriate supervision to home visitors and other team members, management of the caseload, and ensuring that service quality is maintained.

(C) Caseloads that are balanced in size, not to exceed 25 cases per home visitor, and intensity (service intensity varies with client need).

(D) On-going training and skill development.

(E) An approach to implementation that addresses relationships with existing service systems.

(4) A description of how home visit "best practices" are incorporated into a proposed model.

(5) A description of how the applicant proposes to coordinate and collaborate with other community service providers including community-based organizations, schools, religious organizations, community police, health care districts, and welfare and social service agencies.

(6) Provisions for families participating in the voluntary home visit program, to provide informed consent and to ensure the confidentiality of the records pertaining to the program.

(7) Specified quality assurance and improvement processes.

(8) Projected results by which positive outcomes and the success of the home visit program is to be measured.

(c) The Office of Child Abuse Prevention shall evaluate implementation plans and award implementation grants to selected voluntary home visit programs. In order to ensure that implementation proposals reflect the prevention and early intervention focus of home visits, the Office of Child Abuse Prevention shall develop proposed criteria for awarding implementation grants in accordance with each plan's addressing of those elements set forth in subdivision (b).

18994.5. County programs are eligible for continued funding following an implementation assessment if both of the following are true:

(a) The assessment results in a determination that the county program has been implemented in accordance with the plan, and that the county program has established mechanisms to continue high-quality program operation.

(b) County administrators agree in writing that continued funding is contingent on the program continuing to produce high-quality results.

18994.55. A grant for operation of a program under this chapter may be awarded to a county that has demonstrated readiness to begin operation of a program or to expand an existing support services program. A grant to operate a program under this chapter shall supplement, and not supplant, existing services and funds.

18994.6. A planning grant may be awarded under this chapter to a county that has demonstrated a need to implement a program, but which is not ready to implement the program, or that is in need of additional planning to expand existing support services.

18994.61. Each grantee shall be required to provide matching funds with one dollar ($1) for every two dollars ($2) awarded. The match may be either in cash or through in-kind services or resources with comparable value.

18994.65. (a) Research and program evaluation shall provide information for the development and implementation of this chapter. The Office of Child Abuse Prevention shall incorporate new research and program evaluation information in order to improve program quality and effectiveness as this information becomes available pursuant to this chapter.

(b) Research and program evaluation shall provide information for the development and implementation of this chapter. The Office of Child Abuse Prevention shall incorporate new research and program evaluation information to improve program quality and effectiveness as this information becomes available pursuant to the program.

18994.7. The Office of Child Abuse Prevention shall provide administrative oversight for the California Families and Children Home Visit Program.

18994.72. (a) Of the funds appropriated in the Budget Act of 1998 for purposes of this chapter, not less than one hundred fifty thousand dollars ($150,000) shall be used for research and program evaluation. The Office of Child Abuse Prevention shall maximize its research capacity by using these funds to match foundation or university research and program evaluation grants.

(b) The department shall be responsible for performing an evaluation of the programs under this chapter. In conjunction with participating research entities, the department shall develop a research design methodology that describes data collection, data validation, and research techniques to be used in conducting the program evaluation, and the extent to which related evaluation research will be incorporated. Focus areas to measure whether outcomes for families and children are improved may relate to all or some of the following:

(1) Child well-being.
(2) Child protective services.
(3) Foster care.
(4) Family preservation and self-sufficiency.
(5) Parental or child involvement in the justice system.
(6) School achievement.
(7) Substance abuse.
(8) Parental employment.

18994.74. Of the funds appropriated for purposes of this chapter, not more than 7.5 percent shall be used for state support staff to facilitate the Office of Child Abuse Prevention's ability to manage this program, provide for program evaluation oversight, and manage the activities of the task force created pursuant to Section 18994.9.

18994.8. It is the intent of the Legislature that the State Department of Social Services, in consultation with other relevant state officials, seek and use any federal funds that may be available for the purposes of this chapter.

18994.9. (a) There is hereby established the California Families and Children Home Visit Program Task Force, which shall be convened by the Office of Child Abuse Prevention.

(b) The membership of the task force shall include, but need not be limited to, all of the following:

(1) The head of the Office of Child Abuse Prevention or his or her designee.

(2) The directors, or designees, of all of the following:

(A) The State Department of Social Services.

(B) The State Department of Health Services.

(C) The State Department of Mental Health.

(D) The Department of the Youth Authority.

(E) The State Department of Education.

(F) The Office of Criminal Justice Planning.

(3) At least two county administrators from counties participating in this program, to be appointed by the director, with the consent of the county.

(4) The manager of this program from the Office of Child Abuse Prevention.

(5) Two legislative representatives, who shall be members of policy committees with jurisdiction over social services issues pertaining to children, with at least one each to be appointed by the Speaker of the Assembly and the Senate Committee on Rules.

(c) The task force shall do both of the following:

(1) Identify permanent funding sources from federal and state programs. Sources from which funding may be integrated for purposes of this chapter may include, but are not limited to, Medi-Cal Targeted Case Management and Administrative Program funds, provided for pursuant to Sections 14132.44 and 14132.47, family preservation funds, private health care providers, including health maintenance organizations and nonprofit hospitals, the California Special Supplemental Food Program for Women, Infants and Children, federal Individuals with Disabilities Education Act funds, and Healthy Families Program funds.

(2) Develop recommendations for permanent funding for this chapter, in order that eligible families who choose to participate have access to the program.

(d) Each member of the task force shall serve without compensation, but shall be reimbursed, by his or her employing agency, for actual and necessary expenses incurred in the performance of his or her duties.

(e) The task force shall be supported by a reasonable amount of staff time, which shall be provided by the agencies represented on the task force, to the extent feasible within an agency's existing resources. The task force may request data from, and may utilize the technical expertise of, other state agencies.

(f) The task force, under the guidance of the Office of Child Abuse Prevention, shall submit its report to the Legislature not later than November 1, 1999.

SEC. 42. Section 18996 of the Welfare and Institutions Code is amended to read:

18996. (a) The Emergency Food Assistance Program Advisory Board is hereby established. The board shall provide advice and assistance in the operation of the emergency food assistance program (EFAP). The board shall also provide advice on all matters relating

to food distribution. The board shall annually review the state plan and any amendments submitted to the United States Department of Agriculture by the state, as well as the EFAP budget and review the EFAP annual report. The plan shall include equitable criteria for eligibility and the distribution of commodities and administrative funds.

(b) The board shall consist of 22 members, 12 to be appointed by the Governor, five to be appointed by the Senate Committee on Rules, and five to be appointed by the Speaker of the Assembly. Appointments shall reflect geographic diversity statewide, and shall include food bank and congregate feeding program representatives and people interested in the emergency food assistance program.

(c) The board shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

SEC. 43. Section 19356.6 of the Welfare and Institutions Code is amended to read:

19356.6. (a) The definitions contained in this subdivision shall govern the construction of this section, with respect to services provided through the Habilitation Services Program, and unless the context requires otherwise, the following terms shall have the following meanings:

(1) "Supported employment" means paid work that is integrated in the community for individuals with developmental disabilities whose vocational disability is so severe that they would be unable to achieve this employment without specialized services and would not be able to retain this employment without an appropriate level of ongoing postemployment support services.

(2) "Integrated work" means the engagement of an employee with a disability in work in a setting typically found in the community in which individuals interact with nondisabled individuals other than those who are providing services to those individuals, to the same extent that nondisabled individuals in comparable positions interact with other persons.

(3) "Supported employment placement" means the employment of an individual with a developmental disability by an employer in the community, directly or through contract with a supported employment program, and the provision of supported employment services and, the provision of ongoing postemployment services necessary for the individual to retain employment. Services for those individuals receiving one-to-one training and support services from a supported employment program shall decrease as the individual adjusts to his or her employment and the employer assumes many of those functions.

(4) For individuals receiving postemployment support services at a job coach-to-client ratio of one-to-one or one-to-two, postemployment services may be provided on or off the job site,

except that no ancillary services may be provided pursuant to subparagraph (A) of paragraph (2) of subdivision (c).

(5) For individuals receiving postemployment support services at a job coach-to-client ratio of other than one-to-one or one-to-two, ancillary services may be provided, except that all postemployment and ancillary services shall be provided at the work site.

(6) "Allowable supported employment services" means the services approved in the individual habilitation component and provided, to the extent allowed by the Habilitation Services Program for the purpose of achieving supported employment as an outcome for individuals with developmental disabilities, which may include any of the following:

(A) Program staff time spent conducting job analysis of supported employment opportunities for a specific consumer.

(B) Program staff time spent in the direct supervision or training of a consumer or consumers while they engage in integrated work unless other arrangements for consumer supervision, such as employer supervision reimbursed by the supported employment program, are approved by the Habilitation Services Program.

(C) Training occurring in the community, in adaptive functional and social skills necessary to ensure job adjustment and retention such as social skills, money management, and independent travel.

(D) Counseling with a consumer's significant others to ensure support of a consumer in job adjustment.

(E) Advocacy or intervention on behalf of a consumer to resolve problems affecting the consumer's work adjustment or retention.

(F) Job development to the extent authorized by the Habilitation Services Program.

(G) Ongoing postemployment support services needed to ensure the consumer's retention of the job.

(b) (1) The Habilitation Services Program shall set rates for supported employment services provided in accordance with this section. The Habilitation Services Program shall apply those rates to those work-activity programs or program components of work-activity programs approved by the department to provide supported employment and to new programs or components approved by the Habilitation Services Program to provide supported employment services. Both of these categories of programs or components shall be required to comply with the criteria set forth in subdivision (b) of Section 19356.7 to receive approval from the Habilitation Services Program.

(2) The hourly rate for supported employment services shall be twenty-seven dollars and fifty cents ($27.50). If more than one consumer is receiving supported employment services simultaneously from the same job coach, the following shall apply:

(A) The total amount reimbursed for that service shall not exceed the authorized rate for supported employment services. In addition, the Habilitation Services Program may set a higher hourly rate for

supported employment services provided to an individual in this configuration, based upon the additional cost to provide ancillary services, when there is a documented and demonstrated need for a higher rate because of the nature and severity of the disabilities of the consumer, as determined by the Habilitation Services Program.

(B) In addition, fees shall be authorized for the following:

(i) A two hundred dollar ($200) fee shall be paid upon intake of a consumer into an agency's supported employment program, unless that individual has completed a supported employment intake process with that same agency within the past 12 months, in which case no fee shall be paid.

(ii) A four hundred dollar ($400) fee shall be paid upon placement of an individual in an integrated job, unless that individual is placed with another consumer or consumers assigned to the same job coach during the same hours of employment, in which case no fee shall be paid.

(iii) A four hundred dollar ($400) fee shall be paid after a 90-day retention of a consumer in a job, unless that individual has been placed with another consumer or consumers, assigned to the same job coach during the same hours of employment, in which case no fee shall be paid.

(3) These rates shall take effect July 1, 1998.

(4) It is the intent of the Legislature that, commencing July 1, 1996, the department establish rates for both habilitation services and vocational rehabilitation supported employment services pursuant to this section.

(c) If a consumer has been placed on a waiting list for vocational rehabilitation as a result of the department's order of selection regulations, the Habilitation Services Program may pay for those supported employment services leading to job development set forth in subparagraph (B) of paragraph (2) of subdivision (b).

(d) This section shall become inoperative on July 1, 1999, and, as of January 1, 2000, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 44. Section 19356.7 of the Welfare and Institutions Code is amended to read:

19356.7. (a) Proposals for funding of new, and modifications to existing, supported employment programs and components by the Habilitation Services Program shall be submitted to the Habilitation Services Program and shall contain sufficient information to enable the Habilitation Services Program to act on the proposal under this section.

(b) Provided that sufficient funding is available to finance services by supported employment programs and components, the Habilitation Services Program may approve or disapprove proposals based on all of the following criteria:

(1) The need for a supported employment program or component.

(2) The capacity of the program to deliver supported employment services effectively.

(3) The ability of the program to comply with accreditation requirements of the Habilitation Services Program. The accreditation standards adopted by the department shall be the standards developed by the Commission of Rehabilitation Facilities and published in the most current edition of the Standards Manual for Organizations Serving People with Disabilities, as well as any subsequent amendments to the manual.

(4) A profile of an average consumer in the program or component, showing the planned progress toward self-reliance as an employee, measured, as appropriate, in terms of decreasing support services.

(5) The ability of the program to achieve integrated paid work on the average for consumers served.

(c) The Habilitation Services Program may purchase supported employment services at the rates authorized in Section 19356.6 only from supported employment programs or components approved under this section.

(d) For purposes of evaluating the effectiveness of the entire program, and individual supported employment programs or components, the Habilitation Services Program may monitor supported employment programs or components to determine whether the performance agreed upon in the approved proposal is being achieved. When the performance of a supported employment program or component does not comply with the criteria according to which it was approved for funding pursuant to subdivision (b), the Habilitation Services Program may establish prospective performance criteria for the program or component, with which the program or component shall comply as a condition of continued funding.

(e) The department shall adopt regulations to implement the requirements of Sections 19352, 19356.6, and this section, in consultation with the California Rehabilitation Association, the United Cerebral Palsy Association, and the Association of Retarded Citizens of California.

(f) This section shall become inoperative on July 1, 1999, and, as of January 1, 2000, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 45. Section 19629 of the Welfare and Institutions Code is amended to read:

19629. (a) The department shall provide that, if any funds are set aside, or caused to be set aside, from the net proceeds of the operation of the vending facilities those funds shall be set aside, only to the

extent necessary, but not to exceed the amount equal to 6 percent of gross sales, and may be used only for the following purposes:

(1) Maintenance and replacement of equipment.

(2) The purchase of new equipment.

(3) The construction of new vending facilities.

(4) Funding the functions of the committee of blind vendors established by Section 19638.

(5) Retirement or pension funds, health insurance contributions or premiums, life insurance contributions or premiums to the extent approved by the federal Rehabilitation Services Administration, and provision for paid sick leave or vacation time or business-related insurance, if it is so determined by a majority vote of blind vendors after the department provides to each vendor full information on all matters relevant to these purposes. The department shall seek the necessary approval for expenditures of set-aside funds for life insurance contributions or premiums.

(b) No set-aside funds shall be collected where the monthly net proceeds are less than one thousand dollars ($1,000). This amount shall be annually adjusted by the department to reflect changes in the cost of living. The average of the separate indices of cost of living for Los Angeles and San Francisco, as published by the United States Bureau of Labor Statistics, shall be used as the basis for determining the change in the cost of living.

(c) Set-aside funds collected from the operation of all vending facilities administered by the Business Enterprise Program shall be placed in a single fund.

(d) As used in this section, "net proceeds" shall be the sum of the amount remaining from the sale of articles or services and the amount of any vending machine or other income accruing to blind vendors after the cost of sale and other expenses (excluding set-aside charges required to be paid by the blind vendors) have been deducted.

(e) It is the intent of the Legislature that the expenditure of the service charges authorized by this section shall be supplemental to any current appropriations available for these purposes and shall not constitute an offset or diminution of any appropriations.

(f) An amount equal to 10 percent of the wages paid by a vendor to any blind person, as defined in Section 19153, or to any disabled person, as defined in regulations issued by the department, shall be deducted from any service charge paid by the vendor, in order to encourage vendors to employ more blind and disabled workers and thereby set an example for industry and government. There shall be no deduction from any service charge paid by a vendor if the vendor does not pay wages at least equal to the minimum wages required of employers pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

SEC. 46. Section 19800 of the Welfare and Institutions Code is amended to read:

19800. The Legislature hereby finds and declares that individuals with disabilities comprise a large percentage of California's total population and that action is necessary to assist these individuals in their attempts to live fuller and freer lives outside institutions. To achieve this, it is necessary to:

(a) Provide state funding to maintain the services provided by existing independent living centers and, where feasible, encourage the establishment of new centers which provide services to individuals with disabilities; and

(b) Vest in the Department of Rehabilitation the responsibility and authority for the encouragement of the planning, developing, and funding of independent living centers. The Department of Rehabilitation shall consult with existing independent living centers and the State Independent Living Council in this state regarding funding procedures and decisions.

SEC. 47. Section 19802 of the Welfare and Institutions Code is amended to read:

19802. For the purposes of this chapter, an "individual with a disability" is as defined pursuant to the Federal Vocational Rehabilitation Act of 1973 (Section 706 of Title 29 of the United States Code), as amended in 1992.

SEC. 48. Section 19803 of the Welfare and Institutions Code is amended to read:

19803. Services provided to individuals with disabilities shall be tailored to suit the individual needs and shall be available to individuals with all types of disabilities.

SEC. 49. Section 19806 of the Welfare and Institutions Code is amended to read:

19806. (a) (1) For each fiscal year commencing with the 1984–85 fiscal year, an independent living center shall not be required to provide any matching funds through private contributions as a condition of receiving state funds except to acquire state incentive funds. Each independent living center, except those centers which have been both established and maintained using federal funding under Title VII(c) of the federal Rehabilitation Act of 1973 as amended as their primary base grant, as determined by the department, shall receive to the extent funds are appropriated by the Legislature, at least two hundred thirty-five thousand dollars ($235,000) in base grant funds allocated by the department. The department shall allocate to those centers with Title VII(c) base grant funds of less than two hundred thirty-five thousand dollars ($235,000) an amount that, when combined with the Title VII(c) grant, equals two hundred thirty-five thousand dollars ($235,000).

(2) State funds may be replaced by reimbursements under the Supplemental Security Disability Insurance and the Supplemental Security Income programs provided for under Titles II and XVII of the Federal Social Security Act, Subchapter II (commencing with Section 401) and Subchapter XVII (commencing with Section 1381)

of Chapter 7 of Title 42 of the United States Code to the extent appropriated by the Legislature and allocated by the department to independent living centers under this chapter. Beginning with the 1998–99 fiscal year, and each year thereafter, to the extent these funds from the Social Security Act are not appropriated by the Legislature as were appropriated in the 1997–98 fiscal year, an amount equal to the combined state and federal fund allocation to independent living centers in the Budget Act of 1997 shall be appropriated to, and allocated by, the department to independent living centers under this chapter.

(b) (1) For the 1998–99 fiscal year, in addition to funds received pursuant to subdivision (a), and subject to the limitations of subdivision (c), to the extent funds are appropriated by the Legislature, and allocated in accordance with regulations adopted by the department, each independent living center shall have the amount of its private contributions which, exceeds the amount of private contributions received by the independent living center during the 1982–83 fiscal year matched by state incentive funds on the basis of one dollar ($1) in state incentive funds for each one dollar ($1) received in private contributions.

(2) For the 1998–99 fiscal year, available state incentive funds shall be allocated at the beginning of each fiscal year based upon the average amount of private contributions received by the independent living center in the second and third preceding fiscal years.

(3) For the 1998–1999 fiscal year and subsequent fiscal years, in addition to funds received pursuant to subdivision (a), and subject to the limitations of subdivision (c), to the extent funds are appropriated by the Legislature, and allocated in accordance with regulations adopted by the department, each independent living center shall have the amount of its private contributions matched by state incentive funds on the basis of one dollar ($1) in state incentive funds for each one dollar ($1) received in private contributions.

(4) For the 1999–2000 fiscal year and subsequent fiscal years, available state incentive funds shall be allocated at the beginning of each fiscal year based upon the average amount of private contributions received by the independent living center in the second and third preceding fiscal year.

(5) For the purpose of determining eligibility for state incentive funds, for the 1998–99 fiscal year and all subsequent fiscal years, any independent living center that uses a fiscal year other than the state fiscal year may elect to use a different fiscal year so long as the closing date of the fiscal year so elected does not precede the closing date of the equivalent state fiscal year by more than 11 months.

(6) For the 1998–99 fiscal year and all subsequent fiscal years, the amount of private contributions claimed by an independent living center for each fiscal year shall be verified by the department by utilizing appropriate financial records including, but not limited to,

independent audits. Audits may be performed by the department up to three years from the close of the fiscal year during which state incentive funds were received by the independent living center being audited.

(c) For the 1998–99 fiscal year, if the total amount of incentive funds available for distribution is one million dollars ($1,000,000) or more the maximum amount of incentive funds as defined in subdivision (d) that may be acquired by any independent living center in any single fiscal year shall be computed using the formula defined in subparagraph (4). If the amount of incentive funds available for distribution is less than one million dollars ($1,000,000) for the 1998–99 fiscal year then the maximum amount of incentive funds as defined in subdivision (d) that may be acquired by any independent living center in any single fiscal year shall be computed as follows:

(1) Each independent living center shall be entitled to acquire state incentive funds as specified in subdivision (b) in an amount not to exceed the total available state incentive funds, divided by the number of independent living centers then funded.

(2) Incentive funds remaining after the initial allocation pursuant to paragraph (1) shall be allocated among centers with remaining unmatched private contributions. Each center with remaining unmatched private contributions shall be allowed to match remaining incentive funds in an amount equal to the total remaining incentive funds divided by the number of centers with remaining private contributions. Subsequent distributions shall be made pursuant to the formula described in the preceding sentence and shall be repeated as many times as is necessary to allocate incentive funds to the greatest extent possible.

(3) State incentive funds not distributed to independent living centers under paragraph (1) or (2) shall not be allocated nor retained by the department for distribution as state incentive funds in later fiscal years.

(4) For the 1998–99 and subsequent fiscal years, if the total funds available for allocation as state incentive funds is one millions dollars ($1,000,000) or more, the maximum amount of incentive funds that may be acquired by any independent living center in any single fiscal year shall be computed as follows:

(A) "Pool One" is defined as 60 percent of all state incentive funds and "Pool Two" is defined as 40 percent of all state incentive funds. Each independent living center shall be entitled to an equal portion of Pool One, not to exceed the amounts raised pursuant to subdivision (b).

(B) Incentive funds from Pool One not used after the initial allocation pursuant to paragraph (1) shall be added to Pool Two for allocation among centers with remaining unmatched private contributions. Pool Two shall be awarded in direct proportion to each center's percentage of the total incentive match funds raised by those

independent living centers with remaining unmatched private contributions.

(C) State incentive funds that are not distributed to independent living centers under subparagraph (A) or subparagraph (B) shall not be allocated or retained by the department for distribution as state incentive funds in later fiscal years.

(d) For purposes of this section:

(1) "Private funds" does not include any funds originating from any entity of the federal, state, city, or county government or any political subdivision thereof. Notwithstanding the provisions of this section, fees for services may be included as private contributions by an independent living center for purposes of determining its allocation of incentive funds.

(2) "State incentive funds" means state funds appropriated by the Legislature for purposes of this chapter, except those funds allocated by the department pursuant to subdivisions (a) and (f) of this section.

(e) Any funds allocated under this chapter to any independent living center, other than as part of the initial allocation for each fiscal year, shall be made by contract amendment. Any such contract amendment shall require the provision of services in addition to that required by the contract being amended. All such services required by contract amendment shall not be performed prior to the date the contract amendment is approved by the state.

(f) To the extent funds are appropriated by the Legislature, after allocation of base grant and incentive funds, remaining funds shall be allocated by the department among independent living centers on the basis of the ratio of the total of the general population in an independent living center's geographic service areas as compared to the total of the general population in all independent living centers geographic services area statewide. The department shall adopt regulations for the distribution of population funds by June 30, 1999.

SEC. 50. Section 19806.1 of the Welfare and Institutions Code, as added by Section 58 of Chapter 606 of the Statutes of 1997, is repealed.

SEC. 51. Section 19806.1 of the Welfare and Institutions Code, as added by Section 2 of Chapter 735 of the Statutes of 1997, is repealed.

SEC. 52. Of the funds appropriated in the Budget Act of 1998, three hundred thousand dollars ($300,000) are intended to support efforts to develop a standardized training curriculum for child welfare workers. The State Department of Social Services shall contract for services of a qualified entity to work in close collaboration with the County Welfare Directors Association, the California Social Work Education Center, the regional training academies, and representatives of child welfare social service workers to assist in the development of a core curriculum to be used by the regional training academies. This curriculum effort shall build upon work currently done and efforts currently underway within the California Social Work Education Center and the regional training academies.

SEC. 53. (a) The first priority for funds appropriated by the Budget Act of 1998 for expansion of the Multipurpose Senior Services Program shall be to establish a new site within each planning and service area that does not currently have a site, with each site receiving no more than 200 client slots.

(b) The remaining funds appropriated by the Budget Act of 1998 for expansion of the Multipurpose Senior Services Program shall be allocated based upon the department's formula of need, which estimates potential recipients by planning and service area, providing an equitable distribution of client slots to existing sites provided each site has demonstrated compliance with applicable federal and state requirements, as determined by the California Department of Aging, based on monitoring reviews.

SEC. 54. (a) The first priority for funds appropriated by the Budget Act of 1998 for the expansion of community-based services and adult day health care programs shall be to establish new programs in planning and service areas where those programs do not currently exist.

(b) Funds for unserved planning and service areas and any remaining funds appropriated by the Budget Act of 1998 for the expansion of adult day health care programs shall be allocated by the California Department of Aging, based on the criteria stated and according to the process described in Sections 1588 to 1589.5, inclusive, of the Health and Safety Code.

(c) For programs funded from appropriations by the Budget Act of 1998 for expansion of community-based programs, co-location is encouraged.

(d) Area agencies on aging shall conduct local procurement for new community-based service programs or, as provided by subdivision (f) of Section 9533 of the Welfare and Institutions Code, may request permission to provide the services directly. Area agencies on aging shall maintain contracts funded from appropriations made by the Budget Act of 1998 for community-based service program expansion until July 1, 2002.

(e) Each new and existing Linkages program site shall be funded at three hundred thousand dollars ($300,000) from appropriations made for the purpose of increasing site funding to three hundred thousand dollars ($300,000) from the Budget Act of 1998.

(f) The maximum award allowable under funds appropriated by Item 4170-101-0001 of the Budget Act of 1998 for each new or existing Alzheimer's day care resource center site is eighty thousand dollars ($80,000).

(g) The remaining funds appropriated by the Budget Act of 1998 for Alzheimer's day care resource center expansion shall be allocated to area agencies on aging by the California Department of Aging through a competitive bid process, based on an assessment of documented need for services, ability to carry out the contract, and the existence of potential providers. The California Department of

Aging shall designate an advisory committee to make recommendations to the Director of the California Department of Aging regarding the area agency on aging competitive selection for additional sites.

SEC. 55. (a) The Employment Development Department shall continue to provide access to services through a local, in-person presence. Every Employment Development Department service point open to the public shall include appropriate staff levels (meaning one person in a small rural office, more in a busy urban office) to ensure that there is at least one person available during scheduled service hours to answer questions and provide assistance on any Employment Development Department benefit program.

(b) The Employment Development Department shall report by January 31, 1999, to the appropriate committees of the Legislature on the appropriate staff levels required to answer all incoming calls and to have no person wait more than three minutes before talking to a representative.

(c) The Employment Development Department shall provide interpreter services at least to the level required by the Dymally-Alatorre Bilingual Services Act based on the bilingual services survey data collected in 1996.

(d) All Employment Development Department claimants required to use telephone processing shall be mailed a copy of their claim as processed by Employment Development Department and shall be notified of their right to correct any errors or omissions and the procedure for doing so.

(e) (1) Notices of Determination shall include an appeal form and published 800 or toll free numbers to be implemented no later than July 1, 2000. The toll free number for unemployment insurance shall be in operation by September 1, 1999.

(2) The Employment Development Department shall provide information on how to get a copy of their file to each claimant upon the filing of his or her claim.

(f) All claimants shall, upon request, be provided a hard copy of their file within seven days.

(g) The Employment Development Department shall convene workgroups, to obtain advice on service levels for the unemployment insurance and disability insurance claims filing systems. These workgroups shall include representation and input from individual claimants, organizations representing claimants, and employers from Northern California, Southern California, and at least two rural areas.

(h) The State Auditor shall review the implementation of telephone claim filing and shall examine at least the following factors:

(1) Impact on customer service.

(2) Ability to access routine and nonroutine information about individual cases.

(3) Impact on the number of appeals filed.

(4) Costs for telephone services per number of telephone providers.

(5) Ability of claimants to provide written documentation to the department.

(6) Impact on claimants with disabilities.

(7) Effectiveness of language services.

SEC. 56. (a) The Legislature hereby finds and declares that the Employment Training Panel established pursuant to Chapter 3.5 (commencing with Section 10200) of Part 1 of Division 3 of the Unemployment Insurance Code is created to provide training contracts for eligible employers throughout the state. However, only a small portion of training funds have been made awarded to employers and businesses in rural counties. The Legislature further finds that the existence of professional contract application preparers in urban areas may have created a competitive disadvantage for employers in rural counties who must compete for limited funds without the benefit of such expertise.

(b) In order to increase the number of contracts and increase the geographic distribution of funds, the Employment Training Panel shall conduct outreach and offer technical assistance to employers in rural counties. Outreach shall include information on the availability of training funds, general contract requirements and specific contacts with the panel who can provide technical assistance. The panel shall report to the Chairs of the fiscal and policy committees of the Legislature on the results of these activities no later than December 1, 1999.

SEC. 57. The planned consolidation of the Employment Development Department's Glendale Disability Insurance office shall not occur until such a time as a suitable nontemporary location for a centralized claims management office has been selected within the Northern Los Angeles area. The selection of a suitable nontemporary location shall include the completion of a business process evaluation and economic analysis, to provide for the efficient operation of the Disability Insurance Program. In order to ensure that service delivery needs are met, the Employment Development Department shall maintain a local, in-person presence within the area, based on the area's service delivery needs and One-Stop Career Centers.

SEC. 58. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of he claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative

on the same date that the act takes effect pursuant to the California Constitution.

SEC. 59. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make changes necessary to implement the Budget Act of 1998, by applying this act to the entire 1998–99 fiscal year, it is necessary that this act go into immediate effect.

CHAPTER 330

An act to amend Sections 8263, 8263.1, 8351, 8353, 8354, 17224, 41203.1, 52122.1, 56428, 56836.08, 56836.09, 56836.15, 60604, 60605, 60640, 60643, 60644, 60800, 69612, 69613, 69613.4, 69613.6, 69614, and 69615.6 of, to add Sections 8203.3, 8350.5, 46201.6, 69613.5, 69613.55, 84751.5, and 84754 to, to add Article 5.5 (commencing with Section 69618) to Chapter 2 of Part 42 of, to add Chapter 10 (commencing with Section 92820) to Part 57 of, to repeal Article 9 (commencing with Section 69670) of Chapter 2 of Part 42 of, and to repeal and add Section 56836.155 of, the Education Code, to amend Section 104420 of the Health and Safety Code, to amend Section 4 of Chapter 975 of the Statutes of 1995, and to amend Section 3 of Chapter 767 of the Statutes of 1997, relating to education, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

I am signing Senate Bill No. 1564 with reductions.

This bill would make various changes to K-14 statutes to implement the 1998–99 Budget Act.

I am signing this bill, notwithstanding the implication in Section 51 that a deficit continues to exist in the financing of the school district revenue limits for the 1998–99 fiscal year, because such an implication is legally irrelevant in the light of the enactment of Education Code section 42238.8 (Stats. of 1997, Ch. 855, sec 6) last year. Section 51 provides that the Superintendent of Public Instruction shall apply the "same deficit factor" to school district revenue limits that was applied for the 1997–98 fiscal year on the assumption that those limits would be calculated on the basis of a formula unrelated to the funds actually received in the 1997–98 fiscal year. However, effective July 1, 1998, Education Code section 42238.8 required revenue limits for the 1998–99 and subsequent fiscal years to be calculated on the basis of funding received for the 1996–97 fiscal year. As a result of this change in law, no deficit in payment exists with regard to the revised revenue limits, and there is no need for the "deficit factor" referred to in Section 51 of this bill. Since Section 51's mistaken assumption that a "deficit" in funding continues to exist does not materially change the level of funding for this fiscal year and should not affect the calculation of subsequent fiscal years, I am signing this bill because of the value of other parts of the legislation and the legal irrelevance of Section 51.

However, I am reducing the appropriations made in Sections 41, 45, 49, 50, 52, 53, 54, and 55 by a total of $109,186,136. These appropriations are being reduced because I have specific concerns about the projects or because of the need to fund higher competing priorities including attaining a prudent reserve. The specific reductions are as follows:

I am reducing the appropriation in Section 41 from $100,000,000 to $20,000,000 for deferred maintenance because of the need to fund higher competing priorities including attaining a prudent reserve. I am revising subdivision (a) of Section 41 to conform to this action.

"(a) Twenty million dollars ($20,000,000) is hereby transferred from the General Fund to the State School Deferred Maintenance Fund for allocation by the State Allocation Board to school districts for high priority, critical needs projects, as defined by the board to mean projects that school districts were unable to complete with funds provided pursuant to Section 39619 of the Education Code, including, but not limited to, removal of underground storage tanks, roof maintenance and replacement, and projects required to ensure the health and safety of pupils. A school district is eligible to receive an allocation pursuant to this section if it has applied for and received all funds for which it is eligible under Section 39619 of the Education Code. A school district may not use funds allocated to it pursuant to this section to meet the local match required pursuant to Section 39619 of the Education Code."

I am deleting Section 45 which appropriates $12,500,000 for adult education and ROC/Ps for training CalWORKs elegible recipients. This appropriation is duplicative of a $12,500,000 appropriation in Item 6110-156-0001 of the budget bill for the same purposes.

I am reducing the appropriation in Section 49 from $79,500,000 to $77,900,000 by reducing subdivision (b), which sets aside funds for joint-use library projects. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve. I am revising paragraph (1) of subdivision (b) of Section 49 to conform to this action.

"(1) Three million four hundred thousand dollars ($3,400,000) for support of joint-use library projects in the following school districts, for one-time expenses, in accordance with the following:

(A) One million five hundred thousand dollars ($1,500,000) to the National City School District for the Lincoln Acres joint-use library project between the Sweetwater Union High School District and the National City School District.

(B) One million dollars ($1,000,000) to the Livermore Valley Joint Unified School District for a Youth Services and Adult Literacy joint-use library project between the Livermore Valley Joint Unified School District and the City of Livermore Public Library.

(C) Three hundred fifty thousand dollars ($350,000) to the Freedom High School District for a joint-use library project with the Contra Costa County Public Library.

(D) Five hundred thousand dollars ($500,000) to the Antelope Valley Union High School District for a joint-use library project between Antelope Valley Union High School and the Lancaster Elementary School District, the City of Lancaster, and the County of Los Angeles.

(E) Fifty thousand dollars ($50,000) to the Miniarets Joint Union High School District for a joint-use library project between the Miniarets Joint Union High School District and the Shaver Lake Branch Library in Fresno County."

I am reducing the appropriation in Section 50 for reimbursement of claims for voluntary desegregation programs in the 1993–94 and 1994–95 fiscal years and legislative augmentations for reimbursement of claims for court-ordered desegregation programs in the 1994–95 fiscal year from $10,103,572 to $2,652,829. Since

desegragation claims are funded in the categorical mega-item according to an existing statutory formula, no legal obligation exists to augment these programs. I am revising subdivision (a) to conform to this action.

"(a) (1) The sum of two million six hundred fifty two thousand eight hundred twenty nine dollars ($2,652,829) is hereby appropriated from the General Fund to the State Controller, for reimbursement of claims received from the following school districts for costs of court-ordered desegregation programs pursuant to Section 42247 of the Education Code, in accordance with paragraph (2).

(2)

Court–Ordered Desegregation School Districts	Reimbursement Claims for the 1993–94 fiscal year
Bakersfield City School District	0
Los Angeles Unified School District	1,355,992
Menlo Park City School District	0
Palo Alto Unified School District	0
Ravenswood City School District	383
Redwood City School District	186
San Bernardino Unified School District	63,542
San Diego Unified School District	502,019
San Francisco Unified School District	728,981
San Jose Unified School District	0
San Mateo County Office of Education	0
Santa Clara County Superintendent of Schools	0
Sequoia Union High School District	1,726
Stockton Unified School District	0
GRAND TOTAL	$2,652,829

I am also deleting subdivision (c) to conform to this action.

I am reducing the reappropriation in Section 52 from $78,425,000 to $73,585,000 by making the following reductions:

I am reducing the reappropriation in subdivision (a) by $1,500,000 for the Math Matters program. There is little evidence to suggest that Math Matters is adequately focused on mathematics teacher training that is based on the most recent Mathematics Program Advisory or on solid computational skills rather than diffuse conceptual skills. Further, although language has been included to prohibit the appropriation of the Math Matters funding unless the State Board of Education certifies that the program has been aligned to state content standards, it is questionable whether such alignment is feasible. Because the Math Matters program is already an established national program and has been operating in California for over four years, I believe that it would be inefficient to provide the comprehensive alignment necessary for a program of only $1,500,000 when other aligned programs of a larger scale have been funded. I

am revising subdivision (a) to conform to this action.

"(a) The sum of twenty eight million five hundred thousand ($28,500,000) is hereby appropriated to the State Department of Education for allocation to school districts and county offices of education on a one-time basis for school-based mathematics staff development, including training in both content and pedagogy, as recommended in the Mathematics Program Advisory approved by the State Board of Education, the State Department of Education, and the Commission on Teacher Credentialing. The amount appropriated by this subdivision is available to fund in equal amounts the math staff development programs proposed in Assembly Bill 1331 and Assembly Bill 2442 of the 1997–98 Regular Session."

I am deleting subdivision (j) which reappropriates $740,000 to the Moorpark Unified School District for home-to-school transportation associated with their voluntary integration program. The school for which this funding is proposed has not yet been built. Standard practice for desegregation funding is to first implement the program prior to submitting a claim for reimbursement. It is inappropriate to provide advanced funding of this nature.

I am deleting subdivision (*l*) which reappropriates $2,600,000 to a consortium of county offices of education for three-year grants to provide technical assistance to school districts in maximizing Medi-Cal reimbursements. This is duplicative of a $2,600,000 reappropriation for the same purposes in the Department of Social Services trailer bill.

I am reducing the reappropriation in Section 53 from $5,130,000 to $3,430,000 by making the following reductions:

I am reducing subdivision (a) by $90,000 for the Pasadena Unified School District for support of the Pasadena Youth Center because of the need to fund higher competing priorities including attaining a prudent reserve. I am revising subdivision (a) to conform to this action.

"Twenty thousand dollars ($20,000) for allocation on a one-time basis to the Pasadena Unified School for the purchase of textbooks for a tutoring program."

I am deleting subdivision (d) which reappropriates $180,000 to the San Luis Obispo County Office of Education for the purpose of support of the Port San Luis Marine Center. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am deleting subdivision (f) which reappropriates $150,000 to the Temple City Unified School District for the purpose of support of the Temple City Arts Academy. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am deleting subdivision (h) which reappropriates $200,000 to the Ventura Unified School District to fund the first phase of construction of a $2,400,000 multi-purpose community stadium at Buena High School. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am deleting subdivision (i) which reappropriates $500,000 to the Rio School District to partially fund construction of the Rio Del Valle Gymnasium/Community Complex. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am deleting subdivision (*l*) which reappropriates $480,000 for planning grants to school districts engaged in community-wide master planning. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am deleting subdivision (o) which reappropriates $100,000 to the San Diego City Unified School District for a homebased early intervention/parent involvement school readiness program. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am reducing the reappropriation in Section 54 from $5,128,893 to $4,053,500 by making the following reductions:

I am deleting subdivision (d) which reappropriates $26,500 to the Alta-Dutch Flat Union School District to expand student bus service. Home-to-school transportation is funded within the mega-item, and districts have discretion to move funding between mega-item programs based on local priorities. Additionally, districts were provided supplemental grant funds in prior years which could have been directed to home-to-school transportation needs.

I am reducing the reappropriation in subdivision (g) by $500,000 for the Merced County Office of Education to establish pilot programs linking education, employability skills, and job opportunities for at-risk youth in Merced County. It is my understanding that this $500,000 is to establish pilot programs in three other counties and that the $150,000 remaining in this subdivision is sufficient to fund the pilot programs in Merced County. The $500,000 augmentation is already included in the Trade and Commerce budget. I am revising subdivision (g) to conform to this action.

"One hundred fifty thousand dollars ($150,000) for allocation, on a one-time basis, to the Merced County Office of Education. Funds appropriated in this item are for the purposes of establishing pilot programs linking education, employability skills, and job opportunities for at-risk youth in Merced County. Funded programs shall accomplish all of the following:

(A) Work in collaboration with local school districts and businesses.

(B) Provide at-risk youth tangible skills in career development, job attainment, leadership, and self-development linked to work-based activities.

(C) Provide a followup component to participants after completion of the program.

(D) Include a community service component.

(E) Develop a career network for disadvantaged adolescents."

I am deleting subdivision (i) which reappropriates $75,000 to the ABC Unified School District to design and implement the Artesia Youth Academy program. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

I am deleting subdivision (j) which reappropriates $473,893 to the Pasadena Unified School District for the repayment of funds withheld as a result of an audit of the district's kindergarten and pre-kindergarten program in 1995–96. The Superintendent of Public Instruction and the Department of Finance have already determined that the district inappropriately claimed average daily attendance for apportionment funding, that the non-compliance in this case was not "minor and inadvertent," and that the amount is owed to the State.

I am reducing the appropriation in Section 55 from $70,000 to $50,000 by deleting subdivision (b) which allocates $20,000 for planning grants to school districts engaged in community-wide master planning program. I am taking this action because of the need to fund higher competing priorities including attaining a prudent reserve.

PETE WILSON, Governor

The people of the State of California do enact as follows:

SECTION 1. Section 8203.3 is added to the Education Code, to read:

8203.3. On or before June 30, 1999, the State Department of Education shall develop pre-kindergarten learning development guidelines. The development of these guidelines shall be funded from funds appropriated for this purpose in the Budget Act of 1998.

The guidelines shall focus on preparing four- and five-year-old children for kindergarten. The guidelines shall identify appropriate developmental milestones for each age, how to assess where children are in relation to the milestones, and suggested methods for achieving the milestones. In addition, the guidelines shall identify any basic beginning skills needed to prepare children for kindergarten or first grade, and methods for teaching these basic skills. The guidelines shall be articulated with the academic content and performance standards adopted by the State Board of Education for kindergarten and grades 1 to 12, inclusive. The State Department of Education may contract with an appropriate public or private agency to develop the guidelines.

SEC. 2. Section 8263 of the Education Code is amended to read:

8263. (a) The Superintendent of Public Instruction shall adopt rules and regulations on eligibility, enrollment, and priority of services needed to implement this chapter. In order to be eligible for federal and state subsidized child development services, families shall meet at least one requirement in each of the following areas:

(1) A family is (A) a current aid recipient, (B) income eligible, (C) homeless, or (D) one whose children are recipients of protective services, or whose children have been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited.

(2) A family needs the child care service because the child is identified by a legal, medical, social service agency, or emergency shelter as (A) a recipient of protective services, (B) being neglected, abused, or exploited, or at risk of neglect, abuse, or exploitation, or (C) having a medical or psychiatric special need which cannot be met without provision of child day care, or the parents are (i) engaged in vocational training leading directly to a recognized trade, paraprofession, or profession, (ii) employed or seeking employment, (iii) seeking permanent housing for family stability, or (iv) incapacitated, including a medical or psychiatric special need which cannot be met without provision of child day care.

(b) Except as provided in Article 15.5 (commencing with Section 8350), priority for state and federally subsidized child development services is as follows:

(1) First priority shall be given to neglected or abused children who are recipients of child protective services, or recipients who are at risk of being neglected or abused, upon written referral from a legal, medical, or social service agency. When an agency is unable to enroll a child in the first priority category, the agency shall refer the family to local resource and referral services to locate services for the child.

(2) Second priority shall be equally given to eligible families, regardless of the number of parents in the home, who are income eligible. Within this priority, families with the lowest gross monthly income in relation to family size, as determined by a schedule

adopted by the superintendent, shall be admitted first. When two or more families are in the same priority in relation to income, the family that has been on the waiting list for the longest amount of time shall be admitted first. For purposes of determining order of admission, the grants of public assistance recipients shall be counted as income.

(3) The superintendent shall set criteria for and may grant specific waivers of the priorities established in this subdivision for agencies that wish to serve specific populations, including disabled children or children of prisoners. These new waivers shall not include proposals to avoid appropriate fee schedules or admit ineligible families, but may include proposals to accept members of special populations in other than strict income order, as long as appropriate fees are paid.

(c) Notwithstanding any other provision of law, in order to promote continuity of services, a family enrolled in a state or federally funded child care and development program whose services would otherwise be terminated because the family no longer meets the program income, eligibility, or need criteria may continue to receive child development services in another state or federally funded child care and development program if the contractor is able to transfer the family's enrollment to another program for which the family is eligible prior to the date of termination of services or to exchange the family's existing enrollment with the enrollment of a family in another program, provided that both families satisfy the eligibility requirements for the program in which they are being enrolled. The transfer of enrollment may be to another program within the same administrative agency or to another agency that administers state or federally funded child care and development programs within that county.

(d) A physical examination and evaluation, including age-appropriate immunization, shall be required prior to, or within six weeks of, enrollment. No standard, rule, or regulation shall require medical examination or immunization for admission to a child care and development program of a child whose parent or guardian files a letter with the governing board of the child care and development program stating that the medical examination or immunization is contrary to his or her religious beliefs, or provide for the exclusion of a child from the program because of a parent or guardian having filed the letter. However, whenever there is good cause to believe that a child is suffering from a recognized contagious or infectious disease, the child shall be temporarily excluded from the program until the governing board of the child care and development program is satisfied that any contagious or infectious disease does not exist.

(e) Regulations formulated and promulgated pursuant to this section shall include the recommendations of the State Department of Health Services relative to health care screening and the provision

of health care services. The superintendent shall seek the advice and assistance of these health authorities in situations where service under this chapter includes or requires care of ill or disabled children.

(f) The superintendent shall establish a fee schedule for families utilizing child care and development services pursuant to this chapter. The income of a recipient of federal supplemental security income benefits pursuant to Title XVI of the Federal Social Security Act (42 U.S.C. Sec. 1381 et seq.) and state supplemental program benefits pursuant to Title XVI of the Federal Social Security Act and Chapter 3 (commencing with Section 12000) of Part 3 of Division 9 of the Welfare and Institutions Code shall not be included as income for the purposes of determining the amount of the family fee. The fee schedule shall include, but not be limited to, the following restrictions:

(1) No fees shall be assessed for families whose children are enrolled in the state preschool program.

(2) A contractor or provider may require parents to provide diapers. A contractor or provider offering field trips either may include the cost of the field trips within the service rate charged to the parent or may charge parents an additional fee. No federal or state money shall be used to reimburse parents for the costs of field trips if those costs are charged as an additional fee. A contractor or provider that charges parents an additional fee for field trips shall inform parents, prior to enrolling the child, that a fee may be charged and that no reimbursement will be available. A contractor or provider may charge parents for field trips or require parents to provide diapers only under the following circumstances:

(A) The provider has a written policy that is adopted by the agency's governing board that includes parents in the decisionmaking process regarding both of the following:

(i) Whether or not, and how much, to charge for field trip expenses.

(ii) Whether or not to require parents to provide diapers.

(B) The maximum total of charges per child in a contract year does not exceed twenty-five dollars ($25).

(C) No child is denied participation in a field trip due to the parent's inability or refusal to pay the charge. No adverse action shall be taken against any parent for that inability or refusal.

Each contractor or provider shall establish a payment system that prevents the identification of children based on whether or not their parents have paid a field trip charge.

Expenses incurred and income received for field trips pursuant to this section, shall be reported to the State Department of Education. The income received for field trips shall be reported specifically as restricted income.

(g) The superintendent shall establish guidelines for the collection of employer-sponsored child care benefit payments from any parent whose child receives subsidized child care and

development services. These guidelines shall provide for the collection of the full amount of the benefit payment, but not to exceed the actual cost of child care and development services provided, notwithstanding the applicable fee based on the fee schedule.

(h) The superintendent shall establish guidelines according to which the director or a duly authorized representative of the child care and development program will certify children as eligible for state reimbursement pursuant to this section.

(i) No public funds shall be paid directly or indirectly to any agency that does not pay at least the minimum wage to each of its employees.

SEC. 3. Section 8263.1 of the Education Code is amended to read:

8263.1. (a) For purposes of this chapter, "income eligible" means that a family's adjusted monthly income is at or below 75 percent of the state median income, adjusted for family size, and adjusted annually. The income of a recipient of federal supplemental security income benefits pursuant to Title XVI of the Federal Social Security Act (42 U.S.C. Sec. 1381 et seq.) and state supplemental program benefits pursuant to Title XVI of the Federal Social Security Act and Chapter 3 (commencing with Section 12000) of Part 3 of Division 9 of the Welfare and Institutions Code shall not be included as income for the purposes of determining eligibility for child care under this chapter.

(b) As of January 1, 1998, children in subsidized child care programs with an exit criteria of 100 percent of the state median income, whose family income adjusted for family size, is above 75 percent of the state median income shall not be displaced and shall continue to receive child care services as long as they continue to meet the criteria that apply to the program on December 31, 1997. The parent fee schedule for these programs in effect on December 31, 1997, shall continue to be applied until the department adopts a new fee schedule that applies to these families.

SEC. 4. Section 8350.5 is added to the Education Code, to read:

8350.5. Current CalWORKs recipients are eligible for all child care services under this article as long as they continue to receive aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program. Family size and income, for purposes of calculating family fees, shall be determined pursuant to Section 8263.

SEC. 5. Section 8351 of the Education Code is amended to read:

8351. (a) The county welfare department shall manage the first stage during which a family shall receive a child care subsidy for any legal care chosen by the parent. The first stage begins upon the entry of a person into the program prescribed by Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code.

(b) A county shall move recipients out of this first response stage as quickly as possible after the county determines that the need for child care is stable. A recipient may be served in this stage for a maximum of six months. The six-month time limit may be extended if the county determines that the recipient's situation is too unstable to be shifted to the second stage or if no funds are available to provide child care services in the second stage.

(c) Former CalWORKs recipients who cannot be transitioned from the first stage of child care because no funded slot is available are eligible to receive the first stage and any subsequent stage two child care services for up to a total of 24 months after they leave cash aid, or until they are otherwise ineligible within that 24-month period. Family size and income for purposes of determining eligibility and family fee shall be determined pursuant to Sections 8263 and 8263.1.

(d) A county may contract with public or private child care providers to provide any or all of the services during the first stage. If the county welfare department elects to contract with any child care provider that is also under contract with the State Department of Education, these contracts shall be consistent with state law.

SEC. 6. Section 8353 of the Education Code is amended to read:

8353. (a) The second stage of child care begins when the county determines that the recipient's work or approved work activity is stable or when a recipient is transitioning off of aid and child care is available through a local stage two program. The local stage two agency shall assist in moving families to stage three as quickly as feasible. Former CalWORKs recipients are eligible to receive child care services in stage one and stage two for up to a total of no more than 24 months after they leave cash aid, or until they are otherwise ineligible within that 24-month period. Family size and income for purposes of determining eligibility and calculating the family fee shall be determined pursuant to Sections 8263 and 8263.1.

(b) The second stage shall be administered by agencies contracting with the State Department of Education. These contractors may be either agencies that have an alternative payment contract pursuant to Section 8220.1 or county welfare departments that choose to administer this stage in order to continue to provide child care services for recipients or former recipients of aid. If the county chooses to contract with the department to provide alternative payment services, this contract shall not displace, or result in the reduction of an existing contract of, a current alternative payment program.

SEC. 7. Section 8354 of the Education Code is amended to read:

8354. (a) The third stage of child care begins when a funded space is available. CalWORKs recipients are eligible for the third stage of child care. Persons who received a lump-sum diversion payment and former CalWORKs participants are eligible if they have an income that does not exceed 75 percent of the state median

income. The third stage shall be administered by programs contracting with the State Department of Education. Parents' eligibility for child care and development services will be governed by Section 8263 and regulations adopted by the State Department of Education.

(b) In order to move welfare recipients and former recipients from their relationship with county welfare departments to relationships with institutions providing services to working families, it is the intent of the Legislature that families that are former recipients of aid, or are transitioning off aid, receive their child care assistance in the same fashion as other low-income working families. Therefore, it is the intent of the Legislature that families no longer rely on county welfare departments to obtain child care subsidies beyond the time they are receiving other services from the welfare department.

(c) A county welfare department shall not administer the third stage of child care for CalWORKs recipients except to the extent to which it delivered those services to families receiving, or within one year of having received, Aid to Families with Dependent Children prior to the enactment of this section.

(d) This article does not preclude county welfare departments from operating an alternative payment program under contract with the State Department of Education to serve families referred by child protective services.

SEC. 8. Section 17224 of the Education Code is amended to read:

17224. Any funds in the State School Site Utilization Fund, including interest, that are not subject to return to a school district pursuant to Section 17223 shall revert to the Deferred Maintenance Fund.

SEC. 9. Section 41203.1 of the Education Code is amended to read:

41203.1. (a) For the 1990–91 fiscal year and each fiscal year thereafter, allocations calculated pursuant to Section 41203 shall be distributed in accordance with calculations provided in this section. Notwithstanding Section 41203, and for the purposes of this section, school districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California shall be regarded as separate segments of public education, and each of these three segments of public education shall be entitled to receive respective shares of the amount calculated pursuant to Section 41203 as though the calculation made pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution were to be applied separately to each segment and the base year for the purposes of this calculation under paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution were based on the 1989–90 fiscal year. Calculations made pursuant to this subdivision shall be made so that each segment of public education is entitled to the greater of the amounts

calculated for that segment pursuant to paragraph (1) or (2) of subdivision (b) of Section 8 of Article XVI of the California Constitution.

(b) If the single calculation made pursuant to Section 41203 yields a guaranteed amount of funding that is less than the sum of the amounts calculated pursuant to subdivision (a), then the amount calculated pursuant to Section 41203 shall be prorated for the three segments of public education.

(c) Notwithstanding any other provision of law, this section shall not apply to the 1992–93 fiscal year.

(d) Notwithstanding any other provision of law, this section shall not apply to the 1993–94 fiscal year.

(e) Notwithstanding any other provision of law, this section shall not apply to the 1994–95 fiscal year.

(f) Notwithstanding any other provision of law, this section shall not apply to the 1995–96 fiscal year.

(g) Notwithstanding any other provision of law, this section shall not apply to the 1996–97 fiscal year.

(h) Notwithstanding any other provision of law, this section shall not apply to the 1997–98 fiscal year.

(i) Notwithstanding any other provision of law, this section shall not apply to the 1998–99 fiscal year.

SEC. 10. Section 46201.6 is added to the Education Code, to read:

46201.6. Any school district that elected not to participate in either or both of the longer-day and longer-year incentive funding programs set forth in this article may commence participation in, and begin receiving funding for, either or both of those programs in the 1998–99 or 1999–2000 fiscal years, on the same basis as if it had participated in the program or programs since July 1, 1984, if the district meets the requirement of paragraph (3) of subdivision (a) of Section 46201 in the fiscal year in which it commences participation and each fiscal year thereafter.

SEC. 11. Section 52122.1 of the Education Code is amended to read:

52122.1. (a) A school district applying to implement the Class Size Reduction Program in additional classes in the 1997–98 and 1998–99 school years may request that a portion of the maximum operating funds for which the school district would be eligible if fully reducing class size in kindergarten and in grades 1 to 3, inclusive, pursuant to the provisions of subparagraph (A) of paragraph (2) of subdivision (b) of Section 52122, be used for facilities-related costs necessary for new classes established under this program beyond those established in the prior school year.

(b) An application made pursuant to this section, the form of which shall be developed by the Superintendent of Public Instruction not later than 30 days after the Budget Act of 1997 is chaptered, shall be submitted by each school district that elects to apply for funding under this section not later than 90 days after the

Budget Act of the fiscal year in which the application is made is chaptered, and shall include certification by the governing board of the school district that, in the school year for which the application is being submitted, the school district can show one of the following:

(1) In the 1996–97 fiscal year, the school district received funding for the Class Size Reduction Facilities Funding Program pursuant to Chapter 19 (commencing with Section 17200) of Part 10.

(2) The school district is qualified as of the date of the application for new construction funding under the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 12 (commencing with Section 17000) of Part 10) on a districtwide basis or for the relevant school attendance area, as defined in Section 17041, or the district is eligible to receive growth funding from another statewide school construction program.

(3) The school district has insufficient classroom space to house all the new classes that need to be established in order for the district to participate in the Class Size Reduction Program contained in this chapter, as demonstrated through the eligibility calculation specified in Section 17203 that shall be certified by the governing board of the school district, adjusted to exclude new teaching stations established in the school year for which the application is being submitted for this program.

(c) School districts requesting funds for facilities pursuant to this section are eligible to receive forty thousand dollars ($40,000) for each new teaching station that is needed to be established for the purpose of expanding the Class Size Reduction Program in the 1997–98 and 1998–99 school years beyond the number of new classes established in the prior school year pursuant to subparagraph (A) of paragraph (2) of subdivision (b) of Section 52122.

(1) The maximum amount of funds a school district may receive for both operation funds, pursuant to subparagraphs (A) and (B) of paragraph (2) of subdivision (b) of Section 52122, and facility funds provided by this section, is limited to the number of students in kindergarten through grades 1 to 3, inclusive, multiplied by the Option One stipend specified in Section 52126.

(2) The maximum initial apportionment for facilities-related costs available to a school district under this section shall be calculated as follows:

(A) Multiply the district's certified enrollment in kindergarten and grades 1 to 3, inclusive, as of October of the previous school year by the per pupil stipend established by subdivision (a) of Section 52126 for the school year for the year in which the application is being submitted.

(B) Subtract from the amount determined in subparagraph (A) the product of the number of pupils the district certifies will be in a class which satisfies the provisions of subparagraph (A) of paragraph (2) of subdivision (b) of Section 52122 during the school year for the year in which the application is being submitted times the per pupil

stipend for the school year in subdivisions (a) and (c) of Section 52126 for which the application is being submitted.

(C) Subtract from the amount determined in subparagraph (B) the product of the number of pupils the district certifies will be in a class which satisfies the provisions of subparagraph (B) of paragraph (2) of subdivision (b) of Section 52122 during the school year for the year in which the application is being submitted times the per pupil stipend in subdivisions (b) and (d) of Section 52126 for which the application is being submitted.

(D) In no case shall a district receive facilities funding of more than forty thousand dollars ($40,000) per new class that is needed to expand the Class Size Reduction Program during the school year for which the application is being submitted.

(3) If, by June 30, of the year in which a facilities grant has been requested, or by a later date specified in a statute, the State Department of Education determines that the school district was eligible to receive facilities grants in excess of the number of facilities grants actually received, the department may award additional grants to the school district, to the extent that the funds are available for this purpose. To determine if funds are available to a school district for this purpose, the department shall use the calculations in subparagraphs (A) to (D), inclusive, of paragraph (2), but adjusted for actual implementation of the Class Size Reduction Program and yearend enrollment.

(d) The funds allocated pursuant to this section shall be considered to be a loan to the school district receiving the funds. The following loan repayment provisions shall apply to all allocations made pursuant to this section:

(1) If the school district is eligible to receive grants pursuant to the provisions of subparagraph (A) of paragraph (2) of subdivision (b) of Section 52122 for the 1997–98 or 1998–99 school year and has satisfied all requirements to receive these funds in the 1997–98 or 1998–99 school year, for all classes for which it received facilities funding pursuant to this section, as determined by the State Department of Education, the school district shall not be required to repay the loan.

(2) If a school district receives funding pursuant to this section, but has not satisfied the requirements of paragraph (1) for all classes for which it received facilities funds, the Superintendent of Public Instruction shall notify the Controller and school district in writing, and the Controller shall deduct an amount equal to the portion of the total loan amount received by the school district under this subdivision for the classes that the school district failed to reduce the size to 20 or fewer pupils pursuant to the provisions of subparagraph (A) of paragraph (2) of subdivision (b) of Section 52122, from the school district's next principal apportionment or apportionments of state funds to the school district, other than basic aid apportionments required by Section 6 of Article IX of the California Constitution.

(e) Funds allocated to school districts pursuant to this section shall be expended solely for the purpose of facilities-related costs associated with the implementation of the Class Size Reduction Program contained in this chapter.

(f) Funds shall not be allocated to school districts pursuant to this section for the purpose of assisting school districts in implementing Option Two, as set forth in paragraph (2) of subdivision (b) of Section 52122.

(g) Nothing in this section shall be construed as precluding school districts from fully implementing class size reduction in kindergarten and grades 1 to 3, inclusive.

(h) It is the intent of the Legislature that, for each new teaching station a school district establishes for the purpose of class size reduction for which the school district did not receive a facilities grant under this section or any previous appropriation for this purpose, the school district shall be eligible for facilities funding from any state general obligation bond measure approved for that purpose.

(i) For purposes of this section, any reference to school districts shall be deemed to include any charter school.

SEC. 12. Section 56428 of the Education Code is amended to read:

56428. (a) For the 1985–86 fiscal year, and each fiscal year thereafter, any instructional personnel service unit that was used in the prior fiscal year to provide services to children younger than three years of age shall continue to be used for that purpose. If a special education local plan area becomes ineligible for all or any portion of those instructional personnel service units operated and fundable in the prior fiscal year, the Superintendent of Public Instruction shall allocate those units to another local plan area for the purpose of providing services to children younger than three years of age.

(b) In the 1998–99 fiscal year, the instructional personnel service unit rates used to compute state funding under this chapter shall be adjusted to represent the actual, historic inflation adjustment amount funded for each provider of early education services under this chapter. To make this adjustment, the superintendent shall make the following calculation:

(1) Divide the amount of funding received by the special education local plan area in the 1997–98 fiscal year from property taxes and state aid, after applying the deficit, for early education for individuals with exceptional needs by the amount the special education local plan area was entitled to receive for the 1997–98 fiscal year for that program.

(2) Multiply the amount determined in paragraph (1) by the instructional personnel service unit rates for the 1997–98 fiscal year used to compute state funding for early education for individuals with exceptional needs prior to the application of the inflation adjustment for the 1998–99 fiscal year.

(c) For the 1998–99 fiscal year, the department shall transfer an amount from schedule (a) to schedule (b) of Item 6110-161-0001 of Section 2.00 of the Budget Act of 1998, equal to the amount determined by the department, with the approval of the Department of Finance, to be the amount of funding received by the special education local plan area from property taxes in the 1997–98 fiscal year for early education programs for individuals with exceptional needs, multiplied by the inflation factor computed pursuant to Section 42238.1 for the 1998–99 fiscal year and adjusted for the estimated growth in average daily attendance for kindergarten and grades 1 to 12, inclusive, pursuant to the May Revision of the Governor's Budget for the 1998–99 fiscal year.

SEC. 13. Section 56836.08 of the Education Code, as amended by Chapter 89 of the Statutes of 1998, is amended to read:

56836.08. (a) For the 1998–99 fiscal year, the superintendent shall make the following computations to determine the amount of funding for each special education local plan area:

(1) Add the amount of funding per unit of average daily attendance computed for the special education local plan area pursuant to paragraph (1) of subdivision (a) of Section 56836.10 to the inflation adjustment computed pursuant to subdivision (d) for the 1998–99 fiscal year.

(2) Multiply the amount computed in paragraph (1) by the units of average daily attendance reported for the special education local plan area for the 1997–98 fiscal year.

(3) Add the actual amount of the equalization adjustment, if any, computed for the 1998–99 fiscal year pursuant to Section 56836.14 to the amount computed in paragraph (2).

(4) Add or subtract, as appropriate, the adjustment for growth computed pursuant to Section 56836.15 from the amount computed in paragraph (3).

(b) For the 1999–2000 fiscal year and each fiscal year thereafter, the superintendent shall make the following computations to determine the amount of funding for each special education local plan area for the fiscal year in which the computation is made:

(1) Add the amount of funding per unit of average daily attendance computed for the special education local plan area for the prior fiscal year pursuant to Section 56836.10 to the inflation adjustment computed pursuant to subdivision (d) for the fiscal year in which the computation is made.

(2) Multiply the amount computed in paragraph (1) by the units of average daily attendance reported for the special education local plan area for the prior fiscal year.

(3) Add the actual amount of the equalization adjustment, if any, computed for the special education local plan area for the fiscal year in which the computation is made pursuant to Section 56836.14 to the amount computed in paragraph (2).

(4) Add or subtract, as appropriate, the adjustment for growth or decline in enrollment, if any, computed for the special education local plan area for the fiscal year in which the computation is made pursuant to Section 56836.15 from the amount computed in paragraph (3).

(c) For the 1998–99 fiscal year and each fiscal year thereafter, the superintendent shall make the following computations to determine the amount of General Fund moneys that the special education local plan area may claim:

(1) Add the total of the amount of property taxes for the special education local plan area pursuant to Section 2572 for the fiscal year in which the computation is made to the amount of federal funds allocated for the purposes of paragraph (1) of subdivision (a) of Section 56836.09 for the fiscal year in which the computation is made.

(2) Add the amount of funding computed for the special education local plan area pursuant to subdivision (a) for the 1998–99 fiscal year, and commencing with the 1999–2000 fiscal year and each fiscal year thereafter, the amount computed for the fiscal year in which the computations were made pursuant to subdivision (b) to the amount of funding computed for the special education local plan area pursuant to Article 3 (commencing with Section 56836.16).

(3) Subtract the sum computed in paragraph (1) from the sum computed in paragraph (2).

(d) For the 1998–99 fiscal year and each fiscal year thereafter, the superintendent shall make the following computations to determine the inflation adjustment for the fiscal year in which the computation is made:

(1) For the 1998–99 fiscal year, multiply the sum of the statewide target amount per unit of average daily attendance for special education local plan areas for the 1997–98 fiscal year computed pursuant to paragraph (3) of subdivision (a) of Section 56836.11 and the amount determined pursuant to paragraph (e) of Section 56836.155 for the 1997–98 fiscal year by the inflation factor computed pursuant to subdivision (b) of Section 42238.1 for the 1998–99 fiscal year.

(2) For the 1999–2000 fiscal year and each fiscal year thereafter, multiply the sum of the statewide target amount per unit of average daily attendance for special education local plan areas for the prior fiscal year computed pursuant to Section 56836.11 and the amount determined pursuant to paragraph (3) of subdivision (d) of Section 56836.155 for the prior fiscal year by the inflation factor computed pursuant to subdivision (b) of Section 42238.1 for the fiscal year in which the computation is made.

(3) For the purposes of computing the inflation adjustment for the special education local plan area identified as the Los Angeles County Juvenile Court and Community School/Division of Alternative Education Special Education Local Plan Area for the 1998–99 fiscal year and each fiscal year thereafter, the superintendent shall

multiply the amount of funding per unit of average daily attendance computed for that special education local plan area for the prior fiscal year pursuant to Section 56836.10 by the inflation factor computed pursuant to subdivision (b) of Section 42238.1 for the fiscal year in which the computation is being made.

(e) For the 1998–99 fiscal year and each fiscal year thereafter to and including the 2002–03 fiscal year, the superintendent shall perform the calculation set forth in Section 56836.155 to determine the adjusted entitlement for the incidence of disabilities for each special education local plan area, but this amount shall not be used in the next fiscal year to determine the base amount of funding for each special education local plan area for the current fiscal year, except as specified in this article.

SEC. 14. Section 56836.09 of the Education Code, as amended by Chapter 89 of the Statutes of 1998, is amended to read:

56836.09. For the purpose of computing the amount to apportion to each special education local plan area for the 1998–99 fiscal year, the superintendent shall compute the total amount of funding received by the special education local plan area for the 1997–98 fiscal year as follows:

(a) Add the following amounts that were received for the 1997–98 fiscal year:

(1) The total amount of federal funds apportioned to the special education local plan area pursuant to subdivisions (b) and (h) of the Schedule in Item 6110-161-0890 of Section 2.00 of the Budget Act of 1997 for the purposes of special education for individuals with exceptional needs enrolled in kindergarten and grades 1 to 12, inclusive.

(2) The total amount of property taxes allocated to the special education local plan area pursuant to Section 2572, excluding any property taxes used to fund a program for individuals with exceptional needs younger than three years of age in the special education local plan area for the 1997–98 fiscal year.

(3) The total amount of General Fund moneys allocated to the special education local plan area pursuant to Chapter 7 (commencing with Section 56700) plus the total amount received for equalization pursuant to Chapter 7.1 (commencing with Section 56835), as those chapters existed on December 31, 1998.

(4) The total amount of General Fund moneys allocated to another special education local plan area for any pupils with exceptional needs who are served by the other special education local plan area but who are residents of the special education local plan area for which this computation is being made.

(b) Add the following amounts received in the 1997–98 fiscal year:

(1) The total amount determined for the special education local plan area for the purpose of providing nonpublic, nonsectarian school services to licensed children's institutions, foster family homes, residential medical facilities, and other similar facilities for the

1997–98 fiscal year pursuant to Article 3 (commencing with Section 56836.16).

(2) The total amount of General Fund moneys allocated for any pupils with exceptional needs who are served by the special education local plan area but who do not reside within the boundaries of the special education local plan area.

(3) The total amount of General Fund moneys allocated to the special education local plan area to perform the regionalized operations and services functions listed in Article 6 (commencing with Section 56836.23) and to provide the direct instructional support of program specialists in accordance with Section 56368.

(4) The total amount of General Fund moneys allocated to the special education local plan area for individuals with exceptional needs younger than three years of age pursuant to Chapter 7 (commencing with Section 56700), as that chapter existed on December 31, 1998.

(5) The total amount of General Fund moneys allocated to local educational agencies within the special education local plan area pursuant to Section 56771, as that section existed on December 31, 1998, for specialized books, materials, and equipment for pupils with low-incidence disabilities.

(c) Subtract the sum computed in subdivision (b) from the sum computed in subdivision (a).

SEC. 15. Section 56836.15 of the Education Code, as amended by Chapter 89 of the Statutes of 1998, is amended to read:

56836.15. (a) In order to mitigate the effects of any declining enrollment, commencing in the 1998–99 fiscal year, and each fiscal year thereafter, the superintendent shall calculate allocations to special education local plan areas based on the average daily attendance reported for the special education local plan area for the fiscal year in which the computation is made or the prior fiscal year, whichever is greater. However, the prior fiscal year average daily attendance reported for the special education local plan area shall be adjusted for any loss or gain of average daily attendance reported for the special education local plan area due to a reorganization or transfer of territory in the special education local plan area.

(b) If in the fiscal year for which the computation is made, the number of units of average daily attendance upon which allocations to the special education local plan area are based is greater than the number of units of average daily attendance upon which allocations to the special education local plan area were based in the prior fiscal year, the special education local plan area shall be allocated a growth adjustment equal to the product determined by multiplying the amounts determined under paragraphs (1) and (2).

(1) The statewide target amount per unit of average daily attendance for special education local plan areas determined pursuant to Section 56836.11 added to the amount determined in paragraph (3) of subdivision (d) of Section 56836.155.

(2) The difference between the number of units of average daily attendance upon which allocations to the special education local plan area are based for the fiscal year in which the computation is made and the number of units of average daily attendance upon which allocations to the special education local plan area were based for the prior fiscal year.

(c) If in the fiscal year for which the computation is made, the number of units of average daily attendance upon which allocations to the special education local plan area are based is less than the number of units of average daily attendance upon which allocations to the special education local plan area were based in the prior fiscal year, the special education local plan area shall receive a funding reduction equal to the product determined by multiplying the amounts determined under paragraphs (1) and (2):

(1) The amount of funding per unit of average daily attendance computed for the special education local plan area for the prior fiscal year.

(2) The difference between the number of units of average daily attendance upon which allocations to the special education local plan area are based for the fiscal year in which the computation is made and the number of units of average daily attendance upon which allocations to the special education local plan area were based for the prior fiscal year.

(d) If, in the fiscal year for which the computation is made, the number of units of average daily attendance upon which the allocations to the special education local plan area identified as the Los Angeles County Juvenile Court and Community School/Division of Alternative Education Special Education Local Plan Area are based is greater than the number of units of average daily attendance upon which the allocations to that special education local plan area were based in the prior fiscal year, that special education local plan area shall be allocated a growth adjustment equal to the product determined by multiplying the amounts determined under paragraphs (1) and (2).

(1) The amount of funding per unit of average daily attendance computed for the special education local plan area for the prior fiscal year pursuant to Section 56836.10 multiplied by one plus the inflation adjustment factor computed pursuant to subdivision (b) of Section 42238.1 for the fiscal year in which the computation is being made.

(2) The difference between the number of units of average daily attendance upon which allocations to the special education local plan area are based for the fiscal year in which the computation is made and the number of units of average daily attendance upon which allocations to the special education local plan area were based for the prior fiscal year.

SEC. 16. Section 56836.155 of the Education Code, as amended by Chapter 89 of the Statutes of 1998, is repealed.

SEC. 17. Section 56836.155 is added to the Education Code, to read:

56836.155. (a) On or before November 2, 1998, the department, in conjunction with the Office of the Legislative Analyst, shall do the following:

(1) Calculate an "incidence multiplier" for each special education local plan area using the definition, methodology, and data provided in the final report submitted by the American Institutes for Research pursuant to Section 67 of Chapter 854 of the Statutes of 1997.

(2) Submit the incidence multiplier for each special education local plan area and supporting data to the Department of Finance.

(b) The Department of Finance shall review the incidence multiplier for each special education local plan area and the supporting data, and report any errors to the department and the Office of the Legislative Analyst for correction.

(c) The Department of Finance shall approve the final incidence multiplier for each special education local plan area by November 23, 1998.

(d) For the 1998–99 fiscal year and each fiscal year thereafter to and including the 2002–03 fiscal year, the superintendent shall perform the following calculation to determine each special education local plan area's adjusted entitlement for the incidence of disabilities:

(1) The incidence multiplier for the special education local plan area shall be multiplied by the statewide target amount per unit of average daily attendance for special education local plan areas determined pursuant to Section 56836.11 for the fiscal year in which the computation is made.

(2) The amount determined pursuant to paragraph (1) shall be added to the statewide target amount per unit of average daily attendance for special education local plan area determined pursuant to Section 56836.11 for the fiscal year in which the computation is made.

(3) Subtract the amount of funding for the special education local plan area determined pursuant to paragraph (1) of subdivision (a) or paragraph (1) of subdivision (b) of Section 56836.08, as appropriate for the fiscal year in which the computation is made, or the statewide target amount per unit of average daily attendance for special education local plan areas determined pursuant to Section 56836.11 for the fiscal year in which the computation is made, whichever is greater, from the amount determined pursuant to paragraph (2). If the result is less than zero, than the special education local plan area shall not receive an adjusted entitlement for the incidence of disabilities.

(4) Multiply the amount determined in paragraph (3) by either the average daily attendance reported for the special education local plan area for the fiscal year in which the computation is made, as adjusted pursuant to subdivision (a) of Section 56836.15, or the

average daily attendance reported for the special education local plan area for the prior fiscal year, as adjusted pursuant to subdivision (a) of Section 56826.15, whichever is less.

(5) If there are insufficient funds appropriated in the fiscal year for which the computation is made for the purposes of this section, the amount received by each special education local plan area shall be prorated.

(e) For the 1997–98 fiscal year, the superintendent shall perform the calculation in paragraphs (1) to (3), inclusive, of paragraph (d) only for the purposes of making the computation in paragraph (1) of subdivision (d) of Section 56836.08, but the special education local plan area shall not receive an adjusted entitlement for the incidence of disabilities pursuant to this section for the 1997–98 fiscal year.

(f) On or before March 1, 2003, the Office of the Legislative Analyst, in conjunction with the Department of Finance and the department, shall submit to the Legislature a new study of the incidence multiplier, with recommendations as to the necessity of continuing to adjust the funding formula contained in this chapter for the purposes of this section to the extent that funding is provided for this purpose. The Office of the Legislative Analyst may contract for this study. It is the intent of the Legislature to provide funding for this study in the Budget Act of 2002.

SEC. 18. Section 60604 of the Education Code is amended to read:

60604. (a) The Superintendent of Public Instruction shall design and implement, consistent with the timetable and plan required pursuant to subdivision (b), a statewide pupil assessment program consistent with the testing requirements of this article in accordance with the objectives set forth in Section 60602. That program shall include all of the following:

(1) A plan for producing valid, reliable, and comparable individual pupil scores in grades 2 to 11, inclusive, and a comprehensive analysis of these scores based on the results of the achievement test designated by the State Board of Education that assesses a broad range of basic academic skills pursuant to the Standardized Testing and Reporting (STAR) Program established by Article 4 (commencing with Section 60640) and the assessment established pursuant to subdivision (c) of Section 60605.

(2) A method of working with publishers to ensure valid, reliable, and comparable individual, grade-level, school-level, district-level, county-level, and statewide scores in grades 2 to 11, inclusive, that is based on the achievement test designated pursuant to subdivision (b) of Section 60605 and that, in the grade levels and subject areas specified in subdivision (c) of Section 60605, ensures valid, reliable and comparable school-level, district-level, county-level, and statewide scores in the assessments administered pursuant to subdivision (c) of Section 60605.

(3) Statewide academically rigorous content and performance standards that reflect the knowledge and skills that pupils will need

in order to succeed in the information-based, global economy of the 21st century. These skills shall not include personal behavioral standards or skills, including, but not limited to, honesty, sociability, ethics, or self-esteem.

(4) A statewide system that provides the results of testing in a manner that reflects the degree to which pupils are achieving the academically rigorous content and performance standards adopted by the State Board of Education.

(5) The alignment of assessment with the statewide academically rigorous content and performance standards adopted by the State Board of Education.

(6) The active, ongoing involvement of parents, classroom teachers, administrators, other educators, governing board members of school districts, and the public in all phases of the design and implementation of the statewide pupil assessment program and the development of assessment instruments pursuant to the requirements of subdivision (c) of Section 60605.

(7) The development of a contract or contracts with a publisher or publishers, after the approval of statewide academically rigorous content standards by the State Board of Education, for the development of performance standards and assessments of applied academic skills designed to test pupils' knowledge of academic skills and abilities to apply that knowledge and those skills in order to solve problems and communicate. The assessments of applied academic skills shall be limited to the grade levels and subject areas specified in subdivision (c) of Section 60605.

(b) The superintendent shall develop and annually update for the Legislature a five-year cost projection, implementation plan, and timetable for implementing the program described in subdivision (a). The annual update shall be submitted on or before March 1 of each year to the chairperson of the fiscal subcommittee considering budget appropriations in each house. The update shall explain any significant variations from the five-year cost projection for the current year budget and the proposed budget.

(c) The Superintendent of Public Instruction shall provide each school district with guidelines for professional development that are designed to assist classroom teachers to use the results of the assessments administered pursuant to this chapter to modify instruction for the purpose of improving pupil learning. These guidelines shall be developed in consultation with classroom teachers and approved by the State Board of Education before dissemination.

(d) The Superintendent of Public Instruction shall make available prototype and sample versions of the statewide pupil assessment test pursuant to subdivision (c) of Section 60605 to each school district and to the public prior to administration of the tests. The superintendent and the State Board of Education shall consider comments and recommendations from school districts and the public

in the development, adoption, and approval of subsequent assessment instruments.

(e) The results of the achievement test administered pursuant to Article 4 (commencing with Section 60640) shall be returned to the school district in the same academic year in which the test was administered and no later than June 30 of the calendar year in which the test was administered.

SEC. 19. Section 60605 of the Education Code is amended to read:

60605. (a) (1) (A) No later than January 1, 1998, the State Board of Education shall adopt statewide academically rigorous content standards, pursuant to the recommendations of the Commission for the Establishment of Academic Content and Performance Standards, in the core curriculum areas of reading, writing, and mathematics to serve as the basis for assessing the academic achievement of individual pupils and of schools, school districts, and the California education system. No later than November 1, 1998, the State Board of Education shall adopt these standards in the core curriculum areas of history/social science and science. The performance standards and the assessments described in subdivision (c) may be developed concurrently, and shall be based on the content standards adopted by the board pursuant to this section.

(B) No later than July 15, 1999, the board shall adopt statewide performance standards in the core curriculum areas of reading, writing, and mathematics based on the recommendations made by a contractor or contractors. No later than December 31, 1999, the board shall complete the adoption of the portion of pupil assessments described in subdivision (c) in the core curriculum areas of reading, writing, and mathematics. No later than March 31, 2000, the board shall adopt statewide performance standards in the core curriculum areas of history/social science and science based on the recommendations made by a contractor or contractors. No later than December 31, 2000, the board shall complete the adoption of that portion of pupil assessments described in subdivision (c) in the core curriculum areas of history/social science and science.

(C) In specifying timeframes for deliverables in the request for proposal developed pursuant to subdivision (i), the State Board of Education shall require the contractor or contractors to submit performance standards to the board not later than a specified date that allows sufficient opportunity for the board to conduct regional hearings prior to the adoption of the performance standards by the dates specified in subparagraph (B).

(2) (A) The State Board of Education may modify any proposed content standards or performance standards prior to adoption and may adopt content and performance standards in individual core curriculum areas as those standards are submitted to the board by the commission or the contractor. The performance standards shall be established against specific grade level benchmarks of academic

achievement for each subject area tested and shall be based on the knowledge and skills that pupils will need in order to succeed in the information-based, global economy of the 21st century. These skills shall not include personal behavioral standards or skills, including, but not limited to, honesty, sociability, ethics, or self-esteem. The standards adopted pursuant to this section shall be for the purpose of guiding state decisions regarding the development, adoption, and approval of assessment instruments pursuant to this chapter and shall not be construed to mandate any actions or activities by school districts.

(B) Because these standards are models, the adoption of these standards is not subject to the Administrative Procedure Act. This subparagraph is declaratory of existing law.

(3) Prior to the adoption of academic content and performance standards, the board shall hold regional hearings for the purpose of giving parents and other members of the public the opportunity to comment on the proposed standards.

(b) (1) The State Board of Education shall require the State Department of Education to notify publishers of the opportunity to submit, for consideration by the State Board of Education pursuant to Section 60642, tests of achievement that include all of the basic academic skills identified in subdivision (c) of Section 60603 in grades 2 to 8, inclusive, and the core curriculum areas identified in subdivision (e) of Section 60603 in grades 9 to 11, inclusive.

(2) On or before October 31, 1997, the Superintendent of Public Instruction shall recommend to the State Board of Education which achievement test to adopt pursuant to subdivision (b) of Section 60642.

(c) (1) The State Board of Education shall adopt an assessment instrument that meets the objectives of Section 60602 and that yields valid, reliable estimates of school performance, school district performance, and statewide performance of pupils that, in grades 4, 5, 8, and 10, assess basic academic skills and incorporate the use of direct writing assessment and other assessments of applied academic skills.

(2) The State Board of Education shall annually require that each school district administer the statewide assessment pursuant to this subdivision to all pupils in grades 4, 5, 8, and 10. The core curriculum areas shall be addressed by that assessment. Notwithstanding any other provision of law, the assessment provided for under this subdivision shall address, in grade 4, only reading, written expression, and mathematics, and, in grade 5, only history/social science and science. Pupils in a given school shall be administered a portion of all subjects of the assessment that will be representative of all the assessment objectives, goals, and categories of items on the entire assessment in a manner that will produce results that are valid and reliable at the school and school district level. The State Department of Education may provide assistance to school districts in the

implementation of the assessment established pursuant to this subdivision.

(3) Nothing in this subdivision shall be construed to prevent the State Board of Education from developing or adopting an assessment instrument that also contains assessments of basic academic skills.

(d) The State Board of Education shall adopt assessments pursuant to subdivision (c) that are aligned with the statewide content and performance standards adopted pursuant to subdivision (a). The State Board of Education shall not adopt an assessment pursuant to subdivision (c) for any core curriculum area until the statewide content standards for that core curriculum area have been adopted by the board pursuant to subdivision (a). The State Board of Education shall not award contracts for the development of performance standards and assessments pursuant to subdivision (c) for any core curriculum area until after adoption of statewide content standards for that core curriculum area.

(e) After the adoption of the statewide content standards, the State Board of Education shall review the achievement test designated pursuant to Section 60642 for conformance with these statewide standards.

(f) After the adoption of the statewide content and performance standards, the State Board of Education shall review the existing curriculum frameworks for conformity with the new statewide standards and shall modify the curriculum frameworks where appropriate to bring them into alignment with the standards.

(g) The State Board of Education shall adopt regulations for the conduct and administration of the testing and assessment program.

(h) The State Board of Education shall adopt a regulation for minimum security procedures that test and assessment publishers and school districts must follow to ensure the security and integrity of test and assessment questions and materials.

(i) Following consideration of recommendations of the Superintendent of Public Instruction, the State Board of Education shall award a contract or contracts to develop performance standards pursuant to subdivision (a) and instruments to be used for the purposes of subdivision (c), according to competitive bidding procedures.

(1) As part of this process, the board may convene an advisory panel composed of nationally recognized experts in pupil assessment. Two members of the panel shall be selected from a list of at least 10 nominees of the Superintendent of Public Instruction. This panel, if convened, shall assist the board in the preparation of the request or requests for proposals to develop performance standards and instruments for use as assessments of applied academic skills and in the review and rating of proposals that are submitted. The panel shall also assist the board in determining methods of ensuring that the achievement test designated pursuant to Section 60642 meets the requirements of Section 60644. The State Department of Education

shall provide any necessary staff support for the work of the advisory committee.

(2) Any contractor to whom a contract is awarded pursuant to this subdivision shall assure that parents, classroom teachers, administrators, school district governing board members, and the general public are actively involved in the development of any assessment instruments.

(3) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, appropriations made for the payment of contracts awarded pursuant to this subdivision shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202, for the applicable fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202, for that fiscal year.

(j) (1) Not less than 60 days before adoption of the statewide pupil assessment pursuant to subdivision (c), the State Board of Education shall make the proposed assessment available for inspection by the public. The board shall adopt any proposed amendments or modifications to the assessment before this public inspection period so that the materials available for inspection are the same materials that the board shall consider for final adoption. This provision applies to subsequent amendments or modifications of the examination in addition to the initial adoption. The proposed assessment shall be available for inspection by the public for a reasonable period of time.

(2) The assessment adopted pursuant to subdivision (c) shall be available for inspection at each county superintendent of schools' office and within each school district at a centrally located site selected by the governing board of each school district. The governing board may also make the assessment available for public inspection at other locations within the school district. No assessment may be copied or taken from the inspection site.

SEC. 20. Section 60640 of the Education Code is amended to read:

60640. (a) There is hereby established the Standardized Testing and Reporting Program, to be known as the STAR Program.

(b) Commencing in the 1997–98 fiscal year and each fiscal year thereafter, and from the funds available for that purpose, each school district, charter school, and county office of education shall administer to each of its pupils in grades 2 to 11, inclusive, before May 15, the achievement test designated by the State Board of Education pursuant to Section 60642.

(c) The publisher and the school district shall provide two makeup days for the testing of previously absent pupils no later than May 25.

(d) The governing board of the school district may administer achievement tests in kindergarten, and grade 1 or 12, or both, as it deems appropriate.

(e) Individuals with exceptional needs who have an explicit provision in their individualized education program that exempts them from the testing requirement of subdivision (b) shall be so exempt.

(f) At the school district's option, pupils of limited English proficiency who are enrolled in any of grades 2 to 11, inclusive, may take a second achievement test in their primary language. Primary language tests administered pursuant to this subdivision and subdivision (g) shall be subject to the requirements of subdivisions (b), (c), (d), and (e) of Section 60641. These primary language tests shall produce individual pupil scores that are valid and reliable. Notwithstanding any other provision of law, the State Board of Education shall designate for use, as part of this program, a single primary language test in each language for which such a test is available for grades 2 to 11, inclusive, no later than November 14, 1998, pursuant to the process used for designation of the assessment chosen in the 1997–98 fiscal year, as specified in Section 60642 and 60643, as applicable.

(g) In addition to the test required by subdivision (b), pupils of limited English proficiency who are enrolled in any of grades 2 to 11, inclusive, shall be required to take a test in their primary language if such a test is available, if less than 12 months have elapsed after their initial enrollment in any public school in the state.

(h) The Superintendent of Public Instruction shall apportion funds to enable school districts to meet the requirements of subdivisions (b), (f), and (g). The State Board of Education shall establish the amount of funding to be apportioned. The amount to be apportioned shall be up to eight dollars ($8) per test administered to a pupil in grades 2 to 11, inclusive.

(i) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation for the apportionments made pursuant to subdivision (g) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the applicable fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code, for that fiscal year.

(j) As a condition to receiving an apportionment pursuant to subdivision (h), a school district shall report to the superintendent all of the following:

(1) The number of pupils enrolled in the school district in grades 2 to 11, inclusive.

(2) The number of pupils to whom an achievement test was administered in grades 2 to 11, inclusive, in the school district.

(3) The number of pupils in paragraph (1) who were exempted from the test pursuant to subdivision (e) of Section 60640.

(4) The number of pupils in paragraph (1) who were exempted from the test at the request of their parents or guardians.

SEC. 21. Section 60643 of the Education Code is amended to read:

60643. (a) To be eligible for consideration under Section 60642 by the State Board of Education, test publishers shall agree in writing each year to meet the following requirements, if selected:

(1) Post a performance bond in an amount to be determined by the State Board of Education.

(2) Enter into a standard agreement with all school districts in the state that includes a payment schedule and conditions prescribed by the State Board of Education.

(3) Align the achievement test to the academically rigorous content and performance standards adopted by the State Board of Education.

(4) Comply with subdivisions (c) and (d) of Section 60645.

(5) Provide individual pupil scores to parents or guardians, teachers, and school administrators.

(6) Provide aggregate scores to teachers, administrators, governing boards of school districts, county boards of education, and the State Department of Education in all of the following forms and formats:

(A) Grade level.

(B) School level.

(C) District level.

(D) Countywide.

(E) Statewide.

(F) Comparison of statewide scores relative to other states.

(7) Provide disaggregated scores, based on limited-English-proficient status, to teachers, administrators, governing boards of school districts, county boards of education, and the State Department of Education in the same form and formats listed in paragraph (6).

(8) Provide all information listed in paragraph (6) and in paragraph (7) to the State Board of Education and to the recipients listed in paragraph (6), in hard copy and in an electronic medium compatible for access through the Internet.

(b) Notwithstanding any other provision of law, the publisher of the achievement test designated pursuant to Section 60642 shall comply with all of the conditions and requirements enumerated in subdivision (a) to the satisfaction of the State Board of Education.

(c) (1) The State Department of Education is hereby authorized to develop a standard agreement, subject to the approval of the State Board of Education, that all school districts and the test publisher shall be required to use. The agreement shall contain provisions for

withholding full or partial payments for individual components of test administration, including, but not limited to, test development, publication, administration, scoring, test security, data aggregation, analysis, reporting, or electronic transmission. The standard agreement shall specify the exact reports and data files that are to be provided to the district by the publisher, and the number of copies of each report or file to be provided. The State Department of Education shall also specify in the standard agreement that all reports and files must be certified by the district as complete and accurate before final payment to the publisher from the district. The State Department of Education shall specify in the standard agreement that final payments or portions thereof by school districts or any agent of the State of California shall be withheld until the Superintendent of Public Instruction notifies all school districts that the test administration is completed for the academic year and the State Board of Education has made a determination pursuant to paragraph (2) or (3).

(2) If satisfied that the publisher has met the requirements of subdivision (a), and that the State Department of Education and the State Board of Education have received complete statewide data, to the satisfaction of the board, reported in the manner prescribed by this section, the State Board of Education shall determine that all school districts may make final payments to the publisher.

(3) If the State Board of Education is not satisfied that the publisher has met all of the requirements of subdivision (a) or any of the individual components of test administration, the board may authorize partial payment. The State Board of Education may adopt regulations establishing a process for partial payments to the test publisher by school districts.

(d) The State Board of Education shall consider the performance of publishers no later than July 31 following the test administration for purposes of making appropriate determinations pursuant to the standard agreement authorized pursuant to this section.

SEC. 22. Section 60644 of the Education Code is amended to read:

60644. In designating an achievement test pursuant to Section 60642, the State Board of Education shall adopt only a nationally normed test and shall consider each of the following criteria:

(a) Ability of the publisher to produce valid, reliable individual pupil scores.

(b) Quality and age of empirical data supporting national norm referenced data analysis of the proposed assessment.

(c) Ability to report results pursuant to the provisions of paragraphs (5) to (8), inclusive, of subdivision (a) of Section 60643 by June 30.

(d) Ability to report results that permit comparability between data from school districts' previous administration of standardized achievement tests, if feasible.

(e) Ability to provide results comparable with data from the 1998 benchmark year and administrations in subsequent years with the grade level competencies established pursuant to the academically rigorous content and performance standards adopted by the State Board of Education pursuant to Section 60605.

(f) (1) Ability to align the achievement test with academically rigorous content and performance standards as those standards are adopted by the State Board of Education. It is the intent of the Legislature that, to the extent feasible, the nationally-normed test shall be augmented with items that assess the specific grade-level content standards adopted by the State Board of Education pursuant to subdivision (a) of Section 60605.

(2) Until the State Board of Education adopts academically rigorous content standards, the test shall be consistent with Section 60200.4, reasonably aligned with the state curriculum frameworks, and substantively aligned with the program advisories jointly adopted by the Superintendent of Public Instruction, the State Board of Education, and the Commission on Teacher Credentialing in 1996.

(g) The circumstances, if any, under which a publisher forfeited a performance bond.

(h) Per-pupil cost estimates of administering the proposed assessment.

(i) The publisher's procedure for ensuring the security and integrity of test questions and materials.

(j) Experience in the successful conduct of testing programs adopted and administered by other states. For experience to be considered, the number of grades and pupils tested shall be provided.

SEC. 23. Section 60800 of the Education Code is amended to read:

60800. (a) During the month of March, April, or May, the governing board of each school district maintaining any of grades 5, 7, and 9 shall administer to each pupil in those grades the physical performance test designated by the State Board of Education. Each physically handicapped pupil, and each pupil who is physically unable to take all of the physical performance test, shall be given as much of the test as his or her condition will permit.

(b) Upon request of the State Department of Education, a school district shall submit to the department, at least once every two years, the results of its physical performance testing.

(c) The State Department of Education shall compile the results of the annual physical performance test, and, on or before December 31 of each year, submit a report to the Legislature and the Governor that compares the performance of California's pupils to national norms.

SEC. 24. Section 69612 of the Education Code is amended to read:

69612. (a) (1) The Legislature hereby recognizes that there is a growing shortage of high quality classroom teachers, and that there is a need for qualified teachers from throughout California. The teacher shortage is most serious in particular subject areas, partly due

to the shortage of students in these fields who enter the teaching profession. The Legislature also recognizes that many school districts have difficulty recruiting and retaining high quality teachers for pupils with special needs and for schools serving large populations of students from low-income and linguistic minority families.

(2) The Legislature finds that the rising costs of higher education, coupled with a shift in available financial aid from scholarships and grants to loans, make loan repayment options an important consideration in a student's decision to pursue a postsecondary education. The availability of financial aid and loan repayment assistance are important considerations for many students, especially economically disadvantaged students, in making their educational decisions.

(b) It is the intent of the Legislature that the Assumption Program of Loans for Education be designed to encourage persons to enter into the teaching profession in designated subject matter shortage areas and in schools serving large populations of students from low-income families. It is further the intent of the Legislature in enacting this article to do all of the following:

(1) Provide outstanding postsecondary students, particularly economically disadvantaged students, with the assurance of financial assistance to encourage them to complete postsecondary education programs leading to teaching credentials, and to seek employment as teachers.

(2) Provide persons who agree to become teacher trainees or teacher interns in a subject matter shortage area with the assurance of financial assistance to encourage them to complete the additional coursework necessary to obtain a teaching credential.

(3) Identify subject matter areas in which there are shortages of teachers and provide incentives for persons to obtain teaching credentials and seek teaching positions in those areas.

(4) Identify schools serving large populations of students from low-income families and provide incentives for persons to obtain teaching credentials and seek teaching positions in those schools.

SEC. 25. Section 69613 of the Education Code is amended to read:

69613. (a) Any person enrolled in an institution of postsecondary education participating in the loan assumption program set forth in this article, or any person who agrees to participate in a teacher trainee or teacher internship program, may be eligible to receive a conditional warrant for loan assumption, to be redeemed pursuant to Section 69613.2 upon becoming employed as a teacher. In order to be eligible to receive a loan assumption warrant, an applicant shall satisfy all of the conditions specified in either subdivision (b) or (c).

(b) (1) The applicant has completed at least 60 semester units, or the equivalent, and is enrolled in an academic program leading to a baccalaureate degree at a participating institution, or has been admitted to a program of professional preparation that has been approved by the Commission on Teacher Credentialing.

(2) The applicant is currently enrolled in, or has been admitted to a program in which he or she will be enrolled in, at least 10 semester units, or the equivalent. The applicant shall agree to maintain not less than 10 semester units per semester, or the equivalent, and to maintain satisfactory academic progress.

(3) The applicant has been judged by his or her postsecondary institution to have outstanding ability on the basis of criteria that may include, but need not be limited to, any of the following:

(A) Grade point average.

(B) Test scores.

(C) Faculty evaluations.

(D) Interviews.

(E) Other recommendations.

(4) In order to meet the costs associated with obtaining a baccalaureate degree, or a California teaching credential, the applicant has received, or is approved to receive, a loan under one or more of the following designated loan programs:

(A) The Federal Family Education Loan Program (20 U.S.C. Sec. 1071 et seq.).

(B) Any loan program approved by the Student Aid Commission.

(5) The applicant has agreed to teach in a public school in this state for at least four consecutive academic years after obtaining a teaching credential.

(c) (1) The applicant holds a baccalaureate degree and agrees to participate in a teacher trainee program or teacher internship program, or is a person who will continue to be employed full time in a field other than teaching while completing the necessary coursework for a teaching credential, or is a noncredentialed teaching paraprofessional, as described in Section 44323, who will continue to serve as a teaching paraprofessional while completing the necessary coursework for a California teaching credential.

(2) (A) The applicant is enrolled in, or has been admitted to, a participating institution and agrees to maintain satisfactory academic progress in an academic program leading to a baccalaureate degree or in a program of professional preparation that has been approved by the Commission on Teacher Credentialing, and the applicant satisfies the conditions specified in paragraphs (3), (4), and (5) of subdivision (b).

(B) No applicant who has completed fewer than 60 units, or the equivalent, shall be eligible under this subdivision to participate in the loan assumption program set forth in this article.

(d) Sixty percent of the warrants distributed each year pursuant to subdivisions (b) and (c) at each participating institution shall be awarded by that institution to applicants who agree to obtain a teaching credential in subject areas that are designated as current or projected shortage areas by the Superintendent of Public Instruction. The warrant shall remain valid even if the subject area ceases to be

a designated shortage field by the time the applicant becomes a teacher.

(e) The remaining 40 percent of the warrants distributed each year pursuant to subdivisions (b) and (c) at each participating institution shall be awarded to applicants who agree to obtain teaching credentials in any subject area and to provide classroom instruction in schools that serve large populations of students from low-income families, as designated by the superintendent for purposes of the Perkins Loan Program or otherwise. The warrant shall remain valid even if the school ceases to be so designated during the applicant's second, third, or fourth year of teaching.

(f) A person participating in the program pursuant to this section shall not receive more than one warrant.

(g) The Student Aid Commission shall adopt rules and regulations regarding the reallocation of warrants where a participating institution is unable to utilize its allocated warrants or is unable to distribute them proportionately to subdivisions (d) and (e) within a reasonable period of time.

SEC. 26. Section 69613.4 of the Education Code is amended to read:

69613.4. The terms of the loan assumptions granted under this article shall be as follows, subject to the specific terms of each warrant:

(a) After a program participant has completed one school year of classroom instruction pursuant to Section 69613.2, the Student Aid Commission shall assume up to two thousand dollars ($2,000) of the participant's outstanding liability under one or more of the designated loan programs.

(b) After a program participant has completed two consecutive school years of instruction, the commission shall assume up to an additional three thousand dollars ($3,000) of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to five thousand dollars ($5,000).

(c) After a program participant has completed three consecutive school years of teaching service, the commission shall assume up to a maximum of an additional three thousand dollars ($3,000) of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to eight thousand dollars ($8,000).

(d) After a program participant has completed four consecutive school years of teaching service, the commission shall assume up to a maximum of an additional three thousand dollars ($3,000) of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to eleven thousand dollars ($11,000). This provision applies to any person who has received a warrant but has not yet completed the third year of the teaching obligation prior to the effective date of this act.

(e) For purposes of this section, "school year" means at least 175 school days or its equivalent.

SEC. 27. Section 69613.5 is added to the Education Code, to read:

69613.5. (a) Notwithstanding Sections 69612.5 and 69614, for the purposes of the recruitment of teachers from outside California, the commission shall annually distribute 500 warrants to school districts to be awarded to out-of-state teachers who fulfill the terms of Section 69613.4. A teacher who receives a warrant pursuant to this subdivision shall hold a valid teaching credential, in the subject area of the California teaching position, from the state in which he or she resides.

(b) The commission shall adopt rules and regulations regarding the allocation of warrants to school districts pursuant to this section.

SEC. 28. Section 69613.55 is added to the Education Code, to read:

69613.55. Within the number of warrants distributed pursuant to paragraph (d) of Section 69613, the commission shall annually distribute a minimum of 2,000 awards to applicants who agree to obtain a teaching credential in mathematics or science. The commission shall adopt rules and regulations regarding the reallocation of these warrants if a participating institution is unable to utilize the warrants within a reasonable period of time.

SEC. 29. Section 69613.6 of the Education Code is amended to read:

69613.6. (a) Except as provided in subdivision (b), in the event that a program participant fails to complete a minimum of four consecutive school years of classroom instruction as required by this article, under the terms of the agreement pursuant to paragraph (5) of subdivision (a) of Section 69613, the participant shall assume full liability for all student loan obligations remaining after the commission's assumption of loan liability for the last year of qualifying teaching service pursuant to Section 69613.

(b) Notwithstanding subdivision (a), in the event that a program participant becomes unable to complete one of the four consecutive years of teaching service due to serious illness, pregnancy, or other natural causes, the participant shall receive a deferral of the resumption of full liability for the loan for a period not to exceed one calendar year.

SEC. 30. Section 69614 of the Education Code is amended to read:

69614. (a) The Student Aid Commission shall distribute student applications to participate in the loan assumption program to postsecondary institutions eligible to participate in state and federal financial aid programs and having a program of professional preparation that has been approved by the Commission on Teacher Credentialing. Each eligible institution shall receive at least one application, and the remainder shall be distributed to eligible institutions proportionate to the number of teaching candidates from each institution who were fully credentialed during the previous year.

(b) Each participating institution shall sign an institutional agreement with the commission, certifying its intent to administer the loan assumption program according to all applicable published rules, regulations, and guidelines, and to make special efforts to notify students regarding the availability of the program, particularly economically disadvantaged students.

(c) To the extent feasible, each participating institution shall coordinate the loan assumption program with other existing programs designed to recruit or encourage students to enter the teaching profession. These programs may include, but need not be limited to, student internships in school districts, courses that provide early exploratory or field work experience in elementary or secondary schools, and work-study employment in elementary or secondary schools.

SEC. 31. Section 69615.6 of the Education Code is amended to read:

69615.6. Beginning no later than the 1986–87 school year, and each school year thereafter, the commission shall issue warrants for the assumption of up to 500 student loans for program participants eligible under this article. Beginning no later than the 1998–99 school year, and each school year thereafter, the commission shall issue warrants for the assumption of up to 4,500 student loans for program participants eligible under this article. The issuance of warrants shall be subject to funding to be provided in the Budget Act for each fiscal year.

SEC. 32. Article 5.5 (commencing with Section 69618) is added to Chapter 2 of Part 42 of the Education Code, to read:

Article 5.5. Graduate Assumption Program of Loans for Education

69618. (a) The Legislature hereby recognizes the growing need for new faculty members at California's colleges and universities. This need will be fueled largely by two factors: (1) the large number of current faculty approaching retirement age who will need to be replaced; and (2) the expected growth in enrollment demand in California.

(b) The Legislature finds that the rising costs of higher education, coupled with a shift in available financial aid from scholarships and grants to loans, make loan repayment options an important consideration in student's decision to pursue a graduate education.

(c) It is the intent of the Legislature that the Graduate Assumption Program of Loans for Education be designed to encourage persons to complete their graduate educations and serve as faculty at an accredited California college or university.

(d) As used in this article, "commission" means the Student Aid Commission.

69618.1. (a) Program participants shall meet all of the following eligibility criteria prior to selection in the program and must continue to meet these criteria, as appropriate, during the payment periods:

(1) The participant shall be a United States citizen or eligible noncitizen.

(2) The participant shall be a California resident attending an eligible school or college in the state.

(3) The participant shall be making satisfactory academic progress.

(4) The participant shall have complied with United States Selective Service requirements.

(5) The participant shall not owe a refund on any state or federal educational grant or have delinquent or defaulted student loans.

(b) Any person enrolled in an institution of postsecondary education and participating in the loan assumption program set forth in this article may be eligible to receive a conditional warrant for loan assumption, to be redeemed pursuant to Section 69618.2 upon becoming employed as a full-time faculty member at a California college or university.

(c) (1) The commission shall award warrants to students with demonstrated academic ability and financial need, as determined by the commission pursuant to Article 1.5 (commencing with Section 69503).

(2) The applicant shall have completed a baccalaureate degree program or be enrolled in an academic program leading to a graduate level degree.

(3) The applicant shall be currently enrolled in or admitted to a program in which he or she will be enrolled in a full-time course of study each academic term as defined by an eligible institution. The applicant shall agree to maintain not less than 10 semester units per semester, or the equivalent, and to maintain satisfactory academic progress.

(4) The applicant shall have been judged by his or her postsecondary institution to have outstanding ability on the basis of criteria that may include, but need not be limited to, any of the following:

(A) Grade point average.

(B) Test scores.

(C) Faculty evaluations.

(D) Interviews.

(E) Other recommendations.

(5) In order to meet the costs of obtaining a graduate degree, the applicant shall have received, or be approved to receive, a loan under one or more of the following designated loan programs:

(A) The Federal Family Education Loan Program (20 U.S.C. Sec. 1071 et seq.).

(B) Any loan program approved by the commission.

(6) The applicant shall have agreed to teach on a full-time basis at an accredited California college or university for at least three consecutive years after obtaining a graduate degree.

(d) A person participating in the program pursuant to this section shall not receive more than one warrant.

69618.2. The commission shall redeem an applicant's warrant and commence loan assumption payments as specified in Section 69618.3 upon verification that the applicant has fulfilled all of the following:

(a) The applicant has received a graduate degree from an accredited, participating California institution.

(b) The applicant has provided full-time instruction at a regionally accredited California college or university for one academic year or the equivalent.

(c) The applicant has met the requirements of the warrant and all other conditions of this article.

69618.3. The terms of the loan assumptions granted under this article shall be as follows, subject to the specific terms of each warrant:

(a) After a program participant has completed one academic year, or the equivalent of teaching, at a regionally accredited, eligible California college or university, the Student Aid Commission shall assume up to two thousand dollars ($2,000) of the participant's outstanding liability under one or more of the designated loan programs. The initial year of eligible teaching must begin within 10 years of receiving an initial conditional warrant from the commission.

(b) After the program participant has completed two consecutive academic years, or the equivalent of teaching, at a regionally accredited California college or university, the commission shall assume up to an additional two thousand dollars ($2,000) of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to four thousand dollars ($4,000).

(c) After a program participant has completed three consecutive academic years, or the equivalent of teaching, at a regionally accredited California college or university, the commission shall assume up to an additional two thousand dollars ($2,000) of the participant's outstanding liability under one or more of the designated loan programs, for a total loan assumption of up to six thousand dollars ($6,000).

69618.4. (a) Except as provided in subdivision (b), in the event that a program participant fails to complete a minimum of three consecutive academic years of teaching as required by this article, under the terms of the agreement pursuant to paragraph (6) of subdivision (c) of Section 69618.1, the participant shall assume full liability for all student loan obligations remaining after the commission's assumption of loan liability for the last academic year of qualifying instruction pursuant to Section 69618.3.

(b) Notwithstanding subdivision (a), in the event that a program participant becomes unable to complete one of the three consecutive years of teaching service due to a serious illness, pregnancy, or other natural causes, the participant shall receive a deferral of the resumption of full liability for the loan for a period not to exceed one academic year.

69618.5. (a) The commission shall accept nominations from accredited colleges and universities made pursuant to Section 69618.1.

(b) The commission shall choose from among those nominations deemed financially needy with outstanding student loans pursuant to Article 1.5 (commencing with Section 69503) based upon criteria that may include the following:

(1) Grades at the undergraduate level in the subject field in which the student intends to complete graduate work.

(2) Grades in the undergraduate program.

(3) Aptitude for graduate work in the subject fields.

(4) General aptitude for graduate study.

(5) Critical human resource needs.

(c) The commission may develop additional criteria for the selection of award recipients consistent with the purposes of this article.

69618.6. The commission shall administer this article, and shall adopt rules and regulations for that purpose. The rules and regulations shall include, but need not be limited to, provisions regarding the period of time for which a warrant shall remain valid and the development of projections for funding purposes. In developing these rules and regulations, the commission shall solicit the advice of representatives from postsecondary education institutions.

69618.7. The commission shall work in conjunction with lenders participating in the Federal Family Education Loan Program to develop a streamlined application process for participation in the program set forth in this article.

69618.8. The commission shall report annually to the Legislature on this program. The report shall include, but not be limited to, the following:

(a) The total number of warrants awarded.

(b) The number of warrants allocated by the education level of recipients.

(c) The fields of study of applicants.

(d) The number of warrants that are redeemed by the initial recipients.

69618.9. Commencing with the 1998–99 fiscal year, the commission shall issue warrants for the assumption of up to 500 student loans for program participants eligible under this article. The issuance of warrants shall be subject to funding to be provided in the annual Budget Act for each fiscal year.

69619. It is the intent of the Legislature that, commencing with the 1998–99 fiscal year, funding necessary for the administration of this student loan assumption program shall be included within the annual budget of the commission in an amount necessary to meet the student loan obligations incurred by the commission.

SEC. 33. Article 9 (commencing with Section 69670) of Chapter 2 of Part 42 of the Education Code is repealed.

SEC. 34. Section 84751.5 is added to the Education Code, to read:

84751.5. Notwithstanding any other provision of law or regulation, if local revenues, consisting of the proceeds of property taxes and student fees, for community colleges exceed the estimates included in the annual Budget Act for these revenue sources, an equivalent amount of general purpose funds appropriated for local assistance to the Board of Governors of the California Community Colleges in Schedule (a) of Item 6870-101-0001, or a successor item appropriating funds for local assistance to the board of governors, of Section 2.00 of that Budget Act shall only be allocated to community college districts for one-time purposes. These allocations shall be based on the statewide ratio of actual FTES served for the preceding fiscal year. This amount shall be reduced from the apportionment base of districts in subsequent years.

SEC. 35. Section 84754 is added to the Education Code, to read:

84754. (a) The Partnership for Excellence program is hereby established for the purpose of achieving annual performance goals and improving student learning and success. The Partnership for Excellence program is dependent on a mutual commitment by the State of California and the California Community Colleges to achieve statewide goals that reflect the highest priority for the social and economic success of the state. The state intends to provide funding for the Partnership for Excellence program as an investment to supplement funding for enrollment growth and cost-of-living adjustments to invest in program enhancements that will increase performance toward the community college's system outcome measures. The California Community Colleges, as a result of the state's investment, shall commit to improving and achieving specific outcome measures established by the Board of Governors through the consultation process pursuant to Section 70901.

(b) (1) The Board of Governors shall develop, through the consultation process, specific goals and outcome measures to improve student success and assess district performance that will include, but not necessarily be limited to, the areas of transfer, degrees and certificates, successful course completion, work force development, and basic skills improvement. It is intended that the number of system goals not exceed 10. The goals shall be rigorous and challenging to the system, and exceed what could be expected to occur based on increases in funded enrollment. In developing the goals and outcome measures, the Chancellor of the California Community Colleges shall seek the concurrence of the Director of

Finance, the Legislative Analyst, and the California Postsecondary Education Commission (CPEC).

(2) On or before December 1, 1998, the Chancellor of the California Community Colleges shall propose goals and measures for the approval of the Board of Governors of the California Community Colleges. The Department of Finance, Legislative Analyst, and CPEC each shall assess the extent to which the goals and measures under consideration by the board are clear, reasonable, and adequately meet the state's interest in accountability. The board shall consider the comments of these agencies before approving the goals and measures.

(c) (1) The Chancellor of the California Community Colleges shall allocate funding for the Partnership for Excellence, pursuant to appropriations in the annual Budget Act, to those districts electing to participate in the program in the 1998–99, 1999–2000, and 2000–01 fiscal years on a per FTES basis, subject to a district minimum allocation, and districts shall have broad flexibility in expending the funds for program enhancement that will improve student success and make progress toward the system goals. Those programs shall include, but are not necessarily limited to, programs that assist students through remediation, tutoring, and mentoring.

(2) Funds provided under this program to districts shall not be considered program improvement funds within the meaning of Sections 84755 and 87482.6, and shall only be spent to improve student learning and success as determined by the Board of Governors of the California Community Colleges which shall be subject to conditions as the board may determine.

(3) Funds for this program are subject to appropriation in the annual Budget Act.

(d) (1) The Board of Governors of the California Community Colleges also shall develop, through the consultation process pursuant to Section 70901, one or more contingent funding allocation options, as well as criteria that would require the implementation of these options, that shall link allocation of Partnership for Excellence funds to individual districts to the achievement of and progress toward Partnership for Excellence goals by those individual districts. These contingent funding options may be determined necessary to either improve system performance or to reward significant or sustained achievement.

(2) In developing contingent funding allocation options and criteria for implementation thereof, the Chancellor of the California Community Colleges shall seek the concurrence of the Director of Finance, the Legislative Analyst, and CPEC. These agencies shall each assess the extent to which the contingent allocation options and criteria under consideration by the Board of Governors of the California Community Colleges are clear, reasonable, and adequately meet the state's interest in accountability. On or before April 15, 2000, the chancellor shall propose to the board one or more

contingent funding allocation methods and criteria. The board shall consider the comments of the three agencies before approving the criteria and contingent funding allocation options.

(3) The Board of Governors of the California Community Colleges shall have the authority, and shall be accountable, to determine that a funding linkage is needed to adequately improve the performance of the system and its districts and colleges. The board is authorized to allocate all or a portion of Partnership for Excellence funds among districts pursuant to a contingent funding allocation method, as described in this section, commencing in the 2001–02 fiscal year or any fiscal year thereafter as determined necessary by the board. In executing its responsibilities set forth in this subdivision, the board shall engage the consultation process pursuant to Section 70901.

(e) (1) Districts shall report data under the Management Information System (MIS) for each of the outcome measures to the Chancellor of the California Community Colleges, who shall compile and analyze this data for a report to the Legislature, the Governor, CPEC, and other interested parties by April 15 of each year. The annual reports shall include data for each district and college with respect both to levels of achievement and relative progress towards the goals that recognizes differences in student populations and student preparedness. The chancellor may provide technical assistance to districts, as he or she best determines.

(2) Acceptance of funds from Partnership for Excellence allocations shall constitute concurrence by the district or college to collect and provide to the Chancellor of the California Community Colleges all information necessary to quantify baseline performance and annually report changes in outcome measures to the chancellor if, in the judgment of the chancellor, current MIS system data are insufficient for the purpose of any of the approved measures.

(3) Beginning with the report due on April 15, 2001, the Board of Governors of the California Community Colleges shall annually assess and report the extent to which achievement of system goals has been satisfactory or less than satisfactory. Based on this assessment and on the criteria adopted as part of the contingent funding allocation plan, the board shall determine, after engaging in the consultation process pursuant to Section 70901, whether or not to implement a contingent funding allocation option described in subdivision (d).

(4) On the basis of the reports specified in this subdivision and other pertinent information, the Legislative Analyst and CPEC shall also annually provide the Legislature their respective assessments of progress toward system goals, and shall recommend necessary changes to the program, including goals and outcome measures. The Legislative Analyst and the CPEC shall recommend ways of improving incentives for districts to contribute toward achievement of system goals.

(f) This section shall remain in effect only until January 1, 2005, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2005, deletes or extends that date.

SEC. 36. Chapter 10 (commencing with Section 92820) is added to Part 57 of the Education Code, to read:

CHAPTER 10. SUBSTANCE ABUSE RESEARCH

92820. There is hereby established in the Neurology Department at the University of California, San Francisco, a research project on substance abuse. The major goal of this research is to identify new pharmaceutical agents to prevent or treat alcohol and drug addiction. It is the intent of the Legislature that dedicated state funding for this research will be provided for five years, and be appropriated in the annual Budget Act.

SEC. 37. Section 104420 of the Health and Safety Code is amended to read:

104420. The State Department of Education shall provide the leadership for the successful implementation of this article in programs administered by local public and private schools, school districts, and county offices of education. The State Department of Education shall do all of the following:

(a) Provide a planning and technical assistance program to carry out its responsibilities under this article.

(b) Provide guidelines for schools, school districts, and school district consortia to follow in the preparation of plans for implementation of antitobacco use programs for schoolage populations. The guidelines shall:

(1) Require the applicant agency to select one or more model program designs and shall permit the applicant to modify the model program designs to take special local needs and conditions into account.

(2) Require the applicant agency to prepare for each target population to be served a description of the service to be provided, an estimate of the number to be served, an estimate of the success rate and a method to determine to what extent goals have been achieved.

(3) Require plan submissions to include a staffing configuration and a budget setting forth use and distribution of funds in a clear and detailed manner.

(c) Prepare model program designs and information for schools, school districts, consortia, and county offices of education to follow in establishing direct service programs to targeted populations. Model program designs shall, to the extent feasible, be based on studies and evaluations that determine which service delivery systems are effective in reducing tobacco use and are cost-effective. The State Department of Education shall consult with the

department, and school districts with existing antitobacco programs in the preparation of model program designs and information.

(d) Provide technical assistance for schools, school districts, and county offices of education regarding the prevention and cessation of tobacco use. In fulfilling its technical assistance responsibilities, the State Department of Education may establish a center for tobacco use prevention that shall identify, maintain, and develop instructional materials and curricula encouraging the prevention or cessation of tobacco use. The State Department of Education shall consult with the department and others with expertise in antitobacco materials or curricula in the preparation of these materials and curricula.

(e) Monitor the implementation of programs that it has approved under this article to ensure successful implementation.

(f) Prepare guidelines within 180 days of the effective date of this article for a school-based program of outreach, education, intervention, counseling, peer counseling, and other activities to reduce and prevent smoking among schoolage youth.

(g) Assist county offices of education to employ a tobacco use prevention coordinator to assist local schools and local public and community agencies in preventing tobacco use by pupils.

(h) Train the tobacco use prevention coordinators of county offices of education so that they are:

(1) Familiar with relevant research regarding the effectiveness of various kinds of antitobacco use programs.

(2) Familiar with department guidelines and requirements for submission, review, and approval of school-based plans.

(3) Able to provide effective technical assistance to schools and school districts.

(i) Establish a tobacco use prevention innovation program effort directed at specific pupil populations.

(j) Establish a competitive grants program to develop innovative programs promoting the avoidance, abatement, and cessation of tobacco use among pupils.

(k) Establish a tobacco-free school recognition awards program.

(*l*) As a condition of receiving funds pursuant to this article, the State Department of Education, county offices of education, and school districts shall ensure that they coordinate their efforts toward smoking prevention and cessation with the lead local agency in the community where the local school district is located.

(m) (1) Develop, in coordination with the county offices of education, a formula that allocates funds for school-based, antitobacco education programs to school districts and county offices of education for all pupils in grades 4 to 8, inclusive, on the basis of the average daily attendance (ADA) of pupils. School districts shall provide tobacco-use prevention instruction for pupils, grades 4 to 8, inclusive, that address the following essential topics:

(A) Immediate and long-term undesirable physiologic, cosmetic, and social consequences of tobacco use.

(B) Reasons that adolescents say they smoke or use tobacco.

(C) Peer norms and social influences that promote tobacco use.

(D) Refusal skills for resisting social influences that promote tobacco use.

(2) Develop a competitive grants program administered by the State Department of Education directed at pupils in grades 9 to 12, inclusive. The purpose of the grant program shall be to conduct tobacco-use prevention and cessation activities targeted to high-risk pupils and groups in order to reduce the number of persons beginning to use tobacco, or continuing to use tobacco. The State Department of Education shall consult with local lead agencies, the Tobacco Education and Research Oversight Committee, and representatives from nonprofit groups dedicated to the reduction of tobacco-associated disease in making grant award determinations. Grant award amounts shall be determined by available funds. The State Department of Education shall give priority to programs, including, but not limited to, the following:

(A) Target current smokers and pupils most at risk for beginning to use tobacco.

(B) Offer or refer pupils to cessation classes for current smokers.

(C) Utilize existing antismoking resources, including local antismoking efforts by local lead agencies and competitive grant recipients.

(n) (1) Allocate funds for administration to county offices of education for implementation of Tobacco Use Prevention Programs. The funds shall be allocated according to the following schedule based on average daily attendance in the prior year credited to all elementary, high, and unified school districts, and to the county superintendent of schools within the county as certified by the Superintendent of Public Instruction:

(A) For counties with over 550,000 units of average daily attendance, thirty cents ($0.30) per average daily attendance.

(B) For counties with more than 100,000 and less than 550,000 units of average daily attendance, sixty-five cents ($0.65) per average daily attendance.

(C) For counties with more than 50,000 and less than 100,000 units of average daily attendance, ninety cents ($0.90) per average daily attendance.

(D) For counties with more than 25,000 and less than 50,000 units of average daily attendance, one dollar ($1) per average daily attendance.

(E) For counties with less than 25,000 units of average daily attendance, twenty-five thousand dollars ($25,000).

(2) If funds appropriated for this purpose are insufficient, the Superintendent of Public Instruction shall prorate available funds

among participating county offices of education with more than 25,000 units of average daily attendance.

(o) Allocate funds appropriated by the act adding this subdivision for local assistance to school districts and county offices of education based on average daily attendance reported in the second principal apportionment in the prior fiscal year. Those school districts and county offices of education that receive one hundred thousand dollars ($100,000) or more of local assistance pursuant to this part shall target 30 percent of those funds for allocation to schools that enroll a disproportionate share of pupils at risk for tobacco use.

(p) (1) Provide that all school districts and county offices of education that receive funding under subdivision (o) make reasonable progress toward providing a tobacco-free environment in school facilities for pupils and employees.

(2) All school districts and county offices of education that receive funding pursuant to paragraph (1) shall adopt and enforce a tobacco-free campus policy no later than July 1, 1995. The policy shall prohibit the use of tobacco products, any time, in district-owned or leased buildings, on district property and in district vehicles. Information about the policy and enforcement procedures shall be communicated clearly to school personnel, parents, pupils, and the larger community. Signs stating "Tobacco use is prohibited" shall be prominently displayed at all entrances to school property. Information about smoking cessation support programs shall be made available and encouraged for pupils and staff. Any school district or county office of education that does not have a tobacco-free district policy implemented by July 1, 1996, shall not be eligible to apply for funds from the Cigarette and Tobacco Products Surtax Fund in the 1996–97 fiscal year and until the tobacco-free policy is implemented. Funds that are withheld from school districts that fail to comply with the tobacco-free policy shall be available for allocation to school districts implementing a tobacco-use prevention education program, pursuant to subdivision (m).

SEC. 38. Section 4 of Chapter 975 of the Statutes of 1995, as amended by Section 33 of Chapter 299 of the Statutes of 1997, is amended to read:

Sec. 4. (a) There is hereby established in state government the Commission for Establishment of Academic Content and Performance Standards, to consist of 21 members.

(1) The members of the commission shall be as follows:

(A) Twelve members appointed by the Governor.

(B) The Superintendent of Public Instruction, or his or her designee.

(C) Six members appointed by the Superintendent of Public Instruction.

(D) One member appointed by the Senate Committee on Rules.

(E) One member appointed by the Speaker of the Assembly.

(2) The chair of the commission shall be elected by the members of the commission.

(3) Members of the commission shall serve at the pleasure of the appointing authority.

(4) It is the intent of the Legislature that the membership of the commission include, but not necessarily be limited to, parents, classroom teachers, representatives of the business community, and individuals with expertise in pupil assessment or expertise in the subject matter areas included in the statewide pupil assessment program.

(b) The commission shall develop academically rigorous content standards and performance standards to be used in public schools maintaining kindergarten and grades 1 to 12, inclusive. Those academically rigorous content standards and performance standards shall comply with all of the following requirements:

(1) Be measurable and objective.

(2) Reflect the knowledge and skills necessary for California's work force to be competitive in the global, information-based economy of the 21st century.

(3) Be comparable in rigor to academic content and performance standards used in the school systems of America's global economic competitors.

(4) Provide the basis for assessments for kindergarten and grades 1 to 12, inclusive, in the following groupings:

(A) Early elementary grades consisting of kindergarten and grades 1 to 3, inclusive.

(B) Upper elementary grades consisting of grades 4 to 6, inclusive.

(C) Early departmentalized grades consisting of grades 7 and 8.

(D) Secondary grades consisting of grades 9 to 12, inclusive.

(c) The commission shall first develop content standards and performance standards in reading, writing, and mathematics prior to developing content standards and performance standards in other core curriculum areas. The commission shall submit content standards and performance standards in each of the core curriculum areas to the State Board of Education for its consideration and adoption as they are completed by the commission.

(d) In developing the academically rigorous content standards and performance standards pursuant to subdivision (b), the commission shall hold a sufficient number of public hearings to allow input from parents, educators, and the public in all geographic regions of the state, but in no case fewer than six public hearings.

(e) On or before October 1, 1997, the commission shall have developed and submitted the academically rigorous content standards and performance standards for the core curriculum areas of reading, writing, and mathematics for all grade levels to the State Board of Education for approval by the board. On or before August 1, 1998, the commission shall develop and submit to the board the standards for science and history/social science.

(f) Upon approval of a staffing and expenditure plan by the commission, funds appropriated for support of the commission shall be allocated by the chair or his or her designee. The commission may appoint personnel and enter into contracts and interagency agreements for services in support of the commission.

(g) This section shall remain in effect only until January 1, 1999, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 1999, deletes or extends that date.

SEC. 39. Section 3 of Chapter 767 of the Statutes of 1997 is amended to read:

Sec. 3. (a) The sum of five hundred thousand dollars ($500,000) is hereby appropriated from the General Fund to the County Office Fiscal Crisis and Management Assistance Team (FCMAT) for the purposes of conducting the assessments and completing the recovery plans specified in this act.

(b) Any funds appropriated in this section that are not used by FCMAT for the purposes specified in this section shall revert to the General Fund.

(c) For purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subdivision (a) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

SEC. 40. Notwithstanding any other provision of law, any and all funds appropriated in Items 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-158-0001, 6110-161-0001, 6110-185-0001, 6110-186-0001, 6110-190-0001, 6110-196-0001, 6110-230-0001, and 6110-234-0001 of Section 2.00 of the Budget Act of 1998, and the amount appropriated for purposes of Section 42243.7 of the Education Code for the 1998–99 fiscal year, are in lieu of the amounts that would otherwise be required to be appropriated pursuant to any other provision of law.

SEC. 41. (a) One hundred million dollars ($100,000,000) is hereby transferred from the General Fund to the State School Deferred Maintenance Fund for allocation by the State Allocation Board to school districts for high priority, critical needs projects, as defined by the board to mean projects that school districts were unable to complete with funds provided pursuant to Section 39619 of the Education Code, including, but not limited to, removal of underground storage tanks, roof maintenance and replacement, and projects required to ensure the health and safety of pupils. A school district is eligible to receive an allocation pursuant to this section if it has applied for and received all funds for which it is eligible under

Section 39619 of the Education Code. A school district may not use funds allocated to it pursuant to this section to meet the local match required pursuant to Section 39619 of the Education Code.

(b) For purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subdivision (a) shall be deemed to be "General Fund revenues appropriated to school districts," as defined in subdivision (c) of Section 41202 of the Education Code for the 1997–98 fiscal year and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

SEC. 42. (a) The sum of seventy-five million one hundred forty-two thousand dollars ($75,142,000) is hereby appropriated from the General Fund to the Controller for transfer to Section B of the State School Fund for the purpose of providing one-time grants to community college districts for the 1998–99 fiscal year. Of the amount appropriated in this subdivision, up to twenty million dollars ($20,000,000) may be utilized to backfill property tax deficiencies for the 1997–98 fiscal year only if these deficiencies are certified by the Chancellor of the California Community Colleges and the Director of Finance.

(b) Of the balance remaining after any funds are utilized to backfill property tax deficiencies, 50 percent of the amount appropriated pursuant to subdivision (a) shall be allocated by the Chancellor of the California Community Colleges to community college districts for the purpose of one-time expenditures on high priority projects for instructional equipment and library materials replacement, and technology infrastructure. These funds shall be allocated in an average amount per actual statewide full-time equivalent student enrollment reported for the 1997–98 fiscal year, except that each community college district shall be allocated an amount not less than thirty thousand dollars ($30,000), and the average amount per unit of full-time enrollment shall be computed accordingly.

(c) The Chancellor of the California Community Colleges shall distribute the remaining funds in the 1998–99 fiscal year to community college districts on a project-by-project basis consistent with established criteria for scheduled maintenance and special repairs, architectural barrier removal, and hazardous substances.

(d) Hazardous substances projects shall have no matching funds requirement. In order for a community college district to be eligible for funds appropriated pursuant to this section for all other projects, the community college district shall pay for a portion of the project from other revenues available to the community college districts. For architectural barrier removal projects, the amount of the match shall be equivalent to one dollar ($1) for every one dollar ($1) of state

funds provided. For all other projects except for hazardous substances projects, the matching fund requirements shall be consistent with the Budget Act of 1998 for those programs. The matching fund requirement under this section may be waived in whole or in part for financial hardships as determined by the Chancellor of the California Community Colleges.

(e) For the purpose of making the computations required by Section 8 of Article XVI of the California Constitution, twenty million four hundred seventy-three thousand dollars ($20,473,000) of the amount appropriated pursuant to subdivision (a) shall be deemed to be "General Fund revenues appropriated for community college districts," as defined in subdivision (d) of Section 41202 of the Education Code for the 1996–97 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code for the 1996–97 fiscal year.

(f) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, fifty-four million six hundred sixty-nine thousand dollars ($54,669,000) of the amount appropriated by subdivision (a) shall be deemed to be "General Fund revenues appropriated for community college districts," as defined in subdivision (d) of Section 41202 of the Education Code for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

SEC. 43. The sum of two hundred sixty-six million dollars ($266,000,000) is hereby appropriated in accordance with the following schedule:

(a) (1) The sum of eighty-six million dollars ($86,000,000) is hereby appropriated from the General Fund to the Superintendent of Public Instruction, without regard to fiscal year, exclusively for allocation to school districts for installation grants for the Digital High School Program established pursuant to Chapter 8.5 (commencing with Section 52250) of Part 28 of the Education Code.

(2) For the purpose of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by paragraph (1) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code for the 1997–98 fiscal year and be included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code for the 1997–98 fiscal year.

(b) (1) (A) The sum of one hundred eighty million dollars ($180,000,000) is hereby appropriated from the General Fund for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction for the purpose of providing funds to each regular public school in the state for the 1998–99 fiscal year. The Superintendent of Public Instruction shall allocate the funds on the basis of an equal amount per unit of actual average daily attendance, including average daily attendance attributable to regional occupational centers and programs and adult education, for the 1997–98 second principal apportionment for each regular public school, provided, however, that no regular public school shall receive less than ten thousand dollars ($10,000). If a school district did not report prior year average daily attendance by the second principal apportionment of the 1997–98 fiscal year, but is a regular public school as defined pursuant to subparagraphs (D) and (E), that school is also qualified to receive the minimum grant specified under this section.

(B) The use of funds allocated pursuant to subparagraph (A) for public schools under the jurisdiction of a school district shall be proposed by each school's schoolsite council, as defined in Section 52012 of the Education Code, or if the school does not have a schoolsite council, by schoolwide advisory groups or school support groups that conform to the requirements of Section 52012 of the Education Code. The proposals shall be approved by the governing board of the school district prior to encumbrance or expenditure of the funds allocated pursuant to subparagraph (A). If the governing board of a school district does not approve the use proposed pursuant to this subparagraph, no expenditures of the specified funds may be made and the governing board of the school district shall inform the schoolsite council, schoolwide advisory group, or school support group of the reasons why the proposal was disapproved. If the schoolsite council, schoolwide advisory group, or school support group and the governing board of the school district are not able to agree on the use of the funds by May 1, 1999, the county superintendent of schools shall notify the Controller of the impasse. The Controller shall require that the funds allocated to the school be returned to the state at the next following apportionment, and the funds shall revert to the Proposition 98 Reversion Account within the General Fund.

(C) The use of funds allocated pursuant to subparagraph (A) for schools under the jurisdiction of a county office of education shall be proposed by each school's schoolwide advisory group or school support group that conforms to the requirements of Section 52012 of the Education Code. The proposals shall be approved by the county board of education prior to expenditure of the funds allocated pursuant to subparagraph (A).

(D) For purposes of this section, "regular public school," as provided in subparagraph (A), means any public school at a district

and wholly self-contained public schoolsite, and with a separate county-district-school (CDS) code, as maintained by the Superintendent of Public Instruction as of June 30, 1998, and which is in operation during the 1998–99 school year. Two or more schools that share a physical site or staff shall be considered a single "regular public school" for purposes of qualifying for the minimum ten thousand dollar ($10,000) grant, which shall be allocated to the separate schools sharing the site based on each school's share of qualifying average daily attendance. Funds allocated pursuant to subparagraph (A) shall not be allocated to parents or guardians of pupils, or to pupils.

(E) For the purposes of this section, "regular public school," as provided in subparagraph (A), shall include charter schools that have pupils who are currently enrolled and that have a current county-district-school (CDS) code, as maintained by the Superintendent of Public Instruction as of June 30, 1998. The use of the funds allocated to charter schools pursuant to subparagraph (A) shall further the program specified in the school's charter and shall not be allocated to parents, pupils, or staff of the charter school. A charter school shall obtain approval from the governing board of the school district for the use of the funds allocated pursuant to subparagraph (A) if the terms of its charter require the approval of the governing board of the school district for similar uses of funds.

(F) Schools that choose to accept funds allocated pursuant to subparagraph (A) shall agree to implement all of the provisions of this section.

(2) For the purpose of making the computations required by Section 8 of Article XVI of the California Constitution, of the appropriation made by subparagraph (A) of paragraph (1), one hundred eighty million dollars ($180,000,000) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

SEC. 44. Notwithstanding Section 44235 of the Education Code, for the 1998–99 and 1999–2000 fiscal years, the fee for the issuance and renewal of teaching credentials shall be sixty dollars ($60) and the fee for emergency substitute permits shall be fifty-five dollars ($55).

SEC. 45. (a) (1) The sum of twelve million five hundred thousand dollars ($12,500,000) is hereby appropriated from the General Fund, for transfer to Section A of the State School Fund, for allocation by the Superintendent of Public Instruction to local education agencies, on a one-time basis, for the purpose of providing services to CalWORKs-eligible recipients, as defined in Section 10200 of the Education Code, in accordance with this act.

(2) The appropriation made by this subdivision shall only become operative if the appropriation made for the same purpose in Item 6110-156-0001 of Section 2.00 of the Budget Act of 1998 does not become effective.

(b) The funds appropriated in this section and the funds appropriated in Schedule (b) of Item 6110-156-0001 of Section 2.00 of the Budget Act of 1998, shall be used only for educational activities for CalWORKs-eligible recipients. The educational activities allowable pursuant to this section shall be limited to those designed to increase self-sufficiency, job training, and work. These activities shall be carried on in accordance with each local education agency's approved plan and developed pursuant to Chapter 2 (commencing with Section 10200) of Part 7 of the Education Code.

(c) Notwithstanding any other provision of law, each local education agency's individual cap for adult education and regional occupational center and programs (ROC/P's), average daily attendance shall not be increased as a result of the appropriations made by this section.

(d) Funds may be claimed by local education agencies for services provided to CalWORKs-eligible recipients pursuant to this section only if all of the following occur:

(1) Each local education agency has met the terms of the interagency agreement between the State Department of Education and the Department of Social Services pursuant to Provision 2 of Item 6110-156-0001 of Section 2.00 of the Budget Act of 1998.

(2) Each local education agency has fully claimed its respective adult education or ROC/P average daily attendance cap for the current year.

(3) Each local education agency has claimed the maximum allowable funds available under the interagency agreement pursuant to Provision 2 of Item 6110-156-0001 of Section 2.00 of the Budget Act of 1998.

(e) Each local education agency shall be reimbursed at the same rate as it would otherwise receive for services provided pursuant to Item 6110-156-0001 or Item 6110-105-0001 of Section 2.00 of the Budget Act of 1998, and shall comply with the program requirements for adult education pursuant to Chapter 10 (commencing with Section 52500) of Part 28 of the Education Code, and ROC/P requirements pursuant to Article 1 (commencing with Section 52300) of, and Article 1.5 (commencing with Section 52335) of, Chapter 9 of, Part 28 of the Education Code, respectively.

(f) Notwithstanding any other provision of law, funds appropriated in this section for average daily attendance (ADA) generated by participants in the CalWORKs program may be apportioned on an advance basis to local education agencies based on anticipated units of ADA if a prior application for this additional ADA funding has been approved by the Superintendent of Public Instruction.

(g) For purposes of making computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subdivision (a) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

SEC. 46. (a) The Legislature finds the need for good information on the role of local education agencies in providing services to individuals who are eligible for or recipients of CalWORKs assistance. This information includes the extent to which local education programs serve public assistance recipients and the impact these services have on the recipients' ability to find jobs and become self-supporting.

(b) The State Department of Education shall develop a data and accountability system to obtain information on education and job training services provided through state-funded adult education programs and regional occupational centers and programs. The system shall collect information on (1) program funding levels and sources; (2) the types and amounts of services provided to program participants; (3) characteristics of participants; and (4) student and program outcomes. The State Department of Education shall provide local providers with a list of required data elements by October 15, 1998. The department shall work with the Department of Finance and Legislative Analyst's Office in determining the specific data elements of the system and shall meet all information technology reporting requirements of the Department of Information Technology and the Department of Finance.

(c) As a condition of receiving funds provided in Schedule (b) of Item 6110-156-0001 of Section 2.00 of the Budget Act of 1998 or any other General Fund appropriation made to the State Department of Education specifically for education and training services to CalWORKs recipients, local adult education programs and regional occupational centers and programs shall collect program and participant data as described in this section and as required by the State Department of Education. Beginning January 1, 1999, local providers shall begin collecting the data elements required by the State Department of Education. The State Department of Education shall require that local providers submit to the state aggregate data for the period January 1, 1999 through June 30, 1999. The State Department of Education shall provide to the local providers by October 15, 1998, a description of the specific reporting requirements for this data.

(d) Beginning July 1, 1999, local providers shall provide data to the State Department of Education that permits a disaggregation of data

to permit the identification for subgroups of participants of (1) types and levels of services, and (2) outcomes. The State Department of Education shall provide to local providers by July 1, 1999, a description of the specific reporting requirements needed to permit the disaggregation of data.

(e) The State Department of Education shall report on or before March 1, 1999, to the Department of Finance, the Legislative Analyst's Office, and the budget committees of the Senate and Assembly on its progress in establishing the data system. In addition, the State Department of Education shall describe both of the following:

(1) The department's proposed data collection system needed to implement the disaggregated data system described in subdivision (d).

(2) The department's proposal to consolidate all state data needs for adult education and regional occupational centers and programs into one data system that is integrated with the department's California School Information Services data system.

SEC. 47. Notwithstanding any other provision of law, the Rio Dell Elementary School District and the Silver Fork Elementary School District, which received minimum one-time grants pursuant to Section 44 of Chapter 204 of the Statutes of 1996, but did not receive verification from their county office of education that those sites were eligible until after the May 1, 1997, deadline, shall be eligible to expend those funds if the schoolsite councils or schoolwide advisory groups of the respective school districts approve a proposal as described in Section 44 of Chapter 204 of the Statutes of 1996, no later than January 1, 1999.

SEC. 48. Notwithstanding Section 43 of Chapter 204 of the Statutes of 1996, the funds appropriated in Section 43 of Chapter 204 of the Statutes of 1996 are available for expenditure for the costs of establishing the California Indian Museum.

SEC. 49. The sum of seventy-nine million five hundred thousand dollars ($79,500,000) is hereby appropriated from the General Fund to the Superintendent of Public Instruction in accordance with the following schedule:

(a) (1) Seventy-one million five hundred thousand dollars ($71,500,000) for allocation to school districts and county offices of education on the basis of an equal amount per unit of prior year average daily attendance, as defined in subdivision (a) of Section 14022.3 of the Education Code, for the purchase of science laboratory materials and equipment.

(2) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by paragraph (1) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to

school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

(b) (1) Five million dollars ($5,000,000) for support of joint-use library projects in the following school districts, for one-time expenses, in accordance with the following:

(A) One million two hundred thousand dollars ($1,200,000) to the Sweetwater Union School District for the Imperial Beach-Mar Vista library project.

(B) Three hundred thousand dollars ($300,000) to the Pasadena Unified School District for the Pasadena Unified/City of Pasadena joint-use library.

(C) One million five hundred thousand dollars ($1,500,000) to the National City School District for the Lincoln Acres joint-use library project between the Sweetwater Union High School District and the National City School District.

(D) One million dollars ($1,000,000) to the Livermore Valley Joint Unified School District for a Youth Services and Adult Literacy joint-use library project between the Livermore Valley Joint Unified School District and the City of Livermore Public Library.

(E) Three hundred fifty thousand dollars ($350,000) to the Freedom High School District for a joint-use library project with the Contra Costa County Public Library.

(F) Five hundred thousand dollars ($500,000) to the Antelope Valley Union High School District for a joint-use library project between Antelope Valley Union High School and the Lancaster Elementary School District, the City of Lancaster, and the County of Los Angeles.

(G) One hundred thousand dollars ($100,000) to the El Dorado Union High School District for the Oak Ridge High School-El Dorado County Joint-Use Library.

(H) Fifty thousand dollars ($50,000) to the Miniarets Joint Union High School District for a joint-use library project between the Miniarets Joint Union High School District and the Shaver Lake Branch Library in Fresno County.

(2) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by paragraph (1) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

(c) (1) Three million dollars ($3,000,000) shall be available on a one-time basis for three-year grants, beginning with the 1998–99

fiscal year, for the purpose of funding regional demonstration pilot programs of technical assistance to teach school districts and county offices of education with Healthy Start sites how to develop strategic plans and materials specifically designed to support corporate funding development, with priority given to districts with sites experiencing difficulties raising funds to achieve sustainability.

(2) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by paragraph (1) shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202 of the Education Code, for the 1997–98 fiscal year, and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B", as defined in subdivision (e) of Section 41202 of the Education Code, for the 1997–98 fiscal year.

SEC. 50. (a) (1) The sum of ten million one hundred three thousand five hundred seventy-two dollars ($10,103,572) is hereby appropriated from the General Fund to the State Controller, for reimbursement of claims received from the following school districts for costs of court-ordered and voluntary desegregation programs pursuant to Section 42247 of the Education Code, in accordance with paragraph (2).

(2) For the 1993–94 fiscal year, the schedule shall be as follows:

Voluntary Desegregation School Districts	Reimbursement Claims for the 1993–94 fiscal year
ABC Unified School District	$ 973
Bakersfield City School District	55,612
Banning Unified School District	535
Berkeley Unified School District	78,928
Brawley Elementary School District	0
Chula Vista Elementary School District	0
Claremont Unified School District	5,245
Eastside Union High School District	2,221
El Centro School District	10,173
Fresno Unified School District	164,583
Fullerton Elementary School District	0
Gilroy Unified School District	23,500
Hanford School District	566
Long Beach School District	74,022

Los Angeles Unified School District	970,633
Merced City School District	4,143
Monrovia Unified School District	0
Monterey Peninsula Unified School District	4,165
Mountain View–Los Altos Union School District	312
North Monterey County Unified School District	0
Oakland Unified School District	0
Oxnard Elementary School District	0
Pasadena Unified School District	62,233
Redwood City Elementary School District	0
Riverside Unified School District	7,880
Sacramento City Unified School District	9,172
San Bernardino City Unified School District	0
San Diego City Unified School District	0
San Jose Unified School District	0
San Mateo–Foster City School District	2,490
San Mateo Union High School District	3,785
Santa Barbara Elementary School District	836
Santa Monica–Malibu School District	9,803
Santa Paula Elementary School District	0
Sequoia Union High School District	1,568
Solana Beach Elementary School District	37,906
Sunnyvale Elementary School District	7,193
Sweetwater Union High School District	16,248
Ventura Unified School District	1,106
Vista Unified School District	142,861

Court–Ordered Desegregation School Districts	Reimbursement Claims for the 1993–94 fiscal year
Bakersfield City School District	0
Los Angeles Unified School District	1,355,992
Menlo Park City School District	0
Palo Alto Unified School District	0
Ravenswood City School District	383
Redwood City School District	186
San Bernardino Unified School District	63,542
San Diego Unified School District	502,019

San Francisco Unified School District	728,981
San Jose Unified School District	0
San Mateo County Office of Education	0
Santa Clara County Superintendent of Schools	0
Sequoia Union High School District	1,726
Stockton Unified School District	0
GRAND TOTAL	$4,351,531

(3) For the 1994–95 fiscal year, the schedule shall be as follows:

Voluntary Desegregation School Districts	Reimbursement Claims for the 1993–94 fiscal year
ABC Unified School District	$ 9,006
Bakersfield City School District	35,575
Banning Unified School District	1,196
Berkeley Unified School District	0
Brawley Elementary School District	3,839
Chula Vista Elementary School District	5,829
Claremont Unified School District	5,876
Eastside Union High School District	4,211
El Centro School District	16,369
Fresno Unified School District	301,168
Fullerton Elementary School District	3,547
Gilroy Unified School District	36,944
Hanford School District	901
Long Beach School District	262,057
Los Angeles Unified School District	877,142
Merced City School District	5,353
Monrovia Unified School District	2,125
Monterey Peninsula Unified School District	7,212
Mountain View–Los Altos Union School District	66
North Monterey County Unified School District	0
Oakland Unified School District	17,209
Oxnard Elementary School District	25,617
Pasadena Unified School District	9,483
Redwood City Elementary School District	9,741
Riverside Unified School District	16,557

Sacramento City Unified School District	3,061
San Bernardino City Unified School District	110,843
San Diego City Unified School District	135,333
San Jose Unified School District	65,322
San Mateo–Foster City School District	14,315
San Mateo Union High School District	3,381
Santa Barbara Elementary School District	1,151
Santa Monica–Malibu School District	23,401
Santa Paula Elementary School District	7,507
Sequoia Union High School District	5,091
Solana Beach Elementary School District	2,187
Sunnyvale Elementary School District	2,111
Sweetwater Union High School District	16,690
Ventura Unified School District	0
Vista Unified School District	77,991

Court–Ordered Desegregation School Districts	Reimbursement Claims for the 1994–95 fiscal year
Bakersfield City School District	132,687
Los Angeles Unified School District	1,610,233
Menlo Park City School District	3,728
Palo Alto Unified School District	62,994
Ravenswood City School District	2,674
Redwood City School District	3,863
San Bernardino Unified School District	221,810
San Diego Unified School District	0
San Francisco Unified School District	692,686
San Jose Unified School District	417,173
San Mateo County Office of Education	1,047
Santa Clara County Superintendent of Schools	1,325
Sequoia Union High School District	31,630
Stockton Unified School District	444,780
GRAND TOTAL	$5,752,041

(b) For the purposes of making computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by this section shall be deemed to be "General Fund revenues

appropriated to school districts," as defined in subdivision (c) of Section 41202 of the Education Code for the 1997–98 fiscal year, and be included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as defined in subdivision (e) of Section 41202 of the Education Code for the 1997–98 fiscal year.

(c) Funds appropriated by this section for deficiencies in desegregation programs for the 1993–94 and 1994–95 fiscal years do not imply that funding will be provided for this purpose in years subsequent to the 1995–96 fiscal year. This section shall not be construed as a requirement for the payment of any other deficits in the funding levels for the remaining categorical programs contained in Item 6110-230-0001 of Section 2.00 of any annual Budget Act.

SEC. 51. (a) Notwithstanding any other provision of law, the Superintendent of Public Instruction shall apply the same deficit factor to school district revenue limits calculated pursuant to Section 42238 of the Education Code for the 1998–99 fiscal year that was applied to school district revenue limits for the 1997–98 fiscal year.

(b) Notwithstanding any other provision of law, the Superintendent of Public Instruction shall apply the same deficit factor to county office of education revenue limits calculated pursuant to Section 2558 of the Education Code for the 1998–99 fiscal year that was applied to county office of education revenue limits for the 1997–98 fiscal year.

(c) The Superintendent of Public Instruction shall notify in writing each school district and county office of education that it is the intent of the Legislature to consider imposing by appropriate legislation a deficit factor for the 1999–2000 fiscal year as part of the annual state budget process for that fiscal year. If the Budget Act of 1999 has not been passed by the Legislature and signed by the Governor prior to distribution of the advanced apportionment provided to school districts and county offices of education pursuant to Section 41330 of the Education Code, the Superintendent of Public Instruction shall calculate the advanced apportionment for the 1999–2000 fiscal year based upon the deficit factor used for the 1998–99 fiscal year.

(d) This section shall become inoperative on the date the Budget Act of 1999 becomes operative, and, as of January 1, 2000, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 52. The sum of seventy-eight million four hundred twenty-five thousand dollars ($78,425,000) is hereby reappropriated from the Proposition 98 Reversion Account, for the following purposes:

(a) The sum of thirty million dollars ($30,000,000) is hereby appropriated to the State Department of Education for allocation to school districts and county offices of education on a one-time basis for

school-based mathematics staff development, including training in both content and pedagogy, as recommended in the Mathematics Program Advisory approved by the State Board of Education, the State Department of Education, and the Commission on Teacher Credentialing. Of that amount, one million five hundred thousand dollars ($1,500,000) shall be available on a one-time basis for local assistance program expenditures for the Math Matters program formerly funded by the National Science Foundation. Funds shall only be appropriated for this program if the State Board of Education certifies that the Math Matters program is aligned to state content standards. Of the amount appropriated by this subdivision, twenty-eight million five hundred thousand dollars ($28,500,000) is available to fund in equal amounts the math staff development programs proposed in Assembly Bill 1331 and Assembly Bill 2442 of the 1997–98 Regular Session.

(b) The sum of one million fifty-three thousand dollars ($1,053,000) is hereby appropriated, on a one-time basis, for allocation by the State Department of Education to fund testing for the presence of lead in drinking water in public elementary and secondary schools. These funds shall be disbursed by the State Department of Education to each schoolsite as follows: (1) one hundred twenty dollars ($120) for each public elementary school; (2) two hundred thirty dollars ($230) for each public junior high school, middle school, and high school.

(c) The sum of four million one hundred fifty-two thousand dollars ($4,152,000) is hereby appropriated to the State Department of Education for allocation to the Oxnard Union High School District for the purpose of extending the school year.

(1) The funds reappropriated by this subdivision shall not be disbursed until the Oxnard Union High School District has notified the State Department of Education that it elects to continue its participation in the Extended School Year Program and will comply with all of the following requirements:

(A) The district shall make the extended school year applicable to all high schools and all students in grades 9 to 12, inclusive, in the school district, and be uniform in its application.

(B) The district shall provide to all pupils in the district at least 195 days of instruction. For students attending continuation high schools, alternative schools, opportunity schools, and special daily classes for individuals with exceptional needs, the district shall provide in the extended school year at least 195/180ths of the instructional minutes provided by each such program in the 1995–96 school year. For students for whom the district needs to maintain instructional time requirements specified in Section 46201 of the Education Code, the district shall provide at least 70,200 instructional minutes in the extended school year program. The district shall waive the right to staff development days in lieu of instructional days and waive any right to receive full average daily attendance for those staff

development days, including, but not limited to, the use of staff development days authorized by Sections 44670.6, 52022, 52854, and 56242 of the Education Code.

(C) The district shall contract with an independent evaluator for an evaluation of the Extended School Year Program to be conducted at the conclusion of the fiscal year. The evaluation shall include, but not necessarily be limited to, the impact of the longer year on student academic achievement, student attendance, and dropout rates. A copy of the evaluation shall be provided to the State Department of Education, the Department of Finance, the Legislative Analyst's Office, and the Joint Legislative Budget Committee by November 1, 1999.

(D) If the district operates an extended school year program pursuant to this provision, the State Department of Education shall apportion twenty-one dollars ($21) per unit of average daily attendance for days 181 through 195 of the 1998–99 school year, not to exceed the amount appropriated by this item. This calculation shall be exclusive of adult average daily attendance, the average daily attendance of pupils while participating in regional occupation centers or programs, and average daily attendance for pupils attending summer school.

(d) The sum of five million dollars ($5,000,000) is hereby appropriated, on a one-time basis, to the State Department of Education to be expended for a program that provides financial incentives to teachers for achieving certification from the National Board for Professional Teaching Standards pursuant to legislation enacted during the 1997–98 Regular Session.

(e) The sum of six million dollars ($6,000,000) is hereby appropriated from the General Fund to the Superintendent of Public Instruction, exclusively for allocation to school districts for reimbursement of the 1996–97 and 1997–98 fiscal years for shortfalls in year-round incentive grants calculated pursuant to Section 42260 of the Education Code.

(f) The sum of five million five hundred thousand dollars ($5,500,000) is hereby appropriated to the Superintendent of Public Instruction to implement the model budget and accounting system, referred to as the Standardized Account Code Structure, established pursuant to Chapter 237 of the Statutes of 1993 and Chapter 525 of the Statutes of 1995. The allocation shall be made on a one-time basis, consistent with those provisions of Section 39 of Chapter 299 of the Statutes of 1997 that apply to Phase II participants as defined in subdivision (o) of that section.

(g) (1) The sum of three million four hundred thousand dollars ($3,400,000) is hereby appropriated, on a one-time basis, to the County Office Fiscal Crisis and Management Assistance Team for the purpose of implementing the California School Information Services program.

(2) The data collected through the California Student Information System shall be consistent with the plan previously approved by the State Board of Education, which specified that data elements and codes transferred through any electronic statewide school information system may not contain any questions or items that solicit or invite disclosure of the personal beliefs or practices of a pupil, or of his or her parent or guardian, as to sex, family life, morality, religion, citizenship, nor may it contain any question designed to evaluate personal behavioral characteristics including, but not necessarily limited to, honesty, integrity, sociability, or self-esteem.

(h) The sum of ten million dollars ($10,000,000) is hereby appropriated, on a one-time basis, to the Superintendent of Public Instruction for allocation to school districts and county offices of education that adopt a community policing approach as set forth in pending legislation that establishes the School/Community Policing Program. This subdivision shall not become operative unless and until legislation is enacted establishing a School/Community Policing Program that becomes operative after January 1, 1998, and on or before January 1, 1999.

(i) The sum of four million one hundred thirty thousand dollars ($4,130,000) is hereby appropriated, on a one-time basis, to the Superintendent of Public Instruction for the exclusive purpose of the costs associated with settlement of the Long Beach Unified School District desegregation case (Long Beach Unified School District v. State of California).

(j) (1) The sum of seven hundred forty thousand dollars ($740,000) is hereby appropriated, on a one-time basis, to the Superintendent of Public Instruction for allocation to the Moorpark Unified School District for transportation costs for the 1998–99 fiscal year.

(2) If the Moorpark Unified School District implements a voluntary desegregation program for the 1998–99 fiscal year, the allowable reimbursement for that program for the 1998–99 fiscal year shall be reduced by an amount equal to the amount appropriated pursuant to this subdivision.

(k) The sum of three hundred fifty thousand dollars ($350,000) for allocation to the Napa Valley Unified School District for the Napa County Regional Occupational Center/Program. Funds appropriated in this subdivision shall be used on a one-time basis to purchase computer equipment and other instructional materials for the Napa New Technology High School.

(*l*) The sum of two million six hundred thousand dollars ($2,600,000) for allocation to a consortium of county offices of education, on a one-time basis, for three-year grants, beginning with the 1998–99 fiscal year for the purpose of supporting technical assistance and focused group training to teach school districts how to maximize reimbursements of federal funds for Medi-Cal services and

case management. The technical advisory committee supported by this section shall be composed of one representative from each of the 11 school superintendent regions, representatives from appropriate state departments and agencies, representatives from various school health and social services organizations, four members each representing large, medium, and small school districts, and representatives from various parent and community services organizations. Expenses for the advisory committee shall not exceed forty-five thousand dollars ($45,000) per year of the funds appropriated by this section.

(m) The sum of five million five hundred thousand dollars ($5,500,000) for transfer, on a one-time basis, by the Controller to the Charter School Revolving Loan Fund.

SEC. 53. The sum of five million one hundred thirty thousand dollars ($5,130,000) is reappropriated from the Proposition 98 Reversion Account to the Superintendent of Public Instruction in accordance with all of the following:

(a) One hundred ten thousand dollars ($110,000) for allocation on a one-time basis to the Pasadena Unified School District. Of that amount, twenty thousand dollars ($20,000) is provided for the purchase of textbooks for a tutoring program, and ninety thousand dollars ($90,000) is provided for support of the Pasadena Youth Center.

(b) Eighty thousand dollars ($80,000) for allocation on a one-time basis to the Santa Paula Unified School District for the purpose of renovating a swimming pool.

(c) Fifty thousand dollars ($50,000) for allocation on a one-time basis to the Montebello Unified School District for the purpose of purchasing school security devices.

(d) One hundred eighty thousand dollars ($180,000) for allocation on a one-time basis to the San Luis Obispo County Office of Education for the purpose of support of the Port San Luis Marine Center.

(e) One hundred eighty thousand dollars ($180,000) for allocation on a one-time basis to the Los Angeles County Office of Education for the purpose of developing middle school civic education curricula.

(f) One hundred fifty thousand dollars ($150,000) for allocation on a one-time basis to the Temple City Unified School District for the purpose of support of the Temple City Arts Academy.

(g) Two hundred thousand dollars ($200,000) for allocation on a one-time basis to the Superintendent of Public Instruction, for allocation on a grant basis to local educational agencies for support of home economics careers programs, pursuant to legislation enacted in the 1997–98 Regular Session.

(h) Two hundred thousand dollars ($200,000) for allocation on a one-time basis to the Ventura Unified School District for the purpose of modernizing the stadium at Buena High School.

(i) Five hundred thousand dollars ($500,000) for allocation on a one-time basis to the Rio School District for the purpose of construction of the Rio Del Valle Gymnasium.

(j) Five hundred thousand dollars ($500,000) for allocation on a one-time basis to the Lucia Mar School District for the purpose of constructing a performing arts center.

(k) Three hundred thousand dollars ($300,000) for allocation on a one-time basis to the Los Angeles Unified School District for the purpose of support of the California Arts Initiative.

(*l*) Four hundred eighty thousand dollars ($480,000) for allocation, on a one-time basis, on a matching basis in equal amounts, to the Santa Barbara High School District and its feeder elementary districts, the Sacramento City Unified School District, and the Western Placer Unified School District, for the purpose of supporting community-wide school facilities planning pilot projects intended to result in the building of lower-cost, higher-quality schools. The school districts shall specify in their applications for funds how the funds will be used, the amount of the school district and community matching funds, the timeline of the project, and how its success will be evaluated. These school districts shall utilize consultants experienced in the community-wide planning process. The local match shall include an equal amount of school district and community/business partnership funds.

(m) One million dollars ($1,000,000) for allocation on a one-time basis to the Superintendent of Public Instruction, for allocation on a grant basis to local educational agencies, for the purpose of high school coaching training, pursuant to legislation enacted in the 1997–98 Regular Session.

(n) Seven hundred thousand dollars ($700,000) for allocation on a one-time basis to the Los Alamitos Unified School District for the purpose of support of the Los Alamitos High School for the Arts.

(o) One hundred thousand dollars ($100,000) for allocation on a one-time basis to the San Diego City Unified School District for the purpose of supporting the Home Instruction for Preschool Youngsters program.

(p) Four hundred thousand dollars ($400,000) for allocation on a one-time basis to the Santa Ana Unified School District for the purpose of support of an arts and technology outreach program.

SEC. 54. The sum of five million one hundred twenty-eight thousand eight hundred ninety-three dollars ($5,128,893) is reappropriated from the Proposition 98 Reversion Account to the Superintendent of Public Instruction, in accordance with the following schedule:

(a) One million two hundred forty-eight thousand five hundred dollars ($1,248,500) for allocation, as divided among all single-school school districts in equal amounts for the 1998–99 fiscal year, on a one-time basis for the purchase of no less than two laptop computers per school district. Districts may use any remaining funds, after the

purchase of the computer hardware, for the purchase of computer-related equipment and software. The Legislature finds and declares that teachers and staff employed at single-school school districts may benefit from the availability of portable computers that can facilitate classroom preparedness, such as the development of school plans and student homework assignments.

(b) Thirty thousand dollars ($30,000) for allocation to the San Bernardino County Office of Education for the 1998–99 fiscal year on a one-time basis for work in collaboration with the City of Rancho Cucamonga to support an after-school "at-risk youth" program.

(c) Fifty thousand dollars ($50,000) for allocation to the Santa Clara County Office of Education in the 1998–99 fiscal year on a one-time basis to support the development of educational networks among schools under the jurisdiction of the office.

(d) Twenty-six thousand five hundred dollars ($26,500) for allocation on a one-time basis to the Alta-Dutch Flat Union School District in the 1998–99 fiscal year on a one-time basis to provide afternoon school busing service.

(e) Three hundred fifty thousand dollars ($350,000) for allocation to the Imperial County Office of Education in the 1998–99 fiscal year on a one-time basis to support technology infrastructure project to link local schools through a local area network.

(f) The sum of three hundred seventy-five thousand dollars ($375,000) for allocation on a one-time basis to the Anaheim City School District for the 1998–99 fiscal year on a one-time basis to support the Anaheim Achieves community and school district collaborative program.

(g) Six hundred fifty thousand dollars ($650,000) for allocation, on a one-time basis, to the Merced County Office of Education. Funds appropriated in this item are for the purposes of establishing pilot programs linking education, employability skills, and job opportunities for at-risk youth in Merced County. Funded programs shall accomplish all of the following:

(A) Work in collaboration with local school districts and businesses.

(B) Provide at-risk youth tangible skills in career development, job attainment, leadership, and self-development linked to work-based activities.

(C) Provide a followup component to participants after completion of the program.

(D) Include a community service component.

(E) Develop a career network for disadvantaged adolescents.

(h) Fifty thousand dollars ($50,000) for allocation to the Bellflower Unified School District to implement the Bellflower Against Gangs (BAG) Program. The program shall be an intervention program to provide counseling to students that have been identified as "at-risk."

(i) Seventy-five thousand dollars ($75,000) for allocation, on a one-time basis, to the ABC Unified School District to design and implement the Artesia Youth Academy, which is to provide educational, leadership, and community services for pupils in grades 4, 5, and 6 and their families.

(j) (1) Four hundred seventy-three thousand eight hundred ninety-three dollars ($473,893) for allocation to the Pasadena Unified School District on a one-time basis for repayment of funds withheld as a result of an audit of average daily attendance for the school district's kindergarten and prekindergarten program in the 1995–96 fiscal year.

(2) The State Department of Education shall recalculate the Pasadena Unified School District's 1995–96 fiscal year principal apportionment to exclude any reductions that were made because of a recalculation of kindergarten average daily attendance and attendance in the district's prekindergarten program. No reduction may be made until the Superintendent of Public Instruction and the Director of Finance agree to the appropriate reduction and recalculation of average daily attendance on this basis.

(k) Five hundred thousand dollars ($500,000) for allocation to the County Office Fiscal Crisis and Management Assistance Team (FCMAT) on a one-time basis for the purpose of implementing the recovery plan developed by the state-appointed administrator, in consultation with the governing board of the Compton Unified School District, and representatives of employee organizations of the district.

(*l*) One million dollars ($1,000,000) for allocation to the Glendale Unified School District. Funds appropriated under this subdivision shall be used on a one-time basis to reimburse the school district for its costs incurred in modernizing facilities for public access to technology, including technology infrastructure projects, in connection with a joint-use Library Revitalization Project of the Edison School/Pacific Park Model Neighborhood Community within the Glendale Unified School District.

(m) One hundred thousand dollars ($100,000) for allocation, on a one-time basis, to the Burbank Unified School District and the Glendale Unified School District. Fifty thousand dollars ($50,000) shall be allocated to each district, and shall be used to allow the school districts to participate in the Manufacturing Technologies Laboratory (MTL) School to Work Program.

(n) Two hundred thousand dollars ($200,000) for allocation to the Grossmont Union High School District for the 1998–99 fiscal year on a one-time basis for costs associated with an athletic facility at West Hills High School.

SEC. 55. The sum of seventy thousand dollars ($70,000) is hereby appropriated from the General Fund to the Superintendent of Public Instruction in accordance with both of the following:

(a) Fifty thousand dollars ($50,000) for allocation on a one-time basis for the purpose of providing scholarships to pupils participating in the California-Japan Scholars program.

(b) Twenty thousand dollars ($20,000) for allocation on a one-time basis for coordination of community-wide facilities planning pilot projects that shall include, but need not be limited to, a training of trainers program on community-wide school facilities planning, and a comprehensive evaluation of the three pilot projects. The State Department of Education, in collaboration with the local educational agencies receiving grants through this pilot, shall report to the appropriate policy and fiscal committees of the Legislature and to the State Allocation Board by March 1, 2000, on the results of this pilot project, including models of best practices developed through this pilot project.

SEC. 56. Notwithstanding any other provision of law, for the purposes of Sections 14002, 14004, and 41301 of the Education Code for the 1999–2000 fiscal year, the Superintendent of Public Instruction shall certify to the Controller amounts that do not exceed the amounts needed to fund the revenue limits of school districts, as determined pursuant to Section 42238 of the Education Code, and the revenue limits of county superintendents of schools as determined pursuant to Section 2558 of the Education Code as adjusted by the deficit factors applicable to the 1999–2000 fiscal year.

SEC. 57. The funds in each of the following appropriations shall be available for the purposes specified in Sections 60604 and 60605 of the Education Code:

(a) Section 6 of Chapter 975 of the Statutes of 1995, as reappropriated by Item 6110-490 of Section 2.00 of the Budget Act of 1997.

(b) Subdivision (b) of Section 41 of Chapter 299 of the Statutes of 1997.

(c) Schedule (b) of Item 6110-113-0001 of Section 2.00 of the Budget Act of 1997.

(d) Schedule (b) of Item 6110-113-0001 of Section 2.00 of the Budget Act of 1998.

SEC. 58. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 59. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement the Budget Act of 1998 with respect to public schools and higher education, it is necessary that this act take effect immediately.

CHAPTER 331

An act to add Article 13 (commencing with Section 44395) to Chapter 2 of Part 25 of the Education Code, relating to education.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) In an educational program, teacher knowledge, skills, and abilities are among the most important factors in determining pupil achievement.

(2) The National Board for Professional Teaching Standards has instituted a rigorous certification process that identifies teachers who possess and can demonstrate the state-of-the-art knowledge, skills, and abilities of the teaching profession.

(3) It is desirable that school districts in California employ in the public schools as many teachers as possible who have attained certification from the National Board for Professional Teaching Standards.

(4) It is essential that California encourage teachers to challenge themselves by undergoing the certification process established by the National Board for Professional Teaching Standards.

(b) It is the intent of the Legislature that funding for the National Board for Professional Teaching Standards Certification Incentive Program established by the act adding this section be appropriated in the annual Budget Act.

SEC. 2. Article 13 (commencing with Section 44395) is added to Chapter 2 of Part 25 of the Education Code, to read:

Article 13. National Board for Professional Teaching Standards Certification Incentive Program

44395. (a) The National Board for Professional Teaching Standards Certification Incentive Program is hereby established to award grants to school districts for the purpose of providing merit

awards to teachers who are employed by school districts or charter schools, are assigned to teach in California public schools, and have attained certification from the National Board for Professional Teaching Standards. The amount of the merit award shall be ten thousand dollars ($10,000) per teacher and shall be of a one-time nature on behalf of any one teacher.

(b) The State Department of Education shall administer the program and shall develop, in consultation with the Commission on Teacher Credentialing, certification and merit award information, criteria, procedures, and applications, all of which shall be submitted to the State Board of Education for approval. Amendments requested by the State Board of Education to that information, criteria, procedures, and applications shall be made before the dissemination of information and the award of any grants under this article.

(c) The State Department of Education shall distribute to school districts information developed pursuant to subdivision (b) about the certification process established by the National Board for Professional Teaching Standards along with application materials and instructions for the merit award program. Each school district shall make every effort to ensure that teachers employed by the district or by charter schools affiliated with the district are informed about the program and can acquire the necessary application and information materials.

(d) School districts are encouraged to provide for adequate release time and support for a teacher to complete the certification process. As a condition to providing that release time and support, a school district may require that a teacher serve in a mentor teacher capacity.

(e) For purposes of this article, "school district" means school district, county board of education, county superintendent of schools, a state operated program, such as a special school, or an education program providing instruction in kindergarten or any of grades 1 to 12, inclusive, that is offered by a state agency, including the California Youth Authority and the State Department of Developmental Services.

44396. (a) (1) To the extent that funds are available for that purpose, a teacher who meets the criteria approved by the State Board of Education pursuant to subdivision (b) of Section 44395 is eligible for a merit award and may apply for the award by following the procedures and instructions developed pursuant to subdivision (b) of Section 44395.

(2) A teacher who attained certification from the National Board for Professional Teaching Standards before the effective date of the act adding this section and who was employed by a school district or charter school and assigned to teach in a California public school on the date of certification may apply for a merit award if he or she meets all the other requirements of this article.

(b) Teachers shall submit their application to the school district employing them. Teachers employed by a charter school shall submit their application through the school district granting the school's charter.

(c) When a school district receives an application, it shall certify that the applicant is employed by the district or a charter school operating under a charter granted by the school district and that the applicant has met all the criteria established pursuant to subdivision (b) of Section 44395. The school district shall then submit the application to the State Department of Education for its review and approval.

(d) The State Department of Education shall approve an application that meets the criteria established pursuant to subdivision (b) of Section 44395. To the extent funds are available, the State Department of Education shall apportion funds to the school district in the amount of ten thousand dollars ($10,000) for each approved application. The school district shall use funds apportioned to it pursuant to this subdivision to provide a one-time merit award of ten thousand dollars ($10,000) to each teacher whose application is approved by the State Department of Education.

44397. Notwithstanding any provision of law except Sections 44332.6, 44340, 44346.1, and 44830.1, a teacher who is licensed to teach in a state other than California and who is certified by the National Board for Professional Teaching Standards shall be issued a clear teaching credential authorizing the teacher to teach in the subject area in which the teacher has received national certification.

SEC. 3. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 332

An act to add Article 7 (commencing with Section 18180) to Chapter 2 of Part 11 of the Education Code, relating to school libraries, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with
Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Article 7 (commencing with Section 18180) is added to Chapter 2 of Part 11 of the Education Code, to read:

Article 7. California Public School Library Act of 1998

18180. The Legislature finds and declares that school libraries that are staffed by qualified librarians and have adequate numbers of up-to-date library books, resource materials, and media centers, are a valuable resource for teachers and pupils. School libraries provide pupils access to resources that help them meet the academic standards established for them and to become independent and lifelong learners. School libraries also provide teachers access to resources that can help to improve teaching strategies, enhance staff development, and implement curriculum objectives in core subject areas.

18181. The California Public School Library Act of 1998 is hereby established to be administered by the Superintendent of Public Instruction. As a condition of receiving funding under this article, school districts shall develop a districtwide school library plan and the local school district governing board shall certify approval of the plan. In developing the plan, school districts are encouraged to include school library media teachers. If a school library media teacher is not employed at a school, schools are encouraged to involve a school library media teacher employed by the district or county office of education in the development of the plan. Charter schools may apply for funding on their own behalf or through their chartering entity. Notwithstanding Section 47610, charter schools applying on their own behalf are required to develop and certify approval of a school library plan.

18182. If the annual Budget Act contains an appropriation for purposes of this article, those funds shall be transferred to the California Public School Library Protection Fund by the Controller to augment the funds appropriated for the California Public Library Protection Act (Art. 6 (commencing with Sec. 18175)). Notwithstanding Article 6 (commencing with Section 18175), the combined appropriation shall be apportioned to school districts on an equal amount per unit of regular average daily attendance reported in the second principal apportionment of the prior fiscal year. The funds shall be expended to support the districtwide school library plan as required by Section 18181.

18183. The funds transferred to the California Public School Library Protection Fund pursuant to Section 18182 are hereby appropriated for purposes of this article and may be expended for

library resources, including books, periodicals, microforms, AV materials, computer software, CD ROMs, to purchase equipment necessary to provide access to school library resources within the school library and on-line resources. Materials purchased pursuant to this article shall be circulated from, or used in, the school library media center.

18184. The materials purchased with funds apportioned pursuant to Section 18182 shall conform to the California curriculum standards and frameworks, and to standards for the use of library media program materials and resources.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make statutory changes necessary to implement the Budget Act of 1998, it is necessary that this act to take effect immediately.

CHAPTER 333

An act to amend Sections 99200, 99200.5, 99202, and 99203 of, to add Sections 99201.5 and 99206 to, to repeal Section 99205 of, to repeal Chapter 5 (commencing with Section 99200) of Part 65 of, and to repeal and add Section 99201 of, the Education Code, relating to instructional strategies, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 99200 of the Education Code is amended to read:

99200. (a) With funds appropriated therefor, and with the approval of the Concurrence Committee, the Regents of the University of California shall establish and maintain cooperative endeavors designed to accomplish the following:

(1) Develop and enhance teachers' subject matter knowledge in the subject matter areas specified in Section 99201.

(2) Develop and enhance teachers' instructional strategies to improve student learning and academic performance as measured against State Board of Education standards adopted pursuant to Section 60605.

(3) Provide teachers with access to and opportunity to examine current research that is demonstrably linked to improved student

learning and achievement as measured by performance levels on state tests administered pursuant to Section 60605.

(4) Maintain subject-specific professional communities that create ongoing opportunities for teacher learning and research.

(5) Develop and deploy as teacher leaders, teachers with demonstrated levels of expertise in the classroom and certifiable levels of content knowledge.

(b) The duties of the Concurrence Committee shall include, but need not be limited to, all of the following:

(1) Ensuring that the statewide and local subject matter projects comply with requirements of this chapter.

(2) Developing rules and regulations for the statewide subject matter projects.

(3) Selecting a contractor for a four-year independent evaluation of the effectiveness of the subject matter projects.

(c) A four-year independent evaluation of the effectiveness of the subject matter projects shall be performed by a contractor selected pursuant to paragraph (3) of subdivision (b), and shall be reported to the State Board of Education, the Governor, and the Legislature by July 1, 2002. Preliminary results shall be reported annually beginning January 1, 2000. The evaluation shall include, but not be limited to:

(1) Documenting the impact of participation in the program on student achievement in the statewide tests administered pursuant to Section 60605.

(2) Measuring the results of research on learning, knowledge, and educational materials developed by the statewide subject matter projects.

(3) Documenting the quantity, quality, cost effectiveness, and inclusiveness of subject matter project programs.

(4) The impact of the subject matter projects on the performance levels of low-performing schools affiliated with the subject matter projects.

(d) Grants to establish local sites of statewide subject matter projects shall be available to institutions of higher education, county offices of education and school districts, or any combination thereof, with a subject matter proposal approved pursuant to this article. Once established, each subject matter project shall be administered by the University of California in cooperation with the Concurrence Committee. Local sites of statewide subject matter projects shall be distributed throughout the state so that elementary, secondary, and postsecondary school personnel located in rural, urban, and suburban areas may avail themselves of subject matter projects.

(e) The composition of the Concurrence Committee shall be as follows:

(1) One representative selected by the Regents of the University of California.

(2) One representative selected by the Board of Trustees of the California State University.

(3) Two representatives selected by the State Board of Education.

(4) One representative selected by the Governor.

(5) One representative selected by the Commission on Teacher Credentialing.

(6) One representative selected by the Curriculum Development and Supplemental Materials Commission.

(7) One representative of the California Community Colleges selected by the Board of Governors of the California Community Colleges.

(8) One representative of an independent postsecondary institution selected by the Association of Independent California Colleges and Universities.

SEC. 2. Section 99200.5 of the Education Code is amended to read:

99200.5. The statewide subject matter projects shall accomplish all of the following goals:

(a) Create opportunities for researchers, higher education faculty, and elementary and secondary school faculty to work together to accomplish all of the following:

(1) Identify exemplary teaching practices.

(2) Examine and develop research on learning, knowledge, and educational materials.

(3) Provide support to teachers to develop and enhance the content knowledge and pedagogical skills necessary to implement State Board of Education standards adopted pursuant to Section 60605.

(b) Collect the necessary data to perform the evaluation required by subdivision (c) of Section 99200.

SEC. 3. Section 99201 of the Education Code is repealed.

SEC. 4. Section 99201 is added to the Education Code, to read:

99201. The following subject matter projects shall be authorized pursuant to this chapter:

(a) The California Writing Project.

(b) The California Reading and Literature Project.

(c) The California Mathematics Project.

(d) The California Science Project.

(e) The California History-Social Science Project.

(f) The World History and International Studies Project.

SEC. 5. Section 99201.5 is added to the Education Code, to read:

99201.5. Nothing in this chapter shall preclude the University of California from establishing other subject matter projects in subject areas not specified in Section 99201. However, no funds allocated in the annual Budget Act for the purposes of this chapter shall be used for subject matter projects in subject areas not specified in Section 99201.

SEC. 6. Section 99202 of the Education Code is amended to read:

99202. (a) Within each subject matter project, a project advisory board shall be established to do all of the following:

(1) Set guidelines for project sites.

(2) Review and recommend site proposals for funding.

(3) Monitor project activities to ensure that they adequately reflect the priorities of the project and that projects comply with the requirements of this chapter.

(4) Perform other duties as determined by the Concurrence Committee rules and regulations adopted pursuant to subdivision (b) of Section 99200.

(b) The composition of each advisory board shall be as follows:

(1) One representative selected by the California Postsecondary Education Commission.

(2) Two representatives selected by the President of the University of California, one of whom is a member of the faculty in the discipline addressed by the project.

(3) Two representatives selected by the Chancellor of the California State University, one of whom is a member of the faculty in the discipline addressed by the project.

(4) Three representatives selected by the Superintendent of Public Instruction, one of whom is a classroom teacher in the subject areas addressed by the project.

(5) Two representatives of the State Board of Education, one of whom is a classroom teacher in the subject areas addressed by the subject.

(6) One representative selected by the Governor.

(7) One representative selected by the Commission on Teacher Credentialing.

(8) One representative of the statewide professional organization of teachers in the subject matter addressed by the project, to be selected by the president of that organization. If there is more than one statewide professional organization of teachers in that subject area, the members of the advisory board may choose which organization shall select the representative and may choose to include a representative of one or more of the other organizations as nonvoting members of the advisory board.

(9) Two representatives of the California community colleges selected by the Chancellor of the California Community Colleges, one of whom is a faculty member in the subject matter area addressed by the project.

(10) Two representatives of an independent postsecondary institution selected by the Association of Independent California Colleges and Universities, one of whom is a member of the faculty in the discipline addressed by the project.

SEC. 7. Section 99203 of the Education Code is amended to read:

99203. The project advisory board of each statewide subject matter project shall use the following criteria in recommending funding for local project sites:

(a) The proposed site is designed to provide support to teachers to develop and enhance the content knowledge and pedagogical skills necessary to implement State Board of Education standards adopted pursuant to Section 60605.

(b) The proposed site allocates a minimum of 75 percent of program slots to teachers from schools achieving scores on the state tests administered pursuant to Section 60605 that rank the school in the bottom 40 percent of all California schools.

(c) The proposed site develops formal partnerships with low-performing schools that achieve scores on the state tests administered pursuant to Section 60605 that rank the school in the bottom 40 percent of all California schools.

(d) The proposed site maintains evaluation data as required by subdivision (c) of Section 99200.

(e) The proposed site gives attention to instructional strategies that make use of educational technology to support the instructional program.

(f) The proposed site involves various levels and segments of education in a cooperative approach.

(g) Participating school districts, colleges, and universities provide financial and personnel support for the proposed site.

(h) The proposed site uses participants as professional development providers in school districts, colleges, and universities.

(i) The proposed site provides continuing professional development to project participants.

(j) The proposed site addresses the need to integrate existing standards of competence in the subject matter into the curriculum at the grade level taught by each participating teacher.

(k) The proposed site contributes to the effectiveness of school and district development plans and coordinates with existing agencies or entities, such as the resource agency or consortia established pursuant to Article 2 (commencing with Section 44680) of Chapter 3.1 of Part 25.

(*l*) Neighboring institutions have worked collaboratively to develop a proposal which clearly indicates their intention to continue to work cooperatively throughout the duration of the local project.

SEC. 8. Section 99205 of the Education Code is repealed.

SEC. 9. Section 99206 is added to the Education Code, to read:

99206. This chapter shall become inoperative on June 30, 2002, and, as of January 1, 2003, is repealed, unless a later enacted statute that is enacted before January 1, 2003, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 10. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

To provide for continuity in the establishment and maintenance of subject matter projects, it is necessary that this act take effect immediately.

CHAPTER 334

An act to amend Sections 52081, 52082, 52084, and 52086 of, and to amend the heading of Chapter 6.8 (commencing with Section 52080) of Part 28 of, the Education Code, relating to class size reduction, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The heading of Chapter 6.8 (commencing with Section 52080) of Part 28 of the Education Code is amended to read:

CHAPTER 6.8. PROGRAM TO REDUCE CLASS SIZE IN TWO COURSES IN GRADE 9

SEC. 2. Section 52081 of the Education Code is amended to read:

52081. The following entities shall not be eligible to participate in the Program to Reduce Class Size in Two Courses in Grade 9:

(a) County boards of education.

(b) County superintendents of schools.

SEC. 3. Section 52082 of the Education Code is amended to read:

52082. Except as otherwise provided by subdivisions (a) and (b) of Section 52081, any school district that maintains grade 9, may apply to the Superintendent of Public Instruction for an apportionment to implement a Program to Reduce Class Size in Two Courses in Grade 9.

SEC. 4. Section 52084 of the Education Code is amended to read:

52084. A school district's application to implement a program pursuant to this chapter shall comprise the following:

(a) Certification that the grade 9 course or the two grade 9 courses included in the program count toward completion of the graduation requirements established in subparagraphs (A), (B), (C), or (D) of paragraph (1) of subdivision (a) of Section 51225.3; provided, however, that one of the courses included in the program shall be English.

(b) Certification of the number of grade 9 classes included in the program in the courses designated pursuant to subdivision (a).

(c) Certification that the classes identified pursuant to subdivision (b) in each participating school shall on the average have no more

than 20 pupils per certificated teacher and no more than 22 pupils in any participating class.

(d) Certification of pupil enrollment in each class designated pursuant to subdivision (b), as determined pursuant to regulations authorized pursuant to subdivision (h). For purposes of this subdivision, the enrollment figure shall exclude both of the following:

(1) The number of special education pupils enrolled in special day classes on a full-time basis.

(2) The number of pupils enrolled in necessary small schools that receive funding pursuant to Article 4 (commencing with Section 42280) of Chapter 7 of Part 24.

(e) The district's certification shall include a statement that implementation of a class size reduction program pursuant to this chapter has not adversely affected existing class size in courses not referenced in this chapter.

(f) While it is the intent of the Legislature that this program not increase the need for additional classroom facilities, a school district may utilize any funds apportioned pursuant to Section 52086 for the purpose of leasing additional classroom space in order to reduce overcrowded classroom conditions and to reduce pupil-to-teacher ratios.

(g) Any program that includes classes in grade 10, 11, or 12 and that was funded before June 30, 1998, shall continue to be funded for those other classes unless the school district elects to eliminate that program. A school district that elects to continue to operate a class size reduction program in grades 10 to 12, inclusive, shall be eligible to receive one hundred thirty-five dollars ($135) per pupil certified pursuant to this chapter as it read on July 1, 1998, except that total funding shall not exceed the amount received by the school district for the program for grades 10 to 12, inclusive, in the 1997–98 fiscal year.

(h) The Superintendent of Public Instruction shall recommend, and the State Board of Education shall adopt, regulations for the implementation of this chapter no later than October 17, 1998.

(i) The Controller shall include instructions appropriate to the enforcement of the provisions of this chapter in the audit guide required by subdivision (a) of Section 14502.

SEC. 5. Section 52086 of the Education Code is amended to read:

52086. (a) The Superintendent of Public Instruction shall apportion to each applicant district an amount equal to one hundred thirty-five dollars ($135) per unit of full-year equivalent enrollment reported pursuant to subdivision (d) of Section 52084 if the district certifies an average class size of 20 pupils and no more than 22 pupils in each participating class at each participating school.

(b) Funds apportioned pursuant to this section shall not become part of a district's revenue limit, and shall be identified as a separate item of expenditure on any financial reports filed by school districts with the state pursuant to statute or regulation.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

To extend class size reduction to grade 9 for the 1998–99 school year, it is necessary that this act take effect immediately.

CHAPTER 335

An act to amend Sections 19400, 19401, 19531, 19596, 19596.2, 19601, 19601.2, 19605.6, 19605.7, 19605.71, 19605.8, 19606, 19606.3, 19611, 19611.5, 19612, 19614, 19614.2, 19614.4, 19616, 19616.1, and 19617.2 of, to add Sections 19605.35, 19605.72, 19607.2, and 19607.3 to, to add and repeal Section 19605.73 of, to repeal Sections 19571, 19608.9, 19610.5, 19614.1, 19616.51, 19617.3, 19619.7 and 19619.8 of, the Business and Professions Code, relating to horse racing.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 19400 of the Business and Professions Code is amended to read:

19400. This chapter shall be known and may be cited as the "Horse Racing Law."

SEC. 2. Section 19401 of the Business and Professions Code is amended to read:

19401. The intent of this chapter is to allow parimutuel wagering on horse races, while:

(a) Assuring protection of the public.

(b) Encouraging agriculture and the breeding of horses in this state.

(c) Supporting the network of California fairs.

(d) Providing for maximum expansion of horse racing opportunities in the public interest.

(e) Providing uniformity of regulation for each type of horse racing.

SEC. 3. Section 19531 of the Business and Professions Code is amended to read:

19531. The board shall make allocations of racing weeks, including simultaneous racing between zones, as it deems appropriate. The maximum number of racing weeks that may be allocated for horse racing other than at the California Exposition and State Fair, or county or district agricultural association fairs, shall be as follows:

(a) For thoroughbred racing: 44 weeks per year in the northern zone; 42 weeks per year in the central zone; and seven weeks per year in the southern zone.

(b) For harness racing: 25 weeks per year in the northern zone.

(c) For quarter horse racing: 25 weeks per year in the northern zone.

(d) For harness racing and quarter horse racing: a total of 77 weeks per year in the combined central and southern zones.

(e) In its written application for a license, an applicant shall state the time of day, consistent with this chapter, during which it will conduct its racing meeting, and particularly the first race starting time for the various racing days. After receiving a license, a licensee shall not change the first race starting time without securing prior approval of the board.

(f) Notwithstanding this section or any other provision in this chapter, the board shall not allocate dates to a thoroughbred association in the central zone for the purpose of conducting racing during daytime hours if a thoroughbred racing association is conducting racing in the southern zone on the same date during daytime hours.

SEC. 4. Section 19571 of the Business and Professions Code is repealed.

SEC. 5. Section 19596 of the Business and Professions Code is amended to read:

19596. (a) Notwithstanding any other provision of law, the board may do any of the following:

(1) Authorize a harness racing association in this state to accept wagers on races conducted by the racing association that conducts the Breeder's Crown Stakes, if the race is conducted on the same day as the Breeder's Crown Stakes and if the association in this state that accepts those wagers is then conducting a live racing meeting.

(2) Authorize a licensed quarter horse racing association that is conducting a live racing meeting in this state to accept wagers on races conducted by the racing association that conducts the American Quarter Horse Racing Challenge, if the races are conducted on the same day as the American Quarter Horse Racing Challenge.

(3) Authorize the inclusion of wagers authorized pursuant to this section in the parimutuel pools of the out-of-state association that conducts the races on which the wagers are placed.

(b) The board authorization may be granted under this section only if both of the following conditions are met:

(1) The authorization complies with federal laws, including, but not limited to, Chapter 57 (commencing with Section 3001) of Title 15 of the United States Code.

(2) Wagering is offered only within the racing enclosure and only within seven days of the running of the out-of-state race.

SEC. 6. Section 19596.2 of the Business and Professions Code is amended to read:

19596.2. (a) Notwithstanding any other provision of law, a thoroughbred racing association or fair may distribute the audiovisual signal and accept wagers on the results of out-of-state and out-of-country thoroughbred races during the calendar period the association or fair is conducting a race meeting, including days on which there is no live racing being conducted by the association or fair, without the consent of the organization that represents horsemen participating in the race meeting and without regard to the amount of purses, provided that the total number of thoroughbred races on which wagers are accepted statewide in any given year does not exceed the total number of thoroughbred races on which wagers were accepted in 1998. Further, the total number of races imported by associations or fairs on a statewide basis under this section shall not exceed 20 per day on days when live thoroughbred or fair racing is being conducted in the state. The limitation of 20 per day does not apply to races imported for wagering purposes pursuant to subdivision (d) or on days when there is no live thoroughbred or fair racing being conducted in this state.

(b) Any thoroughbred racing association described in subdivision (a) may execute an agreement with any other association that conducts thoroughbred races in the southern zone to allow the other association to distribute the signal and accept wagers on out-of-country thoroughbred races.

(c) Any thoroughbred association or fair accepting wagers pursuant to subdivision (a) shall conduct the wagering in accordance with the applicable provisions of Sections 19601, 19616, 19616.1, and 19616.2.

(d) No thoroughbred association or fair shall accept wagers pursuant to this section on out-of-state or out-of-country races commencing after 7:00 p.m., Pacific Standard Time, without the consent of the harness or quarter horse racing association that is then conducting a live racing meeting in Orange or Sacramento Counties, and no quarter horse or harness racing association shall accept wagers on out-of-state or out-of-country quarter horse or harness races commencing before 5:30 p.m., Pacific Standard Time, without the consent of any thoroughbred association or fair that is then conducting a live racing meeting in this state.

SEC. 7. Section 19601 of the Business and Professions Code is amended to read:

19601. (a) Notwithstanding any other provision of law, a licensed association or fair that is conducting a live meeting in any racing zone may accept wagers on any race conducted in this state, if all of the following requirements are met:

(1) The association or fair that conducts the racing meeting and the organization that is responsible for negotiating purse agreements on behalf of the horsemen participating in that racing meeting

consent to the acceptance of the wagers. However, if consent is withheld, any party may appeal the withholding of consent to the board, which may determine that consent is not required.

(2) The association or fair conducts not less that eight races on days when the association or fair is licensed to conduct racing, except that fewer than eight live races per day may be conducted by the mutual agreement of the association or fair and the organization that is responsible for negotiating purse agreements on behalf of the horsemen participating in the racing meeting.

(3) Wagering is offered only within the association's or fair's racing inclosure or within the satellite wagering facility and only within seven days of the commencement of the racing program with the transmitted race.

(4) All wagers are included in the appropriate parimutuel pool at the racetrack of the association or fair where the race is conducted, or, in the appropriate parimutuel pool of the racetrack of the association or fair that accepts the transmitted race.

(5) The association or fair accepting wagers on an out-of-zone transmitted race distributes the audiovisual signal of the race to, and accepts wagers from, all eligible satellite wagering facilities.

(b) Any association or fair accepting wagers under subdivision (a) shall deduct, from the total amount handled in each conventional and exotic parimutuel pool on the transmitted race, the same percentages deducted pursuant to Article 9.5 (commencing with Section 19610) for races at its own meeting. However, if the wagers are from a quarter horse race meeting, then the amounts deducted shall be the same as for a quarter horse race meeting. Amounts deducted under this section, including amounts deducted from wagers on out-of-zone races within the inclosure of the association or fair, shall be distributed as provided under Sections 19605.7, 19605.72, and 19605.73 with respect to wagers made within the northern zone, or Sections 19605.71, 19605.72, and 19605.73 with respect to wagers made within the central or southern zone, except that amounts distributed for purposes other than state license fees and fees payable to the California Center for Equine Health and Performance, School of Veterinary Medicine, University of California at Davis, and the California Diagnostic Veterinary Lab System shall be proportionally reduced by the amount of any fees paid to the Triple Crown or Breeder's Cup day host association pursuant to subdivision (c). The method used to calculate the reduction in proportionate share shall be approved by the board. For wagers on out-of-state and out-of-country races made within the association's or fair's inclosure, 1 percent shall be distributed to the association or fair as a satellite wagering facility commission.

(c) Nothing in this section precludes an association or fair from charging a fee as a condition of transmitting the Triple Crown or Breeder's Cup day races, except that any fee shall be allocated among all associations, fairs, and satellite wagering facilities receiving the

transmitted race in proportion to the amount wagered at each location, and the fee shall equal that charged by the entity conducting the race or races. Further, the only fee that can be charged as a condition of transmitting the signal of an out-of-zone race shall be a fee of 2.5 percent on Breeder's Cup day races.

(d) All breakage and unclaimed tickets, including unclaimed refunds, shall be distributed equally between the association or fair that accepts wagers on the transmitted race, and the horsemen, in the form of purses. The purse moneys generated by this subdivision shall be made available for purses during the meeting in which they are received by the association or fair, or, if the association or fair is not then conducting a live racing meeting, during the next succeeding meeting of the association or fair.

(e) All wagers made pursuant to this section shall be considered to have been wagered at a satellite wagering facility and shall be excluded from total handle for the purposes of Section 19611.

(f) Notwithstanding Section 19530.5, satellite wagering facilities operated by a county fair, district agricultural association fair, or citrus fruit fair in the Counties of Fresno, Kern, or Tulare shall be considered northern zone facilities and shall receive their audiovisual signal from the association or fair conducting a racing meeting in the northern zone that is authorized to distribute the signal and accept wagers on central and southern zone races. Satellite wagering facilities operated by a county fair, district agricultural association, or citrus fruit fair in the Counties of Santa Barbara or Ventura shall be considered central-southern zone facilities and shall receive the audiovisual signal from the association or fair conducting a racing meeting in the central or southern zone that is authorized to distribute the signal and accept wagers on central and southern zone races.

(g) All purse moneys derived from wagering on out-of-zone races at fair racing meetings conducted shall be distributed to all breeds of horses participating in the fair meeting in direct proportion to the purse money generated by breed on live races conducted during the fair race meeting.

(h) During calendar periods when both a fair and a thoroughbred association conduct live racing, the amounts deducted under this section shall be distributed on any day of overlap as provided in Section 19607.5, except that the applicable state license fee shall be at the rate specified for nonfair meetings in subdivision (b) of Section 19605.7.

(i) During calendar periods when a thoroughbred association and a fair, or a thoroughbred association and any other breed association are conducting a racing meeting in the same zone, the thoroughbred association shall be the association authorized to distribute out-of-zone, out-of-state, or out-of-country thoroughbred or fair races, except that the thoroughbred association may waive this right and allow the other breed racing association conducting a race

meeting to distribute the signal and accept wagers on out-of-zone, out-of-state, or out-of-country thoroughbred or fair races for any racing day or days. For the purposes of this subdivision, the combined central and southern zone shall be considered one zone.

(j) In order to ensure, to the extent possible, that out-of-state and out-of-country simulcasting, furthers the purposes of this section, a committee made up of one representative from each of the then-operating thoroughbred associations or fairs that are conducting a live racing meeting in the state and one representative of the organization responsible for negotiating purse agreements on behalf of the horsemen participating in the meeting shall do the following:

(1) Determine the out-of-state or out-of-country thoroughbred races to be imported on a statewide basis pursuant to provisions of this chapter.

(2) Ensure, to the extent possible, that the fees charged by out-of-state or out-of-country entities for these signals are at the lowest obtainable rate and at the same rate statewide, in order to maximize the revenue available to in-state associations and fairs and their horsemen.

(3) Ensure, to the extent possible, due to the reciprocal nature of the interstate simulcasting business, that the maximum obtainable revenue is generated by the sale to out-of-state entities of the audiovisual signal of races conducted in this state by thoroughbred associations and fairs.

(4) Ensure that program information requirements for in-state signals comply with the standards of the board, but provide that abbreviated program formats may be used for races imported from other jurisdictions.

(k) Notwithstanding any other provision of law, any thoroughbred association or fair, when operating a live racing meeting, shall distribute the signal of all races conducted by, or disseminated by, that association or fair to, and accept wagers on these races from, any association that is licensed to conduct a live quarter horse or harness racing meeting in Orange County and that conducted such a meeting in 1998.

(*l*) Notwithstanding any other provision of law, all associations or fairs when operating as eligible satellite wagering facilities shall be in compliance with, and subject to the provisions of, Article 9.2 (commencing with Section 19605) of this chapter, and shall display the signal and accept wagers on all live races conducted in this state without regard to breed. Notwithstanding the foregoing provision, a thoroughbred racing association located in the city of Arcadia is exempt from these requirements for live harness and quarter horse races conducted at night unless the thoroughbred racing association facility is open for business at that time and is accepting wagers on other night signals pursuant to this chapter. Further, satellite wagering facilities located at fairs may, but are not required to,

accept an audiovisual signal on out-of-state or out-of-country races unless the facility is open for business at the time and accepting wagers on other signals pursuant to this chapter.

SEC. 8. Section 19601.2 of the Business and Professions Code is amended to read:

19601.2. (a) During calendar periods when the San Mateo County Fair and the Humboldt County Fair both conduct race meetings, the San Mateo County Fair shall be the association authorized to distribute the signal and accept wagers on out-of-zone, out-of-state, and out-of-country races if it complies with the conditions specified in subdivision (a) of Section 19601. The amounts deducted from these wagers shall be distributed as provided in Section 19601, and license fees on races conducted by the Humboldt County Fair and on out-of-zone, out-of-state, or out-of-country races shall be as specified in subdivision (h) of Section 19601. Additionally, from, and to the extent of, license fees generated from the total handle of the San Mateo County Fair during the overlap, the San Mateo County Fair shall distribute to the Humboldt County Fair, not less than seven days after the close of the racing meeting, an amount equal to 0.75 percent of the out-of-zone, out-of-state, and out-of-country handle. From the amount remaining, if any, 50 percent shall be retained by the San Mateo County Fair to be distributed equally as commissions and purses, and 50 percent shall be paid to the state as a license fee.

(b) During calendar periods when the Fresno District Fair and any thoroughbred association in the northern zone both conduct race meetings, the thoroughbred association shall be the association authorized to distribute the signal and accept wagers on out-of-zone, out-of-state, and out-of-country races, if it complies with the conditions specified in subdivision (a) of Section 19601. The amounts deducted from these wagers shall be distributed as provided in Section 19601, and license fees on races conducted by the Fresno District Fair and on out-of-zone, out-of-state, or out-of-country races shall be as specified in subdivision (h) of Section 19601. Additionally, from, and to the extent of, license fees generated from the total handle of the thoroughbred association during the overlap, the thoroughbred association shall distribute to the Fresno District Fair, not less than seven days after the close of the racing meeting, an amount equal to 0.75 percent of the out-of-zone, out-of-state, and out-of-country handle. From the amount remaining, if any, 50 percent shall be retained by the thoroughbred association to be distributed equally as commissions and purses, and 50 percent shall be paid to the state as a license fee.

SEC. 9. Section 19605.35 is added to the Business and Professions Code, to read:

19605.35. (a) Notwithstanding paragraph (3) of subdivision (a) of Section 19605.3, no fee or charge authorized under that paragraph shall be paid by the operator of a satellite wagering facility that was

also licensed at any time during the prior year to conduct a live racing meeting in the northern zone. Notwithstanding any other provision of law, on-track license fees applicable to all wagers made within the inclosure of an association conducting a thoroughbred meet in the northern zone, including wagers on out-of-zone, out-of-state, and out-of-country races, shall be reduced by 0.3 percent. The reduction in license fees provided by this section shall be distributed solely to the association in the form of commissions. All other distributions from handle shall be as provided elsewhere in this chapter.

(b) Notwithstanding paragraph (3) of subdivision (a) of Section 19605.3, no fee or charge authorized under that paragraph shall be paid by the operator of a satellite wagering facility that was also licensed at any time during the prior year to conduct a live thoroughbred or quarter horse racing meeting in the central or southern zones or a live fair racing meeting in Los Angeles County. Notwithstanding any other provision of law, on-track license fees applicable to all wagers made within the inclosure of an association conducting a thoroughbred meet in the central or southern zones, including wagers on out-of-zone, out-of-state, and out-of-country races, shall be reduced by 0.15 percent. The reduction in license fees provided by this section shall be distributed solely to the association in the form of commissions. All other distributions from handle shall be as provided elsewhere in this chapter.

SEC. 10. Section 19605.6 of the Business and Professions Code is amended to read:

19605.6. (a) In addition to satellite wagering facilities authorized pursuant to Sections 19605, 19605.1, and 19605.2, the board, with the approval of the Department of Food and Agriculture, may authorize any county fair, district agricultural association fair, or citrus fruit fair in the County of Kern or Santa Barbara, eligible for an allocation of racing days pursuant to Section 19549, to operate a satellite wagering facility at its fairgrounds even though the fair is not licensed to conduct a racing meeting, and the fair may operate the facilities except for those functions to be performed by an organization described in Section 19608.2. Except as otherwise provided in this section, Sections 19605, 19605.3, 19605.4, 19605.7, 19605.71, 19605.8, 19606, 19606.1, 19606.3, and 19606.4 apply to satellite wagering facilities authorized pursuant to this section. A satellite wagering facility in the County of Fresno, Kern, Santa Barbara, Tulare, or Ventura may receive the audiovisual signal from the northern, central, or southern zone, or from more than one of these zones at the same time.

(b) It is the intent of the Legislature that the board provide, when feasible, for periods of at least 10 minutes between post times for live races conducted within California.

SEC. 11. Section 19605.7 of the Business and Professions Code is amended to read:

19605.7. The total percentage deducted from wagers at satellite wagering facilities in the northern zone shall be the same as the deductions for wagers at the racetrack where the racing meeting is being conducted and shall be distributed as set forth in this section. Amounts deducted under this section shall be distributed as follows:

(a) For thoroughbred meetings, 1.3 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, 2 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, 2.5 percent or the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2, and 0.54 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c) and (d) of Section 19617.2, and 0.033 percent distributed to the California Center for Equine Health and Performance and 0.067 percent distributed to the California Veterinary Diagnostic Laboratory System, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the California Center for Equine Health and Performance shall supplement, and not supplant, other funding sources.

(b) For harness, quarter horse, Appaloosa, Arabian, or mixed breed meetings, 0.4 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, for fair meetings, 1 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the fair association for payment to the state as a license fee, 2 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, and 6 percent of the amount handled by the satellite wagering facility or the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2. In addition, in the case of quarter horses, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7; in the case of Appaloosas, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4 percent shall be held by the association to be deposited with the official registering agency pursuant to Section 19617.8, and shall thereafter be distributed in accordance with Section 19617.8; in the case of

standardbreds, 0.4 percent shall be distributed for the California Standardbred Sires Stakes Program pursuant to Section 19619; in the case of thoroughbreds, 0.48 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2; and 0.033 percent shall be distributed to the California Center for Equine Health and Performance and 0.067 percent shall be distributed to the California Veterinary Diagnostic Laboratory System, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the California Center for Equine Health and Performance shall supplement, and not supplant, other funding sources.

(c) In addition to the distributions specified in subdivision (a) and (b), for mixed breed meetings, 1 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for promotion of the program at satellite wagering facilities. For quarter horse meetings and harness meetings, 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, and 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horsemen participating in the meeting.

(d) Additionally, for thoroughbred, harness, quarter horse, mixed breed, and fair meetings, 0.33 percent of the total amount handled by each satellite wagering facility shall be paid to the city or county in which the satellite wagering facility is located pursuant to Section 19610.3 or 19610.4.

(e) Notwithstanding any other provision of law, a racing association is responsible for the payment of the state license fee as required by this section.

SEC. 12. Section 19605.71 of the Business and Professions Code is amended to read:

19605.71. The total percentage deducted from wagers at satellite wagering facilities in the central and southern zone shall be the same as the percentage deducted from wagers at the racetrack where the racing meeting is being conducted and shall be distributed as set forth in this section. Amounts deducted by a satellite wagering facility under this section shall be distributed as follows:

(a) For thoroughbred meetings, 2 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, 2 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, 2.5 percent or

the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2, and 0.54 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2, and 0.033 percent shall be distributed to the California Center for Equine Health and Performance and 0.067 percent shall be distributed to the California Veterinary Diagnostic Laboratory System, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the California Center for Equine Health and Performance shall supplement, and not supplant, other funding sources.

(b) For harness, quarter horse, Appaloosa, Arabian, or mixed breed meetings, 0.4 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, for fair meetings, 1 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, 2 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, and 6 percent of the amount handled by the satellite wagering facility or the amount of actual operating expenses, as determined by the board, whichever is less, distributed to an organization described in Section 19608.2. In addition, in the case of quarter horses, 0.4 percent shall be distributed as breeders' awards to breeders of quarter horses pursuant to Section 19617.6; in the case of Appaloosas, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4 percent shall be held by the association to be deposited with the official registering agency, pursuant to Section 19617.8, and thereafter shall be distributed in accordance with Section 19617.8; in the case of standardbreds, 0.4 percent shall be distributed for the California Standardbred Sires Stakes Program pursuant to Section 19619; in the case of thoroughbreds, 0.48 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2; and 0.033 percent shall be distributed to the California Center for Equine Health and Performance and 0.067 percent shall be distributed to the California Veterinary Diagnostic Laboratory System, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the California Center for Equine Health and

Performance shall supplement, and not supplant, other funding sources.

(c) In addition, for Appaloosa and mixed breed meetings, 1 percent shall be distributed to an organization described in Section 19608.2 for promotion of the program at satellite wagering facilities. Notwithstanding any other provision of law, on wagers made in the Counties of Orange and Los Angeles on thoroughbred races conducted in the County of Orange or Los Angeles, or both, excluding the 50th District Agricultural Association, the amount deducted for promotion of the satellite wagering program at satellite wagering facilities shall be 0.5 percent. Any of the promotion funds that are not distributed in the year in which they are collected may be distributed in the following year. If promotion funds distributed in any year exceed the amount collected for that year, the funds distributed in the following year shall be reduced by the excess amount. For quarter horse and harness meetings, 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, and 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horsemen participating in the meeting.

(d) Additionally, for thoroughbred, harness, quarter horse, mixed breed, and fair meetings, 0.33 percent of the total amount handled by the satellite wagering facility shall be paid to the city or county in which the satellite wagering facility is located pursuant to Section 19610.3 or 19610.4.

(e) Notwithstanding any other provision of law, a racing association is responsible for the payment of the state license fee as required by this section.

SEC. 13. Section 19605.72 is added to the Business and Professions Code, to read:

19605.72. (a) In addition to the amounts deducted and distributed pursuant to Section 19605.7, an amount equal to 1.25 percent of the total amount handled on thoroughbred races conducted by, or disseminated by, a thoroughbred racing association or fair at a satellite facility that is located on the premises where, and on days when, harness races are being conducted in the northern zone, shall be paid by an organization described in Section 19608.2 to the harness racing association and thereafter shall be distributed as purses to the harness horsemen racing at the harness racing meeting.

(b) In addition to the amounts deducted and distributed pursuant to Section 19605.71, an amount equal to 1.25 percent of the total amount handled on thoroughbred races conducted by, or disseminated by, a thoroughbred racing association or fair at a satellite facility that is located on the premises where, during

calendar periods when, quarter horse or harness race meetings are being conducted in Orange County, shall be distributed as purses to the horsemen racing at the quarter horse or harness racing meeting.

SEC. 14. Section 19605.73 is added to the Business and Professions Code, to read:

19605.73. (a) Racing associations, fairs, and the organization responsible for contracting with racing associations and fairs with respect to the conduct of racing meetings, may form a private, statewide marketing organization to market and promote thoroughbred and fair horse racing. The organization shall consist of the following members: two members, one from the northern zone and one from the combined central and southern zones, appointed by the thoroughbred racetracks; two members, one from the northern zone and one from the combined central and southern zones, appointed by the owners' organization responsible for contracting with associations and fairs with respect to the conduct of racing meetings; and two members, one from the northern zone and one from the combined central and southern zones, appointed by the organization representing racing and satellite fairs.

(b) The marketing organization formed pursuant to subdivision (a) shall annually submit to the board a statewide marketing and promotion plan for thoroughbred and fair horse racing that encompasses all geographical zones in the state, and which includes the manner in which funds were expended in the implementation of the plan for the previous calendar year. The plan shall be implemented as determined by the organization. The organization shall receive input from all interested industry participants and may utilize outside consultants in developing the annual marketing plan.

(c) In addition to the distributions specified in subdivisions (a) and (b) of Section 19605.7, and in Sections 19605.71 and 19605.72, for thoroughbred and fair meetings only, from the amount that would normally be available for commissions and purses, an amount equal to 0.4 percent of the total amount handled by each satellite wagering facility shall be distributed to the statewide marketing organization formed pursuant to subdivision (a) for the promotion of thoroughbred and fair horse racing. Any of the promotion funds that are not expended in the year in which they are collected may be expended in the following year. If promotion funds expended in any one year exceed the amount collected for that year, the funds expended in the following year shall be reduced by the excess amount.

(d) This section shall become inoperative on July 1, 2002, and, as of January 1, 2003, is repealed, unless a later enacted statute that is enacted before January 1, 2003, deletes or extends the dates on which it becomes inoperative and is repealed. Any moneys held by the organization shall, in the event this section is repealed, be distributed to the organization formed pursuant to Section 19608.2, for purposes of that section.

SEC. 15. Section 19605.8 of the Business and Professions Code is amended to read:

19605.8. For thoroughbred meetings, the funds remaining after distribution of the amounts set forth in Sections 19605.7, 19605.71, and 19605.72 shall be distributed 50 percent as commissions to the association that conducts the racing meeting and 50 percent as purses to the horsemen participating in the racing meeting. From the amount distributed as purses, a sum equal to 0.07 percent of the handle shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

SEC. 16. Section 19606 of the Business and Professions Code is amended to read:

19606. For harness, quarter horse, Appaloosa, Arabian, mixed breed, and fair meetings, the funds remaining after the distribution of the amounts set forth in Sections 19605.7 and 19605.71 shall be distributed 50 percent as commissions to the association that conducts the racing meeting and 50 percent to the horsemen participating in the racing meeting in the form of purses. However, owners' premiums shall be paid from the amount distributed for purses in the same relative percentage as owners' premiums are paid at the racing meeting, except that for thoroughbred races the owners' premiums shall be as provided in subdivision (a) of Section 19605.8.

SEC. 17. Section 19606.3 of the Business and Professions Code is amended to read:

19606.3. The first one million one hundred thousand dollars ($1,100,000) of all revenues distributed to racing associations for payment to the state as license fees shall be deposited in a special account in the fund and, notwithstanding Section 13340 of the Government Code, are hereby continuously appropriated to the Department of Food and Agriculture for supplementing purses at fair meetings to achieve the purposes of Section 19606.4.

SEC. 18. Section 19607.2 is added to the Business and Professions Code, to read:

19607.2. Notwithstanding Section 19605.8, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed 1.25 percent of the total amount handled by all of those satellite wagering facilities, shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, with each party having meaningful representation on the board of the organization, to administer, pursuant to supervision of the board, a fund to provide reimbursement for offsite stabling at board-approved auxiliary

training facilities of racing associations or fairs for additional stalls beyond the number of usable stalls the association is required to make available and maintain pursuant to Section 19535, for starter fees and for the vanning of starters from these additional stalls on race days for thoroughbred horses.

SEC. 19. Section 19607.3 is added to the Business and Professions Code, to read:

19607.3. (a) The funds distributed to the organization formed pursuant to Section 19607.2 shall be used to reimburse racing associations that are operating offsite stabling providing additional stalls for the incremental increase in operating costs directly resulting from providing the stabling. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except the entity operating the offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds shall also be used to reimburse horsemen for the cost of vanning starting horses from a board-approved auxiliary training facility operated by a racing association or fair to the track conducting the racing meeting. Horsemen may use carriers of their own choice, except that the amount of reimbursement to horsemen is limited to the amount that the organization determines is generally charged by carriers for vanning from the auxiliary training facility to the track conducting the racing meeting. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except the entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The training facilities and amenities provided for offsite stabling and training purposes shall be equivalent in character to those provided during racing meetings of the association.

(d) Upon the request of any party within the organization, the board shall adjudicate any dispute regarding costs, or other matters relating to the furnishing of offsite stabling or vanning. The board may, if necessary, appoint an independent auditor to assist in the resolution of disputes. The auditor shall be reimbursed from the funds of the organization.

(e) The organization may maintain a reserve fund of up to 10 percent of the total estimated annual vanning and stabling costs. In addition to the reserve fund, if the funds generated for offsite stabling and vanning are insufficient to fully reimburse racing associations or fairs for expenses incurred during the offsite vanning and stabling program, the organization may accumulate sufficient funds to fully reimburse those associations or fairs for those expenses.

(f) The amount initially deducted and distributed to the organization shall be 0.5 percent of the total amount handled by satellite wagering facilities authorized under this article in the northern zone on thoroughbred racing, but that allocation may be adjusted by the board, in its discretion. However, the adjusted amount may not exceed 1.25 percent of the total amount handled by satellite wagering facilities, to pay expenses and maintain the reserve fund for the continuing support of the program.

SEC. 20. Section 19608.9 of the Business and Professions Code is repealed.

SEC. 21. Section 19610.5 of the Business and Professions Code is repealed.

SEC. 22. Section 19611 of the Business and Professions Code is amended to read:

19611. (a) For every thoroughbred association conducting a live racing meeting in the northern zone, 1.3 percent of the total amount handled on live races, excluding wagering at a satellite facility, shall be retained by the association for payment to the state as a license fee.

(b) For every thoroughbred association conducting a live racing meeting in the central or southern zone, 2 percent of the total amount handled on live races, excluding wagering at a satellite wagering facility, shall be retained by the association for payment to the state as a license fee.

(c) Additionally, 0.54 percent of the total amount handled on live racing, excluding wagering at a satellite facility, shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

(d) After distribution of the applicable amounts set forth in subdivision (a), (b), or (c), and the payments pursuant to other relevant sections of this chapter, all funds remaining from the deductions shall be distributed 51.9 percent as commissions and 48.1 percent as purses. From the amount distributed as purses, a sum equal to 0.07 percent of the total handle shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

SEC. 23. Section 19611.5 of the Business and Professions Code is amended to read:

19611.5. (a) In addition to the amounts otherwise deducted pursuant to this chapter, every association other than the California Exposition and State Fair or a district or county fair that conducts a thoroughbred race meeting may deduct from the total amount handled in daily double, quinella, exacta, and other multiple wagering pools approved by the board up to 3 percent thereof to be distributed 50 percent as commissions and 50 percent as purses. From the amount distributed as purses, a sum equal to 0.07 percent of the

total handle shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

(b) At least 30 days prior to the commencement of its meeting, the association shall file with the board a statement of the additional deduction to be made pursuant to subdivision (a). Except with the consent of the board, the amount of the deduction shall not be changed during the course of the meeting.

SEC. 24. Section 19612 of the Business and Professions Code is amended to read:

19612. (a) Except as otherwise provided, every association which conducts a quarter horse race meeting or a harness horse race meeting shall pay a daily license fee at the rate of 0.4 percent of its daily conventional and exotic parimutuel handle.

(b) With respect to quarter horse meetings, all funds remaining from the deductions provided in Sections 19491, 19491.5, and 19610 after distribution of the license fee, shall be distributed 55 percent as commissions and 45 percent as purses. With respect to harness meetings, except for meetings conducted pursuant to Sections 19549.2 and 19549.6, the funds remaining from deductions provided in Section 19610, after distribution of the license fee, shall be distributed 59.5 percent as commissions and 40.5 percent as purses. For harness meetings conducted pursuant to Sections 19549.2 and 19549.6, the funds remaining from deductions provided in Section 19610, after distribution of the license fee, shall be distributed 50 percent as commissions and 50 percent as purses.

(c) Every association that conducted a quarter horse or Arabian horse racing meeting in the southern zone during the daytime prior to January 1, 1979, and thereafter conducts the meeting at night, shall be entitled to the following license fee adjustment:

For each 1 percent that the association's average daily handle in the 1981 year, during the period from the commencement of the meeting to December 25, falls below its 1980 average daily handle during the same period, the amount of the license fee as set forth in subdivision (a) shall be reduced by 2 percent.

(d) Any association qualified to operate its meetings pursuant to Section 19612.6 shall be entitled to continue to distribute license fees, commissions, and purses as provided by that section.

(e) Notwithstanding subdivision (b), for every association that conducts a quarter horse meeting in the northern zone, the amount remaining after deduction of the state license fee shall be distributed between commissions and purses as agreed to by the association conducting the meeting and the organization representing the horsemen participating at the meeting. Every association conducting a quarter horse meeting in the northern zone may deduct an additional amount up to 1 percent of its conventional and exotic parimutuel pools to be distributed as commissions. The association

may also deduct an additional 1 percent from the exotic parimutuel pools to be distributed as commissions and purses as agreed to by the association conducting the meeting and the organization representing the horsemen participating at the meeting.

SEC. 25. Section 19614 of the Business and Professions Code is amended to read:

19614. (a) Notwithstanding Sections 19611 and 19612, and except for an association that qualifies pursuant to Section 19612.6, for the California Exposition and State Fair or a district or county fair conducting a live racing meeting, 1 percent of the total amount handled on live races, excluding wagering at a satellite facility, shall be retained by the fair association for payment to the state as a license fee.

(b) Additionally, 0.48 percent of the total amount handled on live racing, excluding wagering at a satellite facility, shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

(c) After distribution of the applicable amounts as set forth in subdivisions (a) and (b) and the payments made pursuant to other relevant sections of this chapter, all funds remaining from the deductions provided in Section 19610 shall be distributed 47.5 percent as commissions and 52.5 percent as purses. From the amount distributed as thoroughbred purses, a sum equal to 0.07 percent of the total handle shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

Any additional amount generated for purses and not distributed during the previous corresponding meeting shall be added to the purses at the current meeting.

(d) In addition to the amounts deducted pursuant to Section 19610, any fair racing association shall deduct 1 percent from the total amount handled in its daily conventional and exotic parimutuel pools. The additional 1 percent shall be deposited in the Fair and Exposition Fund and is hereby appropriated for the purposes specified in Section 19630.

SEC. 26. Section 19614.1 of the Business and Professions Code is repealed.

SEC. 27. Section 19614.2 of the Business and Professions Code is amended to read:

19614.2. (a) In addition to the amounts otherwise deducted pursuant to this chapter, the California Exposition and State Fair, or a district or county fair, or an association conducting its meeting pursuant to Section 19549.1, may deduct from the total amount handled in daily double, quinella, exacta, and other multiple wagering pools approved by the board up to 3 percent thereof to be distributed as additional commissions and purses in the current year

of the fair meet. Of the amount deducted, if any, 52.5 percent shall be distributed as additional purses and 47.5 percent shall be distributed as additional commissions. From the amount distributed as thoroughbred purses, a sum equal to 0.07 percent of the total amount handled shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

(b) At least 30 days prior to the commencement of its meeting, the association shall file with the board a statement of the additional deduction to be made pursuant to subdivision (a). Except with the consent of the board, the amount of the deduction shall not be changed during the course of the meeting.

(c) From the amount deducted for quarter horse purses under subdivision (a), a sum equal to 25 percent thereof shall be paid as breeder premiums and owners' and stallion awards as provided in Section 19617.7, shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7, and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7.

(d) From the amount deducted for Arabian horse purses under subdivision (a), a sum equal to 13.33 percent thereof shall be held by the association to be deposited with the official registering agency, pursuant to Section 19617.8, and thereafter shall be distributed in accordance with Section 19617.8. The board shall designate the officially recognized organization representing Arabian horsemen to administer this subdivision and to distribute premiums. The organization may, with the approval of the board, make a deduction for expenses of up to, but not to exceed, 10 percent of the total awards fund.

(e) From the amount deducted for Appaloosa horse purses under subdivision (a), a sum equal to 13.33 percent thereof shall be paid as breeder premiums and owners' and stallion awards as provided in Section 19617.9, and shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9, and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9.

(f) Amounts distributed pursuant to this section are derived from owners' purses.

SEC. 28. Section 19614.4 of the Business and Professions Code is amended to read:

19614.4. (a) Notwithstanding any other provision of law and in addition to any amounts provided for purses by any other provision of this chapter, from the amount deposited with the official registering agency for distribution pursuant to Section 19617.2, the official registering agency shall make the following distributions as owners' premiums:

(1) An amount equal to 20 percent of the winner's share of the purse for a qualifying race, as defined in paragraph (2) of subdivision (b) of Section 19617, shall be distributed as an owner premium to the owner of a registered California-bred thoroughbred horse conceived by a registered eligible thoroughbred stallion, as provided in subdivision (d) of Section 19617, which finishes first in the race.

(2) An amount equal to 10 percent of the winner's share of the purse for a qualifying race, as defined in paragraph (2) of subdivision (b) of Section 19617, shall be distributed as an owner premium to the owner of a registered California-bred thoroughbred horse that finishes first in the race and that was not conceived by a registered eligible thoroughbred stallion as provided in subdivision (d) of Section 19617, which finishes first in the race.

(b) The official registering agency shall develop a policy for the payment of owner premiums pursuant to paragraphs (1) and (2) in the event of a dead heat that involves one or more registered California-bred horses.

(c) From the amounts distributed as purses pursuant to this chapter, the organization responsible for negotiating purse agreements on behalf of thoroughbred horsemen participating in racing meetings, at its discretion, may pay an owner's premium for a qualifying race, as defined by the organization, to the owner of a registered California-bred thoroughbred that finishes first through fifth in the qualifying race. Notwithstanding the foregoing, these payments shall be not less than the amount of the total payments made by the organization in 1998, and the discretion accorded the organization pursuant to this subdivision shall be exercised on a statewide basis for all racing meetings.

SEC. 29. Section 19616 of the Business and Professions Code is amended to read:

19616. (a) Notwithstanding any other provision of law, wagers accepted on out-of-state or out-of-country races pursuant to Sections 19596 and 19596.2, or on any multiple race exotic wager involving out-of-state races that is designated as a national wager, but not included in the parimutuel pool or pools of the entity conducting the out-of-state or out-of-country racing, shall be placed in a separate parimutuel pool or pools and shall be distributed as provided by this section.

(b) Each association accepting wagers on an out-of-state or out-of-country race shall deduct a percentage of the amount handled in its conventional and exotic parimutuel pools that is equal to the percentage deducted from the amount handled by the association in its parimutuel pools at its racing meeting.

(c) Each association shall pay a state license fee and make other distributions in accordance with Section 19601.

(d) The amount remaining from the deduction under subdivision (b), after payment of the state license fee and the contractual

payment to the out-of-state host racing association, shall be distributed in accordance with applicable provisions of Section 19601.

(e) From the amount distributed under subdivision (d) for Appaloosa purses, a sum equal to 13.33 percent thereof shall be held by the association to be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9, and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9.

(f) From the amount distributed under subdivision (d) for quarter horse purses, a sum equal to 13.33 percent thereof shall be held by the association to be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7, and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7.

(g) From the amount distributed under subdivision (d) for Arabian purses, a sum equal to 13.33 percent thereof shall be held by the association to be deposited with the official registering agency, pursuant to Section 19617.8, and shall thereafter be distributed in accordance with Section 19617.8.

SEC. 30. Section 19616.1 of the Business and Professions Code is amended to read:

19616.1. (a) Notwithstanding any other provision of law, wagers accepted on out-of-state or out-of-country races pursuant to Section 19596 or 19596.2, or on any multiple race exotic wager involving races from out of state that is designated by the board as a national wager and included in the parimutuel pool or pools of the entity conducting the racing shall be distributed as provided in this section.

(b) From the amount handled by the association and included in the parimutuel pool or pools of the entity conducting the out-of-state or out-of-country racing, each association may, with the permission of the board, deduct a percentage equal to the percentage deducted by the entity conducting the out-of-state or out-of-country racing.

(c) From the amount deducted pursuant to subdivision (b), if any, each association shall pay a state license fee and make other distributions in accordance with Section 19601.

(d) The amount remaining from the deduction under subdivision (b), if any, after payment of the state license fee and the contractual payment to the out-of-state or out-of-country host racing association, shall be distributed in accordance with the applicable provisions of Section 19601.

(e) From the amount distributed under subdivision (d) for Appaloosa purses, a sum equal to 13.33 percent thereof shall be held by the association to be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9, and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9.

(f) From the amount distributed under subdivision (d) for quarter horse purses, a sum equal to 13.33 percent thereof shall be

held by the association to be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7, and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7.

(g) For the purposes of subdivisions (a) and (b), with respect to any multiple race exotic wager involving races from out of state that is designated by the board as a national wager, the totalizator hub for the wager shall be considered the "entity conducting the racing."

(h) Notwithstanding any other provision of law, if a thoroughbred association conducting a racing meeting in this state accepts wagers on a race that is part of a national wager as designated by the board, or acts as the totalizer hub pursuant to subdivision (g), the association shall not be required to pay a license fee to the state on those wagers. Amounts received by the association from the wagering shall be distributed 50 percent as commissions and 50 percent as purses to the horsemen and horsewomen participating in the racing meeting.

(i) From the amount distributed under subdivision (d) for Arabian purses, a sum equal to 13.33 percent thereof shall be held by the association to be deposited with the official registering agency, pursuant to Section 19617.8, and shall thereafter be distributed in accordance with Section 19617.8.

SEC. 31. Section 19616.51 of the Business and Professions Code is repealed.

SEC. 32. Section 19617.2 of the Business and Professions Code is amended to read:

19617.2. (a) Except as otherwise provided in this chapter, any association conducting a race meeting that includes thoroughbred racing shall deposit with the official registering agency 0.54 percent of the total amount handled on-track in daily conventional and exotic parimutuel pools resulting from thoroughbred wagers made in this state. These deposits shall be made at the following intervals:

(1) For any meeting of 20 racing days or less, the requisite deposit shall be made not later than seven days immediately following the last day of that meeting.

(2) For any meeting of more than 20 racing days, the initial deposit shall be made not later than 27 racing days after the commencement of that meeting and every 20 racing days thereafter, with a final deposit made not later than seven days following the last day of that meeting. The initial deposit for that meeting shall be based upon the applicable amount handled during the first 20 racing days of the meeting and deposits thereafter shall be based upon the applicable amount handled during the ensuing periods of 20 racing days with the last deposit being based upon the applicable amount handled from the end of the last 20-racing-day period for which a deposit has been made to the end of the meeting.

(b) After deducting a sum equal to 5 percent of the total deposits made pursuant to subdivision (a) and the total deposits made pursuant to Section 19602, the amount to compensate the official

registering agency for its administrative cost and for expenses it incurs for educational, promotional, and research programs, the official registering agency shall for computational purposes distribute annually the balance of the deposits in the following manner:

(1) To the California-bred race fund, 10 percent to be used for the promotion of California-bred races and from which purses are to be provided or supplemented for California Cup Day and other California-bred races, which fund shall be administered by the official registering agency. Any funds not used for those purposes during any year and that remain in the California-bred race fund shall be redistributed to augment the funds referred to in subdivision (c), and shall be allocated to the breeder fund and to the stallion fund as provided in that subdivision. It is the intent of the Legislature that all funds used for purses shall supplement and not supplant existing purses for California-breds.

(2) To the owner fund for the purpose of owner premiums pursuant to Section 19614.4.

(c) The funds remaining after the distributions made pursuant to subdivision (b) shall be distributed as follows:

(1) To the breeder fund 75 percent, from which breeder awards are to be paid.

(2) To the stallion fund 25 percent, from which stallion awards are to be paid.

(d) The official registering agency shall make the following payments to the owner, breeder, and stallion owner so as to encourage agriculture and the breeding of higher quality horses in this state:

(1) The owner shall be paid an owner premium pursuant to Section 19614.4.

(2) The breeder shall be paid a breeder award equal to the quotient for the breeder fund multiplied by the eligible earnings of the horse bred by the breeder.

(3) The stallion owner shall be paid a stallion award equal to the quotient for the stallion fund multiplied by the eligible earnings of the stallion owner's eligible thoroughbred sire.

(4) Owner premiums for California-bred horses shall be listed in the racing program alongside the advertised purse, and shall be distributed to the owner pursuant to Section 19614.4 at the same time as the purse.

(5) The breeder award and stallion awards shall be paid not later than March 31 of the calendar year immediately following the calendar year for which the awards or premiums were earned.

SEC. 33. Section 19617.3 of the Business and Professions Code is repealed.

SEC. 34. Section 19619.7 of the Business and Professions Code is repealed.

SEC. 35. Section 19619.8 of the Business and Professions Code is repealed.

CHAPTER 336

An act to amend Sections 66021.2, 69532, 69535, and 69538 of, and to add Section 69540 to, the Education Code, relating to student financial aid, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares that access to a baccalaureate education relies heavily on a successful transfer function in the community colleges, and access to student financial aid may be an essential component in enabling a student to transfer from a community college and attend a baccalaureate degree-granting institution.

(b) Therefore, it is the intent of the Legislature to encourage and promote the opportunity for community college students who successfully complete lower division requirements and attain eligibility to transfer to the California State University, the University of California or a four-year independent college or university and that eligibility criteria for the Cal Grant student financial aid program be no more stringent for students transferring to a baccalaureate degree-granting institution than for other students attending these institutions.

SEC. 2. Section 66021.2 of the Education Code is amended to read:

66021.2. Consistent with the state's historic commitment to provide educational opportunity by ensuring both student access to and selection of an institution of higher education for students with financial need, the long-term Cal Grant policy shall be as follows:

(a) The number of first-year awards shall be equal to at least one-quarter of the number of graduating high school seniors.

(b) The maximum award for students attending the University of California and the California State University shall, at a minimum, equal the mandatory systemwide and campus-based student fees in each of those segments.

(c) The maximum award for students attending nonpublic institutions shall be set and maintained at the estimated average General Fund cost of educating a student at the public four-year institutions of higher education. In accordance with this policy, the

formula for determining the estimated average General Fund cost shall include both of the following:

(1) Seventy-five percent of the average General Fund cost per student at the California State University.

(2) The average of the University of California and the California State University systemwide and campus-based student fees.

(d) The implementation of the policy described in subdivisions (a), (b), and (c) shall be subject to the availability of funds appropriated for that purpose in the annual Budget Act and shall maintain a balance between the state's policy goals of ensuring student access to and selection of an institution of higher education for students with financial need.

SEC. 3. Section 69532 of the Education Code is amended to read:

69532. Cal Grant Program awards shall be known as "Cal Grant A awards," "Cal Grant B awards," "Cal Grant C awards," and "Cal Grant T awards." The maximum award in each category shall be determined in the annual Budget Act.

(a) Cal Grant A awards shall be used only for tuition and student fees in an instructional program of no less than two academic years. Commencing as soon as feasible, but no later than the award cycle that provides awards for the 1999–2000 academic year, the eligibility criteria for first-time Cal Grant award recipients who are community college students and transfer to a four-year college or university shall be no more stringent than the eligibility criteria for other first-time Cal Grant award recipients attending a four-year college or university.

(b) Cal Grant B awards shall be used only for tuition, student fees, and subsistence costs in an instructional program of no less than one academic year. Subsistence costs are living expenses, transportation, supplies, and books. Commencing as soon as feasible, but no later than the award cycle that provides awards for the 1999–2000 academic year, the eligibility criteria for first-time Cal Grant award recipients who are community college students and transfer to a four-year college or university shall be no more stringent than the eligibility criteria for other first-time Cal Grant award recipients attending a four-year college or university.

(c) Cal Grant C awards shall be used only for occupational or technical training in a course of no less than four months. There shall be a minimum of 1,570 new Cal Grant C awards each year.

(d) Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the Commission on Teacher Credentialing. There shall be a minimum of 3,000 new Cal Grant T awards each year.

SEC. 4. Section 69535 of the Education Code is amended to read:

69535. (a) Cal Grant Program awards shall be based upon the financial need of the applicant. The level of financial need of each

applicant shall be determined by the commission pursuant to Article 1.5 (commencing with Section 69503).

(b) For the applicants so qualifying, academic criteria or criteria related to past performances shall be utilized as the criteria in determining eligibility for grants.

(c) All Cal Grant Program award recipients shall be residents of California, as determined by the commission pursuant to Part 41 (commencing with Section 68000), and shall remain eligible only if they are in attendance and making satisfactory progress through the instructional programs, as determined by the commission.

(d) Part-time students shall not be discriminated against in the selection of Cal Grant Program award recipients, and awards to part-time students shall be roughly proportional to the time spent in the instructional program, as determined by the commission. First-time Cal Grant Program award recipients who are part-time students shall be eligible for a full-time renewal award.

(e) Cal Grant Program awards shall be awarded without regard to race, religion, creed, sex, or age.

(f) No applicant shall receive more than one type of Cal Grant Program award concurrently. Except as provided in subdivisions (b) and (c) of Section 69535.1, no applicant shall:

(1) Receive one or a combination of Cal Grant Program awards in excess of a total of four years of full-time attendance in an undergraduate program.

(2) Have obtained a baccalaureate degree prior to receiving a Cal Grant Program award, except as provided in Section 69540.

(g) Cal Grant Program awards, except as provided in subdivision (c) of Section 69535.1, may only be used for educational expenses of a program of study leading directly to an undergraduate degree or certificate, or for expenses of undergraduate coursework in a program of study leading directly to a first professional degree, but for which no baccalaureate degree is awarded.

(h) Commencing in 1999, the commission shall, for students who accelerate college attendance, increase the amount of award proportional to the period of additional attendance resulting from attendance in classes that fulfill requirements or electives for graduation during summer terms, sessions, or quarters. In the aggregate, the total amount a student may receive in a four-year period may not be increased as a result of accelerating his or her progress to a degree by attending summer terms, sessions, or quarters.

(i) The commission shall notify Cal Grant award recipients of the availability of funding for the summer term, session, or quarter through prominent notice in financial aid award letters, materials, guides, electronic information, and other means that may include, but not be limited to, surveys, newspaper articles, or attachments to communications from the commission and any other published documents.

(j) The commission may provide by appropriate rules and regulations for reports, accounting, and statements from the award winner and college or university of attendance pertaining to the use or application of the award as the commission may deem proper.

(k) The commission may establish Cal Grant Program awards in one hundred dollar ($100) increments.

(*l*) A Cal Grant Program award may be utilized only at the following institutions or programs:

(1) Any California private or independent postsecondary educational institution or program that participates in two of the three federal campus-based student aid programs and whose students participate in the Pell Grant program.

(2) Any nonprofit regionally accredited institution headquartered and operating in California that certifies to the commission that 10 percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants and that demonstrates to the commission that it has the administrative capacity to administer the funds.

(3) Any California public postsecondary educational institution or program.

SEC. 5. Section 69538 of the Education Code is amended to read:

69538. (a) To be eligible for a Cal Grant B award, the applicant shall be a disadvantaged student under criteria to be established by the commission, which shall take into consideration those financial, educational, cultural, language, home, community, environmental, and other conditions that hamper access to and persistence in postsecondary programs.

(b) The Legislature recognizes that the role of the community colleges, as the least expensive level of California higher education, is a crucial role in increasing the higher education opportunities for disadvantaged students, and it is the intent of the Legislature that the additional opportunities for higher education provided pursuant to this section shall be initiated primarily on the public community college level.

(c) Regarding the intent that the additional opportunities for higher education provided under this section be initiated primarily on the public community college level, the commission shall continue to allocate Cal Grant B awards as they were allocated up to and including the 1997–98 academic year.

(d) Awards under this section shall be for subsistence costs. The commission may also award these grants and an additional amount to pay tuition and fees to attend college at a public or private four-year college or university or other eligible postsecondary educational institution. No more than 2 percent of new recipients enrolling for the first time in an institution of postsecondary education shall be eligible for tuition payments and fees in their first academic year of attendance.

(e) An individual selected for a Cal Grant B award who enrolls in a public community college in his or her first year of attendance, and who is determined to be financially ineligible for renewal of the award in the second year of attendance at a public community college but would be financially eligible for renewal, if he or she had elected to attend a four-year college, may elect to have the award held in trust for a period not to exceed two academic years, except that the commission may extend the period in which the award is held in trust for up to three academic years, if, in the commission's judgment, the individual's rate of academic progress has been as rapid as could be expected for the personal and financial conditions that the individual has encountered. The commission shall, in this case, hold the award in trust, to be granted to the individual upon receipt of his or her request therefor within that period, provided that at the time of making the request the individual meets all the requirements of this chapter. Upon receipt of the request, the commission shall assess or reassess the financial needs of the individual. The commission may prescribe the forms and procedures to be utilized for the purposes of this section. The commission may award to another eligible individual any award being so held in trust, subject to the provisions of this section and any other conditions and restrictions that may be imposed by the commission, to the end that all authorized awards are continually being utilized. Following the first year for which any award is made, the awards shall be included in the number of the continuing awards available for any year and not the authorized new awards for the year.

SEC. 6. Section 69540 is added to the Education Code, to read:

69540. (a) Students who have completed a baccalaureate degree and who have been admitted to a program of professional teacher preparation at an institution approved by the California Commission on Teacher Credentialing are eligible to receive a Cal Grant T award for the equivalent of one year of full-time attendance. Payment for this additional year is limited to only those courses required for an initial teaching authorization. An award under this section may not be used for other courses.

(b) The commission shall allocate Cal Grant T awards using academic criteria or criteria related to past performance similar to that used in awarding Cal Grant A awards.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make statutory changes necessary for the implementation of the Budget Act of 1998, it is necessary that this act take effect immediately.

CHAPTER 337

An act relating to the University of California.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. It is the intent of the Legislature to support expansion of scientific research on neurodevelopmental disorders and their impact on educational attainment and employment.

It is further the intent of the Legislature to build upon existing research and to develop research-based information to guide effective medical, educational, and social service interventions for individuals with neurodevelopmental disorders and to inform state policymakers regarding health, education, and employment programs serving individuals with these disorders.

It is also the intent of the Legislature to ensure that research findings about successful interventions for children and adults with neurodevelopmental disorders be disseminated statewide to inform training programs for medical practitioners, educators, and social service providers, including, but not limited to, those assisting welfare recipients to become employed.

It is also the intent of the Legislature that information describing research and best practice regarding the education of children with neurodevelopmental disorders be accessible to parents and to adult individuals with these disorders and their families.

SEC. 2. For the purposes of the act adding this section, the term neurodevelopmental disorder refers to conditions including, but not limited to, Autism, Pervasive Developmental Disorders, Attention Deficit Hyperactivity Disorder, Tourette Syndrome, Asperger's Syndrome, and learning disabilities.

SEC. 3. The Legislature hereby requests that the Regents of the University of California establish and administer a Center for the Medical Investigation of Neurodevelopmental Disorders (MINDD) at the University of California to promote and conduct basic science research on various neurodevelopmental disorders and to develop effective treatments.

SEC. 4. The Legislature hereby requests that the Regents of the University of California establish and administer one or more clinics that are affiliated with MINDD to focus on individual or groups of neurodevelopmental disorders. It is requested that the clinics do all of the following:

(a) Develop research-based information on assessment and interventions.

(b) Develop information to inform public policymakers.

(c) Create a clearinghouse of information on research findings.

(d) Create model training programs for educators, medical practitioners, social services, and employment services providers.

SEC. 5. It is the intent of the Legislature that funds be appropriated in the 1998–99 Budget Act to carry out the purposes of this act.

CHAPTER 338

An act to amend Section 16373 of the Government Code, and to amend Sections 830.5, 1170, and 2900.5 of, and to repeal Sections 2057 and 2058 of, the Penal Code, relating to corrections, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 16373 of the Government Code is amended to read:

16373. Money that has remained unclaimed in the hands of any state agency, or for which the claimant cannot be found, may be deposited in the Special Deposit Fund in trust and may be withdrawn in the same manner as other trust money. Unclaimed money of five dollars ($5) or less in an inmate's trust account after he or she has been paroled shall be forfeited, and deposited in the Inmate Welfare Fund of the Department of Corrections in the State Treasury.

SEC. 2. Section 1170 of the Penal Code is amended to read:

1170. (a) (1) The Legislature finds and declares that the purpose of imprisonment for crime is punishment. This purpose is best served by terms proportionate to the seriousness of the offense with provision for uniformity in the sentences of offenders committing the same offense under similar circumstances. The Legislature further finds and declares that the elimination of disparity and the provision of uniformity of sentences can best be achieved by determinate sentences fixed by statute in proportion to the seriousness of the offense as determined by the Legislature to be imposed by the court with specified discretion.

(2) Paragraph (1) shall not be construed to preclude programs, including educational programs, that are designed to rehabilitate nonviolent, first-time felony offenders. The Legislature encourages the development of policies and programs designed to educate and rehabilitate nonviolent, first-time felony offenders consistent with the purpose of imprisonment.

(3) In any case in which the punishment prescribed by statute for a person convicted of a public offense is a term of imprisonment in the state prison of any specification of three time periods, the court

shall sentence the defendant to one of the terms of imprisonment specified unless the convicted person is given any other disposition provided by law, including a fine, jail, probation, or the suspension of imposition or execution of sentence or is sentenced pursuant to subdivision (b) of Section 1168 because he or she had committed his or her crime prior to July 1, 1977. In sentencing the convicted person, the court shall apply the sentencing rules of the Judicial Council. The court, unless it determines that there are circumstances in mitigation of the punishment prescribed, shall also impose any other term which it is required by law to impose as an additional term. Nothing in this article shall affect any provision of law which imposes the death penalty, which authorizes or restricts the granting of probation or suspending the execution or imposition of sentence, or expressly provides for imprisonment in the state prison for life. In any case in which the amount of preimprisonment credit under Section 2900.5 or any other provision of law is equal to or exceeds any sentence imposed pursuant to this chapter, the entire sentence shall be deemed to have been served and the defendant shall not be actually delivered to the custody of the Director of Corrections. The court shall advise the defendant that he or she shall serve a period of parole and order the defendant to report to the parole office closest to the defendant's last legal residence, unless the in-custody credits equal the total sentence, including both confinement time and the period of parole. The sentence shall be deemed a separate prior prison term under Section 667.5, and a copy of the judgment and other necessary documentation shall be forwarded to the Director of Corrections.

(b) When a judgment of imprisonment is to be imposed and the statute specifies three possible terms, the court shall order imposition of the middle term, unless there are circumstances in aggravation or mitigation of the crime. At least four days prior to the time set for imposition of judgment, either party or the victim, or the family of the victim if the victim is deceased, may submit a statement in aggravation or mitigation to dispute facts in the record or the probation officer's report, or to present additional facts. In determining whether there are circumstances that justify imposition of the upper or lower term, the court may consider the record in the case, the probation officer's report, other reports including reports received pursuant to Section 1203.03 and statements in aggravation or mitigation submitted by the prosecution, the defendant, or the victim, or the family of the victim if the victim is deceased, and any further evidence introduced at the sentencing hearing. The court shall set forth on the record the facts and reasons for imposing the upper or lower term. The court may not impose an upper term by using the fact of any enhancement upon which sentence is imposed under Section 667.5, 1170.1, 12022, 12022.4, 12022.5, 12022.6, or 12022.7, or under any other provision of law. A term of imprisonment shall not be specified if imposition of sentence is suspended.

(c) The court shall state the reasons for its sentence choice on the record at the time of sentencing. The court shall also inform the defendant that as part of the sentence after expiration of the term he or she may be on parole for a period as provided in Section 3000.

(d) When a defendant subject to this section or subdivision (b) of Section 1168 has been sentenced to be imprisoned in the state prison and has been committed to the custody of the Director of Corrections, the court may, within 120 days of the date of commitment on its own motion, or at any time upon the recommendation of the Director of Corrections or the Board of Prison Terms, recall the sentence and commitment previously ordered and resentence the defendant in the same manner as if he or she had not previously been sentenced, provided the new sentence, if any, is no greater than the initial sentence. The resentence under this subdivision shall apply the sentencing rules of the Judicial Council so as to eliminate disparity of sentences and to promote uniformity of sentencing. Credit shall be given for time served.

(e) (1) Notwithstanding any other law and consistent with paragraph (1) of subdivision (a) of Section 1170, if the Director of Corrections or the Board of Prison Terms or both determine that a prisoner satisfies the criteria set forth in paragraph (2), the director or the board may recommend to the court that the prisoner's sentence be recalled.

(2) The court shall have the discretion to resentence or recall if the court finds both of the following:

(A) The prisoner is terminally ill with an incurable condition caused by an illness or disease that would produce death within six months, as determined by a physician employed by the department.

(B) The conditions under which the prisoner would be released or receive treatment do not pose a threat to public safety.

The Board of Prison Terms shall make findings pursuant to this subdivision before making a recommendation for resentence or recall to the court. This subdivision does not apply to a prisoner sentenced to death or a term of life without the possibility of parole.

(3) Within 10 days of receipt of a positive recommendation by the director or the board, the court shall hold a hearing to consider whether the prisoner's sentence should be recalled.

(4) The prisoner or his or her family member or designee may request consideration for recall and resentencing by contacting the chief medical officer at the prison or the Director of Corrections. Upon receipt of the request, if the director determines that the prisoner satisfies the criteria set forth in paragraph (2), the director or board may recommend to the court that the prisoner's sentence be recalled. The director shall submit a recommendation for release within 30 days in the case of inmates sentenced to determinate terms and, in the case of inmates sentenced to indeterminate terms, the director may make a recommendation to the Board of Prison Terms

with respect to the inmates who have applied under this section. The board shall consider this information and make an independent judgment pursuant to paragraph (2) and make findings related thereto before rejecting the request or making a recommendation to the court. This action shall be taken at the next lawfully noticed board meeting.

(5) Any recommendation for recall submitted to the court by the Director of Corrections or the Board of Prison Terms shall include one or more medical evaluations, a postrelease plan, and findings pursuant to paragraph (2).

(6) If possible, the matter shall be heard before the same judge of the court who sentenced the prisoner.

(f) Any sentence imposed under this article shall be subject to the provisions of Sections 3000 and 3057 and any other applicable provisions of law.

(g) A sentence to state prison for a determinate term for which only one term is specified, is a sentence to state prison under this section.

SEC. 3. Section 830.5 of the Penal Code is amended to read:

830.5. The following persons are peace officers whose authority extends to any place in the state while engaged in the performance of the duties of their respective employment and for the purpose of carrying out the primary function of their employment or as required under Sections 8597, 8598, and 8617 of the Government Code. Except as specified in this section, these peace officers may carry firearms only if authorized and under those terms and conditions specified by their employing agency:

(a) A parole officer of the Department of Corrections or the Department of the Youth Authority, probation officer, deputy probation officer, or a board coordinating parole agent employed by the Youthful Offender Parole Board. Except as otherwise provided in this subdivision, the authority of these parole or probation officers shall extend only as follows:

(1) To conditions of parole or of probation by any person in this state on parole or probation.

(2) To the escape of any inmate or ward from a state or local institution.

(3) To the transportation of persons on parole or probation.

(4) To violations of any penal provisions of law which are discovered while performing the usual or authorized duties of his or her employment.

(5) To the rendering of mutual aid to any other law enforcement agency.

For the purposes of this subdivision, "parole agent" shall have the same meaning as parole officer of the Department of Corrections or of the Department of the Youth Authority.

Any parole officer of the Department of Corrections, the Department of the Youth Authority, or the Youthful Offender Parole

Board is authorized to carry firearms, but only as determined by the director on a case-by-case or unit-by-unit basis and only under those terms and conditions specified by the director or chairperson. The Department of the Youth Authority shall develop a policy for arming peace officers of the Department of the Youth Authority who comprise "high-risk transportation details" or "high-risk escape details" no later than June 30, 1995. This policy shall be implemented no later than December 31, 1995.

The Department of the Youth Authority shall train and arm those peace officers who comprise tactical teams at each facility for use during "high-risk escape details."

(b) A correctional officer employed by the Department of Corrections or any employee of the Department of the Youth Authority having custody of wards or the Inspector General of the Youth and Adult Correctional Agency or any internal affairs investigator under the authority of the Inspector General or any employee of the Department of Corrections designated by the Director of Corrections or any medical technical assistant series employee designated by the Director of Corrections or designated by the Director of Corrections and employed by the State Department of Mental Health to work in the California Medical Facility or employee of the Board of Prison Terms designated by the Secretary of the Youth and Adult Correctional Agency or employee of the Department of the Youth Authority designated by the Director of the Youth Authority or any superintendent, supervisor, or employee having custodial responsibilities in an institution operated by a probation department, or any transportation officer of a probation department.

(c) The following persons may carry a firearm while not on duty: a parole officer of the Department of Corrections or the Department of the Youth Authority, a correctional officer employed by the Department of Corrections or any employee of the Department of the Youth Authority having custody of wards or any employee of the Department of Corrections designated by the Director of Corrections. A parole officer of the Youthful Offender Parole Board may carry a firearm while not on duty only when so authorized by the chairperson of the board and only under the terms and conditions specified by the chairperson. Nothing in this section shall be interpreted to require licensure pursuant to Section 12025. The director or chairperson may deny, suspend, or revoke for good cause a person's right to carry a firearm under this subdivision. That person shall, upon request, receive a hearing, as provided for in the negotiated grievance procedure between the exclusive employee representative and the Department of Corrections, the Department of the Youth Authority, or the Youthful Offender Parole Board, to review the director's or the chairperson's decision.

(d) Persons permitted to carry firearms pursuant to this section, either on or off duty, shall meet the training requirements of Section

832 and shall qualify with the firearm at least quarterly. It is the responsibility of the individual officer or designee to maintain his or her eligibility to carry concealable firearms off duty. Failure to maintain quarterly qualifications by an officer or designee with any concealable firearms carried off duty shall constitute good cause to suspend or revoke that person's right to carry firearms off duty.

(e) The Department of Corrections shall allow reasonable access to its ranges for officers and designees of either department to qualify to carry concealable firearms off duty. The time spent on the range for purposes of meeting the qualification requirements shall be the person's own time during the person's off-duty hours.

(f) The Director of Corrections shall promulgate regulations consistent with this section.

(g) "High-risk transportation details" and "high-risk escape details" as used in this section shall be determined by the Director of the Youth Authority, or his or her designee. The director, or his or her designee, shall consider at least the following in determining "high-risk transportation details" and "high-risk escape details": protection of the public, protection of officers, flight risk, and violence potential of the wards.

(h) "Transportation detail" as used in this section shall include transportation of wards outside the facility, including, but not limited to, court appearances, medical trips, and interfacility transfers.

SEC. 4. Section 2057 of the Penal Code is repealed.

SEC. 5. Section 2058 of the Penal Code is repealed.

SEC. 6. Section 2900.5 of the Penal Code, as amended by Section 28 of Chapter 1077 of the Statutes of 1996, is amended to read:

2900.5. (a) In all felony and misdemeanor convictions, either by plea or by verdict, when the defendant has been in custody, including, but not limited to, any time spent in a jail, camp, work furlough facility, halfway house, rehabilitation facility, hospital, prison, juvenile detention facility, or similar residential institution, all days of custody of the defendant, including days served as a condition of probation in compliance with a court order, and including days credited to the period of confinement pursuant to Section 4019, shall be credited upon his or her term of imprisonment, or credited to any fine on a proportional basis, including, but not limited to, base fines and restitution fines, which may be imposed, at the rate of not less than thirty dollars ($30) per day, or more, in the discretion of the court imposing the sentence. If the total number of days in custody exceeds the number of days of the term of imprisonment to be imposed, the entire term of imprisonment shall be deemed to have been served. In any case where the court has imposed both a prison or jail term of imprisonment and a fine, any days to be credited to the defendant shall first be applied to the term of imprisonment imposed, and thereafter the remaining days, if any, shall be applied to the fine on a proportional basis, including, but not limited to, base fines and restitution fines.

(b) For the purposes of this section, credit shall be given only where the custody to be credited is attributable to proceedings related to the same conduct for which the defendant has been convicted. Credit shall be given only once for a single period of custody attributable to multiple offenses for which a consecutive sentence is imposed.

(c) For the purposes of this section, "term of imprisonment" includes any period of imprisonment imposed as a condition of probation or otherwise ordered by a court in imposing or suspending the imposition of any sentence, and also includes any term of imprisonment, including any period of imprisonment prior to release on parole and any period of imprisonment and parole, prior to discharge, whether established or fixed by statute, by any court, or by any duly authorized administrative agency.

(d) It shall be the duty of the court imposing the sentence to determine the date or dates of any admission to, and release from, custody prior to sentencing and the total number of days to be credited pursuant to this section. The total number of days to be credited shall be contained in the abstract of judgment provided for in Section 1213.

(e) It shall be the duty of any agency to which a person is committed to apply the credit provided for in this section for the period between the date of sentencing and the date the person is delivered to the agency.

(f) If a defendant serves time in a camp, work furlough facility, halfway house, rehabilitation facility, hospital, juvenile detention facility, similar residential facility, or home detention program in lieu of imprisonment in a county jail, and the statute under which the defendant is sentenced requires a mandatory minimum period of time in jail, the time spent in these facilities or programs shall qualify as mandatory time in jail.

(g) Notwithstanding any other provision of this code as it pertains to the sentencing of convicted offenders, nothing in this section is to be construed as authorizing the sentencing of convicted offenders to any of the facilities or programs mentioned herein.

(h) This section shall become operative on January 1, 1999.

SEC. 7. (a) Notwithstanding any other provision of law, the Secretary of the Youth and Adult Correctional Agency shall immediately enter into interagency agreements to transfer back to the Department of Corrections and the Department of the Youth Authority the necessary funds and positions made available to the Youth and Adult Correctional Agency in Item 0550-001-0001 of the Budget Act of 1998, for the departmental internal affairs operations.

(b) Prior to making the transfer authorized by subdivision (a), the Secretary of the Youth and Adult Correctional Agency shall allocate to the Inspector General of the Youth and Adult Correctional Agency, all funds and positions necessary for the Inspector General to:

(1) Conduct a review of all internal affairs investigations of personnel of the Department of Corrections, the Department of the Youth Authority, the Board of Prison Terms, the Board of Corrections, and the Youthful Offender Parole Board, involving allegations of serious employee misconduct that is outside the scope of normal employee supervision.

(2) Conduct a randomly selected review of all internal affairs investigations of personnel of the Department of Corrections, the Department of the Youth Authority, the Board of Prison Terms, the Board of Corrections, and the Youthful Offender Parole Board, involving allegations of nonserious employee misconduct that is within the scope of normal employee supervision.

SEC. 8. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to prevent the disruption of the ongoing internal affairs investigations of correctional personnel, to ensure public safety and the safety and security of the correctional facilities, to provide an immediate oversight of the internal affairs activities, and to ensure full and immediate compliance with sentences and orders imposed by the courts and rules of the Department of Corrections, it is necessary that this act go into immediate effect.

CHAPTER 339

An act relating to adult and juvenile offenders.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 21, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) It is the intent of the Legislature to provide funding for the capital construction of local facilities for the treatment, rehabilitation, and punishment of juvenile offenders. Counties do not have sufficient options for providing a continuum of care for juvenile offenders.

(b) Numerous county adult and juvenile facilities throughout California are dilapidated and overcrowded, and construction and expansion of available bed capacity is critical. Capital construction, expansion, and improvements are necessary to protect the life and safety of persons confined or employed in these facilities, and to upgrade health and sanitary conditions to avoid threatened closures or the imposition of court-ordered sanctions.

SEC. 2. Any funds that are awarded to the state pursuant to the federal Violent Offender/Truth-in Sentencing Grant Program through federal fiscal year 1999–2000, shall be allocated by the Board of Corrections to counties for construction and modification of local adult detention facilities and to build or expand local juvenile correctional facilities. No more that 15 percent of the funds shall be available for adult facilities through competitive grants to counties.

SEC. 3. (a) The Legislature hereby declares that exigent circumstances exist regarding the impact of the increasing number of juvenile offenders to public safety in California. Therefore, the Board of Corrections shall allocate any funds received by the state pursuant to the federal Violent Crime Control and Law Enforcement Act to address these circumstances through competitive grants to counties.

(b) The percentage of juveniles convicted of crime far exceeds the percentage of adults convicted of similar crimes. The fast rising number of violent juvenile offenders affects the efforts of law enforcement and threatens public safety throughout the state. The need to enhance public safety is particularly important for local jurisdictions that do not have adequate facilities to confine the increasing number of juvenile offenders.

(c) Therefore, the Legislature intends that these funds be used to support the construction or expansion of juvenile detention facilities of the appropriate security levels, as defined by the federal Violent Crime Control and Law Enforcement Act and related regulations, to ensure appropriate custody space for the confinement of the growing number of juvenile offenders.

SEC. 4. (a) For the grant programs identified in Sections 2 and 3, the Board of Corrections shall establish minimum standards, funding schedules, and procedures that shall take into consideration, but are not limited to, the following:

(1) Documentation of need for the project or projects.

(2) Adoption of a formal county plan to finance construction of the proposed project or projects.

(3) Submittal of a preliminary staffing plan for the project or projects.

(4) Submittal of architectural drawings which shall be approved by the Board of Corrections for compliance with minimum adult or juvenile detention facility standards and which shall also be approved by the State Fire Marshal for compliance with fire safety and life safety requirements.

(5) Documentation that facilities will be safely staffed and operated.

(6) Submittal by the county, or a group of counties acting together, of a plan that identifies the county continuum of care model for prevention, intervention, supervision, treatment, and incarceration of juvenile and adult offenders. The plan shall also identify how the county will maximize all funding sources, local

criminal justice, local social services, federal and state programs, and education, for providing appropriate services for juvenile and adult offenders.

(b) Local entities shall match at least 25 percent of the grant. Not more than 15 percent of this minimum match requirement shall be provided with in-kind resources. The greater the percentage of matching funds that a county provides, the higher the priority the county shall be given for allocation of funds.

(c) Of the funds allocated to the state, up to 3 percent may be transferred, upon approval of the Department of Finance, to the Board of Corrections to support the administration, including technical assistance and oversight, of the implementation of grant awards.

CHAPTER 340

An act to amend Sections 35401.3, 35401.5, and 40000.21 of, and to add Section 34505.9 to, the Vehicle Code, relating to vehicles, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 34505.9 is added to the Vehicle Code, to read:

34505.9. (a) An ocean marine terminal that receives and dispatches intermodal chassis may conduct the intermodal roadability inspection program, as described in this section, in lieu of the inspection required by Section 34505.5, if the terminal meets all of the following conditions:

(1) More than 1,000 chassis are based at the ocean marine terminal.

(2) The ocean marine terminal, following the two most recent consecutive inspections required by Section 34501.12, has received satisfactory compliance ratings, and the terminal has received no unsatisfactory compliance ratings as a result of any inspection conducted in the interim between the consecutive inspections conducted under Section 34501.12.

(3) Each intermodal chassis exiting the ocean marine terminal shall have a current decal and supporting documentation in accordance with Section 396.17 of Title 49 of the Code of Federal Regulations.

(4) The ocean marine terminal's intermodal roadability inspection program consists of all of the following:

(A) Each time an intermodal chassis is released from the ocean marine terminal, the chassis shall be inspected. The inspection shall include, but not be limited to, brake adjustment, brake system components and leaks, suspension systems, tires and wheels, vehicle connecting devices, and lights and electrical system.

(B) Each inspection shall be recorded on a daily roadability inspection report, which shall include, but not be limited to, all of the following:

(i) Positive identification of the intermodal chassis, including company identification number.

(ii) Date and nature of each inspection.

(iii) Signature of the ocean marine terminal operator or an authorized representative.

(C) Records of each inspection conducted pursuant to subparagraph (A) shall be retained for 90 days at the ocean marine terminal at which each chassis is based and shall be made available upon request by any authorized employee of the department.

(D) Defects noted on any intermodal chassis shall be repaired, and the repairs shall be recorded on the intermodal chassis maintenance file, before the intermodal chassis is released from the control of the ocean marine terminal. No vehicle subject to this section shall be operated on the highway other than to a place of repair until all defects listed during the inspection conducted pursuant to subparagraph (A) have been corrected and attested to by the signature of the operator's authorized representative.

(E) Records of maintenance or repairs performed pursuant to the inspection in subparagraph (A) shall be maintained at the ocean marine terminal for two years and shall be made available upon request of the department. Repair records may be retained in a computer system if printouts of those records are provided to the department upon request.

(F) Individuals performing ocean marine terminal roadability inspections pursuant to this section shall be qualified, at a minimum, as set forth in Section 396.19 of Title 49 of the Code of Federal Regulations. Evidence of each inspector's qualification shall be retained by the ocean marine terminal operator for the period during which the inspector is performing intermodal roadability inspections.

(b) Following a terminal inspection in which the department determines that an operator of an ocean marine terminal utilizing the intermodal roadability inspection program has failed to comply with the requirements of this section, the department shall conduct a reinspection within 120 days as specified in subdivision (h) of Section 34501.12. If the terminal fails the reinspection, the department shall direct the operator to comply with the requirements of Section 34505.5 until eligibility to utilize the inspection program described in this section is reestablished pursuant to subdivision (a). If any inspection results in an

unsatisfactory rating due to conditions presenting an imminent danger to the public safety, as described in Section 34505.6 or 34506.7, the department immediately shall direct the operator to comply with the requirements of Section 34505.5 until eligibility to utilize the inspection program described in this section is reestablished pursuant to subdivision (a).

(c) For the purposes of this section, the following definitions shall apply:

(1) "Intermodal chassis" means a trailer designed to carry intermodal freight containers.

(2) "Ocean marine terminal" means a terminal, as defined in Section 34515, located at a port facility that engages in the loading and unloading of the cargo of ocean-going vessels.

SEC. 2. Section 35401.3 of the Vehicle Code is amended to read:

35401.3. (a) Notwithstanding subdivisions (a) and (b) of Section 35401, a combination of vehicles designed and used to transport motor vehicles or boats, which consists of a motortruck and stinger-steered semitrailer, shall be allowed a length of up to 70 feet if the kingpin is at least 3 feet behind the rear drive axle of the motortruck. This combination shall not be subject to subdivision (a) of Section 35411, but the load upon the rear vehicle of the combination shall not extend more than 6 feet 6 inches beyond the allowable length of the vehicle.

(b) A combination of vehicles designed and used to transport motor vehicles or boats, which consists of a motortruck and stinger-steered semitrailer, shall be allowed a length of up to 75 feet if all of the following conditions are maintained:

(1) The distance from the steering axle to the rear drive axle of the motortruck does not exceed 24 feet.

(2) The kingpin is at least 5 feet behind the rear drive axle of the motortruck.

(3) The distance from the kingpin to the rear axle of the semitrailer does not exceed 34 feet except that the distance from the kingpin to the rear axle of a triple axle semitrailer does not exceed 36 feet.

This combination shall not be subject to subdivision (a) of Section 35411, but the load upon the rear vehicle of the combination shall not extend more than 6 feet 6 inches beyond the allowable length of the vehicle.

SEC. 3. Section 35401.5 of the Vehicle Code is amended to read:

35401.5. (a) A combination of vehicles consisting of a truck tractor and semitrailer, or of a truck tractor, semitrailer, and trailer, is not subject to the limitations of Sections 35400 and 35401, when operating on the National System of Interstate and Defense Highways or when using those portions of federal-aid primary system highways that have been qualified by the United States Secretary of Transportation for that use, or when using routes appropriately identified by the Department of Transportation or local authorities

as provided in subdivision (c) or (d), if all of the following conditions are met:

(1) The length of the semitrailer in exclusive combination with a truck tractor does not exceed 48 feet. A semitrailer not more than 53 feet in length shall satisfy this requirement when configured with two or more rear axles, the rearmost of which is located 40 feet or less from the kingpin or when configured with a single axle which is located 38 feet or less from the kingpin. For purposes of this paragraph, a motortruck used in combination with a semitrailer, when that combination of vehicles is engaged solely in the transportation of motor vehicles or boats, is considered to be a truck tractor.

(2) Neither the length of the semitrailer nor the length of the trailer when simultaneously in combination with a truck tractor exceeds 28 feet 6 inches.

(b) Subdivisions (b), (c), (d), and (e) of Section 35402 do not apply to combinations of vehicles operated subject to the exemptions provided by this section.

(c) Combinations of vehicles operated pursuant to subdivision (a) may also use highways not specified in subdivision (a) which provide reasonable access to terminals and facilities for purposes limited to fuel, food, lodging, and repair when that access is consistent with the safe operation of the combinations of vehicles and when the facility is within one road mile of identified points of ingress and egress to or from highways specified in subdivision (a) for use by those combinations of vehicles.

(d) The Department of Transportation or local authorities may establish a process whereby access to terminals or services may be applied for upon a route not previously established as an access route. The denial of a request for access to terminals and services shall be only on the basis of safety and an engineering analysis of the proposed access route. If a written request for access has been properly submitted and has not been acted upon within 90 days of receipt by the department or the appropriate local agency, the access shall be deemed automatically approved. Thereafter, the route shall be deemed open for access by all other vehicles of the same type regardless of ownership. In lieu of processing an access application, the Department of Transportation or local authorities with respect to highways under their respective jurisdictions may provide signing, mapping, or a listing of highways as necessary to indicate the use of specific routes as terminal access routes. For purposes of this subdivision, "terminal" means either of the following:

(1) A facility where freight originates, terminates, or is handled in the transportation process.

(2) A facility where a motor carrier maintains operating facilities.

(e) Nothing in subdivision (c) or (d) authorizes state or local agencies to require permits of terminal operators or to charge terminal operators fees for the purpose of attaining access for vehicles described in this section.

(f) Notwithstanding subdivision (d), the limitations of access specified in that subdivision do not apply to licensed carriers of household goods when directly enroute to or from a point of loading or unloading of household goods, if travel on highways other than those specified in subdivision (a) is necessary and incidental to the shipment of the household goods.

(g) (1) Notwithstanding Sections 35400 and 35401, the Department of Transportation or local authorities, with regard to highways under their respective jurisdictions, may, upon application, issue a special permit authorizing the applicant to operate a combination of vehicles consisting of a truck tractor semitrailer combination operated pursuant to subdivision (a) with a kingpin to rearmost axle measurement limit of not more than 46 feet on trailers used exclusively or primarily in connection with motorsports. As used in this paragraph, "motorsports" means any event, and all activities leading up to that event, including, but not limited to, administration, testing, practice, promotion, and merchandising, that is sanctioned under the auspices of the member organizations of the Automobile Competition Committee for the United States.

(2) A local authority, as a condition of issuing a special permit under this subdivision, may establish reasonable controls on the allowable hours of operation of those semitrailers that are authorized to operate under this subdivision.

(h) The Legislature finds and declares both of the following:

(1) In authorizing the use of 53-foot semitrailers, it is the intent of the Legislature to conform with Section 2311(b) of Title 49 of the United States Code by permitting the continued use of semitrailers of the dimensions as those that were in actual and legal use on December 1, 1982, and does not intend this action to be a precedent for future increases in the parameters of any of those vehicles that would adversely affect the turning maneuverability of vehicle combinations.

(2) In authorizing the department to issue special transportation permits for motorsports, it is the intent of the Legislature to conform with Section 31111(b)(1)(E) of Title 49 of the United States Code. It is also the intent of the Legislature that this action not be a precedent for future increases in the distance from the kingpin to the rearmost axle of semitrailers that would adversely affect the turning maneuverability of vehicle combinations.

SEC. 4. Section 40000.21 of the Vehicle Code is amended to read:

40000.21. A violation of any of the following provisions is a misdemeanor, and not an infraction:

(a) Subdivision (a) of Section 34506, relating to the hours of service of drivers.

(b) Subdivision (b) of Section 34506, relating to the transportation of hazardous materials.

(c) Subdivision (c) of Section 34506, relating to schoolbuses.

(d) Subdivision (d) of Section 34506, relating to youth buses.

(e) Section 34505 or subdivision (e) of Section 34506, relating to tour buses.

(f) Section 34505.5 or subdivision (f) of Section 34506, relating to vehicles described in subdivisions (a) to (g), inclusive, of Section 34500.

(g) Subdivision (a) of Section 34501.3, relating to unlawful scheduling of runs by motor carriers.

(h) Subdivision (g) of Section 34506, relating to school pupil activity buses.

(i) Subparagraph (D) of paragraph (4) of subdivision (a) of Section 34505.9, relating to intermodal chassis.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to reenact provisions that authorize ocean marine terminals to conduct intermodal roadability inspection programs and to revise existing law relating to the length of vehicles that are coupled together at the earliest possible time, it is necessary for this act to take effect immediately.

CHAPTER 341

An act to amend Section 65863.11 of, and to add and repeal Section 65863.10 of, the Government Code, relating to housing.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 65863.10 is added to the Government Code, to read:

65863.10. (a) As used in this section, the following terms have the following meaning:

(1) "Affected tenant" means a tenant household residing in an assisted housing development, as defined in paragraph (2), at the time notice is required to be provided pursuant to this section, that benefits from the government assistance.

(2) "Assisted housing development" means a multifamily rental housing development that receives governmental assistance under any of the following federal programs:

(A) New construction, substantial rehabilitation, moderate rehabilitation, property disposition, and loan management set-aside programs, or any other program providing project-based assistance, under Section 8 of the United States Housing Act of 1937, as amended (42 U.S.C. Sec. 1437f).

(B) The following federal programs:

(i) The Below-Market-Interest-Rate Program under Section 221(d)(3) of the National Housing Act (12 U.S.C. Sec. 1715*l*(d)(3) and (5)).

(ii) Section 236 of the National Housing Act (12 U.S.C. Sec. 1715z-1).

(iii) Section 202 of the Housing Act of 1959 (12 U.S.C. Sec. 1701q).

(C) Programs for rent supplement assistance under Section 101 of the Housing and Urban Development Act of 1965, as amended (12 U.S.C. Sec. 1701s).

(D) Programs under Section 515 of the Housing Act of 1949, as amended (42 U.S.C. Sec. 1485).

(3) "City" means a general law city, a charter city, or a city and county.

(4) "Prepayment" means the payment in full or refinancing of the federally insured or federally held mortgage indebtedness prior to its original maturity date, or the voluntary cancellation of mortgage insurance, on an assisted housing development described in subparagraph (B) of paragraph (2) that would have the effect of removing the current low-income affordability restrictions contained in the applicable laws and the regulatory agreement.

(5) "Termination" means an owner's decision not to extend or renew its participation in a federal subsidy program for an assisted housing development described in subparagraph (A) of paragraph (2), either at or prior to the scheduled date of the expiration of the contract, that may result in an increase in tenant rents or a change in the form of the subsidy from project-based to tenant-based.

(b) At least nine months prior to the anticipated date of termination of a subsidy contract or prepayment on an assisted housing development, the owner proposing the termination or prepayment of governmental assistance shall provide a notice of the proposed change to each affected tenant household residing in the assisted housing development at the time the notice is provided. The notice to the tenants shall contain all of the following:

(1) The anticipated date of the termination or prepayment of the federal program, and the identity of the federal program, as described in subdivision (a).

(2) The current rent and anticipated new rent for the unit on the date of the prepayment or termination of the federal program.

(3) A statement that a copy of the notice will be sent to the city or county, or city and county, where the assisted housing development is located, to the appropriate local public housing authority, if any, and to the Department of Housing and Community Development.

(4) A statement of the possibility that the housing may remain in the federal program after the proposed date of subsidy termination or prepayment if the owner elects to do so under the terms of the federal government's offer.

(5) A statement of the owner's intention to participate in any current replacement federal subsidy program made available to the affected tenants.

(6) The name and telephone number of the city, county, or city and county, the appropriate local public housing authority, if any, the Department of Housing and Community Development, and a legal services organization, that can be contacted to request additional written information about an owner's responsibilities and the rights and options of an affected tenant.

(c) (1) The notice shall also be filed at the same time with the mayor of the city in which the assisted housing development is located, or if located in an unincorporated area with the chairperson of the board of supervisors of the county, with the appropriate local public housing authority, if any, and with the Department of Housing and Community Development.

(2) In addition to the information provided in the notice to the affected tenant, the notice to the mayor or chairman of the board of supervisors, the appropriate local public housing authority, if any, and the Department of Housing and Community Development shall contain information regarding the number of affected tenants in the project, the number of units that are government assisted and the type of assistance, the number of the units that are not government assisted, the number of bedrooms in each unit that is government assisted, and the ages and income of the affected tenants. The notice shall briefly describe the owner's plans for the project, including any timetables or deadlines for actions to be taken and specific governmental approvals that are required to be obtained, the reason the owner seeks to terminate the subsidy contract or prepay the mortgage, and any contacts the owner has made or is making with other governmental agencies or other interested parties in connection with the notice. The information contained in the notice shall be based on data that is reasonably available from existing written tenant and project records.

(d) This section shall not require the owner to obtain or acquire additional information that is not contained in the existing tenant and project records, or to update any information in his or her records. The owner shall not be held liable for any inaccuracies contained in these records or from other sources, nor shall the owner be liable to any party for providing this information.

(e) For purposes of this section, service of the notice to the affected tenants, the city or county, the city and county, the appropriate local public housing authority, if any, and the Department of Housing and Community Development by the owner pursuant to subdivisions (b) and (c) shall be made by first-class mail postage prepaid.

(f) Nothing in this section shall enlarge or diminish the authority, if any, that a city, county, city and county, affected tenant, or owner may have, independent of this section.

(g) This section shall remain in effect only until January 1, 2002, and as of that date is repealed, unless a later enacted statute, which is enacted on or before January 1, 2002, deletes or extends that date.

SEC. 2. Section 65863.11 of the Government Code is amended to read:

65863.11. (a) Terms used in this section shall be defined as follows:

(1) "Assisted housing development" and "development" mean a multifamily rental housing development as defined in subdivision (a) of Section 65863.10, which has a statement indicating that it is an assisted housing development contained in the legal description of the property recorded and indexed in the grantor-grantee index of the county in which the development is located.

(2) "Owner" means an individual, corporation, association, partnership, joint venture, or business entity which holds title to an assisted housing development.

(3) "Tenant" means a tenant, subtenant, lessee, sublessee, or other person legally in possession or occupying the assisted housing development.

(4) "Tenant association" means a group of tenants who have formed a nonprofit corporation, cooperative corporation, or other entity or organization, or a local nonprofit, regional, or national organization whose purpose includes the acquisition of an assisted housing development and which represents the interest of at least a majority of the tenants in the assisted housing development.

(5) "Low or moderate income" means having an income as defined in Section 50093 of the Health and Safety Code.

(6) "Very low income" means having an income as defined in Section 50052.5 of the Health and Safety Code.

(7) "Local nonprofit organizations" means not-for-profit corporations organized pursuant to Division 2 (commencing with Section 5000) of Title 1 of the Corporations Code, that have as their principal purpose the ownership, development, or management of

housing or community development projects for persons and families of low or moderate income and very low income, and which have a broadly representative board, a majority of whose members are community-based and have a proven track record of local community service.

(8) "Local public agencies" means housing authorities, redevelopment agencies, or any other agency of a city, county, or city and county, whether general law or chartered, which are authorized to own, develop, or manage housing or community development projects for persons and families of low or moderate income and very low income.

(9) "Regional or national organizations" means not-for-profit, charitable corporations organized on a multicounty, state, or multistate basis that have as their principal purpose the ownership, development, or management of housing or community development projects for persons and families of low or moderate income and very low income.

(10) "Regional or national public agencies" means multicounty, state, or multistate agencies that are authorized to own, develop, or manage housing or community development projects for persons and families of low or moderate income and very low income.

(11) "Use restriction" means any federal, state, or local statute, regulation, ordinance, or contract that, as a condition of receipt of any housing assistance, including a rental subsidy, mortgage subsidy, or mortgage insurance, to an assisted housing development, establishes maximum limitations on tenant income as a condition of eligibility for occupancy of the units within a development, imposes any restrictions on the maximum rents that could be charged for any of the units within a development; or requires that rents for any of the units within a development be reviewed by any governmental body or agency before the rents are implemented.

(12) "Profit-motivated organizations and individuals" means individuals or two or more persons organized pursuant to Division 1 (commencing with Section 100) of Title 1 of, Division 3 (commencing with Section 1200) of Title 1 of, or Division 1 (commencing with Section 15001) of Title 2 of, the Corporations Code, that carry on as a business for profit.

(13) "Department" means the Department of Housing and Community Development.

(b) An owner of an assisted housing development who has not, prior to January 1, 1991, given notice of intent to terminate a subsidy contract or prepay the mortgage pursuant to Section 65863.10, shall not sell, or otherwise dispose of the development in a manner which would result in either (1) a discontinuance of its use as an assisted housing development, or (2) the termination of any low-income use restrictions which apply to the development, unless the owner or its agent proposing the removal of government assistance shall first have provided each of the entities, listed in subdivision (c), an

opportunity to purchase the development at a price and upon terms which represent a bona fide intention to sell, in compliance with subdivision (g).

(c) The entities to whom an opportunity to purchase shall first be provided include the following:

(1) The tenant association of the development.

(2) Local nonprofit organizations and public agencies.

(3) Regional or national nonprofit organizations and regional or national public agencies.

(4) Profit-motivated organizations or individuals.

(d) For the purposes of this section, to qualify as a purchaser of an assisted housing development, an entity listed in subdivision (c) shall do all of the following:

(1) Be capable of managing the housing and related facilities for its remaining useful life, either by itself or through a management agent.

(2) Agree to obligate itself and any successors in interest to maintain the affordability of the assisted housing development for persons and families of low or moderate income and very low income for either a 30-year period from the date that the purchaser took legal possession of the housing or the remaining term of the existing federal government assistance specified in subdivision (a) of Section 65863.10, whichever is greater. The development shall be continuously occupied in the approximate percentages that those persons and families occupied that development on the date the owner gave notice of intent or the approximate percentages specified in existing use restrictions, whichever is higher. This obligation shall be recorded prior to the close of escrow in the office of the county recorder of the county in which the development is located and shall contain a legal description of the property, indexed to the name of the owner as grantor.

(3) Local nonprofit organizations and public agencies shall have no member among their officers or directorate with a financial interest in assisted housing developments that have terminated a subsidy contract or prepaid a mortgage on the development.

(e) If an assisted housing development is not economically feasible, as defined in paragraph (3) of subdivision (h) of Section 17058 of the Revenue and Taxation Code, a purchaser shall be entitled to remove one or more units from the rent and occupancy requirements as is necessary for the development to become economically feasible, provided that once the development is again economically feasible, the purchaser shall designate the next available units as low-income units up to the original number of those units.

(f) If an owner decides to sell, or otherwise dispose of the assisted housing development pursuant to subdivision (b), at least the amount of time required for advance notice pursuant to Section 65863.10 prior to the anticipated date of termination of a subsidy

contract or mortgage prepayment of a development that would result in either (1) a discontinuance of its use as an assisted housing development or (2) the termination of any low-income use restrictions that apply to the development, the owner shall first give notice of his or her bona fide intention to sell, or otherwise dispose of the development to each qualified entity on the list provided to the owner by the department, in accordance with subdivision (p), as well as to those qualified entities that directly contact the owner. The notice shall conform to the requirements of subdivision (g) and shall be sent to the entities by registered or certified mail, return receipt requested. The owner shall also post a copy of the notice in a conspicuous place in the common area of the development.

If the owner already has a bona fide offer to purchase from a qualified entity, at the time the owner decides to sell, or otherwise dispose of the development, the owner shall not be required to comply with the provisions of this subdivision.

(g) The initial notice of a bona fide intention to sell shall contain all of the following:

(1) The sales price; the terms of assumable financing, if any; the terms of the subsidy contract, if any; and proposed improvements to the property to be made by the owner in connection with the sale, if any.

(2) A statement that each of the type of entities listed in subdivision (c) has the right to purchase the development under this section in the order and according to the priorities established in subdivision (h).

(3) A statement that the owner will make available to each of the type of entities listed in subdivision (c), within 15 business days of receiving a request therefor, itemized lists of monthly operating expenses, capital improvements as determined by the owner made within each of the two preceding calendar years, the amount of project reserves, and copies of the two most recent financial and physical inspection reports on the development, if any, filed with the federal, state, or local agencies.

(4) A statement that the owner will make available to each of the entities listed in subdivision (c), within 15 business days of a request therefor, the most recent rent roll listing the rent paid for each unit and the subsidy, if any, paid by a governmental agency as of the date the notice of intent was made pursuant to Section 65863.10, and a statement of the vacancy rate at the development for each of the two preceding calendar years.

(5) A statement that the owner has satisfied all notice requirements pursuant to subdivision (b) of Section 65863.10.

(h) If a qualified entity elects to purchase an assisted housing development, it shall make a bona fide offer to purchase the development within 180 days from the date of an owner's bona fide intention to sell. A qualified entity's bona fide offer to purchase shall identify whether it is a tenant association, nonprofit organization,

public agency, or profit-motivated organizations or individuals and shall certify, under penalty of perjury, that it is qualified pursuant to subdivision (d). During the first 120 days from the date of an owner's bona fide notice of intention to sell, an owner shall only accept a bona fide offer to purchase from the tenant association. If at the end of the first 120-day period no purchase agreement has been executed, the owner may accept a bona fide offer to purchase from any qualified entity specified in subdivision (c) during the remaining 60 days.

(i) If at the end of that 180-day period no purchase agreement has been executed and a person or entity other than those entities listed in subdivision (c) has offered to purchase, or otherwise acquire the development, and the owner of the development has complied with the provisions of this section and Section 65863.10, the owner may accept a bona fide offer to purchase from this person or entity.

(j) When a bona fide offer to purchase has been made to an owner in response to a bona fide intention to sell, and the offer is accepted, a purchase agreement shall be executed.

(k) Either the owner or the qualified entity may request that the fair market value of the property, as a development, be determined by an independent appraiser qualified to perform multifamily housing appraisals, who shall be selected and paid by the requesting party. All appraisers shall possess qualifications equivalent to those required by the Members of the Appraisers Institute. This appraisal shall be nonbinding on either party with respect to the sales price of the development offered in the bona fide intention to sell, the bona fide offer to purchase, or the acceptance or rejection of either.

(*l*) During the 180-day period following the initial 180-day period required pursuant to subdivision (h), an owner may accept an offer from a person or an entity that does not qualify under subdivision (d), provided that the acceptance does not conflict with applicable federal laws governing who may purchase an assisted housing development. This acceptance shall be made subject to the owner providing each qualified entity that made a bona fide offer to purchase the first opportunity to purchase the development at the same terms and conditions as the pending offer to purchase, unless these terms and conditions are modified by mutual consent. The owner shall notify in writing those qualified entities of the terms and conditions of the pending offer to purchase, sent by registered or certified mail, return receipt requested. The qualified entity shall have 15 days from the date the notice is mailed to submit a bona fide offer to purchase and that offer shall be accepted by the owner. The owner shall not be required to comply with the provisions of this subdivision if the person or the entity making the offer during this time period agrees to maintain the development for persons and families of low and moderate income and very low income, in accordance with paragraph (2) of subdivision (d).

(m) This section shall not apply to any of the following: a government taking by eminent domain or negotiated purchase; a

forced sale pursuant to a foreclosure; a transfer by gift, devise, or operation of law; a sale to a person who would be included within the table of descent and distribution if there were to be a death intestate of an owner; or an owner who certifies, under penalty of perjury, the existence of a financial emergency during the period covered by the first right of refusal requiring immediate access to the proceeds of the sale of the development. The certification shall be made pursuant to subdivision (o).

(n) An owner, at any time during the period subsequent to giving notice of the bona fide intention to sell in accordance with subdivision (f), may decide not to sell, or otherwise dispose of the development and may withdraw the notice of intention to sell. However, at any time that the owner again decides to sell, or otherwise dispose of the development, the provisions of this section shall apply.

(o) Prior to the close of escrow, an owner selling, leasing, or otherwise disposing of a development to a purchaser who does not qualify under subdivision (d) shall certify under penalty of perjury that the owner has complied with all provisions of this section and Section 65863.10. This certification shall be recorded and shall contain a legal description of the property, shall be indexed to the name of the owner as grantor, and may be relied upon by good faith purchasers and encumbrancers for value and without notice of a failure to comply with the provisions of this section.

Any person or entity acting solely in the capacity of an escrow agent for the transfer of real property subject to this section shall not be liable for any failure to comply with this section unless the escrow agent either had actual knowledge of the requirements of this section or acted contrary to written escrow instructions concerning the provisions of this section.

(p) The department shall undertake the following responsibilities and duties:

(1) Maintain a form containing a summary of rights and obligations under this section and make that information available to owners of assisted housing developments as well as to tenant associations, local nonprofit organizations, regional or national nonprofit organizations, public agencies, and other entities with an interest in preserving the state's subsidized housing.

(2) Compile, maintain, and update a list of entities in subdivision (c) that have either contacted the department with an expressed interest in purchasing a development in the subject area or have been identified by the department as potentially having an interest in participating in a right-of-first-refusal program. The department shall publicize the existence of the list statewide. Upon receipt of a notice of intent under Section 65863.10, the department shall make the list available to the owner proposing the termination or removal of government assistance. If the department does not make the list available at any time, the owner shall only be required to send a written copy of the bona fide intention to sell to the qualified entities

which directly contact the owner and to post a copy of the intention to sell in the common area pursuant to subdivision (f).

(q) The provisions of this section may be enforced either in law or in equity by any qualified entity entitled to exercise the right-of-first-refusal under this section, that has been adversely affected by an owner's failure to comply with the provisions of this section.

An owner shall be entitled to rely on the statements, claims, or representations of any person or entity that the person or entity is a qualified entity as specified in subdivision (c), unless the owner has actual knowledge that the purchaser is not a qualified entity. If the person or entity is not an entity as specified in subdivision (c), that fact, in the absence of actual knowledge as described in the preceding sentence of this subdivision, shall not give rise to any claim against the owner for a violation of this section.

(r) It is the intent of the Legislature that the provisions of this section are in addition to, but not preemptive of, applicable federal laws governing the sale, or other disposition of a development which would result in either (1) a discontinuance of its use as an assisted housing development or (2) the termination of any low-income use restrictions which apply to the development.

(s) This section shall remain in effect only until December 31, 2000, and as of that date is repealed, unless a later enacted statute, which is enacted on or before December 31, 2000, deletes or extends that date.

CHAPTER 342

An act to amend Section 338 of the Code of Civil Procedure, to amend Section 53087.4 of the Government Code, and to amend Section 2611.6 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 338 of the Code of Civil Procedure is amended to read:

338. Within three years:

(a) An action upon a liability created by statute, other than a penalty or forfeiture.

(b) An action for trespass upon or injury to real property.

(c) An action for taking, detaining, or injuring any goods or chattels, including actions for the specific recovery of personal property. The cause of action in the case of theft, as defined in Section

484 of the Penal Code, of any article of historical, interpretive, scientific, or artistic significance is not deemed to have accrued until the discovery of the whereabouts of the article by the aggrieved party, his or her agent, or the law enforcement agency which originally investigated the theft.

(d) An action for relief on the ground of fraud or mistake. The cause of action in that case is not to be deemed to have accrued until the discovery, by the aggrieved party, of the facts constituting the fraud or mistake.

(e) An action upon a bond of a public official except any cause of action based on fraud or embezzlement is not to be deemed to have accrued until the discovery, by the aggrieved party or his or her agent, of the facts constituting the cause of action upon the bond.

(f) An action against a notary public on his or her bond or in his or her official capacity except that any cause of action based on malfeasance or misfeasance is not deemed to have accrued until discovery, by the aggrieved party or his or her agent, of the facts constituting the cause of action; provided, that any action based on malfeasance or misfeasance shall be commenced within one year from discovery, by the aggrieved party or his or her agent, of the facts constituting the cause of action or within three years from the performance of the notarial act giving rise to the action, whichever is later; and provided further, that any action against a notary public on his or her bond or in his or her official capacity shall be commenced within six years.

(g) An action for slander of title to real property.

(h) An action commenced under Section 17536 of the Business and Professions Code. The cause of action in that case shall not be deemed to have accrued until the discovery by the aggrieved party, the Attorney General, the district attorney, the county counsel, the city prosecutor, or the city attorney of the facts constituting grounds for commencing such an action.

(i) An action commenced under the Porter-Cologne Water Quality Control Act (Division 7 (commencing with Section 13000) of the Water Code). The cause of action in that case shall not be deemed to have accrued until the discovery by the State Water Resources Control Board or a regional water quality control board of the facts constituting grounds for commencing actions under their jurisdiction.

(j) An action to recover for physical damage to private property under Section 19 of Article I of the California Constitution.

(k) An action commenced under Division 26 (commencing with Section 39000) of the Health and Safety Code. These causes of action shall not be deemed to have accrued until the discovery by the State Air Resources Board or by a district, as defined in Section 39025 of the Health and Safety Code, of the facts constituting grounds for commencing the action under its jurisdiction.

(*l*) An action commenced under Section 1603.1 or 5650.1 of the Fish and Game Code. These causes of action shall not be deemed to have accrued until discovery by the agency bringing the action of the facts constituting the grounds for commencing the action.

(m) An action challenging the validity of the levy upon a parcel of a special tax levied by a local agency on a per parcel basis.

SEC. 2. Section 53087.4 of the Government Code is amended to read:

53087.4. (a) In the case of a special tax levied by a local agency on a per parcel basis, both of the following conditions shall apply:

(1) A parcel created by a subdivision map approved in accordance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7) shall be deemed to be a single assessment unit and shall not be deemed, on the basis of multiple assessor's parcel numbers assigned by the assessor, to constitute multiple assessment units.

(2) A parcel that has not been subdivided in accordance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7) may be deemed to constitute a separate assessment unit only to the extent that that parcel has been previously described and conveyed in one or more deeds separating it from all adjoining property.

(b) (1) If the parcel identified pursuant to paragraph (1) or (2) is not consistent with the property's identification by assessor's parcel number, it shall be the responsibility of the parcel owner to provide the local taxing jurisdiction with written notice of the correct assessor's parcel number of taxable parcels pursuant to this section 90 days after the initial tax bill containing the tax levy.

(2) The initial levy of any special tax that is initially imposed by a local agency on a per parcel basis on or after the operative date of the act adding this paragraph shall be billed on the annual property tax bill sent by the county tax collector.

(c) Any parcel identified pursuant to this section shall be for tax purposes only and shall not confer any entitlement on the property.

(d) This section shall not apply to any special tax levied prior to the effective date of this section.

SEC. 3. Section 2611.6 of the Revenue and Taxation Code is amended to read:

2611.6. The following information shall be included in each county tax bill, whether mailed or electronically transmitted, or in a separate statement accompanying the bill:

(a) The full value of locally assessed property, including assessments made for irrigation district purposes in accordance with Section 26625.1 of the Water Code.

(b) The tax rate required by Article XIII A of the California Constitution.

(c) The rate or dollar amount of taxes levied in excess of the 1-percent limitation to pay for voter-approved indebtedness

incurred before July 1, 1978, or bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the voters on or after June 4, 1986.

(d) The amount of any special taxes and special assessments levied.

(e) The amount of any tax rate reduction pursuant to Section 96.8, with the notation: "Tax reduction by (name of jurisdiction)."

(f) The amount of any exemptions. Exemptions reimbursable by the state shall be shown separately.

(g) The total taxes due and payable on the property covered by the bill.

(h) Instructions on tendering payment, including the name and mailing address of the tax collector.

(i) The billing of any special purpose parcel tax as required by paragraph (2) of subdivision (b) of Section 53087.4 of the Government Code, or any successor to that paragraph.

(j) Information specifying all of the following:

(1) That if the taxpayer disagrees with the assessed value as shown on the tax bill, the taxpayer has the right to an informal assessment review by contacting the assessor's office.

(2) That if the taxpayer and the assessor are unable to agree on a proper assessed value pursuant to an informal assessment review, the taxpayer has the right to file an application for reduction in assessment for the following year with the county board of equalization or the assessment appeals board, as applicable, during the period from July 2 to September 15, inclusive.

(3) The address of the clerk of the county board of equalization or the assessment appeals board, as applicable, at which forms for an application for reduction in assessment may be obtained.

SEC. 4. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 343

An act to add Sections 1531.4, 1568.075, and 1569.6991 to the Health and Safety Code, relating to community and residential care facilities.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1531.4 is added to the Health and Safety Code, to read:

1531.4. On and after January 1, 1999, no security window bars may be installed or maintained on any community care facility unless the security window bars meet current state and local requirements, as applicable, for security window bars and safety release devices.

SEC. 2. Section 1568.075 is added to the Health and Safety Code, to read:

1568.075. On and after January 1, 1999, no security window bars may be installed or maintained on any residential care facility unless the security window bars meet current state and local requirements, as applicable, for security window bars and safety release devices.

SEC. 3. Section 1569.6991 is added to the Health and Safety Code, to read:

1569.6991. On and after January 1, 1999, no security window bars may be installed or maintained on any residential care facility for the elderly unless the security window bars meet current state and local requirements, as applicable, for security window bars and safety release devices.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 344

An act to amend Sections 15853, 15860, 15862.5, and 15864 of the Government Code, and to amend Sections 5003.17, 5006, and 5080.16 of the Public Resources Code, relating to parks and recreation.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 15853 of the Government Code is amended to read:

15853. (a) The board may select and acquire, in the name of and on behalf of the state, with the consent of the state agency concerned, the fee or any lesser right or interest in any real property necessary for any state purpose or function.

(b) If moneys are appropriated by the Budget Act for any fiscal year or by any other act for the acquisition of land or other real property, either (1) subject to this part or (2) for any state agency for whom property is acquired by the board, the moneys and acquisitions are subject to this part and the moneys shall be expended in accordance with this part, notwithstanding any other provisions of law.

(c) Notwithstanding any other provisions of law, all land and other real property to be acquired by or for any state agency, other than the Department of Transportation, the Department of Water Resources, the State Reclamation Board, the Department of Fish and Game, the Wildlife Conservation Board, the Public Employees' Retirement System, the State Teachers' Retirement System, the Department of Housing and Community Development, and the State Lands Commission, except for property to be acquired for the State Lands Commission pursuant to an appropriation from the General Fund, shall be acquired by the State Public Works Board in accordance with this part.

(d) (1) Notwithstanding subdivision (a), the board shall acquire, on behalf of and for the Department of Parks and Recreation, in accordance with this part, any interests in real property, including options to purchase, which have been appraised, selected, and settled through purchase negotiations by the Department of Parks and Recreation pursuant to subdivision (b) of Section 5006 of the Public Resources Code. Out of moneys appropriated for the acquisition of options to purchase, no more than ten thousand dollars ($10,000) may be expended for the acquisition of any single option unless otherwise provided by the Legislature.

(2) Notwithstanding Section 15854, purchase negotiations for interests in real property for the state park system pursuant to subdivision (d) of Section 5006 of the Public Resources Code shall be

initiated within six months of the effective date of the act that appropriates funds for the acquisition. Purchase negotiations on all projects not proposed pursuant to subdivision (d) of Section 5006 of the Public Resources Code shall be initiated within 12 months of the effective date of the act appropriating funds for the acquisition. Either title shall be conveyed or a written agreement to transfer title shall be executed within the appropriate authorization period unless the Department of Parks and Recreation formally abandons the acquisition prior to the conclusion of the appropriate authorization period. For the purposes of this section, in order for the Department of Parks and Recreation to "formally abandon" an acquisition, it shall transmit written notification to the board of its intent not to proceed with the acquisition.

(3) The board, at any time during the periods specified in paragraph (2), may commence condemnation proceedings if it finds it to be appropriate. However, if, during the appropriate authorization period, title is not conveyed or a written agreement to transfer title is not signed, the acquisition has not been formally abandoned, or condemnation proceedings have not been commenced, the Department of Parks and Recreation shall notify, by letter, the chair of the committee in each house of the Legislature that considers appropriations, the Chair of the Joint Legislative Budget Committee, and the Members of the Legislature within whose district any part of the land or other real property is located of the status of the acquisition. For the purpose of this paragraph, condemnation proceedings shall be deemed to be commenced as of the date the board authorizes acquisition by condemnation.

(4) The board may schedule special meetings as are necessary to expedite the acquisition of options to purchase real property for the state park system.

(e) The board may acquire furnishings that the owner thereof agrees to sell and that are contained within improvements acquired by the board. Cost of acquisition of furnishings shall be charged to the appropriation available for acquisition of the real property.

SEC. 2. Section 15860 of the Government Code is amended to read:

15860. (a) Any appropriation for the acquisition of real property pursuant to this part may be expended for the payment of all costs and expenses, including the cost of investigation and surveys, the fees and expenses of appraisers and expert witnesses, and the cost of title searches necessarily incurred in the examination, and the determination of the suitability of any real property to be acquired or under consideration for acquisition, or necessarily incurred in the course of acquisition of any such real property. Claims for costs and expenses shall be presented by the Director of General Services and shall be paid by the Controller.

(b) Notwithstanding subdivision (a), claims for those costs and expenses related to real property acquisitions by the Department of

Parks and Recreation, shall be presented by the Director of Parks and Recreation, and shall be paid by the Controller.

SEC. 3. Section 15862.5 of the Government Code is amended to read:

15862.5. Notwithstanding Section 15862, all real property or interest in real property acquired by the Department of Parks and Recreation pursuant to subdivision (d) of Section 15853 of the Government Code and Section 5006 of the Public Resources Code shall be under the jurisdiction of the Department of Parks and Recreation, immediately upon transfer of the title to the state. The Department of Parks and Recreation shall attempt to make the real property accessible and usable by the general public at the earliest possible time.

SEC. 4. Section 15864 of the Government Code is amended to read:

15864. (a) On behalf of the board, the Director of General Services shall file against any appropriation made for expenditure under this part all claims covering expenditures incurred in acquiring real property pursuant to the act by which the appropriation is made, and the Controller shall draw a warrant therefor.

(b) Notwithstanding subdivision (a), the Director of Parks and Recreation, on behalf of the board, shall file against any appropriation for expenditure under this part all claims covering expenditures incurred by the Department of Parks and Recreation in the acquisition of real property for the state park system pursuant to the act by which the appropriation is made, and the Controller shall draw a warrant therefor.

SEC. 5. Section 5003.17 of the Public Resources Code is amended to read:

5003.17. (a) The department may lease, for any use, all or any portion of any parcel of real property acquired for state park system purposes, if the director finds that the use would be compatible with the use of the real property as a unit or part of a unit and with the sound management and conservation of resources within the unit.

(b) Rent shall be based on the fair market value of the property when used for the purpose for which it is leased. All rent shall be deposited pursuant to Section 5010.

(c) The lease term shall not exceed 10 years. All leases are subject to the approval of the Department of General Services.

(d) No lease shall be entered into that extends beyond the 10-year period unless the Legislature has reviewed and approved the proposed lease as part of the annual budget process, or the Public Works Board has determined that the proposed lease could not have been presented to the Legislature for review and approval in the course of its consideration of the Budget Bill and that it would be adverse to the interests of the public to defer that review and approval to a time when the Legislature next considers a Budget Bill.

Upon making that determination, the board may review and approve the proposed lease after giving at least 20 days' written notice to the Chairperson of the Joint Legislative Budget Committee and to the chairperson of the fiscal and appropriate policy committees of its intended action. All actions taken by the board pursuant to this subdivision shall be reported to the Legislature in the next Governor's Budget.

SEC. 6. Section 5006 of the Public Resources Code is amended to read:

5006. (a) The department, with the consent of the Department of Finance, and subject to Section 15853 of the Government Code, may acquire title to or any interest in real property, including personal property incidental to the purchase of real property and options to purchase property, which the department deems necessary or proper for the extension, improvement, or development of the state park system. All real and personal property acquired by the department for the state park system shall be under the jurisdiction of the department immediately upon transfer of title to the state.

(b) (1) The department, pursuant to paragraph (1) of subdivision (d) of Section 15853 of the Government Code, may appraise and select real property for the purpose of acquiring an option to purchase the real property for the state park system. The department may utilize the services of the Real Estate Services Division of the Department of General Services or may contract with independent appraisers appropriately certified by the Office of Real Estate Appraisers, to assist in appraising property.

(2) The department, pursuant to paragraph (1) of subdivision (d) of Section 15853 of the Government Code, may appraise and select real property for potential acquisition of, and addition to, the state park system. The department may utilize the services of the Real Estate Services Division of the Department of General Services or may contract with independent appraisers appropriately certified by the Office of Real Estate Appraisers, to assist in appraising the property. Prior to appraising the property, the Department of Parks and Recreation shall notify the owners of the real property that the department is considering the real property for acquisition, and may have it appraised. The department shall determine the form and manner of giving the notice.

(3) The department, pursuant to paragraph (1) of subdivision (d) of Section 15853 of the Government Code, may select real property it has appraised and submit purchase offers and negotiate a purchase agreement with the owner or owners of the property. The department shall be responsible for implementing and processing the purchase agreement and conveyance of title to the state. The department may utilize the services of the Real Estate Services Division of the Department of General Services, or may contract with other state agencies with real estate and right-of-way acquisition

programs, to assist in negotiating purchase agreements and conveyance of title.

(c) Upon acquisition of real property for the state park system, the department shall be responsible for providing relocation assistance to displaced persons as provided under Chapter 16 (commencing with Section 7260) of Division 7 of Title 1 of the Government Code. The department may utilize the services of the Real Estate Services Division of the Department of General Services, or may contract with other state agencies or private consultants with real estate and right-of-way acquisition programs, to assist in relocation planning and implementation.

(d) (1) Requests for funding to administer the department's acquisition program shall be submitted by the department for inclusion in the Governor's Budget for each fiscal year.

(2) Requests for funding to acquire options to purchase real and personal property for the state park system shall be submitted by the department for inclusion in the Governor's Budget for each fiscal year based upon its estimate of the amount needed for that purpose. If an option to purchase real property for the state park system has been acquired, the funding proposed by the department shall be the appraised value of the property less the sum expended for the purchase of the option. The expenditure of the moneys shall be subject to the limitation specified in paragraph (1) of subdivision (d) of Section 15853 of the Government Code unless otherwise provided by the Legislature.

(3) Requests for funding to acquire real property or any interest in real property shall be submitted by the department for inclusion in the Governor's Budget for each fiscal year. The projects shall have been selected and appraised by the department pursuant to subdivision (b) prior to inclusion. The Governor's Budget shall contain a separate description of each project, or acquisition program and its appraised value, or funding allocation.

(e) The requirements imposed by subdivision (d) are in addition to any other provisions of law requiring the inclusion of state park system acquisition projects in the Governor's Budget.

(f) The department shall not enter into any purchase agreements for the acquisition of real property if the consideration to be paid by the department is in excess of five hundred thousand dollars ($500,000), unless Section 5006.1 has been complied with.

(g) Notwithstanding any other provision of law, all appraisals conducted by the department pursuant to this section shall be reviewed and approved by the Department of General Services or, at the discretion of the Department of General Services, a competent professional appraiser approved by the Department of General Services. Real property shall be appraised and appraisal review completed before commencement of purchasing negotiations. All contracts related to the acquisition of real property shall be reviewed

and approved by the Department of General Services pursuant to Section 11005 of the Government Code.

SEC. 7. Section 5080.16 of the Public Resources Code is amended to read:

5080.16. If the director determines that it is for the best interests of the state, the director, upon giving notice to the State Park and Recreation Commission, may negotiate or renegotiate a contract, including terms and conditions, when one or more of the following conditions exist:

(a) The bid process as prescribed in this article has failed to produce a best responsible bidder.

(b) The negotiation or renegotiation would constitute an extension of an existing contract obtained through the process required by this article and the extended contract would provide for substantial and additional concession facilities, which would be constructed at the sole expense of the concessionaire and which are set forth in the general plan for the unit and are needed to accommodate existing or projected increased public usage.

(c) Lands in the state park system administered by the department and lands under the legal control of the prospective concessionaire are so situated that the concession is dependent upon the use of those public and private lands for the physical or economic success, or both, of the concession.

(d) Whenever a concession is desired for particular interpretive purposes in a unit of the state park system and the prospective concessionaire possesses special knowledge, experience, skills, or ability appropriate to the particular interpretive purposes.

(e) Whenever the concession has been severely and adversely impacted through no fault of the concessionaire by an unanticipated calamity, park closure, major construction, or other harmful event or action.

(f) Whenever the estimated administrative costs for the bid process exceed the projected annual net rental revenue to the state.

CHAPTER 345

An act to amend Section 1126 of the Water Code, relating to water.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1126 of the Water Code is amended to read:

1126. (a) It is the intent of the Legislature that all issues relating to state water law decided by the board be reviewed in state courts, if a party seeks judicial review. It is further the intent of the

Legislature that the courts assert jurisdiction and exercise discretion to fashion appropriate remedies pursuant to Section 389 of the Code of Civil Procedure to facilitate the resolution of state water rights issues in state courts.

(b) Any party aggrieved by any decision or order may, not later than 30 days from the date of final action by the board, file a petition for a writ of mandate for review of the decision or order. Unless reconsideration makes available a higher level of review of a decision or order issued under authority delegated to an officer or employee of the board, the right to petition shall not be affected by the failure to seek reconsideration before the board. The time for filing the petition for writ of mandate shall be extended for any person who seeks reconsideration by the board pursuant to this article.

(c) Except as otherwise provided in this section, Section 1094.5 of the Code of Civil Procedure shall govern the judicial proceedings. For the purposes of subdivision (c) of Section 1094.5 of the Code of Civil Procedure, the court shall exercise its independent judgment on the evidence in any case involving the judicial review of a cease and desist order issued pursuant to Article 2 (commencing with Section 1831) of Chapter 12 of Part 2 of Division 2, and in any other case in which the court is authorized by law to exercise its independent judgment on the evidence.

(d) If no aggrieved party petitions for a writ of mandate within the time provided by this section, the decision or order of the board shall not be subject to review by any court.

(e) In any court case reviewing a decision or order by the state board relating to a permit or license to appropriate water held by the state through the department or any other state agency, or to a permit or license to appropriate water held by the United States through the Bureau of Reclamation or any other federal agency, the election by the United States, or any agency thereof, not to be a party shall not, in and of itself, be the basis for dismissal pursuant to Section 389 of the Code of Civil Procedure or any other provision of law.

CHAPTER 346

An act to amend Section 1262 of the Health and Safety Code, and to amend Sections 5768.5 and 14684 of the Welfare and Institutions Code, relating to mental health.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1262 of the Health and Safety Code is amended to read:

1262. (a) When a mental health patient is being discharged from one of the facilities specified in subdivision (c), the patient and the patient's conservator, guardian, or other legally authorized representative shall be given a written aftercare plan prior to the patient's discharge from the facility. The written aftercare plan shall include, to the extent known, all of the following components:

(1) The nature of the illness and followup required.

(2) Medications including side effects and dosage schedules. If the patient was given an informed consent form with his or her medications, the form shall satisfy the requirement for information on side effects of the medications.

(3) Expected course of recovery.

(4) Recommendations regarding treatment that are relevant to the patient's care.

(5) Referrals to providers of medical and mental health services.

(6) Other relevant information.

(b) The patient shall be advised by facility personnel that he or she may designate another person to receive a copy of the aftercare plan. A copy of the aftercare plan shall be given to any person designated by the patient.

(c) Subdivision (a) applies to all of the following facilities:

(1) A state mental hospital.

(2) A general acute care hospital as described in subdivision (a) of Section 1250.

(3) An acute psychiatric hospital as described in subdivision (b) of Section 1250.

(4) A psychiatric health facility as described in Section 1250.2.

(5) A mental health rehabilitation center as described in Section 5675 of the Welfare and Institutions Code.

(6) A skilled nursing facility with a special treatment program, as described in Section 51335 and Sections 72443 to 72475, inclusive, of Title 22 of the California Code of Regulations.

(d) For purposes of this section, "mental health patient" means a person who is admitted to the facility primarily for the diagnosis or treatment of a mental disorder.

SEC. 2. Section 5768.5 of the Welfare and Institutions Code is amended to read:

5768.5. (a) When a mental health patient is being discharged from any facility authorized under Section 5675 or 5768, the patient and the patient's conservator, guardian, or other legally authorized representative shall be given a written aftercare plan prior to the patient's discharge from the facility. The written aftercare plan shall include, to the extent known, the following components:

(1) The nature of the illness and followup required.

(2) Medications including side effects dosage schedules. If the patient was given an informed consent form with his or her medications, the form shall satisfy the requirement for information on side effects of the medications.

(3) Expected course of recovery.

(4) Recommendations regarding treatment that are relevant to the patient's care.

(5) Referrals to providers of medical and mental health services.

(6) Other relevant information.

(b) The patient shall be advised by facility personnel that he or she may designate another person to receive a copy of the aftercare plan. A copy of the aftercare plan shall be given to any person designated by the patient.

(c) For purposes of this section, "mental health patient" means a person who is admitted to the facility primarily for the diagnosis or treatment of a mental disorder.

SEC. 3. Section 14684 of the Welfare and Institutions Code is amended to read:

14684. Notwithstanding any other provision of state law, and to the extent permitted by federal law, mental health plans, whether administered by public or private entities, shall be governed by the following guidelines:

(a) State and federal Medi-Cal funds identified for the diagnosis and treatment of mental disorders shall be used solely for those purposes. Administrative costs shall be clearly identified and shall be limited to reasonable amounts in relation to the scope of services and the total funds available. Administrative requirements shall not impose costs exceeding funds available for that purpose.

(b) The development of the mental health plan shall include a public planning process that includes a significant role for Medi-Cal beneficiaries, family members, mental health advocates, providers, and public and private contract agencies.

(c) The mental health plan shall include appropriate standards relating to quality, access, and coordination of services within a managed system of care, and costs established under the plan, and shall provide opportunities for existing Medi-Cal providers to continue to provide services under the mental health plan, as long as the providers meet those standards.

(d) Continuity of care for current recipients of services shall be ensured in the transition to managed mental health care.

(e) Medi-Cal covered mental health services shall be provided in the beneficiary's home community, or as close as possible to the beneficiary's home community. Pursuant to the objectives of the rehabilitation option described in subdivision (a) of Section 14021.4, mental health services may be provided in a facility, a home, or other community-based site.

(f) Medi-Cal beneficiaries whose mental or emotional condition results or has resulted in functional impairment, as defined by the department, shall be eligible for covered mental health services. Emphasis shall be placed on adults with serious and persistent mental illness and children with serious emotional disturbances, as defined by the department.

(g) Each mental health plan shall include a mechanism for monitoring the effectiveness of, and evaluating accessibility and quality of, services available. The plan shall utilize and be based upon state-adopted performance outcome measures and shall include review of individual service plan procedures and practices, a beneficiary satisfaction component, and a grievance system for beneficiaries and providers.

(h) Each mental health plan shall provide for culturally competent and age-appropriate services, to the extent feasible. The mental health plan shall assess the cultural competency needs of the program. The mental health plan shall include, as part of the quality assurance program required by Section 4070, a process to accommodate the significant needs with reasonable timeliness. The department shall provide demographic data and technical assistance. Performance outcome measures shall include a reliable method of measuring and reporting the extent to which services are culturally competent and age-appropriate.

CHAPTER 347

An act to amend Sections 4027 and 4052 of the Business and Professions Code, relating to pharmacy.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 4027 of the Business and Professions Code is amended to read:

4027. (a) As used in this chapter, the terms "skilled nursing facility," "intermediate care facility," and other references to health facilities shall be construed with respect to the definitions contained in Article 1 (commencing with Section 1250) of Chapter 2 of Division 2 of the Health and Safety Code.

(b) As used in paragraph (4) of subdivision (a) of Section 4052, "licensed health care facility" means a facility licensed pursuant to Article 1 (commencing with Section 1250) of Chapter 2 of Division 2 of the Health and Safety Code or a facility, as defined in Section 1250 of the Health and Safety Code, operated by a health care service plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code.

(c) As used in paragraph (5) of subdivision (a) of Section 4052, "health care facility" means a facility, other than a facility licensed under Division 2 (commencing with Section 1200) of the Health and Safety Code, that is owned or operated by a health care service plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of

the Health and Safety Code, or by an organization under common ownership or control of the health care service plan; "licensed home health agency" means a private or public organization licensed by the State Department of Health Services pursuant to Chapter 8 (commencing with Section 1725) of Division 2 of the Health and Safety Code, as further defined in Section 1727 of the Health and Safety Code; and "licensed clinic" means a clinic licensed pursuant to Article 1 (commencing with Section 1200) of Chapter 1 of Division 2 of the Health and Safety Code.

(d) "Licensed health care facility" or "facility," as used in Section 4065, means a health facility licensed pursuant to Article 1 (commencing with Section 1250) of Chapter 2 of Division 2 of the Health and Safety Code or a facility that is owned or operated by a health care service plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code or by an organization under common ownership or control with the health care service plan.

SEC. 2. Section 4052 of the Business and Professions Code is amended to read:

4052. (a) Notwithstanding any other provision of law, a pharmacist may:

(1) Furnish a reasonable quantity of compounded medication to a prescriber for office use by the prescriber.

(2) Transmit a valid prescription to another pharmacist.

(3) Administer, orally or topically, drugs and biologicals pursuant to a prescriber's order.

(4) Perform the following procedures or functions in a licensed health care facility in accordance with policies, procedures, or protocols developed by health professionals, including physicians, pharmacists, and registered nurses, with the concurrence of the facility administrator:

(A) Ordering or performing routine drug therapy-related patient assessment procedures including temperature, pulse, and respiration.

(B) Ordering drug therapy-related laboratory tests.

(C) Administering drugs and biologicals by injection pursuant to a prescriber's order (the administration of immunizations under the supervision of a prescriber may also be performed outside of a licensed health care facility).

(D) Initiating or adjusting the drug regimen of a patient pursuant to an order or authorization made by the patient's prescriber and in accordance with the policies, procedures, or protocols of the licensed health care facility.

(5) (A) Perform the following procedures or functions as part of the care provided by a health care facility, a licensed home health agency, a licensed clinic in which there is physician oversight, or a provider who contracts with a licensed health care service plan with regard to the care or services provided to the enrollees of that health

care service plan, in accordance with policies, procedures, or protocols of that facility, home health agency, in accordance with subparagraph (D), licensed clinic, or health care service plan developed by health professionals, including physicians, pharmacists, and registered nurses, that, at a minimum shall require that the medical records of the patient be available to both the patient's prescriber and the pharmacist, and that the procedures to be performed by the pharmacist relate to a condition for which the patient has first seen a physician:

(i) Ordering or performing routine drug therapy-related patient assessment procedures including temperature, pulse, and respiration.

(ii) Ordering drug therapy related laboratory tests.

(iii) Administering drugs and biologicals by injection pursuant to a prescriber's order (the administration of immunizations under the supervision of a prescriber may also be performed outside of a licensed health care facility).

(iv) Adjusting the drug regimen of a patient pursuant to a specific written order or authorization made by the patient's prescriber for the individual patient, and in accordance with the policies, procedures, or protocols of the health care facility, home health agency, licensed clinic, or health care service plan. Adjusting the drug regimen does not include substituting or selecting a different drug, except as authorized by Section 4073.

(B) A patient's prescriber may prohibit, by written instruction, any adjustment or change in the patient's drug regimen by the pharmacist.

(C) The policies, procedures, or protocols referred to in this paragraph shall require that the pharmacist function as part of a multidisciplinary group that includes physicians and direct care registered nurses. The multidisciplinary group shall determine the appropriate participation of the pharmacist and the direct care registered nurse.

(D) A pharmacist performing any procedure authorized under this paragraph for a licensed home health agency shall perform the procedures in accordance with a written, patient-specific protocol approved by the treating or supervising physician. Any change, adjustment, or modification of an approved preexisting treatment or drug therapy shall be provided in writing to the treating or supervising physician within 24 hours.

(6) Manufacture, measure, fit to the patient, or sell and repair dangerous devices or furnish instructions to the patient or the patient's representative concerning the use of those devices.

(7) Provide consultation to patients and professional information, including clinical or pharmacological information, advice, or consultation to other health care professionals.

(b) Prior to performing any procedure authorized by paragraph (4) of subdivision (a), a pharmacist shall have received appropriate

training as prescribed in the policies and procedures of the licensed health care facility. Prior to performing any procedure authorized by paragraph (5) of subdivision (a), a pharmacist shall have either (1) successfully completed clinical residency training or (2) demonstrated clinical experience in direct patient care delivery.

(c) Nothing in this section shall affect the requirements of existing law relating to maintaining the confidentiality of medical records.

(d) Nothing in this section shall affect the requirements of existing law relating to the licensing of a health care facility.

CHAPTER 348

An act to add Chapter 29 (commencing with Section 22930) to Division 8 of the Business and Professions Code, relating to donated property.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Chapter 29 (commencing with Section 22930) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 29. DONATED PROPERTY

22930. (a) If a nonprofit organization engaged in any solicitation of personal property or sales solicitation for charitable purposes, or a commercial fundraiser, as defined in Section 12599 of the Government Code, solicits the donation of personal property for charitable purposes, the donation of which may be deductible pursuant to Section 17201 of the Revenue and Taxation Code, and the nonprofit organization or commercial fundraiser states either in writing or verbally the percentage of the donation that will be available or used for charitable purposes, the nonprofit organization or commercial fundraiser shall calculate, on an annual basis, that percentage based on the gross amount received from the disposition of the property, and the net amount paid to the charity for its programs, after subtracting the cost incurred by the nonprofit organization, the commercial fundraiser, or any other entity acting on behalf of the nonprofit organization to solicit, acquire, modify, and dispose of the property and any net income retained by the commercial fundraiser or any other entity acting on behalf of the nonprofit organization.

(b) If a person donates a motor vehicle, aircraft, or vessel to a nonprofit organization engaged in any solicitation or sales solicitation for charitable purposes or to a commercial fundraiser for charitable

purposes, as defined in Section 12599 of the Government Code, and the donation may be deductible pursuant to Section 17201 of the Revenue and Taxation Code, the nonprofit organization or commercial fundraiser shall send the donor a receipt for that property within 90 days from the date of the donation. The receipt shall describe the donated property in terms of its model, age, level of use, including, but not limited to, the mileage, in the case of a vehicle, and condition, and whether a visual inspection by the nonprofit organization or commercial fundraiser, or a representative of the nonprofit organization or commercial fundraiser, indicated that there were any readily apparent defects that would materially reduce the value of the property. The receipt shall also include the date the donation was made and shall indicate whether the property was operable or inoperable at the time of the donation.

(c) If the donated property is sold prior to the issuance of the receipt described in subdivision (b), the receipt issued pursuant to subdivision (b) shall also include all of the following:

(1) The date the property was sold.

(2) If the property was sold to a dismantler, the amount paid to the nonprofit organization or commercial fundraiser for the property.

(3) If the property was altered subsequent to the donation and the alteration affected the value of the property, a statement that the property was altered and whether the alteration increased or decreased the value of the property.

(d) The nonprofit organization or the commercial fundraiser shall retain a copy of the receipt for its records.

(e) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

CHAPTER 349

An act to add Sections 24306.7, 24307.5, and 24312 to, and to amend, repeal, and add Sections 24300, 24306, and 24307 of, the Education Code, relating to the State Teachers' Retirement System.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 24300 of the Education Code is amended to read:

24300. (a) Any member prior to the effective date of the member's retirement may elect an option that would provide an

actuarially modified retirement allowance payable throughout the life of the member and his or her option beneficiary as follows:

(1) Option 2. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to the modified amount the retired member was receiving shall be paid to the option beneficiary.

(2) Option 3. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to one-half of the modified amount the retired member was receiving shall be paid to the option beneficiary.

(3) Option 4. The modified retirement allowance shall be paid to the retired member as long as both the retired member and the option beneficiary are living. Upon the death of either the retired member or the option beneficiary, an allowance equal to two-thirds of the modified amount that the retired member was receiving shall be paid to the surviving retired member or the surviving option beneficiary.

(4) Option 5. The modified retirement allowance shall be paid to the retired member as long as both the retired member and the option beneficiary are living. Upon the death of either the retired member or the option beneficiary, an allowance equal to one-half of the modified amount that the retired member was receiving shall be paid to the surviving retired member or surviving option beneficiary.

(5) Option 6. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to the modified amount the retired member was receiving shall be paid to the option beneficiary. However, if the option beneficiary predeceases the retired member, the retirement allowance without modification for the option shall be payable to the retired member.

(6) Option 7. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to one-half of the modified amount the retired member was receiving shall be paid to the option beneficiary. However, if the option beneficiary predeceases the retired member, the retirement allowance without modification for the option shall be payable to the retired member.

(b) The option beneficiary, for purposes of this section, shall have been designated by the member on a form prescribed by the system and duly executed and filed with the system at the time of the member's retirement.

(c) A member may revoke or change an election of an option at any time prior to the effective date of the member's retirement.

(d) This section shall remain in effect only until January 1, 2000, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2000, deletes or extends that date.

SEC. 2. Section 24300 is added to the Education Code, to read:

24300. (a) Any member prior to the effective date of the member's retirement may elect an option that would provide an actuarially modified retirement allowance payable throughout the life of the member and his or her option beneficiary as follows:

(1) Option 2. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to the modified amount the retired member was receiving shall be paid to the option beneficiary

(2) Option 3. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to one-half of the modified amount the retired member was receiving shall be paid to the option beneficiary.

(3) Option 4. The modified retirement allowance shall be paid to the retired member as long as both the retired member and the option beneficiary are living. Upon the death of either the retired member or the option beneficiary, an allowance equal to two-thirds of the modified amount that the retired member was receiving shall be paid to the surviving retired member or the surviving option beneficiary.

(4) Option 5. The modified retirement allowance shall be paid to the retired member as long as both the retired member and the option beneficiary are living. Upon the death of either the retired member or the option beneficiary, an allowance equal to one-half of the modified amount that the retired member was receiving shall be paid to the surviving retired member or surviving option beneficiary.

(5) Option 6. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to the modified amount the retired member was receiving shall be paid to the option beneficiary. However, if the option beneficiary predeceases the retired member, the retirement allowance without modification for the option shall be payable to the retired member.

(6) Option 7. The modified retirement allowance shall be paid to the retired member and upon the retired member's death, an allowance equal to one-half of the modified amount the retired member was receiving shall be paid to the option beneficiary. However, if the option beneficiary predeceases the retired member, the retirement allowance without modification for the option shall be payable to the retired member.

(7) Option 8. (A) Any member prior to the effective date of the member's retirement may designate multiple option beneficiaries. The member who has designated more than one option beneficiary shall select an option for each beneficiary designated that would provide an actuarially modified retirement allowance payable throughout the life of the member and his or her option beneficiaries.

(B) The modified retirement allowance shall be paid to the retired member as long as the retired member and at least one of the option beneficiaries are living. Upon the retired member's death, an

allowance shall be paid to each surviving option beneficiary in accordance with the option elected respective to that beneficiary. However, if one or more of the option beneficiaries predeceases the retired member, the retired member's allowance shall be adjusted in accordance with the option elected for the deceased beneficiary. The member shall determine the percentage of the unmodified allowance that will be modified by the election of Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 under this option, the aggregate of which shall be no greater than 100 percent of the member's unmodified allowance. The election of this option is subject to approval by the board.

(b) The option beneficiary, for purposes of this section, shall have been designated by the member on a form prescribed by the system and duly executed and filed with the system at the time of the member's retirement.

(c) A member may revoke or change an election of an option at any time prior to the effective date of the member's retirement.

(d) This section shall become operative on January 1, 2000.

SEC. 3. Section 24306 of the Education Code is amended to read:

24306. (a) (1) If the option beneficiary designated at the time the option was elected predeceases the retired member, a retired member who elected Option 2, Option 3, Option 4, or Option 5 may designate either or both of the following:

(A) A new option beneficiary.

(B) A different joint and survivor option described in Section 24300.

(2) The effective date of the change shall be one year following the date notification is received by the board, provided both the retired member and the designated option beneficiary are then living. Notification shall include proof of death of the predeceased beneficiary and a properly executed form for the change.

(3) The selection of the new joint and survivor option under this subdivision and Section 24300 is subject to an actuarial modification in the amount of the retirement allowance. However, a retired member may not elect a joint and survivor option that would result in any additional liability to the fund.

(b) If the option beneficiary designated in the election of an Option 6 or Option 7 pursuant to Section 24300 or Section 24307 dies after the member's retirement, the retirement allowance without modification for the option shall be payable to the retired member upon notification to the board and shall commence to accrue to the retired member as of the day following the date of the death of the option beneficiary. Notification to the board shall include proof of death of the beneficiary.

(c) This section shall remain in effect only until January 1, 2000, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2000, deletes or extends that date.

SEC. 4. Section 24306 is added to the Education Code, to read:

24306. (a) (1) If an option beneficiary designated in the election of an Option 2, Option 3, Option 4, or Option 5, or in the election of Option 2, Option 3, Option 4, or Option 5 under Option 8, predeceases the retired member, the retired member may designate either or both of the following:

(A) A new option beneficiary.

(B) A different joint and survivor option described in Section 24300.

(2) The effective date of the change shall be one year following the date notification is received by the board, provided both the retired member and the designated option beneficiary are then living. Notification shall include proof of death of the predeceased beneficiary and a properly executed form for the change.

(3) The selection of the new joint and survivor option under this subdivision and Section 24300 is subject to a further actuarial modification of the modified retirement allowance. In no event may a retired member elect a joint and survivor option that would result in any additional liability to the fund.

(b) If an option beneficiary designated in the election of an Option 6 or Option 7 or in the election of Option 6 or Option 7 under Option 8, pursuant to Section 24300 or 24307 predeceases the retired member, that portion of the retirement allowance attributable to Option 6 or Option 7 without modification for the option shall be payable to the retired member upon notification to the board and shall commence to accrue to the retired member as of the day following the date of the death of the option beneficiary. Notification to the board shall include proof of death of the beneficiary.

(c) This section shall become operative on January 1, 2000.

SEC. 5. Section 24306.7 is added to the Education Code, to read:

24306.7. (a) Any member who retired for service under Option 4 or Option 5 with an effective date prior to January 1, 1991, may elect to change Option 4 to Option 6 or Option 5 to Option 7 if all of the following conditions are met:

(1) The election is made during the three-month period commencing January 1, 1999, and ending March 31, 1999.

(2) The same beneficiary under Option 4 or Option 5 is named as beneficiary under Option 6 or Option 7.

(3) The change in options is consistent with Sections 22453 and 24305.

(4) The option beneficiary is not afflicted with any known terminal illness.

(5) The option beneficiary has not predeceased the retired member as of the effective date of the change in option.

(6) The election to change the option under this section is received in the system's office in Sacramento at least 30 days prior to the death of the option beneficiary.

(b) Failure to satisfy all of the conditions in subdivision (a) shall render the change of election invalid.

(c) The change in options under this section shall be effective on the date the election is signed, provided all the conditions set forth in subdivision (a) are satisfied and the election is received at the system's office in Sacramento within 30 days after the date of the signature.

(d) The selection of a new joint and survivor option under this section is subject to a further modification of the modified retirement allowance. In no event may a retired member elect a joint and survivor option that would result in any additional liability to the fund.

SEC. 6. Section 24307 of the Education Code is amended to read:

24307. (a) A member who qualifies to apply for retirement under Section 24201 or Section 24203 may make a preretirement election of an option, as provided in Section 24300 without right of revocation or change after the effective date of retirement, except as provided in this part. The preretirement election of an option shall become effective on the date the election is signed, providing the election is received in the system's office in Sacramento within 30 days after the date of signature.

(b) Upon the member's death, prior to the effective date of retirement, the beneficiary who was designated under the option elected and who survives shall receive an allowance calculated under the option, upon the assumption that the member retired for service on the date of death. The payment of the allowance to the option beneficiary shall be in lieu of the family allowance provided in Section 23804, the payment provided in paragraph (1) of subdivision (a) of Section 23802, the survivor benefit allowance provided in Section 23854, and the payment provided in subdivisions (a) and (b) of Section 23852, except that if the beneficiary dies before all of the member's accumulated retirement contributions are paid, the balance, if any, shall be paid to the estate of the person last receiving or entitled to receive the allowance. The accumulated annuity deposit contributions and the death payment provided in Sections 23801 and 23851, shall be paid to the beneficiary in a lump sum.

(c) If the member subsequently retires for service, and the elected option has not been canceled pursuant to Section 24309, a modified service retirement allowance computed under Section 24300 and the option elected shall be paid.

(d) The amount of the service retirement allowance prior to applying the option factor shall be calculated as of the earlier of the member's age at death before retirement, or age on the last day of the month in which the member requested service retirement be effective. The modification of the service retirement allowance under the option elected shall be based on the ages of the member and the beneficiary designated under the option, at the date the election was signed.

(e) A member who terminates the service retirement allowance pursuant to Section 24208 shall not be eligible to file a preretirement

election of an option until one calendar year elapses from the date the allowance is terminated.

(f) The system shall inform members who are qualified to make application for a preretirement election of an option, through the annual statements of account, that the option is available.

(g) This section shall remain in effect only until January 1, 2000, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2000, deletes or extends that date.

SEC. 7. Section 24307 is added to the Education Code, to read:

24307. (a) A member who qualifies to apply for retirement under Section 24201 or 24203 may make a preretirement election of an option, as provided in Section 24300 without right of revocation or change after the effective date of retirement, except as provided in this part. The preretirement election of an option shall become effective on the date the election is signed, providing the election is received in the system's office in Sacramento within 30 days after the date of signature.

(b) A member who elects a preretirement election of an Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 may subsequently make a preretirement election of Option 8. The member may retain the same option and the same option beneficiary as named in the prior preretirement election, as an option under Option 8.

(c) Upon the member's death, prior to the effective date of retirement, the beneficiary who was designated under the option elected and who survives shall receive an allowance calculated under the option, upon the assumption that the member retired for service on the date of death. The payment of the allowance to the option beneficiary shall be in lieu of the family allowance provided in Section 23804, the payment provided in paragraph (1) of subdivision (a) of Section 23802, the survivor benefit allowance provided in Section 23854, and the payment provided in subdivisions (a) and (b) of Section 23852, except that if the beneficiary dies before all of the member's accumulated retirement contributions are paid, the balance, if any, shall be paid to the estate of the person last receiving or entitled to receive the allowance. The accumulated annuity deposit contributions and the death payment provided in Sections 23801 and 23851, shall be paid to the beneficiary in a lump sum.

(d) If the member subsequently retires for service, and the elected option has not been canceled pursuant to Section 24309, a modified service retirement allowance computed under Section 24300 and the option elected shall be paid.

(e) The amount of the service retirement allowance prior to applying the option factor shall be calculated as of the earlier of the member's age at death before retirement, or age on the last day of the month in which the member requested service retirement be effective. The modification of the service retirement allowance under the option elected shall be based on the ages of the member

and the beneficiary designated under the option, at the date the election was signed.

(f) A member who terminates the service retirement allowance pursuant to Section 24208 shall not be eligible to file a preretirement election of an option until one calendar year elapses from the date the allowance is terminated.

(g) The system shall inform members who are qualified to make application for a preretirement election of an option, through the annual statements of account, that the option is available.

(h) This section shall become operative on January 1, 2000.

SEC. 8. Section 24307.5 is added to the Education Code, to read:

24307.5. Upon retirement for service, the member who filed a preretirement election of an option under Section 24307 shall have his or her allowance modified by the greater of the option factor as of the effective date of the preretirement election, or the option factor at the time the member's retirement became effective.

SEC. 9. Section 24312 is added to the Education Code, to read:

24312. (a) A member who has a preretirement election of an option in effect on December 31, 1999, may change his or her preretirement election of Option 2, Option 3, Option 4, Option 5, Option 6 or Option 7 to Option 8 without the allowance reduction prescribed in Sections 24309 and 24310, provided the change is made on or after January 1, 2000, and prior to the earlier of July 1, 2000, or the member's effective date of retirement.

(b) If the member elects to change his or her option under this section then the member shall retain the same option and the same option beneficiary as named in the prior preretirement election of an option as one of the options under Option 8. The election to change the preretirement election under this section shall be void if not received in the system's office in Sacramento at least 30 days prior to the death of the option beneficiary.

(c) This section shall become operative on January 1, 2000.

CHAPTER 350

An act to amend Section 25174.6 of the Health and Safety Code, and to amend Sections 41052.1, 43452, 43522, 50157, 60501, and 60503 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor August 21, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 25174.6 of the Health and Safety Code is amended to read:

25174.6. (a) The fee provided in Section 25174.1 shall be calculated pursuant to the requirements of this section with regard to the manner in which the hazardous waste exists at the time of disposal in this state. The following procedures shall be used for determining these fees, if the hazardous waste is not otherwise exempt from the fees imposed pursuant to this article:

(1) For RCRA hazardous wastes generated in a remedial action, a removal action, or a corrective action taken pursuant to this chapter, Chapter 6.7 (commencing with Section 25280), Chapter 6.75 (commencing with Section 25299.10), or Chapter 6.8 (commencing with Section 25300), or generated in any other required or voluntary cleanup, removal, or remediation of a hazardous substance or RCRA hazardous waste, the following fees shall be paid for each ton, or fraction thereof, of hazardous waste disposed of in this state:

(A) Except as provided in subparagraph (B), for RCRA hazardous waste that is disposed of in compliance with land disposal restriction treatment standards adopted by the Environmental Protection Agency in Part 268 (commencing with Section 268.1) of Title 40 of the Code of Federal Regulations at the time of disposal, a fee of twenty-two dollars ($22) per ton.

(B) For RCRA hazardous waste subject to this paragraph that is treated so that the waste is no longer a RCRA hazardous waste at the time of disposal, the following fees shall be paid:

(i) For waste that is a non-RCRA hazardous waste, a fee of four dollars ($4) per ton.

(ii) For waste that is no longer a hazardous waste, a fee of one dollar and fifty cents ($1.50) per ton.

(2) For all other RCRA hazardous waste not subject to paragraph (1), the following fees shall be paid for each ton, or fraction thereof, of hazardous waste, disposed of in this state:

(A) If the RCRA hazardous waste is disposed of in compliance with land disposal restriction treatment standards adopted by the Environmental Protection Agency in Part 268 (commencing with Section 268.1) of Title 40 of the Code of Federal Regulations at the time of disposal, a fee of thirty-two dollars ($32) shall be paid per ton.

(B) If the RCRA hazardous waste is treated so that the waste is no longer a RCRA hazardous waste at the time of disposal, the following fees shall be paid:

(i) For waste that is a non-RCRA hazardous waste, a fee of twelve dollars and fifty cents ($12.50) per ton.

(ii) For waste that is no longer a hazardous waste, a fee of one dollar and fifty cents ($1.50) per ton.

(3) The following fees shall be paid for each ton, or fraction thereof, for up to the first 5,000 tons, of the following hazardous wastes disposed of, or submitted for disposal, in this state, at each specific offsite facility by each producer, or at each specific onsite facility per month, if the hazardous wastes are not otherwise subject to the fee specified in paragraph (5):

(A) For a hazardous waste that is a non-RCRA hazardous waste at the time of disposal, other than asbestos, that is generated in a remedial action, a removal action, or a corrective action taken pursuant to this chapter, Chapter 6.7 (commencing with Section 25280), Chapter 6.75 (commencing with Section 25299.10), or Chapter 6.8 (commencing with Section 25300), or generated in any other required or voluntary cleanup, removal, or remediation of a hazardous substance or non-RCRA hazardous waste, a fee of one dollar ($1) per ton.

(B) For all other hazardous wastes that are non-RCRA hazardous waste at the time of disposal, a fee of ten dollars and fifty cents ($10.50) per ton.

(4) For each ton, or fraction thereof, for up to the first 5,000 tons of hazardous waste disposed of, or submitted for disposal, in this state, at each specific offsite facility by each producer, or at each specific onsite facility, per month, that results from the extraction, beneficiation, and processing of ores and minerals, including phosphate rock and the overburden from the mining of uranium ore, and which is not otherwise subject to the fee specified in paragraph (5), a fee of ten dollars and fifty cents ($10.50) per ton.

(5) A fee of two hundred dollars ($200) per ton shall be paid for each ton, or fraction thereof, of the following types of hazardous wastes disposed of in this state:

(A) Hazardous waste that is extremely hazardous waste at the time of disposal.

(B) Hazardous waste that is a restricted hazardous waste listed in subdivision (b) of Section 25122.7 at the time of disposal.

(6) (A) Four dollars ($4) shall be paid for each ton, or fraction thereof, of hazardous waste disposed of, or submitted for disposal, in this state, that is a solid hazardous waste residue resulting from incineration or dechlorination.

(B) No fees shall be imposed pursuant to this paragraph on a solid hazardous waste residue resulting from incineration or dechlorination that is disposed of, or submitted for disposal, outside this state.

(b) The amount of fees payable to the State Board of Equalization pursuant to this section shall be calculated using the total wet weight, measured in tons or fractions thereof, of the hazardous waste in the form in which the hazardous waste exists at the time of disposal, or application to land using a land disposal method, as defined in Section 66260.10 of Title 22 of the California Code of Regulations, as that section read on January 1, 1998. However, the weight of any nonhazardous reagents or treatment additives added to the hazardous waste, after it has been submitted for disposal, for purposes of rendering the hazardous waste less hazardous, shall not be included in those calculations.

(c) All fees imposed pursuant to this section shall be paid in accordance with part 22 (commencing with Section 43001) of Division 2 of the Revenue and Taxation Code.

(d) The disposal fee rates specified in this section shall be the rates for the period of January 1, 1998, to December 31, 1998. Beginning with calendar year 1999, and for each year thereafter, the State Board of Equalization shall, at the request of the department, adjust those rates to reflect increases or decreases in the cost of living during the prior fiscal year, as measured by the Department of Industrial Relations or a successor agency.

(e) This section shall become operative on January 1, 1998, and shall remain in effect only until January 1, 2001, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2001, deletes or extends that date.

SEC. 2. Section 41052.1 of the Revenue and Taxation Code is amended to read:

41052.1. If the board deems it necessary in order to ensure payment or to facilitate the collection by the state of the amount of taxes, the board may require returns and payment of the amount of surcharges for a calendar quarter or calendar year period.

SEC. 3. Section 43452 of the Revenue and Taxation Code is amended to read:

43452. (a) Except as provided in subdivisions (b), (e), and (f), no refund shall be approved by the board after three years from the date the taxes were due and payable for the period for which the overpayment was made, or, with respect to determinations made under Article 2 (commencing with Section 43201) of Chapter 3, after six months from the date the determinations become final, or after six months from the date of overpayment, whichever period expires later, unless a claim therefor is filed with the board within that period. Except as provided in subdivisions (e) and (f), no credit shall be approved by the board after the expiration of that period, unless a claim for credit is filed with the board within that period or unless the credit relates to a period for which a waiver is given pursuant to Section 43204.

(b) A refund may be approved by the board for any period for which a waiver is given under Section 43204 if a claim therefor is filed with the board before the expiration of the period agreed upon.

(c) Every claim for refund or credit shall be in writing and shall state the specific grounds upon which the claim is founded.

(d) No claim for refund of taxes paid under this part shall be accepted, considered, or approved by the board if the claim is founded upon the grounds that the director has improperly or erroneously determined that any substance is a hazardous or extremely hazardous waste. Any appeal of a determination that a substance is a hazardous or extremely hazardous waste shall be made to the director.

(e) Notwithstanding subdivision (a), the board may within 90 days from the date of final board action or final judicial action, whichever is later, concerning liability for the fee imposed pursuant to Section 25205.5 of the Health and Safety Code, grant a refund or apply a credit pursuant to Section 43451 for any amount of tax, penalty, or interest that has been overpaid concerning a fee imposed pursuant to Section 25205.2 of the Health and Safety Code, if the taxpayer has paid or is being assessed a fee imposed pursuant to Section 25205.5 of the Health and Safety Code for the same period and site.

(f) Notwithstanding subdivision (a), the board may, within 90 days from the date of final board action or final judicial action, whichever is later, concerning liability for the fee imposed pursuant to Section 25205.2 of the Health and Safety Code, grant a refund or apply a credit pursuant to Section 43451 for any amount of tax, penalty, or interest that has been overpaid concerning a fee imposed pursuant to Section 25205.5 of the Health and Safety Code, if the taxpayer has paid or is being assessed a fee imposed pursuant to Section 25205.2 of the Health and Safety Code for the same period and site.

(g) Any overpayment of the fee imposed by Section 25174.1 of the Health and Safety Code by a person submitting hazardous waste for disposal to a hazardous waste facility at which hazardous wastes are disposed who is required to collect the fee shall be credited or refunded by the state to the person who submitted the hazardous waste for disposal. However, if the facility has paid the amount to the board and establishes to the satisfaction of the board that it has not collected the amount from the person submitting the hazardous waste for disposal or has refunded the amount to that person, the overpayment may be credited or refunded by the state to the facility.

SEC. 4. Section 43522 of the Revenue and Taxation Code is amended to read:

43522. (a) It is the intent of the Legislature that the State Board of Equalization, its staff, and the Attorney General pursue settlements as authorized under this section with respect to civil tax matters in dispute that are the subject of protests, appeals, or refund claims, consistent with a reasonable evaluation of the costs and risks associated with litigation of these matters.

(b) (1) Subject to paragraph (2), the executive director or chief counsel, if authorized by the executive director, of the board may recommend to the State Board of Equalization, itself, a settlement of any civil tax matter in dispute which arises under Section 105190 or 105310 of the Health and Safety Code.

(2) No recommendation of settlement shall be submitted to the board unless and until that recommendation has been submitted by the executive director or chief counsel to the Attorney General. Within 30 days of receiving that recommendation, the Attorney General shall review the recommendation and advise, in writing, the

executive director or chief counsel of the board of his or her conclusions as to whether the recommendation is reasonable from an overall perspective. The executive director or chief counsel shall, with each recommendation of settlement submitted to the board, also submit the Attorney General's written conclusions obtained pursuant to this paragraph.

(c) Whenever a reduction of tax in settlement in excess of five hundred dollars ($500) is approved pursuant to this section, there shall be placed on file in the office of the executive director of the board a public record with respect to that settlement. The public record shall include all of the following information:

(1) The name or names of the taxpayers who are parties to the settlement.

(2) The total amount in dispute.

(3) The amount agreed to pursuant to the settlement.

(4) A summary of the reasons why the settlement is in the best interests of the State of California.

(5) The Attorney General's conclusion as to whether the recommendation of settlement was reasonable from an overall perspective.

The public record shall not include any information that relates to any trade secret, patent, process, style of work, apparatus, business secret, or organizational structure that, if disclosed, would adversely affect the taxpayer or the national defense.

(d) The members of the State Board of Equalization shall not participate in the settlement of tax matters pursuant to this section, except as provided in subdivision (e).

(e) (1) Any recommendation for settlement shall be approved or disapproved by the board, itself, within 45 days of the submission of that recommendation to the board. Any recommendation for settlement that is not either approved or disapproved by the board within 45 days of the submission of that recommendation shall be deemed approved. Upon approval of a recommendation for settlement, the matter shall be referred back to the executive director or chief counsel in accordance with the decision of the board.

(2) Disapproval of a recommendation for settlement shall be made only by a majority vote of the board. Where the board disapproves a recommendation for settlement, the matter shall be remanded to board staff for further negotiation, and may be resubmitted to the board, in the same manner and subject to the same requirements as the initial submission, at the discretion of the executive director or chief counsel.

(f) All settlements entered into pursuant to this section shall be final and nonappealable, except upon a showing of fraud or misrepresentation with respect to a material fact.

(g) Any proceedings undertaken by the board itself pursuant to a settlement as described in this section shall be conducted in a closed session or sessions. Except as provided in subdivision (c), any

settlement entered into pursuant to this section shall constitute confidential tax information for purposes of Section 43651.

(h) This section shall apply only to civil tax matters in dispute on or after the effective date of the act adding this subdivision.

(i) The Legislature finds that it is essential for fiscal purposes that the settlement program authorized by this section be expeditiously implemented. Accordingly, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any determination, rule, notice, or guideline established or issued by the board in implementing and administering the settlement program authorized by this section.

SEC. 5. Section 50157 of the Revenue and Taxation Code is amended to read:

50157. All fees, interest, and penalties imposed, and all amounts of fees required to be paid to the state pursuant to Section 50108 shall be paid to the board in the form of remittances payable to the State Board of Equalization of the State of California. The board shall transmit the payments to the Treasurer to be deposited in the Underground Storage Tank Cleanup Fund in the State Treasury.

SEC. 6. Section 60501 of the Revenue and Taxation Code is amended to read:

60501. Persons who have paid a tax for diesel fuel lost, sold as provided in paragraph (4) of subdivision (a), or used in a nontaxable use, other than on a farm for farming purposes or in an exempt bus operation, shall, except as otherwise provided in this part, be reimbursed and repaid the amount of the tax.

(a) A claim for refund with respect to diesel fuel is allowed under this section only if all of the following apply:

(1) Tax was imposed on the diesel fuel to which the claim relates.

(2) The claimant bought or produced the diesel fuel and did not sell or resell it in this state except as provided in paragraph (4) of subdivision (a).

(3) The claimant has filed a timely claim for refund that contains the information required under subdivision (b) and the claim is supported by the original invoice showing the purchase. If no original invoice was created, electronic invoicing shall be accepted as reflected by a computerized facsimile when accompanied by an original copy of the bill of lading or fuel manifest that can be directly tied to the electronic invoice.

(4) The diesel fuel was any of the following:

(A) Used for purposes other than operating motor vehicles upon the public highways of the state.

(B) Exported for use outside of this state. Diesel fuel carried from this state in the fuel tank of a motor vehicle is not deemed to be exported from this state unless the diesel fuel becomes subject to tax as an import under the laws of the destination state.

(C) Used in any construction equipment that is exempt from vehicle registration pursuant to the Vehicle Code, while operated within the confines and limits of a construction project.

(D) Used in the operation of a motor vehicle on any highway that is under the jurisdiction of the United States Department of Agriculture and with respect to the use of the highway the claimant pays, or contributes to, the cost of construction or maintenance thereof pursuant to an agreement with, or permission of, the United States Department of Agriculture.

(E) Used in any motor vehicle owned by any county, city and county, city, district, or other political subdivision or public agency when operated by it over any highway constructed and maintained by the United States or any department or agency thereof within a military reservation in this state. If the motor vehicle is operated both over the highway and over a public highway outside the military reservation in a continuous trip the tax shall not be refunded as to that portion of the diesel fuel used to operate the vehicle over the public highway outside the military reservation.

Nothing contained in this section shall be construed as a refund of the tax for the use of diesel fuel in any motor vehicle operated upon a public highway within a military reservation, which highway is constructed or maintained by this state or any political subdivision thereof.

As used in this section, "military reservation" includes any establishment of the United States government or any agency thereof used by the armed forces of the United States for military, air, or naval operations, including research projects.

(F) Sold by a supplier to any consulate officer or consulate employee under circumstances which would have entitled the supplier to an exemption under paragraph (6) of subdivision (a) of Section 60100 if the supplier had sold the diesel fuel directly to the consulate officer or consulate employee.

(G) Lost in the ordinary course of handling, transportation, or storage.

(H) Sold by a person to the United States and its agencies and instrumentalities under circumstances that would have entitled that person to an exemption from the payment of diesel fuel tax under Section 60100 had that person been the supplier of this diesel fuel.

(I) Sold by a person to a train operator for use in a diesel-powered train or for other off-highway use under circumstances that would have entitled that person to an exemption from the payment of diesel fuel tax under Section 60100 had that person been the supplier of this diesel fuel.

(b) Each claim for refund under this section shall contain the following information with respect to all of the diesel fuel covered by the claim:

(1) The name, address, telephone number, and permit number of the person that sold the diesel fuel to the claimant and the date of the purchase.

(2) A statement by the claimant that the diesel fuel covered by the claim did not contain visible evidence of dye.

(3) A statement, which may appear on the invoice or similar document, by the person that sold the diesel fuel to the claimant that the diesel fuel sold did not contain visible evidence of dye.

(4) The total amount of diesel fuel covered by the claim.

(5) The use made of the diesel fuel covered by the claim described by reference to specific categories listed in paragraph (4) of subdivision (a).

(6) If the diesel fuel covered by the claim was exported, a statement that the claimant has the proof of exportation.

(c) Each claim for refund under this section shall be made on a form prescribed by the board and shall be filed for a calendar year. If, at the close of any of the first three quarters of the calendar year, more than seven hundred fifty dollars ($750) is refundable under this section with respect to diesel fuel used or exported during that quarter or any prior quarter during the calendar year, and for which no other claim has been filed, a claim may be filed for the quarterly period. To facilitate the administration of this section, the board may require the filing of claims for refund for other than yearly periods.

SEC. 7. Section 60503 of the Revenue and Taxation Code is amended to read:

60503. (a) The certificate to be provided to the ultimate vendor consists of a statement that is signed under penalty of perjury by a person with authority to bind the buyer. A new certificate shall be given if any information in the current certificate changes. The certificate may be included as part of any business records normally used to document a sale. The certificate expires on the earliest of the following dates:

(1) The date one year after the effective date of the certificate.

(2) The date a new certificate is provided to the seller.

(b) An exemption certificate for diesel fuel used on a farm for farming purposes or for diesel fuel used in an exempt bus operation shall contain that information and be in the form as the board may prescribe.

CHAPTER 351

An act to amend Section 6203 of, and to add Part 32 (commencing with Section 65001) to Division 2 of, the Revenue and Taxation Code, relating to taxation.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 6203 of the Revenue and Taxation Code is amended to read:

6203. (a) Except as provided by Sections 6292 and 6293, every retailer engaged in business in this state and making sales of tangible personal property for storage, use, or other consumption in this state, not exempted under Chapter 3.5 (commencing with Section 6271) or Chapter 4 (commencing with Section 6351), shall, at the time of making the sales or, if the storage, use, or other consumption of the tangible personal property is not then taxable hereunder, at the time the storage, use, or other consumption becomes taxable, collect the tax from the purchaser and give to the purchaser a receipt therefor in the manner and form prescribed by the board.

(b) As respects leases constituting sales of tangible personal property, the tax shall be collected from the lessee at the time amounts are paid by the lessee under the lease.

(c) "Retailer engaged in business in this state" as used in this section and Section 6202 means and includes any of the following:

(1) Any retailer maintaining, occupying, or using, permanently or temporarily, directly or indirectly, or through a subsidiary, or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business.

(2) Any retailer having any representative, agent, salesperson, canvasser, independent contractor, or solicitor operating in this state under the authority of the retailer or its subsidiary for the purpose of selling, delivering, installing, assembling, or the taking of orders for any tangible personal property.

(3) As respects a lease, any retailer deriving rentals from a lease of tangible personal property situated in this state.

(4) Any retailer soliciting orders for tangible personal property by means of a telecommunication or television shopping system (which utilizes toll free numbers) which is intended by the retailer to be broadcast by cable television or other means of broadcasting, to consumers located in this state.

(5) (A) Any retailer soliciting orders for tangible personal property by mail if the solicitations are substantial and recurring and if the retailer benefits from any banking, financing, debt collection, telecommunication, or marketing activities occurring in this state or benefits from the location in this state of authorized installation, servicing, or repair facilities.

(B) This paragraph shall become operative upon the enactment of any congressional act that authorizes states to compel the collection of state sales and use taxes by out-of-state retailers.

(6) Any retailer having a franchisee or licensee operating under its trade name if the franchisee or licensee is required to collect the tax under this section.

(7) Notwithstanding Section 7262, a retailer specified in paragraph (4), (5), or (6) above, and not specified in paragraph (1), (2), or (3) above, is a "retailer engaged in business in this state" for the purposes of this part and Part 1.5 (commencing with Section 7200) only.

(d) (1) For purposes of this section, "engaged in business in this state" does not include the taking of orders from customers in this state through a computer telecommunications network located in this state which is not directly or indirectly owned by the retailer when the orders result from the electronic display of products on that same network. The exclusion provided by this subdivision shall apply only to a computer telecommunications network that consists substantially of on-line communications services other than the displaying and taking of orders for products.

(2) This subdivision shall become inoperative upon the operative date of provisions of a congressional act that authorize states to compel the collection of state sales and use taxes by out-of-state retailers.

(e) Except as provided in this subdivision, a retailer is not a "retailer engaged in business in this state" under paragraph (2) of subdivision (c) if that retailer's sole physical presence in this state is to engage in convention and trade show activities as described in Section 513(d)(3)(A) of the Internal Revenue Code, and if the retailer, including any of his or her representatives, agents, salespersons, canvassers, independent contractors, or solicitors, does not engage in those convention and trade show activities for more than seven days, in whole or in part, in this state during any 12-month period and did not derive more than ten thousand dollars ($10,000) of gross income from those activities in this state during the prior calendar year. Notwithstanding the preceding sentence, a retailer engaging in convention and trade show activities, as described in Section 513(d)(3)(A) of the Internal Revenue Code, is a "retailer engaged in business in this state," and is liable for collection of the applicable use tax, with respect to any sale of tangible personal property occurring at the convention and trade show activities and with respect to any sale of tangible personal property made pursuant to an order taken at or during those convention and trade show activities.

(f) The Legislature finds and declares that the deletion of language by the act adding this subdivision that was contained in paragraphs (5) and (8) of subdivision (c) is intended to codify the holdings of recent court cases.

SEC. 2. Part 32 (commencing with Section 65001) is added to Division 2 of the Revenue and Taxation Code, to read:

PART 32. CALIFORNIA INTERNET TAX FREEDOM ACT

65001. This part shall be known and may be cited as the "California Internet Tax Freedom Act."

65002. The Legislature finds and declares all of the following:

(a) As a massive global network spanning not only state but international borders, the Internet is inherently a matter of interstate and foreign commerce within the jurisdiction of the United States Congress under Section 8 of Article I of the United States Constitution.

(b) Even within the United States, the Internet does not respect state lines and operates independently of state boundaries. Addresses on the Internet are designed to be geographically indifferent. Internet transmissions are insensitive to physical distance and can have multiple geographical addresses.

(c) The electronic marketplace of services, products, and ideas available through the Internet or Online Computer Services can be especially beneficial to senior citizens, the physically challenged, citizens in rural areas, and small businesses. It also offers a variety of uses and benefits for educational institutions and charitable organizations.

(d) Taxes imposed on Internet access or Online Computer Services by state and local governments could subject consumers, businesses, and other users engaged in interstate and foreign commerce to multiple, confusing, and burdensome taxation, could restrict the growth and continued technological maturation of the Internet itself, and could call into question the continued viability of this dynamic medium. This could threaten Internet access for Californians at home, at work, and at school, and is counterproductive to established state policies, such as the promotion of telecommuting.

(e) Companies providing Internet access are making substantial capital investments in new plants and equipment. Multiple and excessive taxation could place that investment at risk, and discourage the expansion of investment in Internet access equipment, thereby placing California at a long-term competitive disadvantage.

(f) Services provided by local governments are important and valuable to both consumers and businesses, and this bill is not intended to interfere with existing sources of revenue that provide funding for local government services. This act is intended to impose a moratorium on new taxes imposed on Internet access and Online Computer Services, as well as the discriminatory application of existing or new taxes, as defined herein, to Internet access or Online Computer Services. Nothing in this act shall be interpreted as precluding the imposition or collection of new or existing taxes of general application that are imposed or assessed in a uniform and nondiscriminatory manner without regard to whether the activities

or transactions taxed are conducted through the use of the Internet, Internet access, or Online Computer Services.

(g) A uniform and coherent national policy concerning national and subnational taxation of the Internet, in a manner which does not unreasonably burden interstate and foreign commerce, may be developed by the Congress of the United States, acting pursuant to the powers granted to it by clause 3 of Section 8 of Article I of the United States Constitution. Until that national policy is developed, and determined by the Legislature to be in the best interest of the people of the State of California, a limited preemption of local taxing authority of the Internet and Online Computer Services is appropriate.

(h) The Legislature finds and declares that currently the state is not imposing any discriminatory taxes, within the meaning of this act, on Internet access or Online Computer Services. It is the intent of this Legislature that no existing or future state taxes or state fees be imposed by the state in a discriminatory manner upon Internet access or Online Computer Services. This statement of legislative intent is meant to place the greatest possible barrier to the creation of discriminatory taxes or fees upon this Legislature and all future Legislatures.

(i) The Legislature finds and declares that no local government is currently imposing and presently collecting any tax on Internet access or Online Computer Services that is discriminatory within the meaning of this act.

(j) For these reasons, the Legislature finds that, subject to certain exceptions designed to protect existing local government revenue, preemption of local government authority to levy taxes on Online Computer Services and access to the Internet is a matter of statewide concern.

65003. For purposes of this part:

(a) "Internet" means the global information system that is logically linked together by a globally unique address space based on the Internet Protocol (IP), or its subsequent extensions; and is able to support communications using the Transmission Control Protocol/Internet Protocol (TCP/IP) suite, or its subsequent extensions, or other IP-compatible protocols; and provides, uses, or makes accessible, either publicly or privately, high level services layered on the communications and related infrastructure described herein.

(b) "Online Computer Services" means the offering or provision of information, information processing, and products or services to a user via the Internet, whether or not they are offered as part of a package of services that are combined with Internet access and offered to the user for a single price, or provided and billed separately. "Online Computer Services" does not include telephone service or telecommunications services to the extent that the amounts paid for those services are determined by the Internal

Revenue Service to be subject to tax under Section 4251 of Title 26 of the United States Code.

(c) (1) "Internet access" means the offering or provision of the storage, computer processing, and transmission of information that enables the user to make use of the resources found via the Internet.

"Internet access" does not include telephone service or telecommunications services to the extent that the amounts paid for those services are determined by the Internal Revenue Service to be subject to tax under Section 4251 of Title 26 of the United States Code.

(2) A provider of Online Computer Services or Internet access shall not be deemed as also meeting the provisions of Section 234 of the Public Utilities Code strictly by virtue of providing Online Computer Services or Internet access.

(d) "Franchise fee" means the fee imposed pursuant to Sections 6001 and 6231 of the Public Utilities Code, or Section 53066 of the Government Code.

(e) "Discriminatory" means a tax levied on Online Computer Services or Internet access that is either of the following:

(1) At a rate higher than that imposed on other businesses described in Codes 3571, 3572, 3575, 3577, 3670 to 3679, inclusive, 5045, and 7371 to 7373, inclusive, of the Standard Industrial Classification (SIC) Manual published by the United States Office of Management and Budget, 1987 edition, as of the effective date of this act.

(2) Applicable to the taxpayer solely by virtue of the offering of or the use of Online Computer Services or Internet access and therefore not applicable to taxpayers not engaged in the offering of or the use of Online Computer Services or Internet access.

(f) "Bit tax" means any transactional tax imposed on or measured by the amount of digital information transmitted electronically, or any transactional tax imposed on or measured according to any of the technological or operating characteristics of the Internet, but does not include taxes imposed on the provision of telecommunications services that are determined by the Internal Revenue Service to be subject to tax under Section 4251 of Title 26 of the United States Code.

(g) "Bandwidth tax" means any transactional tax imposed on or measured by the physical capacity of an available signal to transmit information electronically or by fiber optics.

65004. (a) Except as provided in subdivision (b), no city, county, or city and county may impose, assess, or attempt to collect any of the following:

(1) A tax on Internet access, Online Computer Services, or the use of Internet access or any Online Computer Services.

(2) A bit tax or bandwidth tax.

(3) Any discriminatory tax on Online Computer Services or Internet access.

(b) The prohibition in subdivision (a) against the imposition of taxes shall not apply to any new or existing tax of general application, including but not limited to any sales and use tax, business license tax,

or utility user tax that is imposed or assessed in a uniform and nondiscriminatory manner without regard to whether the activities or transactions taxed are conducted through the use of the Internet, Internet access, or Online Computer Services.

(c) A cable television franchise fee may not be imposed on Online Computer Services or Internet access delivered over a cable television system, if the Federal Communications Commission by final order, or a court of competent jurisdiction rendering a judgment enforceable in California, finds that those are not cable services, as defined in Section 522(6) of Title 47 of the United States Code and are, therefore, not subject to a franchise fee. However, if that final order or judgment is overturned or modified by further administrative, legislative, or judicial action, that action shall control. The operation of this subdivision may be suspended by contract between a cable television franchising authority and a cable television operator.

(d) This part shall become inoperative three years from the effective date of the act adding this part.

CHAPTER 352

An act to amend Section 1793.22 of the Civil Code, relating to warranties.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1793.22 of the Civil Code is amended to read:

1793.22. (a) This section shall be known and may be cited as the Tanner Consumer Protection Act.

(b) It shall be presumed that a reasonable number of attempts have been made to conform a new motor vehicle to the applicable express warranties if, within one year from delivery to the buyer or 12,000 miles on the odometer of the vehicle, whichever occurs first, either (1) the same nonconformity has been subject to repair four or more times by the manufacturer or its agents and the buyer has at least once directly notified the manufacturer of the need for the repair of the nonconformity or (2) the vehicle is out of service by reason of repair of nonconformities by the manufacturer or its agents for a cumulative total of more than 30 calendar days since delivery of the vehicle to the buyer. The 30-day limit shall be extended only if repairs cannot be performed due to conditions beyond the control of the manufacturer or its agents. The buyer shall be required to directly notify the manufacturer pursuant to paragraph (1) only if

the manufacturer has clearly and conspicuously disclosed to the buyer, with the warranty or the owner's manual, the provisions of this section and that of subdivision (d) of Section 1793.2, including the requirement that the buyer must notify the manufacturer directly pursuant to paragraph (1). This presumption shall be a rebuttable presumption affecting the burden of proof, and it may be asserted by the buyer in any civil action, including an action in small claims court, or other formal or informal proceeding.

(c) If a qualified third-party dispute resolution process exists, and the buyer receives timely notification in writing of the availability of that qualified third-party dispute resolution process with a description of its operation and effect, the presumption in subdivision (b) may not be asserted by the buyer until after the buyer has initially resorted to the qualified third-party dispute resolution process as required in subdivision (d). Notification of the availability of the qualified third-party dispute resolution process is not timely if the buyer suffers any prejudice resulting from any delay in giving the notification. If a qualified third-party dispute resolution process does not exist, or if the buyer is dissatisfied with that third-party decision, or if the manufacturer or its agent neglects to promptly fulfill the terms of the qualified third-party dispute resolution process decision after the decision is accepted by the buyer, the buyer may assert the presumption provided in subdivision (b) in an action to enforce the buyer's rights under subdivision (d) of Section 1793.2. The findings and decision of a qualified third-party dispute resolution process shall be admissible in evidence in the action without further foundation. Any period of limitation of actions under any federal or California laws with respect to any person shall be extended for a period equal to the number of days between the date a complaint is filed with a third-party dispute resolution process and the date of its decision or the date before which the manufacturer or its agent is required by the decision to fulfill its terms if the decision is accepted by the buyer, whichever occurs later.

(d) A qualified third-party dispute resolution process shall be one that does all of the following:

(1) Complies with the minimum requirements of the Federal Trade Commission for informal dispute settlement procedures as set forth in Part 703 of Title 16 of the Code of Federal Regulations, as those regulations read on January 1, 1987.

(2) Renders decisions which are binding on the manufacturer if the buyer elects to accept the decision.

(3) Prescribes a reasonable time, not to exceed 30 days after the decision is accepted by the buyer, within which the manufacturer or its agent must fulfill the terms of its decisions.

(4) Provides arbitrators who are assigned to decide disputes with copies of, and instruction in, the provisions of the Federal Trade Commission's regulations in Part 703 of Title 16 of the Code of Federal Regulations as those regulations read on January 1, 1987,

Division 2 (commencing with Section 2101) of the Commercial Code, and this chapter.

(5) Requires the manufacturer, when the process orders, under the terms of this chapter, either that the nonconforming motor vehicle be replaced if the buyer consents to this remedy or that restitution be made to the buyer, to replace the motor vehicle or make restitution in accordance with paragraph (2) of subdivision (d) of Section 1793.2.

(6) Provides, at the request of the arbitrator or a majority of the arbitration panel, for an inspection and written report on the condition of a nonconforming motor vehicle, at no cost to the buyer, by an automobile expert who is independent of the manufacturer.

(7) Takes into account, in rendering decisions, all legal and equitable factors, including, but not limited to, the written warranty, the rights and remedies conferred in regulations of the Federal Trade Commission contained in Part 703 of Title 16 of the Code of Federal Regulations as those regulations read on January 1, 1987, Division 2 (commencing with Section 2101) of the Commercial Code, this chapter, and any other equitable considerations appropriate in the circumstances. Nothing in this chapter requires that, to be certified as a qualified third-party dispute resolution process pursuant to this section, decisions of the process must consider or provide remedies in the form of awards of punitive damages or multiple damages, under subdivision (c) of Section 1794, or of attorneys' fees under subdivision (d) of Section 1794, or of consequential damages other than as provided in subdivisions (a) and (b) of Section 1794, including, but not limited to, reasonable repair, towing, and rental car costs actually incurred by the buyer.

(8) Requires that no arbitrator deciding a dispute may be a party to the dispute and that no other person, including an employee, agent, or dealer for the manufacturer, may be allowed to participate substantively in the merits of any dispute with the arbitrator unless the buyer is allowed to participate also. Nothing in this subdivision prohibits any member of an arbitration board from deciding a dispute.

(9) Obtains and maintains certification by the Department of Consumer Affairs pursuant to Chapter 9 (commencing with Section 472) of Division 1 of the Business and Professions Code.

(e) For the purposes of subdivision (d) of Section 1793.2 and this section, the following terms have the following meanings:

(1) "Nonconformity" means a nonconformity which substantially impairs the use, value, or safety of the new motor vehicle to the buyer or lessee.

(2) "New motor vehicle" means a new motor vehicle that is used or bought for use primarily for personal, family, or household purposes. "New motor vehicle" also means a new motor vehicle that is bought or used for business and personal, family, or household purposes by a person, including a partnership, limited liability

company, corporation, association, or any other legal entity, to which not more than five motor vehicles are registered in this state. "New motor vehicle" includes the chassis, chassis cab, and that portion of a motor home devoted to its propulsion, but does not include any portion designed, used, or maintained primarily for human habitation, a dealer-owned vehicle and a "demonstrator" or other motor vehicle sold with a manufacturer's new car warranty but does not include a motorcycle or a motor vehicle which is not registered under the Vehicle Code because it is to be operated or used exclusively off the highways. A demonstrator is a vehicle assigned by a dealer for the purpose of demonstrating qualities and characteristics common to vehicles of the same or similar model and type.

(3) "Motor home" means a vehicular unit built on, or permanently attached to, a self-propelled motor vehicle chassis, chassis cab, or van, which becomes an integral part of the completed vehicle, designed for human habitation for recreational or emergency occupancy.

(f) (1) Except as provided in paragraph (2), no person shall sell, either at wholesale or retail, lease, or transfer a motor vehicle transferred by a buyer or lessee to a manufacturer pursuant to paragraph (2) of subdivision (d) of Section 1793.2 or a similar statute of any other state, unless the nature of the nonconformity experienced by the original buyer or lessee is clearly and conspicuously disclosed to the prospective buyer, lessee, or transferee, the nonconformity is corrected, and the manufacturer warrants to the new buyer, lessee, or transferee in writing for a period of one year that the motor vehicle is free of that nonconformity.

(2) Except for the requirement that the nature of the nonconformity be disclosed to the transferee, paragraph (1) does not apply to the transfer of a motor vehicle to an educational institution if the purpose of the transfer is to make the motor vehicle available for use in automotive repair courses.

CHAPTER 353

An act to amend Sections 16140, 16141, 16142, and 16146 of, to add Sections 56375.4 and 56375.45 to, and to add Article 7 (commencing with Section 51296) to Chapter 7 of Part 7 of Division 1 of Title 5 of, the Government Code, to amend Section 426 of, and to add Section 423.4 to, the Revenue and Taxation Code, relating to agricultural land, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 16140 of the Government Code is amended to read:

16140. There is hereby continuously appropriated to the Controller from the General Fund a sum sufficient to make the payments required by this chapter.

The payments provided by this chapter shall be made only when the value of each parcel of open-space land assessed under Sections 423, 423.3, 423.4, and 423.5 of the Revenue and Taxation Code is less than the value that would have resulted if the valuation of the property was made pursuant to Section 110.1 of the Revenue and Taxation Code, as though the property were not subject to an enforceable restriction in the base year.

SEC. 2. Section 16141 of the Government Code is amended to read:

16141. It is the purpose of this chapter to provide replacement revenues to local government by reason of the reduction of the property tax on open-space lands assessed under Sections 423, 423.3, 423.4, and 423.5 of the Revenue and Taxation Code. Notwithstanding any other provisions of this chapter, no subvention payments to a county, city, city and county, or school district shall be made pursuant to this chapter for land enforceably restricted pursuant to the Open-Space Easement Act of 1974 (Chapter 6.6 (commencing with Section 51070) of Part 1 of Division 1 of Title 5).

SEC. 3. Section 16142 of the Government Code is amended to read:

16142. The Secretary of the Resources Agency shall direct the Controller to pay annually out of the funds appropriated by Section 16140, to each eligible county, city, or city and county, the following amounts for each acre of land within its regulatory jurisdiction that is assessed pursuant to Section 423, 423.3, 423.4, or 423.5 of the Revenue and Taxation Code:

(a) Five dollars ($5) for prime agricultural land, as defined in Section 51201.

(b) One dollar ($1) for all land, other than prime agricultural land, which is devoted to open-space uses of statewide significance, as defined in Section 16143.

The amount per acre in subdivision (a) may be increased by the Secretary of the Resources Agency to a figure which would offset any savings due to a more restrictive determination by the secretary as to what land is devoted to open-space use of statewide significance.

SEC. 4. Section 16146 of the Government Code is amended to read:

16146. The Secretary of the Resources Agency may determine, after notice and hearing, that a local government is ineligible to receive state payments pursuant to this article by reason of its failure to comply with the provision of Article 10.5 (commencing with

Section 65560) of Chapter 3 of Title 7, or with the provisions of any program which establishes an enforceable restriction upon which the assessment of land within its jurisdiction pursuant to Section 423, 423.3, 423.4, or 423.5 of the Revenue and Taxation Code is based. The fact that a local government has not complied with the requirements of Article 10.5 (commencing with Section 65560) of Chapter 3 of Title 7 by the dates set forth in that article shall not be reason to determine that the local government is ineligible to receive state payments, if the local government has complied by July 1 of the year in which application is made. This section shall not be construed to require the disqualification of any land from assessment pursuant to Section 423, 423.3, 423.4, or 423.5 of the Revenue and Taxation Code as a consequence of any determination of ineligibility by the secretary.

SEC. 5. Article 7 (commencing with Section 51296) is added to Chapter 7 of Part 7 of Division 1 of Title 5 of the Government Code, to read:

Article 7. Farmland Security Zones

51296. (a) The Legislature finds and declares that it is desirable to expand options available to landowners for the preservation of agricultural land. It is therefore the intent of the Legislature in enacting this article to encourage the creation of longer term voluntary enforceable restrictions within agricultural preserves.

(b) A landowner or group of landowners may petition the board to rescind a contract or contracts entered into pursuant to this chapter in order to simultaneously place the land subject to that contract or those contracts under a new contract designating the property as a farmland security zone.

(1) Before approving the rescission of a contract or contracts entered into pursuant to this chapter in order to simultaneously place the land under a new farmland security zone contract, the board shall create a farmland security zone, pursuant to the requirements of Section 51230, within an existing agricultural preserve.

(2) No land shall be included in a farmland security zone unless expressly requested by the landowner. Any land located within a city's sphere of influence shall not be included within a farmland security zone, unless the creation of the farmland security zone within the sphere of influence has been expressly approved by resolution by the city with jurisdiction within the sphere.

(3) If more than one landowner requests the creation of a farmland security zone and the parcels are contiguous, the county shall place those parcels in the same farmland security zone.

(4) A contract entered into pursuant to this section shall be for an initial term of no less than 20 years. Each contract shall provide that on the anniversary date of the contract or on another annual date as specified by the contract, a year shall be added automatically to the

initial term unless a notice of nonrenewal is given pursuant to Section 51245.

(5) Upon termination of a farmland security zone contract, the farmland security zone designation for that parcel shall simultaneously be terminated.

(c) Both of the following shall apply to land within a designated farmland security zone:

(1) The land shall be eligible for property tax valuation pursuant to Section 423.4 of the Revenue and Taxation Code.

(2) Notwithstanding any other provision of law, any special tax approved by the voters for urban-related services on or after January 1, 1999, on the land or any living improvement shall be levied at a reduced rate unless the tax directly benefits the land or the living improvements.

(d) Notwithstanding any provision of the Cortese-Knox Local Government Reorganization Act of 1985 (Division 3 (commencing with Section 56000)), a local agency formation commission shall not approve a change of organization or reorganization that would result in the annexation of land within a designated farmland security zone to a city. However, this subdivision shall not apply under any of the following circumstances:

(1) If the farmland security zone is located within a designated, delineated area that has been approved by the voters as a limit for existing and future urban facilities, utilities, and services.

(2) If annexation of a parcel or a portion of a parcel is necessary for the location of a public improvement, as defined in Section 51290.5, except as provided in subdivision (f) or (g) of this section.

(3) If the landowner consents to the annexation.

(e) Notwithstanding any provision of the Cortese-Knox Local Government Reorganization Act of 1985 (Division 3 (commencing with Section 56000)), a local agency formation commission shall not approve a change of organization or reorganization that would result in the annexation of land within a designated farmland security zone to a special district that provides sewers, nonagricultural water, or streets and roads, unless the facilities or services provided by the special district benefit land uses that are allowed under the contract and the landowner consents to the change of organization or reorganization.

(f) Notwithstanding Article 5 (commencing with Section 53090) of Chapter 1 of Division 2 of Title 5, a school district shall not render inapplicable a county zoning ordinance to the use of land by the school district if the land is within a designated farmland security zone.

(g) Notwithstanding any provision of law, a school district shall not acquire any land that is within a designated farmland security zone.

(h) The board shall not approve any use of land within a designated farmland security zone based on the compatible use provisions contained in subdivision (c) of Section 51238.1.

(i) This section shall only apply to land that is designated on the Important Farmland Series maps, prepared pursuant to Section 65570 as predominantly one or more of the following:

(1) Prime farmland.

(2) Farmland of statewide significance.

(3) Unique farmland.

(4) Farmland of local importance.

If the proposed farmland security zone is in an area that is not designated on the Important Farmland Series maps, the land shall qualify if it is predominantly prime agricultural land, as defined in subdivision (c) of Section 51201.

(j) Nonrenewal of a farmland security zone contract shall be pursuant to Article 3 (commencing with Section 51240), except as otherwise provided in this article.

(k) All of the provisions of Article 6 (commencing with Section 51290) shall apply to farmland security zones created pursuant to this article except as specifically provided in this article.

(*l*) No state agency, as defined in Section 65934, or local agency, as defined in Section 65930, shall require any land to be placed under a farmland security zone contract as a condition of the issuance of any entitlement to use or the approval of a legislative or adjudicative act involving, but not limited to, the planning, use, or development of real property, or a change of organization or reorganization, as defined in Section 56021 or 56073. No contract shall be executed as a condition of an entitlement to use issued by an agency of the United States government.

(m) Subdivisions (d) and (e) shall not apply during the three-year period preceding the termination of a farmland security zone contract.

SEC. 6. Section 56375.4 is added to the Government Code, to read:

56375.4. (a) The commission shall not approve or conditionally approve a change of organization or reorganization that would result in the annexation to a city of territory that is within a farmland security zone created pursuant to Article 7 (commencing with Section 51296) of Chapter 7 of Division 1. However, this subdivision shall not apply under any of the following circumstances:

(1) If the farmland security zone is located within a designated, delineated area that has been approved by the voters as a limit for existing and future urban facilities, utilities, and services.

(2) If annexation of a parcel or a portion of a parcel is necessary for the location of a public improvement, as defined in Section 51290.5, except as provided in subdivision (f) or (g) of Section 51296.

(3) If the landowner consents to the annexation.

(b) The commission shall not approve or conditionally approve a change of organization or reorganization that would result in the annexation to a special district of territory that is within a farmland security zone created pursuant to Article 7 (commencing with Section 51296) of Chapter 7 of Division 1 if that special district provides or would provide facilities or services related to sewers, nonagricultural water, or streets and roads, unless the facilities or services benefit land uses that are allowed under the farmland security zone contract and the landowner consents to the change of organization or reorganization.

(c) This section shall not apply during the three-year period preceding the termination of a farmland security zone contract under Article 7 (commencing with Section 51296) of Chapter 7 of Division 1.

SEC. 7. Section 56375.45 is added to the Government Code, to read:

56375.45. Notwithstanding Sections 56300 and 56301, the commission shall not disapprove a change of organization or reorganization where the reason for disapproval is that the farmland security zone is excluded from the affected territory.

SEC. 8. Section 423.4 is added to the Revenue and Taxation Code, to read:

423.4. Land subject to a farmland security zone contract specified in Section 51296 of the Government Code shall be valued for assessment purposes at 65 percent of the value under Section 423 or 65 percent of the value under Section 110.1, whichever is lower.

SEC. 9. Section 426 of the Revenue and Taxation Code is amended to read:

426. Notwithstanding any provision of Section 423 to the contrary, if either the county, city, or nonprofit organization or the owner of land subject to contract, agreement, scenic restriction, or open-space easement has served notice of nonrenewal as provided in Section 51091, 51245, or 51296 of the Government Code, and the county assessors shall, unless the parties shall have subsequently rescinded the contract pursuant to Section 51254 or 51255 of the Government Code, value the land as provided in this section.

(a) If the owner of land serves notice of nonrenewal or the county, city, or nonprofit organization serves notice of nonrenewal and the owner fails to protest as provided in Section 51091, 51245, or 51296 of the Government Code, subdivision (b) shall apply immediately. If the county, city, or nonprofit organization serves notice of nonrenewal and the owner does protest as provided in Section 51091, 51245, or 51296 of the Government Code, subdivision (b) shall apply when less than six years remain until the termination of the period for which the land is enforceably restricted.

(b) Where any of the conditions in subdivision (a) apply, the board or assessor in each year until the termination of the period for which the land is enforceably restricted shall do all of the following:

(1) Determine the value of the land pursuant to Section 110.1 of the Revenue and Taxation Code. If the land is not subject to Section 110.1 of the Revenue and Taxation Code when the restriction expires, the value shall be determined pursuant to Section 110 of the Revenue and Taxation Code as if it were free of contractual restriction. If the land will be subject to a use for which the Revenue and Taxation Code provides a special restricted assessment, the value shall be determined as if it were subject to the new restriction.

(2) Determine the value of the land by capitalization of income as provided in Section 423 and without regard to the existence of any of the conditions in subdivision (a).

(3) Subtract the value determined in paragraph (2) of subdivision (b) by capitalization of income from the full value determined in paragraph (1) of subdivision (b).

(4) Using the rate announced by the board pursuant to paragraph (1) of subdivision (b) of Section 423, discount the amount obtained in paragraph (3) of subdivision (b) for the number of years remaining until the termination of the contract, agreement, scenic restriction, or open-space easement.

(5) Determine the value of the land by adding the value determined by capitalization of income as provided in paragraph (2) of subdivision (b) and the value obtained in paragraph (4) of subdivision (b).

(6) Apply the ratio prescribed in Section 401 to the value of the land determined in paragraph (5) of subdivision (b) to obtain its assessed value.

SEC. 10. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide the benefits of this act to private property owners at the earliest possible time and enhance the preservation of agricultural land, it is necessary that this act take effect immediately.

CHAPTER 354

An act to amend Section 17539.5 of the Business and Professions Code, relating to sweepstakes solicitations.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 17539.5 of the Business and Professions Code is amended to read:

17539.5. (a) For purposes of this section and Sections 17539.55 and 17539.6:

(1) "Broadcast" means the utilization of radio, television, home videos, movie screens, telephones, or other medium that does not automatically provide the prospective consumer with a printed or written document he or she can read at leisure.

(2) "Caller" means a telephone user or end user who calls or may call an information-access service or who receives a telephonic solicitation that results in the recipient being connected to an information-access service.

(3) "Carrier" means any regional telephone operating company, interexchange carrier, or local exchange telephone company that provides telecommunications transmission services.

(4) "Incentive" means any item or service of value, however denominated, including, but not limited to, any prize, award, gift, or money, or any coupon that can be used in whole or in part to obtain a product or service.

(5) "Information provider" means a person who advertises or sells an information-access service and on whose behalf charges are billed.

(6) "Information-access service" means any telecommunications service that permits individuals to access a telephone number, and for which the caller is assessed, by virtue of placing or completing the call, a charge that is greater than, or in addition to, the charge for the transmission of the call. Information-access service includes, but is not limited to, telephone numbers with the prefix 900 or 976.

(7) "900 number" means any prefixed telephone number used for information-access service and includes, but is not limited to, telephone numbers with the prefix 900 or 976.

(8) "Prize" means any item of value given to winners in a sweepstakes who have been selected on the basis of lot or chance.

(9) "Program" means the audio message that the caller hears or receives upon placing or receiving a call and being connected to an information-access service.

(10) "Sell an information service" means to attempt to cause a caller to act in a manner that causes that caller to be charged for utilizing an information-access service.

(11) "Solicitation" includes all forms of solicitation for information-access services, including, but not limited to, mailings, advertisements in newspapers and magazines, advertisements broadcast by radio or television, advertisements contained in home videos or appearing on movie screens, and telephone solicitations. "Solicitation" does not include simple listings in telephone directories provided those listings are not accompanied by any advertising text.

(12) "Sweepstakes" means any procedure for the distribution of anything of value by lot or by chance that is not unlawful under other provisions of law including, but not limited to, the provisions of Section 320 of the Penal Code. Nothing contained in this section shall

be deemed to render lawful any activity that otherwise would violate Section 320 of the Penal Code.

(b) It is unlawful for any person to engage in any of the following acts in order to encourage any caller to utilize an information-access service:

(1) Soliciting callers by use of an automatic dialing device or a live or recorded outbound telephone message.

(2) Utilizing signals or tones provided directly or indirectly by the information provider to access the information-access service.

(3) Requiring callers to call more than one 900 number or to require calling the same 900 number more than one time in order to receive goods or services represented in the initial solicitation.

(4) Utilizing a telephone number other than a 900 number from which a caller can be automatically connected to the information-access service.

(5) Soliciting callers to call a telephone number other than a 900 number, including, but not limited to, an 800 telephone number, when the caller who calls that other number will be referred to a 900 number unless all solicitations for the initial information-access program clearly and conspicuously disclose that a referral will be made and the cost to the caller for calling the 900 number to which the caller will be referred.

(6) Soliciting callers to call a number other than a 900 number, including, but not limited to, an 800 telephone number, when the caller who calls that number will be asked to accept one or more collect calls unless all solicitations clearly and conspicuously disclose that the caller will be asked to accept one or more collect calls and the cost to the caller for accepting the collect calls. The cost shall be described as cost per minute and cost per hour.

(7) Referring a caller from one 900 number to another 900 number unless all solicitations for the initial information-access program clearly and conspicuously disclose that a referral will be made and the cost to the caller for calling the 900 number to which the caller will be referred.

(8) Advertising that the information-access service is free.

(9) Using any printing style, graphic, layout, text, color, or format which states or implies that the solicitation originates from, or was issued by or on behalf of a governmental agency, a public utility, a nonprofit organization, an insurance company, a credit reporting agency, a collection company, or a law firm unless the same is true.

(c) It is unlawful for any person to solicit or sell an information-access service unless the following information is clearly and conspicuously disclosed in all solicitations:

(1) An accurate description of the information-access service.

(2) The name, address, and non-900 telephone number of the information provider.

(3) The cost of the call, which shall be disclosed as follows:

(A) If the call is billed at a fixed rate, the total cost of the call.

(B) If the call is billed on a usage sensitive basis, the cost per minute or other unit of time, and including:

(i) In broadcast solicitations, the average cost of the call.

(ii) In print solicitations, the average cost or length of the call, except that print solicitations directed to persons in this state shall disclose the average cost of the call.

(C) Solicitations in which the length of the program cannot reasonably be determined because the length of the program depends upon the skill of, or the selections or responses made by, the caller, shall be exempt from the cost disclosure provisions of this paragraph.

(D) Solicitations that are oral shall include a voice announcement of the cost of the call in clear and understandable language that is clearly audible and articulated at a volume equal to that used to announce the 900 number. The cost of the call shall be stated immediately prior to or immediately after the 900 number is stated.

(E) Solicitations that are broadcast visually shall include, in clear, visible, easily readable, and conspicuously presented letters and numbers, set against a contrasting background, the cost of calling the 900 number. The visual disclosure of the cost of the call shall be displayed directly above, below, or adjacent to the number to be called whenever the number is displayed in the commercial. The visual disclosure of the cost of the call shall be a distinct disclosure and shall not be combined in the same paragraph with any other disclosure required to be made pursuant to this section. The lettering of the visual disclosure shall be no less than 18 scan lines high and shall be displayed for as long as the number is displayed. Broadcast solicitations shall also include a voice announcement of the cost of the call in clear and understandable language that is clearly audible and articulated at a volume equal to that used to announce the 900 number. The cost of the call shall be stated immediately prior to or after the 900 number is stated.

(F) Solicitations that appear in print shall include, in clear, visible, easily readable, and conspicuously presented letters and numbers, the cost of calling the 900 number. The printed disclosure of the cost of the call shall be displayed directly above, below, or adjacent to the number. The lettering of the cost disclosure shall be in no less than 10-point type.

(4) If the information-access service is aimed at or likely to be of interest to minors, solicitations that appear in print shall contain a statement, in at least the same size print as that used to disclose the 900 number, that persons under the age of 18 years should obtain parental consent before calling. If the solicitation is through a broadcast, this statement shall be of the same audibility as that used to disclose the 900 number.

(d) It shall be unlawful for any person to solicit or sell an information-access service in any manner related to a sweepstakes.

(e) Solicitations made to persons in this state offering the opportunity to participate in a sweepstakes shall, with respect to each prize offered, set forth clearly, conspicuously, and in easily readable letters the odds of receiving that prize, described in whole Arabic numerals in a format such as: "1 chance in 100,000" or "1:100,000." If the odds depend upon the number of entries and the number of persons solicited is controlled by the sponsor of the promotion, the solicitation shall set forth the reasonable expectation of entries. If the odds depend upon the number of entries received and the number of persons solicited is not controlled by the sponsor of the sweepstakes, a statement to the effect that the odds depend on the number of entries received shall be sufficient. If more than one prize is offered, the odds shall be separately stated for each prize. The disclosure required to be made pursuant to this subdivision shall be made immediately adjacent to the first identification of the prize to which it relates or in a separate section entitled "Consumer Disclosure" or "Official Rules." These titles shall be printed in no less than 10-point boldface type. The consumer disclosure section shall be clearly and conspicuously disclosed in the solicitation. There shall be a statement referring the recipient of the solicitation to the consumer disclosure section in the main text of the solicitation in close proximity to the description of the prizes, and the odds shall be disclosed within the top 25 percent of the consumer disclosure section. If the consumer disclosure section does not appear on the same page as the statement referring the recipient of the solicitation to this section, the statement shall indicate where the consumer disclosure section is located. If the odds appear in the section entitled "Consumer Disclosure" or "Official Rules," there shall be a clear and conspicuous statement in the main text of the solicitation in close proximity to the description of the prizes that the odds to the recipient of obtaining the prize or prizes will be found elsewhere, and the statement shall set forth where they will be found. It is not a violation of this section to reference the official rules and the odds in the same statement as long as the statement referencing the official rules and the odds is in the main text of the solicitation in close proximity to the description of the prizes. For example, a statement such as: "See official rules (on (reference to location of rules if not on same page)) for odds and other details" or a similar statement meets the requirements of this provision. This provision shall not apply to broadcast solicitations for sweepstakes in which the winners will be selected in a random drawing in which the odds depend on the number of entries received, provided that those solicitations shall disclose where the official rules are available and the official rules shall set forth the odds of winning in accordance with this subdivision.

(f) If any incentive is offered in a solicitation for an information-access service, the solicitation shall clearly and conspicuously disclose all restrictions, qualifications, and deadlines

that must be complied with in order to obtain the incentive being offered.

(g) No person soliciting callers for an information-access service shall represent directly or by implication that the person being solicited is part of a significantly limited group selected to receive an incentive, unless that is true and the number of recipients who will be receiving the solicitation is clearly and conspicuously set forth in the solicitation.

(h) It is unlawful for any person to solicit or sell an information-access service to any person in the following manner:

(1) The solicitation offers to persons in this state who respond to the solicitation by calling a 900 number any incentive that:

(A) Requires the recipient to purchase goods or services from the information provider in order to utilize the incentive. However, this subparagraph does not apply to offers where the incentive is a "cents-off" coupon that is usable only for the purchase of the offeror's own brand name product or products, the total value of the "cents-off" coupon offered is clearly and conspicuously disclosed in the offer, the total value of the "cents-off" coupon does not exceed five dollars ($5), the "cents-off" coupon is to be utilized to reduce the price of those products at retail stores in the recipient's area, and at least 60 percent of the revenue per month of the offeror is derived from the sale of the product or products being purchased without the use of the "cents-off" coupons.

(B) Requires the recipient to purchase goods or services from any third party in order to utilize the incentive unless:

(i) The fact that a purchase or payment is required in order to utilize the incentive is disclosed in the solicitation.

(ii) A representative sample of the establishments at which the incentive may be redeemed is disclosed in the solicitation.

(iii) If the incentive entitles the recipient to save money on the purchase of goods or services, the incentive is described as a cents-off, discount coupon, or similar term that clearly indicates that it is redeemable only for savings on purchases of goods or services.

(2) The solicitation states or implies that the caller is likely to receive one of the prizes offered, by representing in the solicitation that other named persons have already won the other prizes being offered in the solicitation and that the recipient of the solicitation is therefore likely to receive the prize that has not been won by the other persons named in the solicitation, unless the recipient's odds of receiving the remaining prize are clearly and conspicuously disclosed in the solicitation in close proximity to the list of the other named persons.

(i) Nothing contained in this section shall be deemed to render lawful any activity that otherwise would violate Section 17537.

(j) No information-access service shall offer a game of skill in which the cost of the call is billed on a usage sensitive basis and in which answers to multiple choice questions of increasing difficulty

are required in order to win, unless the solicitation clearly and conspicuously discloses the percentage of contestants anticipated to answer all questions correctly based on prior experience or, if the game is being operated for the first time, based on a good faith estimate.

(k) This section does not apply to a regional telephone operating company, interexchange carrier, or local telephone company operating in those capacities, that in good faith telecommunicates an information-access program without knowledge that the program or related advertising violates any provision of this section, Section 17539.55, or Section 17539.6.

(*l*) Neither this section, Section 17539.55, nor Section 17539.6 applies to the California State Lottery.

SEC. 2. Section 17539.5 of the Business and Professions Code is amended to read:

17539.5. (a) For purposes of this section and Sections 17539.55 and 17539.6:

(1) "Broadcast" means the utilization of radio, television, home videos, movie screens, telephones, or other medium, including the Internet, that does not automatically provide the prospective consumer with a printed or written document he or she can read at leisure.

(2) "Caller" means a telephone user or end user who calls or may call an information-access service or who receives a telephonic solicitation that results in the recipient being connected to an information-access service.

(3) "Carrier" means any regional telephone operating company, interexchange carrier, or local exchange telephone company that provides telecommunications transmission services.

(4) "Incentive" means any item or service of value, however denominated, including, but not limited to, any prize, award, gift, or money, or any coupon that can be used in whole or in part to obtain a product or service.

(5) "Information provider" means a person who advertises or sells an information-access service and on whose behalf charges are billed.

(6) "Information-access service" means any telecommunications service that permits individuals to access a telephone number, and for which the caller is assessed, by virtue of placing or completing the call, a charge that is greater than, or in addition to, the charge for the transmission of the call. Information-access service includes, but is not limited to, telephone numbers with the prefix 900 or 976.

(7) "900 number" means any prefixed telephone number used for information-access service and includes, but is not limited to, telephone numbers with the prefix 900 or 976.

(8) "Prize" means any item of value given to winners in a sweepstakes who have been selected on the basis of lot or chance.

(9) "Program" means the audio message that the caller hears or receives upon placing or receiving a call and being connected to an information-access service.

(10) "Sell an information service" means to attempt to cause a caller to act in a manner that causes that caller to be charged for utilizing an information-access service.

(11) "Solicitation" includes all forms of solicitation for information-access services, including, but not limited to, mailings, advertisements in newspapers and magazines, advertisements broadcast by radio or television, advertisements contained in home videos or appearing on movie screens, telephone solicitations, and advertisements transmitted over the Internet. "Solicitation" does not include simple listings in telephone directories provided those listings are not accompanied by any advertising text.

(12) "Sweepstakes" means any procedure for the distribution of anything of value by lot or by chance that is not unlawful under other provisions of law including, but not limited to, the provisions of Section 320 of the Penal Code. Nothing contained in this section shall be deemed to render lawful any activity that otherwise would violate Section 320 of the Penal Code.

(b) It is unlawful for any person to engage in any of the following acts in order to encourage any caller to utilize an information-access service:

(1) Soliciting callers by use of an automatic dialing device or a live or recorded outbound telephone message.

(2) Utilizing signals or tones provided directly or indirectly by the information provider to access the information-access service.

(3) Requiring callers to call more than one 900 number or to require calling the same 900 number more than one time in order to receive goods or services represented in the initial solicitation.

(4) Utilizing a telephone number other than a 900 number from which a caller can be automatically connected to the information-access service.

(5) Soliciting callers to call a telephone number other than a 900 number, including, but not limited to, an 800 telephone number, when the caller who calls that other number will be referred to a 900 number unless all solicitations for the initial information-access program clearly and conspicuously disclose that a referral will be made and the cost to the caller for calling the 900 number to which the caller will be referred.

(6) Soliciting callers to call a number other than a 900 number, including, but not limited to, an 800 telephone number, when the caller who calls that number will be asked to accept one or more collect calls unless all solicitations clearly and conspicuously disclose that the caller will be asked to accept one or more collect calls and the cost to the caller for accepting the collect calls. The cost shall be described as cost per minute and cost per hour.

(7) Referring a caller from one 900 number to another 900 number unless all solicitations for the initial information-access program clearly and conspicuously disclose that a referral will be made and the cost to the caller for calling the 900 number to which the caller will be referred.

(8) Advertising that the information-access service is free.

(9) Using any printing style, graphic, layout, text, color, or format which states or implies that the solicitation originates from, or was issued by or on behalf of a governmental agency, a public utility, a nonprofit organization, an insurance company, a credit reporting agency, a collection company, or a law firm unless the same is true.

(c) It is unlawful for any person to solicit or sell an information-access service unless the following information is clearly and conspicuously disclosed in all solicitations:

(1) An accurate description of the information-access service.

(2) The name, address, and non-900 telephone number of the information provider.

(3) The cost of the call, which shall be disclosed as follows:

(A) If the call is billed at a fixed rate, the total cost of the call.

(B) If the call is billed on a usage-sensitive basis, the cost per minute or other unit of time, and including:

(i) In broadcast solicitations, the average cost of the call.

(ii) In print solicitations, the average cost or length of the call, except that print solicitations directed to persons in this state shall disclose the average cost of the call.

(C) Solicitations in which the length of the program cannot reasonably be determined because the length of the program depends upon the skill of, or the selections or responses made by, the caller, shall be exempt from the cost disclosure provisions of this paragraph.

(D) Solicitations that are oral shall include a voice announcement of the cost of the call in clear and understandable language that is clearly audible and articulated at a volume equal to that used to announce the 900 number. The cost of the call shall be stated immediately prior to or immediately after the 900 number is stated.

(E) Solicitations that are broadcast visually shall include, in clear, visible, easily readable, and conspicuously presented letters and numbers, set against a contrasting background, the cost of calling the 900 number. The visual disclosure of the cost of the call shall be displayed directly above, below, or adjacent to the number to be called whenever the number is displayed in the commercial. The visual disclosure of the cost of the call shall be a distinct disclosure and shall not be combined in the same paragraph with any other disclosure required to be made pursuant to this section. The lettering of the visual disclosure shall be no less than 18 scan lines high and shall be displayed for as long as the number is displayed. Broadcast solicitations shall also include a voice announcement of the cost of the call in clear and understandable language that is clearly audible and

articulated at a volume equal to that used to announce the 900 number. The cost of the call shall be stated immediately prior to or after the 900 number is stated.

(F) Solicitations that appear in print shall include, in clear, visible, easily readable, and conspicuously presented letters and numbers, the cost of calling the 900 number. The printed disclosure of the cost of the call shall be displayed directly above, below, or adjacent to the number. The lettering of the cost disclosure shall be in no less than 10-point type.

(4) If the information-access service is aimed at or likely to be of interest to minors, solicitations that appear in print shall contain a statement, in at least the same size print as that used to disclose the 900 number, that persons under the age of 18 years should obtain parental consent before calling. If the solicitation is through a broadcast, this statement shall be of the same audibility as that used to disclose the 900 number.

(d) It shall be unlawful for any person to solicit or sell an information-access service in any manner related to a sweepstakes.

(e) Solicitations made to persons in this state offering the opportunity to participate in a sweepstakes shall, with respect to each prize offered, set forth clearly, conspicuously, and in easily readable letters the odds of receiving that prize, described in whole Arabic numerals in a format such as: "1 chance in 100,000" or "1:100,000." If the odds depend upon the number of entries and the number of persons solicited is controlled by the sponsor of the promotion, the solicitation shall set forth the reasonable expectation of entries. If the odds depend upon the number of entries received and the number of persons solicited is not controlled by the sponsor of the sweepstakes, a statement to the effect that the odds depend on the number of entries received shall be sufficient. If more than one prize is offered, the odds shall be separately stated for each prize. The disclosure required to be made pursuant to this subdivision shall be made immediately adjacent to the first identification of the prize to which it relates or in a separate section entitled "Consumer Disclosure" or "Official Rules." These titles shall be printed in no less than 10-point boldface type. The consumer disclosure section shall be clearly and conspicuously disclosed in the solicitation. There shall be a statement referring the recipient of the solicitation to the consumer disclosure section in the main text of the solicitation in close proximity to the description of the prizes, and the odds shall be disclosed within the top 25 percent of the consumer disclosure section. If the consumer disclosure section does not appear on the same page as the statement referring the recipient of the solicitation to this section, the statement shall indicate where the consumer disclosure section is located. If the odds appear in the section entitled "Consumer Disclosure" or "Official Rules," there shall be a clear and conspicuous statement in the main text of the solicitation in close proximity to the description of the prizes that the odds to the

recipient of obtaining the prize or prizes will be found elsewhere, and the statement shall set forth where they will be found. It is not a violation of this section to reference the official rules and the odds in the same statement as long as the statement referencing the official rules and the odds is in the main text of the solicitation in close proximity to the description of the prizes. For example, a statement such as: "See official rules (on (reference to location of rules if not on same page)) for odds and other details" or a similar statement meets the requirements of this provision. This provision shall not apply to broadcast solicitations for sweepstakes in which the winners will be selected in a random drawing in which the odds depend on the number of entries received, provided that those solicitations shall disclose where the official rules are available and the official rules shall set forth the odds of winning in accordance with this subdivision.

(f) If any incentive is offered in a solicitation for an information-access service, the solicitation shall clearly and conspicuously disclose all restrictions, qualifications, and deadlines that must be complied with in order to obtain the incentive being offered.

(g) No person soliciting callers for an information-access service shall represent directly or by implication that the person being solicited is part of a significantly limited group selected to receive an incentive, unless that is true and the number of recipients who will be receiving the solicitation is clearly and conspicuously set forth in the solicitation.

(h) It is unlawful for any person to solicit or sell an information-access service to any person in the following manner:

(1) The solicitation offers to persons in this state who respond to the solicitation by calling a 900 number any incentive that:

(A) Requires the recipient to purchase goods or services from the information provider in order to utilize the incentive. However, this subparagraph does not apply to offers where the incentive is a "cents-off" coupon that is usable only for the purchase of the offeror's own brand name product or products, the total value of the "cents-off" coupon offered is clearly and conspicuously disclosed in the offer, the total value of the "cents-off" coupon does not exceed five dollars ($5), the "cents-off" coupon is to be utilized to reduce the price of those products at retail stores in the recipient's area, and at least 60 percent of the revenue per month of the offeror is derived from the sale of the product or products being purchased without the use of the "cents-off" coupons.

(B) Requires the recipient to purchase goods or services from any third party in order to utilize the incentive unless:

(i) The fact that a purchase or payment is required in order to utilize the incentive is disclosed in the solicitation.

(ii) A representative sample of the establishments at which the incentive may be redeemed is disclosed in the solicitation.

(iii) If the incentive entitles the recipient to save money on the purchase of goods or services, the incentive is described as a cents-off, discount coupon, or similar term that clearly indicates that it is redeemable only for savings on purchases of goods or services.

(2) The solicitation states or implies that the caller is likely to receive one of the prizes offered, by representing in the solicitation that other named persons have already won the other prizes being offered in the solicitation and that the recipient of the solicitation is therefore likely to receive the prize that has not been won by the other persons named in the solicitation, unless the recipient's odds of receiving the remaining prize are clearly and conspicuously disclosed in the solicitation in close proximity to the list of the other named persons.

(i) Nothing contained in this section shall be deemed to render lawful any activity that otherwise would violate Section 17537.

(j) No information-access service shall offer a game of skill in which the cost of the call is billed on a usage-sensitive basis and in which answers to multiple choice questions of increasing difficulty are required in order to win, unless the solicitation clearly and conspicuously discloses the percentage of contestants anticipated to answer all questions correctly based on prior experience or, if the game is being operated for the first time, based on a good faith estimate.

(k) This section does not apply to a regional telephone operating company, interexchange carrier, or local telephone company operating in those capacities, that in good faith telecommunicates an information-access program without knowledge that the program or related advertising violates any provision of this section, Section 17539.55, or Section 17539.6.

(*l*) Neither this section, Section 17539.55, nor Section 17539.6 applies to the California State Lottery.

SEC. 3. Section 2 of this bill incorporates amendments to Section 17539.5 of the Business and Professions Code proposed by both this bill and SB 597. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 1999, (2) each bill amends Section 17539.5 of the Business and Professions Code, and (3) this bill is enacted after SB 597, in which case Section 1 of this bill shall not become operative.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative

on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 355

An act to amend Section 366.3 of the Welfare and Institutions Code, relating to adoption.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 366.3 of the Welfare and Institutions Code is amended to read:

366.3. (a) If a juvenile court orders a permanent plan of adoption or legal guardianship pursuant to Section 360, 366.25, or 366.26, the court shall retain jurisdiction over the child until the child is adopted or the legal guardianship is established. The status of the child shall be reviewed every six months to ensure that the adoption or guardianship is completed as expeditiously as possible. When the adoption of the child has been granted, the court shall terminate its jurisdiction over the child. The court may continue jurisdiction over the child as a dependent child of the juvenile court following the establishment of a legal guardianship or may terminate its dependency jurisdiction and retain jurisdiction over the child as a ward of the guardianship established pursuant to Section 360, 366.25, or 366.26 and as authorized by Section 366.4. Following a termination of parental rights the parent or parents shall not be a party to, or receive notice of, any subsequent proceedings regarding the child.

(b) If the court has dismissed dependency jurisdiction following the establishment of a legal guardianship, or no dependency jurisdiction attached because of the granting of a legal guardianship pursuant to Section 360, and the legal guardianship is subsequently revoked or otherwise terminated, the county department of social services or welfare department shall notify the juvenile court of this fact. The court may vacate its previous order dismissing dependency jurisdiction over the child.

Notwithstanding Section 1601 of the Probate Code, the proceedings to terminate a guardianship which has been granted pursuant to Section 360, 366.25, or 366.26 shall be held in the juvenile court, unless the termination is due to the emancipation or adoption of the child. If the petition to terminate guardianship is granted, the juvenile court may resume dependency jurisdiction over the child, and may order the county department of social services or welfare department to develop a new permanent plan, which shall be presented to the court within 60 days of the termination. If no

dependency jurisdiction has attached, the probation officer shall make any investigation he or she deems necessary to determine whether the child may be within the jurisdiction of the juvenile court, as provided in Section 328.

Unless the parental rights of the child's parent or parents have been terminated, they shall be notified that the guardianship has been revoked or terminated and shall be entitled to participate in the new permanency planning hearing. The court shall try to place the child in another permanent placement. At the hearing, the parents may be considered as custodians but the child shall not be returned to the parent or parents unless they prove, by a preponderance of the evidence, that reunification is the best alternative for the child. The court may, if it is in the interests of the child, order that reunification services again be provided to the parent or parents.

(c) If, following the establishment of a legal guardianship, the county welfare department or probation department becomes aware of changed circumstances that indicate adoption may be an appropriate plan for the child, the department shall so notify the court. The court may vacate its previous order dismissing dependency jurisdiction over the child and order that a hearing be held pursuant to Section 366.26 to determine whether adoption or continued guardianship is the most appropriate plan for the child. The hearing shall be held no later than 120 days from the date of the order. Whenever the court orders that a hearing shall be held pursuant to Section 366.26, the court shall direct the agency supervising the child and the licensed county adoption agency, or the State Department of Social Services when it is acting as an adoption agency in counties that are not served by a county adoption agency, to prepare an assessment under subdivision (b) of Section 366.22.

(d) If the child is in a placement other than the home of a legal guardian and jurisdiction has not been terminated, the status of the child shall be reviewed at least every six months. The review of the status of a child for whom the court has ordered parental rights terminated and who has been ordered placed for adoption shall be conducted by the court. The review of the status of a child for whom the court has not ordered parental rights terminated and who has not been ordered placed for adoption may be conducted by the court or an appropriate local agency. However, the court shall conduct the review under the following circumstances:

(1) Upon the request of the child's parents or guardians.

(2) Upon the request of the child.

(3) It has been 12 months since a hearing held pursuant to Section 366.26 or an order that the child remain in long-term foster care pursuant to Section 366.21, 366.22, or 366.26, or subdivision (g).

(4) It has been 12 months since a review was conducted by the court.

(e) Except as provided in subdivision (f), at the review held at least every six months pursuant to subdivision (d), the reviewing

body shall inquire about the progress being made to provide a permanent home for the child and shall determine all of the following:

(1) The appropriateness of the placement.

(2) The continuing appropriateness and extent of compliance with the permanent plan for the child.

(3) The extent of compliance with the child welfare services case plan.

(4) The adequacy of services provided to the child. The review shall also include a determination of the services needed to assist a child who is 16 years of age or older make the transition from foster care to independent living.

Each licensed foster family agency shall submit reports for each child in its care, custody, and control to the court concerning the continuing appropriateness and extent of compliance with the child's permanent plan, the extent of compliance with the case plan, and the type and adequacy of services provided to the child.

Unless their parental rights have been permanently terminated, the parent or parents of the child are entitled to receive notice of, and participate in, those hearings. It shall be presumed that continued care is in the interests of the child, unless the parent or parents prove, by a preponderance of the evidence, that further efforts at reunification are the best alternative for the child. In those cases, the court may order that further reunification services be provided to the parent or parents for a period not to exceed six months.

(f) At the review conducted by the court and held at least every six months, regarding a child for whom the court has ordered parental rights terminated and who has been ordered placed for adoption, the county welfare department shall prepare and present to the court a report describing the following:

(1) The child's present placement.

(2) The child's current physical, mental, emotional, and educational status.

(3) Whether the child has been placed with a prospective adoptive parent or parents.

(4) Whether an adoptive placement agreement has been signed and filed.

(5) The progress of the search for an adoptive placement if one has not been identified.

(6) Any impediments to the adoption or the adoptive placement.

(7) The anticipated date by which the child will be adopted, or placed in an adoptive home.

(8) The anticipated date by which an adoptive placement agreement will be signed.

(9) Recommendations for court orders that will assist in the placement of the child for adoption or in the finalization of the adoption.

The court shall make appropriate orders to protect the stability of the child and to facilitate and expedite the permanent placement and adoption of the child.

(g) At the review held for a child in long-term foster placement and for whom 12 months have elapsed since a hearing at which the child was ordered into long-term foster care, the court shall consider all permanency planning options for the child including whether the child should be returned to the home of the parent, placed for adoption, or appointed a legal guardian, or whether the child should remain in foster care. The court shall order that a hearing be held pursuant to Section 366.26 unless it determines by clear and convincing evidence that the child is not a proper subject for adoption or that there is no one willing to accept legal guardianship. Only upon that determination may the court order that the child remain in long-term foster care, without holding a hearing pursuant to Section 366.26.

(h) If, as authorized by subdivision (g), the court orders a hearing pursuant to Section 366.26, the court shall direct the agency supervising the child and the licensed county adoption agency, or the department when it is acting as an adoption agency in counties that are not served by a county adoption agency, to prepare an assessment as provided for in subdivision (i) of Section 366.21 or subdivision (b) of Section 366.22. A hearing held pursuant to Section 366.26 shall be held no later than 120 days from the date of the 12-month review at which it is ordered, and at that hearing the court shall determine whether adoption, guardianship, or long-term foster care is the most appropriate plan for the child.

SEC. 2. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 356

An act to add and repeal Section 977.5 of the Penal Code, and to add and repeal Section 40502.1 of the Vehicle Code, relating to closed-circuit television testimony.

[Approved by Governor August 24, 1998. Filed with
Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 977.5 is added to the Penal Code, to read:

977.5. Upon adoption of a resolution by the board of supervisors, the County of Placer may establish a pilot program as follows:

(a) Notwithstanding any other provision of law, a court in the County of Placer may, upon application by a law enforcement agency, order that its peace officers may testify in court via closed-circuit television in cases involving infractions or misdemeanors, provided that the defendant has consented.

(b) Notwithstanding any other provision of law, a court in the County of Placer may, upon application by a defendant, order that the defendant may testify in court via closed-circuit television in cases involving infractions or misdemeanors, provided that the prosecutor has consented.

(c) The presiding judge of the superior court of Placer County shall evaluate the pilot project conducted pursuant to this section and submit a report on the evaluation to the Legislature and the Judicial Council on or before January 1, 2001.

(d) This section shall remain in effect only until January 1, 2002, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2002, deletes or extends that date.

SEC. 2. Section 40502.1 is added to the Vehicle Code, to read:

40502.1. Upon adoption of a resolution by the board of supervisors, the County of Placer may establish a pilot program as follows:

(a) Notwithstanding any other provision of law, a court in the County of Placer may order that a defendant in custody may testify or appear for arraignment in court via closed-circuit television in cases involving infractions.

(b) Notwithstanding any other provision of law, a court in the County of Placer may, upon application of a law enforcement agency, order that its peace officers may testify in court via closed-circuit television in cases involving infractions or misdemeanors, provided that the defendant has consented.

(c) Notwithstanding any other provision of law, a court may, upon application of a defendant, order that the defendant may testify in court via closed-circuit television in cases involving infractions or misdemeanors, provided that the prosecutor has consented.

(d) The presiding judge of the superior court of Placer County shall evaluate the pilot project conducted pursuant to this section and submit a report on the evaluation to the Legislature and the Judicial Council on or before January 1, 2001.

(e) This section shall remain in effect only until January 1, 2002, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2002, deletes or extends that date.

CHAPTER 357

An act to amend Section 25181 of the Health and Safety Code, relating to hazardous waste.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 25181 of the Health and Safety Code is amended to read:

25181. (a) When the department determines that any person has engaged in, is engaged in, or is about to engage in any acts or practices which constitute or will constitute a violation of this chapter, or any rule, regulation, permit, covenant, standard, requirement, or order issued, promulgated, or executed thereunder, and when requested by the department, the city attorney of the city in which those acts or practices occur, occurred, or will occur, the district attorney of the county in which those acts or practices occur, occurred, or will occur, or the Attorney General may apply to the superior court for an order enjoining those acts or practices, or for an order directing compliance, and upon a showing by the department that the person has engaged in or is about to engage in those acts or practices, a permanent or temporary injunction, restraining order, or other order may be granted.

(b) When the unified program agency determines that any person has engaged in, is engaged in, or is about to engage in any acts or practices which constitute or will constitute a violation of this chapter, or any rule, regulation, permit, covenant, standard, requirement, or order issued, promulgated, or executed thereunder, and when requested by the unified program agency, the city attorney of the city in which those acts or practices occur, occurred, or will occur, the district attorney of the county in which those acts or practices occur, occurred, or will occur, or the Attorney General, may apply to the superior court for an order enjoining those acts or practices, or for an order directing compliance, and upon a showing by the unified program agency that the person has engaged in or is about to engage in those acts or practices, a permanent or temporary injunction, restraining order, or other order may be granted.

CHAPTER 358

An act to amend Section 11377 of the Health and Safety Code, relating to controlled substances.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 11377 of the Health and Safety Code is amended to read:

11377. (a) Except as otherwise provided in subdivision (b) or in Article 7 (commencing with Section 4211) of Chapter 9 of Division 2 of the Business and Professions Code, every person who possesses any controlled substance which is (1) classified in Schedule III, IV, or V, and which is not a narcotic drug, (2) specified in subdivision (d) of Section 11054, except paragraphs (13), (14), (15), and (20) of subdivision (d), (3) specified in paragraph (2) or (3) of subdivision (f) of Section 11054, or (4) specified in subdivision (d), (e), or (f) of Section 11055, unless upon the prescription of a physician, dentist, podiatrist, or veterinarian, licensed to practice in this state, shall be punished by imprisonment in a county jail for a period of not more than one year or in the state prison.

(b) (1) Any person who violates subdivision (a) by unlawfully possessing a controlled substance specified in subdivision (f) of Section 11056, and who has not previously been convicted of such a violation involving a controlled substance specified in subdivision (f) of Section 11056, is guilty of a misdemeanor.

(2) Any person who violates subdivision (a) by unlawfully possessing a controlled substance specified in subdivision (g) of Section 11056 is guilty of a misdemeanor.

(c) In addition to any fine assessed under subdivision (b), the judge may assess a fine not to exceed seventy dollars ($70) against any person who violates subdivision (a), with the proceeds of this fine to be used in accordance with Section 1463.23 of the Penal Code. The court shall, however, take into consideration the defendant's ability to pay, and no defendant shall be denied probation because of his or her inability to pay the fine permitted under this subdivision.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 359

An act to amend Section 457.1 of the Penal Code, relating to arson.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 457.1 of the Penal Code is amended to read:

457.1. (a) As used in this section, "arson" means a violation of Section 451 or 453.

(b) Upon a conviction of the offense of arson or attempted arson, or upon the discharge or parole of any person from the Department of the Youth Authority for the commission of the offense of arson or attempted arson, the court shall impose, in addition to any other penalty prescribed by law, a requirement that the person shall register with the chief of police of the city in which he or she resides, or with the sheriff of the county if he or she resides in an unincorporated area, and with the chief of police of the campus of the University of California or the California State University where the person is domiciled, if he or she is domiciled on campus or in any campus facility, within 30 days of coming into any county or city in which he or she expects to reside or is temporarily domiciled for at least 30 days. The law enforcement agencies shall make registration information available to the chief fire official of a legally organized fire department or fire protection district having local jurisdiction where the person resides.

(c) Any person required to register pursuant to this section who is discharged or paroled from a jail, prison, school, road camp, or other penal institution, or from the Department of the Youth Authority where he or she was confined because of the commission or attempted commission of arson, shall, prior to the discharge, parole, or release, be informed of his or her duty to register under this section by the official in charge of the place of confinement. The official shall require the person to read and sign the form as may be required by the Department of Justice, stating that the duty of the person to register under this section has been explained to him or her. The official in charge of the place of confinement shall obtain the address where the person expects to reside upon his or her discharge, parole, or release and shall report the address to the Department of Justice. The official in charge of the place of confinement shall give

one copy of the form to the person, and shall, not later than 45 days prior to the scheduled release of the person, send one copy to the appropriate law enforcement agency having local jurisdiction where the person expects to reside upon his or her discharge, parole, or release; one copy to the prosecuting agency that prosecuted the person; one copy to the chief fire official of a legally organized fire department or fire protection district having local jurisdiction where the person expects to reside upon his or her discharge, parole, or release; and one copy to the Department of Justice. The official in charge of the place of confinement shall retain one copy. All forms shall be transmitted in time so as to be received by the local law enforcement agency and prosecuting agency 30 days prior to the discharge, parole, or release of the person.

(d) The duty to register under this section for offenses adjudicated by a juvenile court shall cease 10 years after the adjudication of the offense for which the registration was required.

(e) All records relating specifically to the registration in the custody of the Department of Justice, law enforcement agencies, and other agencies or public officials shall be destroyed when the person required to register under this subdivision for offenses adjudicated by a juvenile court attains the age of 25 years or has his or her records sealed under the procedures set forth in Section 781 of the Welfare and Institutions Code, whichever event occurs first. This subdivision shall not be construed to require the destruction of other criminal offender or juvenile records relating to the case that are maintained by the Department of Justice, law enforcement agencies, the juvenile court, or other agencies and public officials unless ordered by the court under Section 781 of the Welfare and Institutions Code.

(f) Any person who is required to register pursuant to this section who is released on probation or discharged upon payment of a fine shall, prior to the release or discharge, be informed of his or her duty to register under this section by the court in which he or she has been convicted, and the court shall require the person to read and sign the form as may be required by the Department of Justice, stating that the duty of the person to register under this section has been explained to him or her. The court shall obtain the address where the person expects to reside upon his or her release or discharge and shall report within three days the address to the Department of Justice. The court shall give one copy of the form to the person, and shall send two copies to the Department of Justice, which, in turn, shall forward one copy to the appropriate law enforcement agency having local jurisdiction where the person expects to reside upon his or her discharge, parole, or release.

(g) The registration shall consist of (1) a statement in writing signed by the person, giving the information as may be required by the Department of Justice, and (2) the fingerprints and photograph of the person. Within three days thereafter, the registering law

enforcement agency shall forward the statement, fingerprints, and photograph to the Department of Justice.

(h) If any person required to register by this section changes his or her residence address, he or she shall inform, in writing within 10 days, the law enforcement agency with whom he or she last registered of his or her new address. The law enforcement agency shall, within three days after receipt of the information, forward it to the Department of Justice. The Department of Justice shall forward appropriate registration data to the law enforcement agency having local jurisdiction of the new place of residence.

(i) Any person required to register under this section who violates any of the provisions thereof is guilty of a misdemeanor. Any person who has been convicted of arson or attempted arson and who is required to register under this section who willfully violates any of the provisions thereof is guilty of a misdemeanor and shall be sentenced to serve a term of not less than 90 days nor more than one year in a county jail. In no event does the court have the power to absolve a person who willfully violates this section from the obligation of spending at least 90 days of confinement in a county jail and of completing probation of at least one year.

(j) Whenever any person is released on parole or probation and is required to register under this section but fails to do so within the time prescribed, the Board of Prison Terms, the Department of the Youth Authority, or the court, as the case may be, shall order the parole or probation of that person revoked.

(k) The statements, photographs, and fingerprints required by this section shall not be open to inspection by the public or by any person other than a regularly employed peace officer or other law enforcement officer.

(*l*) In any case in which a person who would be required to register pursuant to this section is to be temporarily sent outside the institution where he or she is confined on any assignment within a city or county, including, but not limited to, firefighting or disaster control, the local law enforcement agency having jurisdiction over the place or places where that assignment shall occur shall be notified within a reasonable time prior to removal from the institution. This subdivision shall not apply to any person temporarily released under guard from the institution where he or she is confined.

(m) Nothing in this section shall be construed to conflict with Section 1203.4 concerning termination of probation and release from penalties and disabilities of probation.

A person required to register under this section may initiate a proceeding under Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 and, upon obtaining a certificate of rehabilitation, shall be relieved of any further duty to register under this section. This certificate shall not relieve the petitioner of the duty to register under this section for any offense subject to this section of which he or she is convicted in the future.

SEC. 2. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 360

An act to add Section 870.5 to the Code of Civil Procedure, relating to validation proceedings.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 870.5 is added to the Code of Civil Procedure, to read:

870.5. Any local public agency that pledges sales or retail transaction and use tax revenues received from taxes imposed by another public agency for bond payments or payment of other security obligations shall, in any validation action it files involving those bonds or other obligations, provide written notice thereof to the public agency imposing the taxes pledged as security for the bonds or other obligations at the time it files the validation action.

SEC. 2. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 361

An act to amend Section 5322 of the Public Utilities Code, relating to public utilities.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 5322 of the Public Utilities Code is amended to read:

5322. (a) The Legislature finds and declares that advertisement and use of telephone service is essential for household goods carriers to obtain business and conduct intrastate moving services. The unlawful advertisement by unlicensed household goods carriers has required properly licensed and regulated household goods carriers to compete with unlicensed household goods carriers using unfair business practices. Unlicensed household goods carriers have also exposed citizens of the State of California to unscrupulous persons who portray themselves as properly licensed, qualified, and insured household goods carriers. Many of these unlicensed household goods carriers have been found to have perpetrated acts of theft, fraud, and dishonesty upon unsuspecting citizens of the State of California.

(b) (1) The Legislature finds and declares that the termination of telephone service utilized by unlicensed household goods carriers is essential to ensure the public safety and welfare. Therefore, the commission should take enforcement action as specified in this section to disconnect telephone service of unlicensed household goods carriers who unlawfully advertise moving services in yellow page directories and other publications. The enforcement action provided for by this section is consistent with the decision of the Supreme Court of the State of California in Goldin, et al. v. Public Utilities Commission et al., 23 Cal. 3d 638.

(2) For purposes of this section, a telephone utility, or a corporation that holds a controlling interest in the telephone utility, or any business that is a subsidiary or affiliate of the telephone utility, that has the name and address of the subscriber to a telephone number being used by an unlicensed household goods carrier shall provide the commission, or an authorized official of the commission, upon demand, and the order of a magistrate, access to this information. A magistrate may only issue an order, for the purposes of this subdivision, when the magistrate has made the findings required by subdivision (c).

(c) Any telephone utility operating under the jurisdiction of the commission shall refuse telephone service to a new customer and shall disconnect telephone service of an existing customer only after it is shown that other available enforcement remedies of the

commission have failed to terminate unlawful activities detrimental to the public welfare and safety, and upon receipt from any authorized official of the commission of a writing, signed by a magistrate, as defined by Sections 807 and 808 of the Penal Code, finding that probable cause exists to believe that the customer is advertising or holding out to the public to perform, or is performing, household goods carrier services without having in force a permit issued by the commission authorizing those services, or that the telephone service otherwise is being used or is to be used as an instrumentality, directly or indirectly, to violate or to assist in violation of the laws requiring a household goods carrier permit. Included in the writing of the magistrate shall be a finding that there is probable cause to believe that the subject telephone facilities have been or are to be used in the commission or facilitation of holding out to the public to perform, or in performing, household goods carrier services without having in force a permit issued by the commission authorizing those services, and that, absent immediate and summary action, a danger to public welfare or safety will result.

(d) Any person aggrieved by any action taken pursuant to this section shall have the right to file a complaint with the commission and may include therein a request for interim relief. The commission shall schedule a public hearing on the complaint to be held within 21 calendar days of the filing and assignment of a docket number to the complaint. The remedy provided by this section shall be exclusive. No other action at law or in equity shall accrue against any telephone utility because of, or as a result of, any matter or thing done or threatened to be done pursuant to this section.

(e) At any hearing on complaint pursuant to subdivision (d), the commission staff shall have the right to participate, including the right to present evidence and argument and to present and cross-examine witnesses. The commission staff shall have both the burden of providing that the use made or to be made of the telephone service is to hold out to the public to perform, or to assist in performing, services as a household goods carrier, or that the telephone service is being or is to be used as an instrumentality, directly or indirectly, to violate or to assist in violation of the licensing laws as applicable to household goods carriers and that the character of the acts is such that, absent immediate and summary action, a danger to public welfare or safety will result, and the burden of persuading the commission that the telephone services should be refused or should not be restored.

(f) The telephone utility, immediately upon refusal or disconnection of service in accordance with subdivision (c), shall notify the customer or subscriber in writing that the refusal or disconnection of telephone service has been made pursuant to a request of the commission and the writing of a magistrate, and shall include with the notice a copy of this section, a copy of the writing of the magistrate, and a statement that the customer or subscriber

may request information from the commission at its San Francisco or Los Angeles office concerning any provision of this section and the manner in which a complaint may be filed.

(g) Each contract for telephone service, by operation of law, shall be deemed to contain the provisions of this section. The provisions shall be deemed to be a part of any application for telephone service. Applicants and customers for telephone service shall be deemed to have consented to the provisions of this section as a consideration for the furnishing of the service.

(h) The terms "person," "customer," and "subscriber," as used in this section, include a subscriber to telephone service, an applicant for that service, a corporation, a company, a partnership, an association, and an individual.

(i) The term "telephone utility," as used in this section, includes a "telephone corporation" and a "telegraph corporation," as defined in Division 1 (commencing with Section 201).

(j) The term "authorized official," as used in this section, includes the Executive Director of the Public Utilities Commission or any commission employee designated pursuant to paragraph (5) of subdivision (a) of Section 830.11 of the Penal Code.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 362

An act to add Section 987.875 to the Military and Veterans Code, relating to veterans, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 987.875 is added to the Military and Veterans Code, to read:

987.875. Notwithstanding Section 987.87 or any other provision of law, the department shall report to the California Veterans Board and the Veterans' Finance Committee of 1943, regarding the recommended rate of interest payable upon the amount remaining unpaid under any veteran's purchase contract executed on or after January 1, 1999. The department, from time to time, shall establish and may modify, subject to the approval of the board and the committee, the actual rates to be paid, which may be fixed interest rates or variable interest rates, or the methodology and timing for determining or modifying the actual interest rates to be paid, which methodology may produce fixed interest rates or variable interest rates on purchase contracts executed on or after January 1, 1999. The interest rates need not be uniform for all the purchase contracts. The interest rates shall be determined by the department in accordance with guidelines established by the board and the committee.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order for the Department of Veterans Affairs to provide lower interest rates to new purchasers under the Farm and Home Purchase Act of 1974, and thereby substantially reduce the cost to those purchasers, at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 363

An act to add and repeal Section 12599.5 of the Health and Safety Code, relating to fireworks.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 12599.5 is added to the Health and Safety Code, to read:

12599.5. (a) Notwithstanding Sections 12599 and 12672, a separate one-time retail license issued pursuant to this section by the State Fire Marshal shall authorize a retail sale of safe and sane fireworks within this state only from 9 a.m. on December 26, 1999, until midnight of January 1, 2000. That license shall expire at the end of that period. All fireworks sold pursuant to that license shall have been certified as safe and sane by the State Fire Marshal as of June 1999. No other license issued pursuant to this chapter shall authorize the sale of fireworks during that period.

(b) No retail license shall be issued for the license period defined in this section unless the city, county, or city and county having jurisdiction over the fixed location where the fireworks would be sold adopts an ordinance or resolution allowing that sale, and the application for that license is received by the State Fire Marshal on or before December 15, 1999. The ordinance or resolution authorizing the sale of those fireworks may limit the period of use of those fireworks to specified days and hours within the period during which the sale is authorized by this section.

(c) This section shall become inoperative on January 2, 2000, and, as of January 1, 2001, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2001, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 364

An act to add Article 12 (commencing with Section 11146) to Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code, relating to state agencies.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Article 12 (commencing with Section 11146) is added to Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code, to read:

Article 12. State Agency Ethics Training

11146. For purposes of this article, the following terms have the following meanings:

(a) "State agency" has the same meaning as set forth in Section 82049, but does not include the Legislature.

(b) "Filer" means each member, officer, or employee of a state agency who satisfies both of the following requirements:

(1) The person holds any one of the following positions with the agency: an elected office, a position that is exempt from civil service, a career executive assignment, the position of executive director or its equivalent, or the position of general counsel or its equivalent.

(2) The person is required to file a statement of economic interests under either Article 2 (commencing with Section 87200) or Article 3 (commencing with Section 87300) of Chapter 7 of Title 9 because of the position he or she holds with the agency.

11146.1. Each state agency shall offer at least semiannually to each of its filers an orientation course on the relevant ethics statutes and regulations that govern the official conduct of state officials.

11146.2. Each state agency shall maintain records indicating the specific attendees, each attendee's job title, and dates of their attendance for each orientation course offered pursuant to Section 11146.1 for a period of not less than five years after each course is given. These records shall be public records subject to inspection and copying consistent with subdivision (a) of Section 81008 and otherwise subject to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1).

11146.3. Except as set forth in Section 11146.4, each filer shall attend the orientation course required in Section 11146.1, as follows:

(a) For filers who hold a position with the agency on January 1, 1999, not later than December 31, 1999, and at least once during each consecutive two calendar years thereafter.

(b) For persons who become a filer with the agency after January 1, 1999, within six months after they become a filer and at least once during each consecutive two calendar years thereafter.

11146.4. (a) The requirements of Section 11146.3 shall not apply to filers with a state agency who have taken an equivalent ethics orientation course through another state agency or the Legislature within the time periods set forth in subdivision (a) or (b) of Section 11146.3, as applicable.

(b) State agencies may jointly conduct and filers from more than one state agency may jointly attend an orientation course required by Section 11146.1, as long as the course content is relevant to the official duties of the attending filers.

(c) Before conducting each orientation course required by Section 11146.1, state agencies shall consult with the Fair Political Practices Commission and the Attorney General regarding appropriate course content.

CHAPTER 365

An act to amend Sections 78015 and 78016 of the Education Code, relating to community colleges.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 78015 of the Education Code is amended to read:

78015. (a) (1) The governing board of a community college district, prior to establishing a vocational or occupational training program, shall conduct a job market study of the labor market area, as those terms are defined in Section 52301.5, in which it proposes to establish the program. The study shall use the State-Local Cooperative Labor Market Information Program established in Section 10533 of the Unemployment Insurance Code, or if this program is not available in the labor market area, other available sources of labor market information. The study shall include a California Occupational Information System supply analysis of existing vocational and occupational education or training programs for adults maintained by high schools, community colleges, and private postsecondary schools in the area to ensure that the anticipated employment demand for students in the proposed programs justifies the establishment of the proposed courses of instruction.

(2) The governing board of the community college district shall make copies of each job market study available to the public.

(b) Subsequent to completing the study required by this section and prior to establishing the program, the governing board of the community college district shall determine whether or not the study justifies the proposed vocational education program.

(c) If the governing board of the community college district determines that the job market study justifies the initiation of the proposed program, it shall determine, by resolution, whether the program shall be offered through the district's own facilities or through a contract with an approved private postsecondary school pursuant to Section 8092.

SEC. 2. Section 78016 of the Education Code is amended to read:

78016. (a) Every vocational or occupational training program offered by a community college district shall be reviewed every two years by the governing board of the district to ensure that each program, as demonstrated by the California Occupational Information System, including the State-Local Cooperative Labor Market Information Program established in Section 10533 of the Unemployment Insurance Code, or if this program is not available in

the labor market area, other available sources of labor market information, does all of the following:

(1) Meets a documented labor market demand.

(2) Does not represent unnecessary duplication of other manpower training programs in the area.

(3) Is of demonstrated effectiveness as measured by the employment and completion success of its students.

(b) Any program that does not meet the requirements of subdivision (a) and the standards promulgated by the governing board shall be terminated within one year.

(c) The review process required by this section shall include the review and comments by the local Private Industry Council established pursuant to Division 8 (commencing with Section 15000) of the Unemployment Insurance Code, which review and comments shall occur prior to any decision by the appropriate governing body.

(d) This section shall apply to each program commenced subsequent to July 28, 1983.

(e) A written summary of the findings of each review shall be made available to the public.

SEC. 3. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 366

An act to amend Sections 11314 and 11315 of, and to add Section 11315.5 to, the Business and Professions Code, relating to real estate appraisers.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 11314 of the Business and Professions Code is amended to read:

11314. The office is required to include in its regulations requirements for licensure and discipline of real estate appraisers

that ensure protection of the public interest and comply in all respects with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Public Law 101-73 and any subsequent amendments thereto. Requirements for each level of licensure shall, at a minimum, meet the criteria established by the Appraiser Qualification Board of the Appraisal Foundation.

SEC. 2. Section 11315 of the Business and Professions Code is amended to read:

11315. (a) The director may issue to a licensee, applicant for licensure, person who acts in a capacity that requires a license under this part, course provider, applicant for course provider accreditation, or a person who, or entity that, acts in a capacity that requires course provider accreditation a citation that may contain an order to pay an administrative fine assessed by the office if the person or entity is in violation of this part or any regulations adopted to carry out its purposes.

(b) A citation shall be written and describe with particularity the nature of the violation, including a specific reference to the provision of law determined to have been violated.

(c) If appropriate, the citation may contain an order of abatement fixing a reasonable time for abatement of the violation.

(d) (1) If appropriate, the citation may contain an order to enroll in and successfully complete additional basic or continuing education courses.

(2) When a citation imposes an education course or courses, the completion of the course or courses by the licensee shall be subject to the following conditions:

(A) The citation imposing the education requirement may specify the specific course content, the number of hours to be completed, the date by which the course is to be completed, and the method by which satisfaction of the order is to be reported to the office.

(B) An education course imposed by citation may not be credited towards the licensee's continuing education requirements pursuant to Section 11360.

(C) Only courses accredited by the office shall be accepted for purposes of fulfilling education imposed by citation.

(D) Any failure to satisfactorily complete or timely report an education course to the office by the date specified in the citation shall result in the automatic suspension of the licensee's real estate appraiser license as of that date.

(E) Reinstatement of a license suspended pursuant to subparagraph (D) shall be made only if all of the following events occur:

(i) Satisfactory verification of the completion of the education course or courses imposed by the citation.

(ii) Completion and filing of a reinstatement application.

(iii) Payment of all applicable fees, fines, or penalties.

(e) In no event shall an administrative fine assessed by the office by citation or order exceed ten thousand dollars ($10,000) per violation. In assessing a fine, the office shall give due consideration to the appropriateness of the amount of the fine with respect to factors such as the gravity of the violation, the good faith of the person who committed the violation, and the history of previous violations.

(f) A citation or fine assessment issued pursuant to a citation shall inform the person cited that, if he or she desires a hearing to contest the finding of a violation, he or she must request a hearing by written notice to the office within 30 days of the date of issuance of the citation or assessment. Hearings shall be held pursuant to Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code. The citation or fine assessment shall also inform the person cited that failure to respond to the citation or fine assessment shall result in any order or administrative fine imposed becoming final, and that any order or administrative fine shall constitute an enforceable civil judgment in addition to any other penalty or remedy available pursuant to law.

(g) (1) If a licensee, applicant for licensure, person who acts in a capacity that requires a license under this part, course provider, applicant for course provider accreditation, or a person who, or entity that, acts in a capacity that requires course provider accreditation fails to pay a fine, penalty, or required installment payment on the fine or penalty by the date when it is due, the director shall charge him or her interest and a penalty of 10 percent of the fine or installment payment amount. Interest shall be charged at the pooled money investment rate.

(2) Failure of a licensee, applicant for licensure, person who acts in a capacity that requires a license under this part, course provider, applicant for course provider accreditation, or a person who, or entity that, acts in a capacity that requires course provider accreditation to pay a fine or required installment payment on the fine within 30 days of the date ordered in the citation, unless the citation is being appealed, shall be cause for additional disciplinary action by the office.

(3) If a citation is not contested and a fine or fine payment is not paid within 30 days of the date ordered in the citation or other order of the director, the full amount of the unpaid balance of the assessed fine shall be added to any fee for renewal of a license. A license shall not be renewed prior to payment of the renewal fee and fine.

(4) The director may order the full amount of any fine to be immediately due and payable if any payment due on a fine is not received by the office within 30 days of its due date.

(5) Any fine, or interest thereon, not paid within 30 days of a final citation or order shall constitute a valid and enforceable civil judgment.

(6) A certified copy of the final order, or the citation with certification by the office that no request for hearing was received

within 30 days of the date of issuance of the citation, shall be conclusive proof of the civil judgment, its terms, and its validity.

(h) A citation may be issued without the assessment of an administrative fine.

(i) Any administrative fine or penalty imposed pursuant to this section shall be in addition to any other criminal or civil penalty provided for by law.

(j) Administrative fines collected pursuant to this section shall be deposited in the Real Estate Appraisers Regulation Fund.

SEC. 3. Section 11315.5 is added to the Business and Professions Code, to read:

11315.5. Notwithstanding any other provision of law, the office may, at any time the director deems it to be in the public interest, enter into a settlement of any administrative allegation of violation of this part, or of regulations promulgated pursuant thereto, upon any terms and conditions as the director deems appropriate. Those settlements may include, but are not limited to, a plan for abatement of the violation or rehabilitation or requalification of the applicant, licensed appraiser, course provider, or person acting in a capacity requiring a license or course provider accreditation within a specified time.

CHAPTER 367

An act to amend Section 15006 of the Insurance Code, relating to insurance.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 15006 of the Insurance Code is amended to read:

15006. (a) No person shall engage in a business regulated by this chapter, or act or assume to act as, or represent himself or herself to be, a licensee unless he or she is licensed under this chapter. Any person who violates this subdivision shall, in addition to any other penalties provided by law, be liable to the state for a civil penalty in an amount not exceeding five thousand dollars ($5,000), or if that violation is willful, in an amount not exceeding ten thousand dollars ($10,000). The penalty shall be assessed and recovered in a civil action brought by the commissioner in a court of competent jurisdiction in the name of the people of the State of California.

(b) Any contract for services regulated by this chapter that is entered into by an insured with any person who is in violation of subdivision (a) may be voided at the option of the insured, and the

insured shall not be liable for the payment of any past services rendered, or future services to be rendered, by that person under that contract or otherwise.

(c) Whenever it appears to the commissioner that any person is engaging in acts or practices in violation of subdivision (a), the commissioner may, without any requirement of notice or hearing, issue and cause to be served upon that person an order requiring that person to cease and desist immediately from engaging further in those acts or practices.

(d) Any person who fails to comply fully with an order of the commissioner issued under subdivision (c) shall be liable to the state for a civil penalty in an amount not exceeding one hundred dollars ($100) per day for each and every day that the violation or failure to comply continues, but in no event to exceed a maximum amount of five thousand dollars ($5,000). The commissioner shall collect the amount so payable and may bring an action in a court of competent jurisdiction in the name of the people of the State of California to enforce collection. This penalty is in addition to any other penalties provided by law.

(e) The powers vested in the commissioner by this section are in addition to any and all other powers and remedies vested in the commissioner by law, and nothing herein shall be construed as requiring the commissioner to employ the powers conferred in this section instead of or as a condition precedent to the exercise of any other power or remedy vested in the commissioner.

CHAPTER 368

An act to amend Sections 1215.4 and 1215.5 of the Insurance Code, relating to insurance holding companies.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1215.4 of the Insurance Code is amended to read:

1215.4. (a) Every insurer that is authorized to do business in this state and that is a member of an insurance holding company system shall register with the commissioner, except a foreign insurer subject to disclosure requirements and standards adopted by statute or regulation in the jurisdiction of its domicile if substantially similar to those contained in this section. The exemption from registration for those foreign insurers shall not apply to any commercially domiciled insurer within this state, as provided in Section 1215.13. Any insurer that is subject to registration under this section shall register within

60 days after the effective date of this article or 15 days after it becomes subject to registration, whichever is later, and annually thereafter by April 30 of each year for the previous calendar year, unless the commissioner for good cause shown extends the time for registration. The commissioner may require a holding company system that is not subject to registration under this section to furnish a copy of the registration statement or other information filed by the insurance company with the insurance regulatory authority of domiciliary jurisdiction.

(b) Every insurer subject to registration shall file a registration statement on a form prescribed by the National Association of Insurance Commissioners, which shall contain current information about the following:

(1) The capital structure, general financial condition, ownership, and management of the insurer and any person controlling the insurer.

(2) The identity and relationship of every member of the insurance holding company system.

(3) The following agreements in force, relationships subsisting, and transactions currently outstanding or that have occurred during the last calendar year between the insurer and its affiliates:

(A) Loans, extensions of credit, investments, or purchases, sales, or exchanges of securities of the affiliates by the insurer or of the insurer by its affiliates.

(B) Purchases, sales, or exchanges of assets.

(C) Transactions not in the ordinary course of business.

(D) Guarantees or undertakings for the benefit of an affiliate that result in an actual contingent exposure of the insurer's assets to liability, other than insurance contracts entered into in the ordinary course of the insurer's business.

(E) All management agreements, service contracts, and cost-sharing arrangements. However, subscription agreements or powers of attorney executed by subscribers of a reciprocal or interinsurance exchange are not required to be reported pursuant to this section if the form of the agreement was in use before 1943 and was not amended in any way to modify payments, fees, or waivers of fees or otherwise substantially amended after 1943.

(F) Reinsurance agreements.

(G) Dividends and other distributions to shareholders.

(H) Consolidated tax allocation agreements.

(4) A pledge of the insurer's stock, including stock of a subsidiary or controlling affiliate, for a loan made to a member of the insurance holding company system.

(5) Other matters as may be included in registration forms adopted by the National Association of Insurance Commissioners, to the extent otherwise required by the commissioner.

(c) All registration statements shall contain a summary outlining all items in the current registration statement that are changes from the prior registration statement.

(d) No information need be disclosed on the registration statement filed pursuant to subdivision (b) of this section if the information is not material for the purposes of this section. Unless the commissioner provides otherwise, sales, purchases, exchanges, loans or extensions of credit, investments, or guarantees involving one-half of 1 percent or less of an insurer's admitted assets as of the preceding December 31st, are not deemed material for purposes of this section.

(e) Each registered insurer shall keep current the information required to be disclosed in its registration statement by reporting all material changes or additions within 15 days after the end of the month in which it learns of each change or addition.

(f) Subject to subdivision (g) of Section 1215.5, each registered insurer shall report all dividends and other distributions to shareholders within five business days following declaration. No dividend or other distribution to shareholders may be paid until at least 10 business days after receipt by the commissioner, at the office of the department prescribed by the commissioner by notice to all insurers, of a notice of the declaration of the dividend or other distribution.

(g) Every person in an insurance holding company system subject to registration is required to provide the insurer with all information reasonably necessary to enable the insurer to comply with the provisions of this article.

(h) The commissioner shall terminate the registration of any insurer that demonstrates that it no longer is a member of an insurance holding company system.

(i) The commissioner may require or allow two or more affiliated insurers subject to registration hereunder to file a consolidated registration statement or consolidated reports amending their consolidated registration statement or their individual registration statements.

(j) The commissioner may allow any insurer that is authorized to do business in this state that is part of an insurance holding company system to register on behalf of any affiliated insurer that is required to register under subdivision (a), and to file all information and material required to be filed under this article.

(k) The provisions of this section do not apply to any insurer, information, or transaction exempted by the commissioner.

(*l*) Any person may file with the commissioner a disclaimer of affiliation with any authorized insurer. A disclaimer of affiliation may be filed by an insurer or any member of an insurance holding company system. The disclaimer shall fully disclose all material relationships and bases for affiliation between the person and the insurer, as well as the basis for disclaiming an affiliation. After a disclaimer has been filed, the insurer is relieved of any duty to

register or report under this section that may arise out of the insurer's relationship with the disclaimed person unless and until the commissioner disallows the disclaimer. The commissioner shall disallow the disclaimer only after furnishing all parties in interest with notice and opportunity to be heard and after making specific findings of fact to support the disallowance.

(m) The failure to file a registration statement, summary thereof, amendment to the statement, or report of dividend required by this section within the time specified for the filing is a violation of this article.

SEC. 2. Section 1215.5 of the Insurance Code is amended to read:

1215.5. (a) Transactions by registered insurers with their affiliates are subject to the following standards:

(1) The terms shall be fair and reasonable.

(2) Charges or fees for services performed shall be reasonable.

(3) Expenses incurred and payment received shall be allocated to the insurer in conformity with customary insurance accounting practices consistently applied.

(4) The books, accounts, and records of each party to all transactions shall be so maintained as to clearly and accurately disclose the precise nature and details of the transactions, including accounting information that is necessary to support the reasonableness of the charges or fees to the parties.

(5) The insurer's policyholder's surplus following any dividends or distributions to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

(b) The following transactions involving a domestic insurer or commercially domiciled insurer, as defined in Section 1215.13, and any person in its holding company system, may be entered into only if the insurer has notified the commissioner in writing of its intention to enter into the transaction at least 30 days prior thereto, or a shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period. The commissioner shall require the payment of one thousand eight hundred eighty-nine dollars ($1,889) as a fee for filings under this subdivision. The payment shall accompany the filing.

(1) Sales, purchases, exchanges, loans, extensions of credit, or investments, if the transactions are equal to or exceed:

(A) For a nonlife insurer, the lessor of 3 percent of the insurer's admitted assets or 25 percent of the policyholder's surplus as of the preceding December 31st.

(B) For a life insurer, 3 percent of the insurer's admitted assets as of the preceding December 31st.

(2) Loans or extensions of credit to a person who is not an affiliate, if made with the agreement or understanding that the proceeds of the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make

investments in, any affiliate of the insurer, if the transactions are equal to or exceed:

(A) For a nonlife insurer, the lesser of 3 percent of the insurer's admitted assets or 25 percent of the policyholder's surplus as of the preceding December 31st.

(B) For a life insurer, 3 percent of the insurer's admitted assets as of the preceding December 31st.

(3) Reinsurance agreements or modifications thereto in which the reinsurance premium or a change in the insurer's liabilities equals or exceeds 5 percent of the insurer's policyholder's surplus, as of the preceding December 31st, including those agreements that may require as consideration the transfer of assets from an insurer to a nonaffiliate, if an agreement or understanding exists between the insurer and nonaffiliate that any portion of the assets will be transferred to one or more affiliates of the insurer.

(4) All management agreements, service contracts, and cost-sharing arrangements. However, subscription agreements or powers of attorney executed by subscribers of a reciprocal or interinsurance exchange are not required to be reported pursuant to this section if the form of the agreement was in use before 1943 and was not amended in any way to modify payments, fees, or waivers of fees or otherwise substantially amended after 1943. Payment or waiver of fees or other amounts due under subscription agreements or powers of attorney forms that were in use before 1943 and that have not been amended in any way to modify payments, fees, or waiver of fees, or otherwise substantially amended after 1943 shall not be subject to regulation pursuant to paragraph (2) of subdivision (a).

(5) Guarantees when initiated or made by a domestic or commercially domiciled insurer; provided, however, that a guarantee that is quantifiable as to amount is not subject to the notice requirements of this paragraph unless it exceeds the lesser of one-half of 1 percent of the insurer's admitted assets or 10 percent of surplus as regards policyholders as of the 31st day of December next preceding. Further, all guarantees that are not quantifiable as to amount are subject to the notice requirements of this paragraph.

(6) Direct or indirect acquisitions or investments in a person that controls the insurer or in an affiliate of the insurer in an amount that, together with its present holdings in those investments, exceeds 2.5 percent of the insurer's policyholder's surplus. Direct or indirect acquisitions or investments in subsidiaries acquired under Section 1215.1, or in nonsubsidiary insurance affiliates that are subject to the provisions of this article, or in subsidiaries acquired pursuant to Section 1199, are exempt from this requirement.

(7) Any material transactions, specified by regulation, that the commissioner determines may adversely affect the interests of the insurer's policyholders.

(c) A domestic insurer may not enter into transactions that are part of a plan or series of transactions with persons within the holding

company system if the purpose of those transactions is to avoid the statutory threshold amount and thus avoid review. If the commissioner determines that separate transactions were entered into over any 12-month period to avoid review, the commissioner may exercise his or her authority under Section 1215.10.

(d) The commissioner, in reviewing transactions under subdivision (b), shall consider whether the transactions comply with the standards set forth in subdivision (a) and whether they may adversely affect the interests of policyholders.

(e) The commissioner shall be notified within 30 days of any investment by the insurer in any one corporation if the total investment in the corporation by the insurance holding company system exceeds 10 percent of the corporation's voting securities.

(f) For purposes of this article, in determining whether an insurer's policyholder's surplus is reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs, the following factors, among others, shall be considered:

(1) The size of the insurer, as measured by its assets, capital and surplus, reserves, premium writings, insurance in force, and other appropriate criteria.

(2) The extent to which the insurer's business is diversified among the several lines of insurance.

(3) The number and size of risks insured in each line of business.

(4) The extent of the geographical dispersion of the insurer's insured risks.

(5) The nature and extent of the insurer's reinsurance program.

(6) The quality, diversification, and liquidity of the insurer's investment portfolio.

(7) The recent past and projected future trend in the size of the insurer's investment portfolio.

(8) The recent past and projected future trend in the size of the insurer's surplus, and the policyholder's surplus maintained by other comparable insurers.

(9) The adequacy of the insurer's reserves.

(10) The quality and liquidity of investments in subsidiaries made under Section 1215.1. The commissioner may treat any such investment as a disallowed asset for purposes of determining the adequacy of the policyholder's surplus whenever, in his or her judgment, the investment so warrants.

(11) The quality of the company's earnings and the extent to which the reported earnings include extraordinary accounting items.

(g) No insurer subject to registration under Section 1215.4 shall pay any extraordinary dividend or make any other extraordinary distribution to its stockholders until 30 days after the commissioner has received notice of the declaration thereof and has approved the payment or has not, within the 30-day period, disapproved the payment.

For purposes of this section, an extraordinary dividend or distribution is any dividend or distribution which, together with other dividends or distributions made within the preceding 12 months, exceeds the greater of (1) 10 percent of the insurer's policyholder's surplus as of the preceding December 31st, or (2) the net gain from operations of the insurer, if the insurer is a life insurer, or the net income, if the insurer is not a life insurer, for the 12-month period ending the preceding December 31st.

Notwithstanding any other provision of law, an insurer may declare an extraordinary dividend or distribution that is conditional upon the commissioner's approval. The declaration confers no rights upon stockholders until the commissioner has approved the payment of the dividend or distribution or until the commissioner has not disapproved the payment within the 30-day period referred to in this subdivision.

(h) The provisions of this section do not apply to any insurer, information, or transaction exempted by the commissioner.

CHAPTER 369

An act to amend Sections 129680, 129725, 129730, 129765, 129790, 129820, 129830, 129835, and 129875 of, and to repeal Sections 1253.2 and 129755 of, the Health and Safety Code, relating to health facilities.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1253.2 of the Health and Safety Code is repealed.

SEC. 2. Section 129680 of the Health and Safety Code is amended to read:

129680. (a) It is the intent of the Legislature that hospital buildings that house patients who have less than the capacity of normally healthy persons to protect themselves, and that must be reasonably capable of providing services to the public after a disaster, shall be designed and constructed to resist, insofar as practical, the forces generated by earthquakes, gravity, and winds. In order to accomplish this purpose, the office shall propose proper building standards for earthquake resistance based upon current knowledge, and provide an independent review of the design and construction of hospital buildings.

(b) Local jurisdictions are preempted from the enforcement of all building standards published in the California Building Standards Code relating to the regulation of hospital buildings and the enforcement of other regulations adopted pursuant to this chapter,

and all other applicable state laws, including plan checking and inspection of the design and details of the architectural, structural, mechanical, plumbing, electrical, and fire and panic safety systems, and the observation of construction. The office shall assume these responsibilities by establishing, maintaining, and operating separate, but coordinated, plan review and field inspection units within the statewide office.

(c) Where local jurisdictions have more restrictive requirements for the enforcement of building standards, other building regulations, and construction supervision, these requirements shall be enforced by the office.

(d) Each local jurisdiction shall keep the office advised as to the existence of any more restrictive local requirements. Where a reasonable doubt exists as to whether the requirements of the local jurisdiction are more restrictive, the effect of these requirements shall be determined by the Hospital Building Safety Board.

It is further the intent of the Legislature that the office, with the advice of the Hospital Building Safety Board, may conduct or enter into contracts for research regarding the reduction or elimination of seismic or other safety hazards in hospital buildings or research regarding hospital building standards.

SEC. 3. Section 129725 of the Health and Safety Code is amended to read:

129725. (a) (1) "Hospital building" includes any building not specified in subdivision (b) that is used, or designed to be used, for a health facility of a type required to be licensed pursuant to Chapter 2 (commencing with Section 1250) of Division 2.

(2) Except as provided in paragraph (9) of subdivision (b), hospital building includes a correctional treatment center, as defined in subdivision (j) of Section 1250, the construction of which was completed on or after March 7, 1973.

(b) "Hospital building" does not include any of the following:

(1) Any building where outpatient clinical services of a health facility licensed pursuant to Section 1250 are provided that is separated from a building in which hospital services are provided. If any one or more outpatient clinical services in the building provides services to inpatients, the building shall not be included as a "hospital building" if those services provided to inpatients represent no more than 25 percent of the total outpatient services provided at the building. Hospitals shall maintain on an ongoing basis, data on the patients receiving services in these buildings, including the number of patients seen, categorized by their inpatient or outpatient status. Hospitals shall submit this data annually to the State Department of Health Services.

(2) Any building used, or designed to be used, for a skilled nursing facility or intermediate care facility if the building is of single-story, wood-frame or light steel frame construction.

(3) Any building of single-story, wood-frame or light steel frame construction where only skilled nursing or intermediate care services are provided if the building is separated from a building housing other patients of the health facility receiving higher levels of care.

(4) Any freestanding structures of a chemical dependency recovery hospital exempted under subdivision (c) of Section 1275.2.

(5) Any building licensed to be used as an intermediate care facility/developmentally disabled habilitative with six beds or less and any intermediate care facility/developmentally disabled habilitative of 7 to 15 beds that is a single-story, wood-frame or light steel frame building.

(6) Any building subject to licensure as a correctional treatment center, as defined in subdivision (j) of Section 1250, the construction of which was completed prior to March 7, 1973.

(7) (A) Any building that meets the definition of a correctional treatment center, pursuant to subdivision (j) of Section 1250, for which the final design documents were completed or the construction of which was begun prior to January 1, 1994, operated by or to be operated by the Department of Corrections, the Department of the Youth Authority, or by a law enforcement agency of a city, county, or a city and county.

(B) In the case of reconstruction, alteration, or addition to, the facilities identified in this paragraph, and paragraph (6) or any other building subject to licensure as a general acute care hospital, acute psychiatric hospital, correctional treatment center, or nursing facility, as defined in subdivisions (a), (b), (j), and (k) of Section 1250, operated or to be operated by the Department of Corrections, the Department of the Youth Authority, or by a law enforcement agency of a city, county, or city and county, only the reconstruction, alteration, or addition, itself, and not the building as a whole, nor any other aspect thereof, shall be required to comply with this chapter or the regulations adopted pursuant thereto.

SEC. 4. Section 129730 of the Health and Safety Code is amended to read:

129730. (a) Space for the following functions shall be considered "outpatient clinical services," when provided in a freestanding building that is separated from a hospital building where inpatient hospital services are provided: administrative space; central sterile supply; storage; morgue and autopsy facilities; employee dressing rooms and lockers; janitorial and housekeeping facilities; and laundry.

(b) The outpatient portions of the following services may also be delivered in a freestanding building and shall be considered "outpatient clinical services:" surgical; chronic dialysis; psychiatry; rehabilitation; occupational therapy; physical therapy; maternity; dentistry; and chemical dependency.

(c) Services that duplicate basic services, as defined in subdivision (a) of Section 1250, or services that are provided as part of a basic

service, but are not required for facility licensure may also be provided in a freestanding building.

(d) The office shall not approve any plans that propose to locate any function listed in subdivision (a) in a freestanding building until the State Department of Health Services certifies to the office that it has received and approved a plan acceptable to the State Department of Health Services that demonstrates how the health facility will continue to provide all basic services in the event of any emergency when the freestanding building may no longer remain functional.

(e) Services listed in subdivisions (b) and (c) are subject to the same 25-percent inpatient limitation described in Section 129725.

SEC. 5. Section 129755 of the Health and Safety Code is repealed.

SEC. 6. Section 129765 of the Health and Safety Code is amended to read:

129765. In each case, the application for approval of the plans shall be accompanied by the plans, by full, complete, and accurate specifications, by structural design computations, which shall comply with the requirements prescribed by the office.

SEC. 7. Section 129790 of the Health and Safety Code is amended to read:

129790. The office shall propose specific space, architectural, structural, mechanical, plumbing, and electrical standards for correctional treatment centers in cooperation with the Board of Corrections, the Department of Corrections, and the Department of the Youth Authority.

SEC. 8. Section 129820 of the Health and Safety Code is amended to read:

129820. No contract for the construction or alteration of any hospital building, made or executed on or after January 1, 1983, by the governing board or authority of any hospital or other similar public board, body, or officer otherwise vested with authority to make or execute such a contract, is valid, and no money shall be paid for any work done under such a contract or for any labor or materials furnished in constructing or altering any such building unless all of the following requirements are satisfied:

(a) The plans and specifications comply with this chapter and the requirements contained in the California Building Standards Code.

(b) The written approval thereof has first been obtained from the office.

(c) The hospital building is to be accessible to, and usable by, persons with disabilities.

(d) The plans and specifications comply with the fire and panic safety requirements of the California Building Standards Code.

SEC. 9. Section 129830 of the Health and Safety Code is amended to read:

129830. From time to time, as the work of construction or alteration progresses and whenever the office requires, the architect

or structural engineer, or both, in charge of construction or registered engineer in charge of other work, the inspector on the work, and the contractor shall each make a report, duly verified by him or her, upon a form prescribed by the office showing, of his or her own personal knowledge, that the work during the period covered by the report has been performed and materials used and installed are in accordance with the approved plans and specifications, setting forth detailed statements of fact as required by the office.

The term "personal knowledge," as used in this section and as applied to the architect or registered engineer, or both, means the personal knowledge that is obtained by periodic visits to the project site of reasonable frequency, for the purpose of general observation of the work, and that is also obtained from the reporting of others as to the progress of the work, testing of materials, and inspection and superintendence of the work that is performed between the periodic visits of the architect or the registered engineer. Reasonable diligence shall be exercised in obtaining the facts.

The term "personal knowledge," as applied to the inspector, means the actual personal knowledge that is obtained from the inspector's personal continuous inspection of the work of construction in all stages of its progress at the site where the inspector is responsible for inspection, and when work is carried out away from the site, that personal knowledge that is obtained from the reporting of others on the testing or inspection of materials and workmanship, for compliance with plans, specifications, or applicable standards. Reasonable diligence shall be exercised in obtaining the facts.

The term "personal knowledge," as applied to the contractor, means the personal knowledge that is obtained from the construction of the building. The exercise of reasonable diligence to obtain the facts is required.

SEC. 10. Section 129835 of the Health and Safety Code is amended to read:

129835. Upon written request to the office by the governing board or authority of any hospital, the office shall make, or cause to be made, an examination and report on the condition of any hospital building subject to the payment by the governing board or authority of the actual expenses incurred by the office.

SEC. 11. Section 129875 of the Health and Safety Code is amended to read:

129875. Construction or alterations of buildings specified in paragraphs (2) and (3) of subdivision (b) of Section 129725 shall conform to the latest edition of the California Building Standards Code. The office shall independently review and inspect these buildings. For purposes of this section, "construction or alteration" includes the conversion of a building to a purpose specified in paragraphs (2) and (3) of subdivision (b) of Section 129725. Any construction or alteration of any building subject to this section shall

be exempt from any plan review and approval or construction inspection requirement of any city or county.

The office may also exempt from the plan review process or expedite those projects undertaken by an applicant for a hospital building that the office determines do not materially alter the mechanical, electrical, architectural, or structural integrity of the facility. The office shall set forth criteria to expedite projects or to implement any exemptions made pursuant to this paragraph.

The Legislature recognizes the relative safety of single-story, wood-frame, and light steel frame construction for use in housing patients requiring skilled nursing and intermediate care services and it is, therefore, the intent of the Legislature to provide for reasonable flexibility in seismic safety standards for these structures. The office shall be reasonably flexible in the application of seismic standards for other buildings by allowing incidental and minor nonstructural additions or nonstructural alterations to be accomplished with simplified written approval procedures as established by the office, with the advice of the Division of the State Architect and the Office of the State Fire Marshal.

The office shall implement, and modify, as necessary, criteria to exempt from the plan review process or expedite those projects for alterations of hospital buildings, and for those specified in paragraphs (2) and (3) of subdivision (b) of Section 129725 that may include, but are not limited to, renovations, remodeling, or installations of necessary equipment such as hot water heaters, air-conditioning units, dishwashers, laundry equipment, handrails, lights, television brackets, small emergency generators (up to 25 kilowatts), storage shelves, and similar plant operations equipment; and decorative materials such as wall coverings, floor coverings, and paint.

The office shall include provisions for onsite field approvals by available office construction advisers and the preapproval of projects that comply with the requirements for which the office has developed standard architectural or engineering detail, or both standard architectural and engineering detail.

CHAPTER 370

An act to amend Section 1765.1 of, and to add Sections 1760.6, and 1760.7 to the Insurance Code, relating to insurance.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1760.6 is added to the Insurance Code, to read:

1760.6. For purposes of Section 1760.5, "spacecraft" means missiles, satellites, staffed and unstaffed space vehicles, any objects intended for launch, or objects launched or assembled in outer space, including, but not limited to, the space shuttle and any transportation, communication, information, or other system intended to be employed in outer space, together with related equipment, devices, components, and parts.

SEC. 2. Section 1760.7 is added to the Insurance Code, to read:

1760.7. In addition to the authority granted by Section 1760.5, the commissioner has the discretion to direct special lines' surplus line brokers to not place further business with an insurer whose eligibility has been withdrawn pursuant to Section 1765.1.

SEC. 3. Section 1765.1 of the Insurance Code is amended to read:

1765.1. No surplus line broker shall place any coverage with a nonadmitted insurer unless the insurer is domiciled in the Republic of Mexico and the placement covers only liability arising out of the ownership, maintenance, or use of a motor vehicle, aircraft, or boat in the Republic of Mexico, or, at the time of placement, the nonadmitted insurer:

(a) (1) Has established its financial stability, reputation, and integrity, for the class of insurance the broker proposes to place, by satisfactory evidence submitted to the commissioner through a surplus line broker.

(2) (A) Has capital and surplus that together total at least fifteen million dollars ($15,000,000). "Capital" shall be as defined in Section 36. "Surplus" shall be defined as assets exceeding the sum of liabilities for losses reported, expenses, taxes, and all other indebtedness and reinsurance of outstanding risks as provided by law and paid-in capital in the case of an insurer issuing or having outstanding shares of capital stock. The type of assets to be used in calculating capital and surplus shall be as follows: at least fifteen million dollars ($15,000,000) shall be in the form of cash, or securities of the same character and quality as specified in Sections 1170 to 1182, inclusive, or in readily marketable securities listed on regulated United States' national or principal regional securities exchanges. The remaining assets shall be in the form just described, or in the form of investments of substantially the same character and quality as described in Sections 1190 to 1202, inclusive. In calculating capital and surplus under this section, the term "same character and quality" shall permit, but not require, the commissioner to approve assets maintained in accordance with the laws of another state or country. The commissioner shall be guided by any limitations, restrictions, or other requirements of this code or the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual in determining whether assets substantially similar to those described in Sections 1190 to 1202, inclusive, qualify. The commissioner shall retain the discretion to disapprove or disallow any asset that is not of a sound quality, or that he or she deems to create an unacceptable risk

of loss to the insurer or to policyholders. Securities specifically valued by the National Association of Insurance Commissioners Securities Valuation Office shall be presumed readily marketable absent evidence to the contrary. Letters of credit will not qualify as assets in the calculation of surplus. If less than fifteen million dollars ($15,000,000), the commissioner has affirmatively found that the capital and surplus is adequate to protect California policyholders. The commissioner shall consider, on determining whether to make this finding, factors such as quality of management, the capital and surplus of any parent company, the underwriting profit and investment income trends, and the record of claims payment and claims handling practices of the nonadmitted insurer, or

(B) In the case of an "Insurance Exchange" created and authorized under the laws of individual states, maintains capital and surplus of not less than fifty million dollars ($50,000,000) in the aggregate. "Capital" shall be as defined in Section 36. "Surplus" shall be defined as assets exceeding the sum of liabilities for losses reported, expenses, taxes, and all other indebtedness and reinsurance of outstanding risks as provided by law and paid-in capital in the case of an insurer issuing or having outstanding shares of capital stock. The type of assets to be used in calculating capital and surplus shall be as follows: at least fifteen million dollars ($15,000,000) shall be in the form of cash, or securities of the same character and quality as specified in Sections 1170 to 1182, inclusive, or in readily marketable securities listed on regulated United States' national or principal regional securities exchanges. The remaining assets shall be in the form just described, or in the form of investments of substantially the same character and quality as described in Sections 1190 to 1202, inclusive. In calculating capital and surplus under this section, the term "same character and quality" shall permit, but not require, the commissioner to approve assets maintained in accordance with the laws of another state or country. The commissioner shall be guided by any limitations, restrictions, or other requirements of this code or the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual in determining whether assets substantially similar to those described in Sections 1190 to 1202, inclusive, qualify. The commissioner shall retain the discretion to disapprove or disallow any asset that is not of a sound quality, or that he or she deems to create an unacceptable risk of loss to the insurer or to policyholders. Securities specifically valued by the National Association of Insurance Commissioners Securities Valuation Office shall be presumed readily marketable absent evidence to the contrary. Letters of credit will not qualify as assets in the calculation of surplus. In the case of an Insurance Exchange that maintains funds for the protection of all Insurance Exchange policyholders, each individual syndicate seeking to accept surplus line placements of risks resident, located or to be performed in this state shall maintain minimum capital and surplus of not less than six million four hundred

thousand dollars ($6,400,000). Each individual syndicate shall increase the capital and surplus required by this paragraph by one million dollars ($1,000,000) each year until it attains a capital and surplus of fifteen million dollars ($15,000,000). In the case of Insurance Exchanges that do not maintain funds for the protection of all Insurance Exchange policyholders, each individual syndicate seeking to accept surplus line placement of risks resident, located or to be performed in this state shall meet the capital and surplus requirements of subparagraph (A) of this paragraph.

(C) In the case of a syndicate that is part of a group consisting of incorporated individual insurers, or a combination of both incorporated and unincorporated insurers, that at all times maintains a trust fund of not less than one hundred million dollars ($100,000,000) in a qualified United States financial institution as security to the full amount thereof for the United States surplus line policyholders and beneficiaries of direct policies of the group, including all policyholders and beneficiaries of direct policies of the syndicate, and the full balance in the trust fund is available to satisfy the liabilities of each member of the group of those syndicates, incorporated individual insurers or other unincorporated insurers, without regard to their individual contributions to that trust fund, and the trust complies with the terms of and conditions specified in paragraph (1) of subdivision (b), the syndicate is excepted from the capital and surplus requirements of subparagraph (A) of paragraph (2). The incorporated members of the group shall not be engaged in any business other than underwriting as a member of the group and shall be subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members.

(b) (1) In addition, to be eligible as a surplus line insurer, an insurer not domiciled in one of the United States or its territories shall have in force in the United States an irrevocable trust account in a qualified United States financial institution, for the protection of United States policyholders, of not less than five million four hundred thousand dollars ($5,400,000) and consisting of cash, securities acceptable to the commissioner that are authorized pursuant to Sections 1170 to 1182, inclusive, readily marketable securities acceptable to the commissioner which are listed on a regulated United States national or principal regional security exchange, or clean and irrevocable letters of credit acceptable to the commissioner and issued by a qualified United States financial institution. The trust agreement shall be in a form acceptable to the commissioner. The funds in the trust account may be included in any calculation of capital and surplus, except letters of credit, which shall not be included in any calculation.

(2) In the case of a syndicate seeking eligibility under subparagraph (C) of paragraph (2) of subdivision (a), the syndicate shall, in addition to the requirements of that subparagraph, at a

minimum, maintain in the United States a trust account in an amount satisfactory to the commissioner that is not less than the amount required by the domiciliary state of the syndicate's trust. The trust account shall comply with the terms and conditions specified in paragraph (1) of subdivision (b).

(3) In the case of a group of incorporated insurers under common administration that maintains a trust fund of not less than one hundred million dollars ($100,000,000) in a qualified United States financial institution for the payment of claims of its United States policyholders, their assigns, or successors in interest and that complies with the terms and conditions of paragraph (1) that has continuously transacted an insurance business outside the United States for at least three years, that is in good standing with its domiciliary regulator, whose individual insurer members maintain standards and financial condition reasonably comparable to admitted insurers, that submits to this state's authority to examine its books and bears the expense of examination, and that has an aggregate policyholder surplus of ten billion dollars ($10,000,000,000), the group is excepted from the capital and surplus requirements of subdivision (a).

(c) Has caused to be provided to the commissioner the following documents:

(1) The financial documents as specified below, each showing the insurer's condition as of a date not more than 12 months prior to submission:

(A) A copy of an annual statement, prepared in the form prescribed by the NAIC. For an alien insurer, in lieu of an annual statement, a licensee may submit a form as set forth by regulation and as prepared by the insurer, and, if listed by the IID, a copy of the complete information as required in the application for listing by the IID.

(B) A copy of an audited financial report on the insurer's condition that meets the standards of subparagraph (D) for foreign insurers or subparagraph (E) for alien insurers.

(C) If the insurer is an alien:

(i) A certified copy of the trust agreement referenced in subdivision (b).

(ii) A verified copy of the most recent quarterly statement or list of the assets in the trust.

(D) Financial reports filed pursuant to this section by foreign insurers shall conform to the following standards:

(i) Financial documents shall be certified.

(ii) An audited financial report shall constitute a supplement to the insurer's annual statement, as required by the annual statement instructions issued by the NAIC.

(iii) An audited financial report shall be prepared by an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accountants

and in all states where licensed to practice; and be prepared in conformity with statutory accounting practices prescribed, or otherwise permitted, by the insurance regulator of the insurer's domiciliary jurisdiction.

(iv) An audited financial report shall include information on the insurer's financial position as of the end of the most recent calendar year, and the results of its operations, cash-flows, and changes in capital and surplus for the year then ended.

(v) An audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the insurer's annual statement filed with its domiciliary jurisdiction, and presenting comparatively the amounts as of December 31 of the most recent calendar year and the amounts as of December 31 of the preceding year.

(E) Financial reports filed pursuant to this section by alien insurers shall conform to the following standards:

(i) Except as provided in clause (ii) of subparagraph (C), financial documents should be certified, if certification of a financial document is not available, the document shall be verified.

(ii) Financial documents should be expressed in United States dollars, but may be expressed in another currency, if the exchange rate for the other currency as of the date of the document is also provided.

(iii) The responses provided pursuant to subparagraph (A) of paragraph (1) on the form submitted in lieu of an annual statement should follow the most recent ISI Guide to Alien Reporting Format, "Standard Definitions of Accounting Items." Responses that do not agree with a standard definition shall be fully explained in the form.

(iv) An audited financial report shall be prepared by an independent auditor licensed as such in the insurer's domiciliary jurisdiction or in any state.

(v) An audited financial report shall be prepared in accord with either (I) Generally Accepted Auditing Standards that prescribe Generally Accepted Accounting Principles, or (II) International Accounting Standards as published and revised from time to time by the International Auditing Guidelines published by the International Auditing Practice Committee of the International Federation of Accountants; and shall include financial statement notes and a summary of significant accounting practices.

(F) The commissioner may accept, in lieu of a document described above, any certified or verified financial or regulatory document, statement, or report if the commissioner finds that it possesses reliability and financial detail substantially equal to or greater than the document for which it is proposed to be a substitute.

(G) If one of the financial documents required to be submitted under subparagraphs (A) and (B) is dated within 12 months of submission, but the other document is not so dated, the licensee may use the outdated document if it is accompanied by a supplement. The

supplement must meet the same requirements which apply to the supplemented document, and must update the outdated document to a date within the prescribed time period, preferably to the same date as the nonsupplemented document.

(2) A certified copy of the insurer's license issued by its domiciliary jurisdiction, plus a certification of good standing, certificate of compliance, or other equivalent certificate, from either that jurisdiction or, if the jurisdiction does not issue those certificates, from any state where it is licensed.

(3) Information on the insurer's agent in California for service of process, including the agent's full name and address. The agent's address must include a street address where the agent can be reached during normal business hours.

(4) The complete street address, mailing address, and telephone number of the insurer's principal place of business.

(5) A certified or verified explanation, report, or other statement, from the insurance regulatory office or official of the insurer's domiciliary jurisdiction, concerning the insurer's record regarding market conduct and consumer complaints; or, if that information cannot be obtained from that jurisdiction, then other information that the licensee can procure to demonstrate a good reputation for payment of claims and treatment of policyholders.

(6) A verified statement, from the insurer or licensee, on whether the insurer or any affiliated entity is currently known to be the subject of any order or proceeding regarding conservation, liquidation, or other receivership; or regarding revocation or suspension of a license to transact insurance in any jurisdiction; or otherwise seeking to stop the insurer from transacting insurance in any jurisdiction. The statement shall identify the proceeding by date, jurisdiction, and relief or sanction sought; and shall attach a copy of the order.

(7) A certified copy of the most recent report of examination or an explanation if the report is not available.

(d) (1) Has provided any additional information or documentation required by the commissioner that is relevant to the financial stability, reputation, and integrity of the nonadmitted insurer. In making a determination concerning financial stability, reputation, and integrity of the nonadmitted insurer, the commissioner shall consider any analysis, findings, or conclusion made by the National Association of Insurance Commissioners (NAIC) in its review of the insurer for purposes of inclusion on or exclusion from the list of authorized nonadmitted insurers maintained by the NAIC. The commissioner may, but shall not be required to, rely on, adopt, or otherwise accept any analyses, findings, or conclusions of the NAIC, as the commissioner deems appropriate. In the case of a syndicate seeking eligibility under subparagraph (C) of paragraph (2) of subdivision (a), the commissioner may, but shall not be required to, rely on, adopt, or otherwise accept any analyses,

findings, or conclusions of any state, as the commissioner deems appropriate, as long as that state, in its method of regulation and review, meets the requirements of paragraph (2).

(2) The regulatory body of the state shall regularly receive and review the following: (A) an audited financial statement of the syndicate, prepared by a certified or chartered public accountant; (B) an opinion of a qualified actuary with regard to the syndicate's aggregate reserves for payment of losses or claims and payment of expenses of adjustment or settlement of losses or claims; (C) a certification from the qualified United States financial institution that acts as the syndicate's trustee, respecting the existence and value of the syndicate's trust fund; and (D) information concerning the syndicate's or its manager's operating history, business plan, ownership and control, experience and ability, together with any other pertinent factors, and any information indicating that the syndicate or its manager make reasonably prompt payment of claims in this state or elsewhere. The regulatory body of the state shall have the authority, either by law or through the operation of a valid and enforceable agreement, to review the syndicate's assets and liabilities and audit the syndicate's trust account, and shall exercise that authority with a frequency and in a manner satisfactory to the commissioner.

(e) Has established that:

(1) All documents required by subdivisions (c) and (d) have been filed. Each of the documents appear after review to be complete, clear, comprehensible, unambiguous, accurate, and consistent.

(2) The documents affirm that the insurer is not subject in any jurisdiction to an order or proceeding that:

(A) Seeks to stop it from transacting insurance.

(B) Relates to conservation, liquidation, or other receivership.

(C) Relates to revocation or suspension of its license.

(3) The documents affirm that the insurer has actively transacted insurance for the three years immediately preceding the filing made under this section, unless an exemption is granted. As used in this paragraph, "insurer" does not include a syndicate of underwriting entities. The commissioner may grant an exemption if the licensee has applied for exemption and demonstrates either of the following:

(A) The insurer meets the condition for any exception set forth in subdivision (a), (b), or (c) of Section 716.

(B) If the insurer has been actively transacting insurance for at least 12 months, and the licensee demonstrates that the exemption is warranted because the insurer's current financial strength, operating history, business plan, ownership and control, management experience, and ability, together with any other pertinent factors, make three years of active insurance transaction unnecessary to establish sufficient reputation.

(4) The documents confirm that the insurer holds a license to issue insurance policies (other than reinsurance) to residents of the

jurisdiction that granted the license unless an exemption is granted. The commissioner may grant an exemption if the licensee has applied for an exemption and demonstrates that the exemption is warranted because the insurer proposes to issue in California only commercial coverage, and is wholly owned and actually controlled by substantial and knowledgeable business enterprises that are its policyholders and that effectively govern the insurer's destiny in furtherance of their own business objectives.

(5) The information filed pursuant to paragraph (5) of subdivision (c) or otherwise filed with or available to the commissioner, including reports received from California policyholders, shall indicate that the insurer makes reasonably prompt payment of claims in this state or elsewhere.

(6) The information available to the commissioner shall not indicate that the insurer offers in California a licensee products or rates that violate any provision of this code.

(f) Has been placed on the list of eligible surplus line insurers by the commissioner. The commissioner shall establish a list of all surplus line insurers that have met the requirements of subdivisions (a) to (e), inclusive, and shall publish a master list at least semiannually. Any insurer receiving approval as an eligible surplus line insurer shall be added by addendum to the list at the time of approval, and shall be incorporated into the master list at the next date of publication. If an insurer appears on the most recent list, it shall be presumed that the insurer is an eligible surplus line insurer, unless the commissioner or his or her designee has mailed or causes to be mailed notice to all surplus line brokers that the commissioner has withdrawn the insurer's eligibility. Upon receipt of notice, the surplus line broker shall make no further placements with the insurer. Nothing in this subdivision shall limit the commissioner's discretion to withdraw an insurer's eligibility.

(g) (1) Except as provided by paragraph (2), whenever the commissioner has reasonable cause to believe, and determines after a public hearing, that any insurer on the list established pursuant to subdivision (f), (A) is in an unsound financial condition, (B) does not meet the eligibility requirements under subdivisions (a) to (e), inclusive, (C) has violated the laws of this state, or (D) without justification, or with a frequency so as to indicate a general business practice, delays the payment of just claims, the commissioner may issue an order removing the insurer from the list. Notice of hearing shall be served upon the insurer or its agent for service of process stating the time and place of the hearing and the conduct, condition, or ground upon which the commissioner would make his or her order. The hearing shall occur not less than 20 days, nor more than 30 days after notice is served upon the insurer or its agent for service of process.

(2) If the commissioner determines that an insurer's immediate removal from the list is necessary to protect the public or an insured

or prospective insured of the insurer, or, in the case of an application by an insurer to be placed on the list which is being denied by the commissioner, the commissioner may issue an order pursuant to paragraph (1) without prior notice and hearing. At the time an order is served pursuant to this paragraph to an insurer on the list, the commissioner shall also issue and serve upon the insurer a statement of the reasons that immediate removal is necessary. Any order issued pursuant to this paragraph shall include a notice stating the time and place of a hearing on the order, which shall be not less than 20 days, nor more than 30 days after the notice is served.

(3) Notwithstanding paragraphs (1) and (2), in any case where the commissioner is basing a decision to remove an insurer from the list, or deny an application to be placed on the list, on the failure of the insurer or applicant to comply with, meet or maintain any of the objective criteria established by this section, or by regulation adopted pursuant to this section, the commissioner may so specify this fact in the order, and no hearing shall be required to be held on the order.

(4) Notwithstanding paragraphs (1) and (2), the commissioner may, without prior notice or hearing, remove from the list established pursuant to subdivision (f) any insurer that has failed or refused to timely provide documents required by this section, or any regulations adopted to implement this section. In the case of removal pursuant to this paragraph, the commissioner shall notify all surplus line brokers of the action.

(h) In addition to any other statements or reports required by this chapter, the commissioner may also address to any licensee a written request for full and complete information respecting the financial stability, reputation and integrity of any nonadmitted insurer with whom the licensee has dealt or proposes to deal in the transaction of insurance business. The licensee so addressed shall promptly furnish in written or printed form so much of the information requested as he or she can produce together with a signed statement identifying the same and giving reasons for omissions, if any. After due examination of the information and accompanying statement, the commissioner may, if he or she believes it to be in the public interest, order the licensee in writing to place no further insurance business on property located or operations conducted within or on the lives of persons who are residents of this state with the nonadmitted insurer on behalf of any person. Any placement in the nonadmitted insurer made by a licensee after receipt of the order is a violation of this chapter. The commissioner may issue an order when documents submitted pursuant to subdivisions (c) and (d) do not meet the criteria of subdivisions (a) to (e), inclusive, or when the commissioner obtains documents on an insurer and the insurer does not meet the criteria of subdivisions (a) to (e), inclusive.

(i) The commissioner shall require, at least annually, the submission of records and statements as are reasonably necessary to ensure that the requirements of this section are maintained.

(j) The commissioner shall establish by regulation a schedule of fees to cover costs of administering and enforcing this chapter.

(k) (1) Insurance may be placed on a limited basis with insurers not on the list established pursuant to this section if all of the following conditions are met:

(A) The use of multiple insurers is necessary to obtain coverage for 100 percent of the risk.

(B) At least 80 percent of the risk is placed with admitted insurers or insurers that appear on the list of eligible nonadmitted insurers.

(C) The placing surplus line broker submits to the commissioner, or his or her designee, copies of all documentation relied upon by the surplus line broker to make the broker's determination that the financial stability, reputation, and integrity of the unlisted insurer or insurers, are adequate to safeguard the interest of the insured under the policy. This documentation, and any other documentation regarding the unlisted insurer requested by the commissioner, shall be submitted no more than 30 days after the insurance is placed with the unlisted insurer for the initial placement by that broker with the particular unlisted insurer, and annually thereafter for as long as the broker continues to make placements with the unlisted insurer pursuant to this paragraph.

(D) The insured has aggregate annual premiums for all risks other than workers' compensation or health coverage totaling no less than one hundred thousand dollars ($100,000).

(2) Insurance may not be placed pursuant to paragraph (1) if any of the following applies:

(A) The unlisted insurer has for any reason been objected to by the commissioner pursuant to this section, removed from the list, or denied placement on the list.

(B) The insurance includes coverage for employer-sponsored medical, surgical, hospital, or other health or medical expense benefits payable to the employee by the insurer.

(C) The insurance is mandatory under the laws of the federal government, this state, or any political subdivision thereof, and includes any portion of limits of coverage mandated by those laws.

(D) The insured is a multiple employer welfare arrangement, as defined in Section 1002(40)(A) of Title 29 of the United States Code, or any other arrangement among two or more employers that are not under common ownership or control, which is established or maintained for the primary purpose of providing insurance benefits to the employees of two or more employers.

(E) Unlisted insurers represent a disproportionate portion of the lower layers of the coverage.

(3) Nothing in this section is intended to alter any duties of a surplus line broker pursuant to subdivision (b) of Section 1765 or other laws of this state to safeguard the interests of the insured under the policy in recommending or placing insurance with a nonadmitted insurer.

(4) Placements authorized by this subdivision are intended to provide sophisticated insurance purchasers with a means to obtain necessary commercial insurance coverage from nonadmitted insurers not listed by the commissioner in situations where it is not commercially possible to fully obtain that coverage from either admitted or listed insurers. This subdivision shall not be deemed to permit surplus line brokers to place with nonadmitted insurers common commercial or personal line coverages for insureds that can be placed with insurers that are admitted or listed pursuant to this section, whether the insured is an individual insured, or a group created primarily for the purpose of purchasing insurance.

(*l*) As used in this section:

(1) "Certified" means an originally signed or sealed statement, dated not more than 60 days before submission, made by a public official or other person, attached to a copy of a document, that attests that the copy is a true copy of the original, and that the original is in the custody of the person making the statement.

(2) "Domiciliary jurisdiction" means the state, nation, or subdivision thereof under the laws of which an insurer is incorporated or otherwise organized.

(3) "Domiciliary state of the syndicate's trust" means the state in which the syndicate's trust fund is principally maintained and administered for the benefit of the syndicate's policyholders in the United States.

(4) "IID" means the International Insurers Department.

(5) "Insurer" means (unless the context indicates otherwise) "nonadmitted" insurers that are either "foreign" or "alien" insurers, as those terms are defined in Sections 25, 27, and 1580, and syndicates whose members consist of individual incorporated insurers who are not engaged in any business other than underwriting as a member of the group and individual unincorporated insurers, provided all the members are subject to the same level of solvency regulation and control by the group's domiciliary regulator. The term "insurer" includes all nonadmitted insurers selling insurance to or through purchasing groups as defined in the Liability Risk Retention Act of 1986 (15 U.S.C. Sec. 3901 et seq.) and the California Risk Retention Act of 1990 (Chapter 1.5 (commencing with Section 125) of Part 1 of Division 1), except insurers that are risk retention groups as defined by those acts.

(6) "ISI" means Insurance Solvency International.

(7) "Licensee" means surplus line brokers licensed pursuant to Sections 1765, 1765.2, 1765.3, and 1765.4.

(8) "NAIC" means the National Association of Insurance Commissioners or its successor organization.

(9) "NAIIO" means the Nonadmitted Alien Insurer Information Office of the NAIC or its successor office.

(10) "State" means any state of the United States; the District of Columbia; a commonwealth, or a territory.

(11) "Verified" means a document or copy accompanied by an originally signed statement, dated not more than 60 days before submission, from a responsible executive or official who has authority to provide the statement and knowledge whereof he or she speaks, attesting either under oath before a notary public, or under penalty of perjury under California law, that the assertions made in the document are true.

(m) With respect to a nonadmitted insurer that is listed as an authorized surplus line insurer as of December 31, 1994, pursuant to Sections 2174.1 to 2174.14, inclusive, of Title 10 of the California Code of Regulations, this section shall not be effective until the subsequent expiration of the listing of that insurer. Nothing in the bill that amended this section during the 1994 portion of the 1993–94 Regular Session is intended to repeal or imply there is not authority to adopt, or to have adopted, or to continue in force, any regulation, or part thereof, with respect to surplus line insurance which is not clearly inconsistent with it.

SEC. 4. Section 1765.1 of the Insurance Code is amended to read:

1765.1. No surplus line broker shall place any coverage with a nonadmitted insurer unless the insurer is domiciled in the Republic of Mexico and the placement covers only liability arising out of the ownership, maintenance, or use of a motor vehicle, aircraft, or boat in the Republic of Mexico, or, at the time of placement, the nonadmitted insurer:

(a) (1) Has established its financial stability, reputation, and integrity, for the class of insurance the broker proposes to place, by satisfactory evidence submitted to the commissioner through a surplus line broker.

(2) (A) Has capital and surplus that together total at least fifteen million dollars ($15,000,000). "Capital" shall be as defined in Section 36. "Surplus" shall be defined as assets exceeding the sum of liabilities for losses reported, expenses, taxes, and all other indebtedness and reinsurance of outstanding risks as provided by law and paid-in capital in the case of an insurer issuing or having outstanding shares of capital stock. The type of assets to be used in calculating capital and surplus shall be as follows: at least fifteen million dollars ($15,000,000) shall be in the form of cash, or securities of the same character and quality as specified in Sections 1170 to 1182, inclusive, or in readily marketable securities listed on regulated United States' national or principal regional securities exchanges. The remaining assets shall be in the form just described, or in the form of investments of substantially the same character and quality as described in Sections 1190 to 1202, inclusive. In calculating capital and surplus under this section, the term "same character and quality" shall permit, but not require, the commissioner to approve assets maintained in accordance with the laws of another state or country. The commissioner shall be guided by any limitations, restrictions, or other requirements of this code or the National Association of Insurance

Commissioners' Accounting Practices and Procedures Manual in determining whether assets substantially similar to those described in Sections 1190 to 1202, inclusive, qualify. The commissioner shall retain the discretion to disapprove or disallow any asset that is not of a sound quality, or that he or she deems to create an unacceptable risk of loss to the insurer or to policyholders. Securities specifically valued by the National Association of Insurance Commissioners Securities Valuation Office shall be presumed readily marketable absent evidence to the contrary. Letters of credit will not qualify as assets in the calculation of surplus. If less than fifteen million dollars ($15,000,000), the commissioner has affirmatively found that the capital and surplus is adequate to protect California policyholders. The commissioner shall consider, on determining whether to make this finding, factors such as quality of management, the capital and surplus of any parent company, the underwriting profit and investment income trends, and the record of claims payment and claims handling practices of the nonadmitted insurer, or

(B) In the case of an "Insurance Exchange" created and authorized under the laws of individual states, maintains capital and surplus of not less than fifty million dollars ($50,000,000) in the aggregate. "Capital" shall be as defined in Section 36. "Surplus" shall be defined as assets exceeding the sum of liabilities for losses reported, expenses, taxes, and all other indebtedness and reinsurance of outstanding risks as provided by law and paid-in capital in the case of an insurer issuing or having outstanding shares of capital stock. The type of assets to be used in calculating capital and surplus shall be as follows: at least fifteen million dollars ($15,000,000) shall be in the form of cash, or securities of the same character and quality as specified in Sections 1170 to 1182, inclusive, or in readily marketable securities listed on regulated United States' national or principal regional securities exchanges. The remaining assets shall be in the form just described, or in the form of investments of substantially the same character and quality as described in Sections 1190 to 1202, inclusive. In calculating capital and surplus under this section, the term "same character and quality" shall permit, but not require, the commissioner to approve assets maintained in accordance with the laws of another state or country. The commissioner shall be guided by any limitations, restrictions, or other requirements of this code or the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual in determining whether assets substantially similar to those described in Sections 1190 to 1202, inclusive, qualify. The commissioner shall retain the discretion to disapprove or disallow any asset that is not of a sound quality, or that he or she deems to create an unacceptable risk of loss to the insurer or to policyholders. Securities specifically valued by the National Association of Insurance Commissioners Securities Valuation Office shall be presumed readily marketable absent evidence to the contrary. Letters of credit will not qualify as assets in the calculation

of surplus. In the case of an Insurance Exchange which maintains funds for the protection of all Insurance Exchange policyholders, each individual syndicate seeking to accept surplus line placements of risks resident, located or to be performed in this state shall maintain minimum capital and surplus of not less than six million four hundred thousand dollars ($6,400,000). Each individual syndicate shall increase the capital and surplus required by this paragraph by one million dollars ($1,000,000) each year until it attains a capital and surplus of fifteen million dollars ($15,000,000). In the case of Insurance Exchanges that do not maintain funds for the protection of all Insurance Exchange policyholders, each individual syndicate seeking to accept surplus line placement of risks resident, located or to be performed in this state shall meet the capital and surplus requirements of subparagraph (A) of this paragraph.

(C) In the case of a syndicate that is part of a group consisting of incorporated individual insurers, or a combination of both incorporated and unincorporated insurers, that at all times maintains a trust fund of not less than one hundred million dollars ($100,000,000) in a qualified United States financial institution as security to the full amount thereof for the United States surplus line policyholders and beneficiaries of direct policies of the group, including all policyholders and beneficiaries of direct policies of the syndicate, and the full balance in the trust fund is available to satisfy the liabilities of each member of the group of those syndicates, incorporated individual insurers or other unincorporated insurers, without regard to their individual contributions to that trust fund, and the trust complies with the terms of and conditions specified in paragraph (1) of subdivision (b), the syndicate is excepted from the capital and surplus requirements of subparagraph (A) of paragraph (2). The incorporated members of the group shall not be engaged in any business other than underwriting as a member of the group and shall be subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members.

(b) (1) In addition, to be eligible as a surplus line insurer, an insurer not domiciled in one of the United States or its territories shall have in force in the United States an irrevocable trust account in a qualified United States financial institution, for the protection of United States policyholders, of not less than five million four hundred thousand dollars ($5,400,000) and consisting of cash, securities acceptable to the commissioner which are authorized pursuant to Sections 1170 to 1182, inclusive, readily marketable securities acceptable to the commissioner that are listed on a regulated United States national or principal regional security exchange, or clean and irrevocable letters of credit acceptable to the commissioner and issued by a qualified United States financial institution. The trust agreement shall be in a form acceptable to the commissioner. The funds in the trust account may be included in any calculation of

capital and surplus, except letters of credit, which shall not be included in any calculation.

(2) In the case of a syndicate seeking eligibility under subparagraph (C) of paragraph (2) of subdivision (a), the syndicate shall, in addition to the requirements of that subparagraph, at a minimum, maintain in the United States a trust account in an amount satisfactory to the commissioner that is not less than the amount required by the domiciliary state of the syndicate's trust. The trust account shall comply with the terms and conditions specified in paragraph (1) of subdivision (b).

(3) In the case of a group of incorporated insurers under common administration that maintains a trust fund of not less than one hundred million dollars ($100,000,000) in a qualified United States financial institution for the payment of claims of its United States policyholders, their assigns, or successors in interest and that complies with the terms and conditions of paragraph (1) that has continuously transacted an insurance business outside the United States for at least three years, that is in good standing with its domiciliary regulator, whose individual insurer members maintain standards and financial condition reasonably comparable to admitted insurers, that submits to this state's authority to examine its books and bears the expense of examination, and that has an aggregate policyholder surplus of ten billion dollars ($10,000,000,000), the group is excepted from the capital and surplus requirements of subdivision (a).

(c) Has caused to be provided to the commissioner the following documents:

(1) The financial documents as specified below, each showing the insurer's condition as of a date not more than 12 months prior to submission:

(A) A copy of an annual statement, prepared in the form prescribed by the NAIC. For an alien insurer, in lieu of an annual statement, a licensee may submit a form as set forth by regulation and as prepared by the insurer, and, if listed by the IID, a copy of the complete information as required in the application for listing by the IID.

(B) A copy of an audited financial report on the insurer's condition that meets the standards of subparagraph (D) for foreign insurers or subparagraph (E) for alien insurers.

(C) If the insurer is an alien:

(i) A certified copy of the trust agreement referenced in subdivision (b).

(ii) A verified copy of the most recent quarterly statement or list of the assets in the trust.

(D) Financial reports filed pursuant to this section by foreign insurers shall conform to the following standards:

(i) Financial documents shall be certified.

(ii) An audited financial report shall constitute a supplement to the insurer's annual statement, as required by the annual statement instructions issued by the NAIC.

(iii) An audited financial report shall be prepared by an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accountants and in all states where licensed to practice; and be prepared in conformity with statutory accounting practices prescribed, or otherwise permitted, by the insurance regulator of the insurer's domiciliary jurisdiction.

(iv) An audited financial report shall include information on the insurer's financial position as of the end of the most recent calendar year, and the results of its operations, cash-flows, and changes in capital and surplus for the year then ended.

(v) An audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the insurer's annual statement filed with its domiciliary jurisdiction, and presenting comparatively the amounts as of December 31 of the most recent calendar year and the amounts as of December 31 of the preceding year.

(E) Financial reports filed pursuant to this section by alien insurers shall conform to the following standards:

(i) Except as provided in clause (ii) of subparagraph (C), financial documents should be certified, if certification of a financial document is not available, the document shall be verified.

(ii) Financial documents should be expressed in United States dollars, but may be expressed in another currency, if the exchange rate for the other currency as of the date of the document is also provided.

(iii) The responses provided pursuant to subparagraph (A) of paragraph (1) on the form submitted in lieu of an annual statement should follow the most recent ISI Guide to Alien Reporting Format, "Standard Definitions of Accounting Items." Responses that do not agree with a standard definition shall be fully explained in the form.

(iv) An audited financial report shall be prepared by an independent licensed auditor in the insurer's domiciliary jurisdiction or in any state.

(v) An audited financial report shall be prepared in accord with either (I) Generally Accepted Auditing Standards that prescribe Generally Accepted Accounting Principles, or (II) International Accounting Standards as published and revised from time to time by the International Auditing Guidelines published by the International Auditing Practice Committee of the International Federation of Accountants; and shall include financial statement notes and a summary of significant accounting practices.

(F) The commissioner may accept, in lieu of a document described above, any certified or verified financial or regulatory document, statement, or report if the commissioner finds that it

possesses reliability and financial detail substantially equal to or greater than the document for which it is proposed to be a substitute.

(G) If one of the financial documents required to be submitted under subparagraphs (A) and (B) is dated within 12 months of submission, but the other document is not so dated, the licensee may use the outdated document if it is accompanied by a supplement. The supplement must meet the same requirements which apply to the supplemented document, and must update the outdated document to a date within the prescribed time period, preferably to the same date as the nonsupplemented document.

(2) A certified copy of the insurer's license issued by its domiciliary jurisdiction, plus a certification of good standing, certificate of compliance, or other equivalent certificate, from either that jurisdiction or, if the jurisdiction does not issue those certificates, from any state where it is licensed.

(3) Information on the insurer's agent in California for service of process, including the agent's full name and address. The agent's address must include a street address where the agent can be reached during normal business hours.

(4) The complete street address, mailing address, and telephone number of the insurer's principal place of business.

(5) A certified or verified explanation, report, or other statement, from the insurance regulatory office or official of the insurer's domiciliary jurisdiction, concerning the insurer's record regarding market conduct and consumer complaints; or, if that information cannot be obtained from that jurisdiction, then any other information that the licensee can procure to demonstrate a good reputation for payment of claims and treatment of policyholders.

(6) A verified statement, from the insurer or licensee, on whether the insurer or any affiliated entity is currently known to be the subject of any order or proceeding regarding conservation, liquidation, or other receivership; or regarding revocation or suspension of a license to transact insurance in any jurisdiction; or otherwise seeking to stop the insurer from transacting insurance in any jurisdiction. The statement shall identify the proceeding by date, jurisdiction, and relief or sanction sought; and shall attach a copy of the relevant order.

(7) A certified copy of the most recent report of examination or an explanation if the report is not available.

(d) (1) Has provided any additional information or documentation required by the commissioner that is relevant to the financial stability, reputation, and integrity of the nonadmitted insurer. In making a determination concerning financial stability, reputation, and integrity of the nonadmitted insurer, the commissioner shall consider any analysis, findings, or conclusion made by the National Association of Insurance Commissioners (NAIC) in its review of the insurer for purposes of inclusion on or exclusion from the list of authorized nonadmitted insurers

maintained by the NAIC. The commissioner may, but shall not be required to, rely on, adopt, or otherwise accept any analyses, findings, or conclusions of the NAIC, as the commissioner deems appropriate. In the case of a syndicate seeking eligibility under subparagraph (C) of paragraph (2) of subdivision (a), the commissioner may, but shall not be required to, rely on, adopt, or otherwise accept any analyses, findings, or conclusions of any state, as the commissioner deems appropriate, as long as that state, in its method of regulation and review, meets the requirements of paragraph (2).

(2) The regulatory body of the state shall regularly receive and review the following: (A) an audited financial statement of the syndicate, prepared by a certified or chartered public accountant; (B) an opinion of a qualified actuary with regard to the syndicate's aggregate reserves for payment of losses or claims and payment of expenses of adjustment or settlement of losses or claims; (C) a certification from the qualified United States financial institution that acts as the syndicate's trustee, respecting the existence and value of the syndicate's trust fund; and (D) information concerning the syndicate's or its manager's operating history, business plan, ownership and control, experience and ability, together with any other pertinent factors, and any information indicating that the syndicate or its manager make reasonably prompt payment of claims in this state or elsewhere. The regulatory body of the state shall have the authority, either by law or through the operation of a valid and enforceable agreement, to review the syndicate's assets and liabilities and audit the syndicate's trust account, and shall exercise that authority with a frequency and in a manner satisfactory to the commissioner.

(e) Has established that:

(1) All documents required by subdivisions (c) and (d) have been filed. Each of the documents appear after review to be complete, clear, comprehensible, unambiguous, accurate, and consistent.

(2) The documents affirm that the insurer is not subject in any jurisdiction to an order or proceeding that:

(A) Seeks to stop it from transacting insurance.

(B) Relates to conservation, liquidation, or other receivership.

(C) Relates to revocation or suspension of its license.

(3) The documents affirm that the insurer has actively transacted insurance for the three years immediately preceding the filing made under this section, unless an exemption is granted. As used in this paragraph, "insurer" does not include a syndicate of underwriting entities. The commissioner may grant an exemption if the licensee has applied for exemption and demonstrates either of the following:

(A) The insurer meets the condition for any exception set forth in subdivision (a), (b), or (c) of Section 716.

(B) If the insurer has been actively transacting insurance for at least 12 months, and the licensee demonstrates that the exemption is warranted because the insurer's current financial strength,

operating history, business plan, ownership and control, management experience, and ability, together with any other pertinent factors, make three years of active insurance transaction unnecessary to establish sufficient reputation.

(4) The documents confirm that the insurer holds a license to issue insurance policies (other than reinsurance) to residents of the jurisdiction that granted the license unless an exemption is granted. The commissioner may grant an exemption if the licensee has applied for an exemption and demonstrates that the exemption is warranted because the insurer proposes to issue in California only commercial coverage, and is wholly owned and actually controlled by substantial and knowledgeable business enterprises that are its policyholders and that effectively govern the insurer's destiny in furtherance of their own business objectives.

(5) The information filed pursuant to paragraph (5) of subdivision (c) or otherwise filed with or available to the commissioner, including reports received from California policyholders, shall indicate that the insurer makes reasonably prompt payment of claims in this state or elsewhere.

(6) The information available to the commissioner shall not indicate that the insurer offers in California a licensee products or rates that violate any provision of this code.

(f) Has been placed on the list of eligible surplus line insurers by the commissioner. The commissioner shall establish a list of all surplus line insurers that have met the requirements of subdivisions (a) to (e), inclusive, and shall publish a master list at least semiannually. Any insurer receiving approval as an eligible surplus line insurer shall be added by addendum to the list at the time of approval, and shall be incorporated into the master list at the next date of publication. If an insurer appears on the most recent list, it shall be presumed that the insurer is an eligible surplus line insurer, unless the commissioner or his or her designee has mailed or causes to be mailed notice to all surplus line brokers that the commissioner has withdrawn the insurer's eligibility. Upon receipt of notice, the surplus line broker shall make no further placements with the insurer. Nothing in this subdivision shall limit the commissioner's discretion to withdraw an insurer's eligibility.

(g) (1) Except as provided by paragraph (2), whenever the commissioner has reasonable cause to believe, and determines after a public hearing, that any insurer on the list established pursuant to subdivision (f), (A) is in an unsound financial condition, (B) does not meet the eligibility requirements under subdivisions (a) to (e), inclusive, (C) has violated the laws of this state, or (D) without justification, or with a frequency so as to indicate a general business practice, delays the payment of just claims, the commissioner may issue an order removing the insurer from the list. Notice of hearing shall be served upon the insurer or its agent for service of process stating the time and place of the hearing and the conduct, condition,

or ground upon which the commissioner would make his or her order. The hearing shall occur not less than 20 days, nor more than 30 days after notice is served upon the insurer or its agent for service of process.

(2) If the commissioner determines that an insurer's immediate removal from the list is necessary to protect the public or an insured or prospective insured of the insurer, or, in the case of an application by an insurer to be placed on the list which is being denied by the commissioner, the commissioner may issue an order pursuant to paragraph (1) without prior notice and hearing. At the time an order is served pursuant to this paragraph to an insurer on the list, the commissioner shall also issue and serve upon the insurer a statement of the reasons that immediate removal is necessary. Any order issued pursuant to this paragraph shall include a notice stating the time and place of a hearing on the order, which shall be not less than 20 days, nor more than 30 days after the notice is served.

(3) Notwithstanding paragraphs (1) and (2), in any case where the commissioner is basing a decision to remove an insurer from the list, or deny an application to be placed on the list, on the failure of the insurer or applicant to comply with, meet or maintain any of the objective criteria established by this section, or by regulation adopted pursuant to this section, the commissioner may so specify this fact in the order, and no hearing shall be required to be held on the order.

(4) Notwithstanding paragraphs (1) and (2), the commissioner may, without prior notice or hearing, remove from the list established pursuant to subdivision (f) any insurer that has failed or refused to timely provide documents required by this section, or any regulations adopted to implement this section. In the case of removal pursuant to this paragraph, the commissioner shall notify all surplus line brokers of the action.

(h) In addition to any other statements or reports required by this chapter, the commissioner may also address to any licensee a written request for full and complete information respecting the financial stability, reputation and integrity of any nonadmitted insurer with whom the licensee has dealt or proposes to deal in the transaction of insurance business. The licensee so addressed shall promptly furnish in written or printed form so much of the information requested as he or she can produce together with a signed statement identifying the same and giving reasons for omissions, if any. After due examination of the information and accompanying statement, the commissioner may, if he or she believes it to be in the public interest, order the licensee in writing to place no further insurance business on property located or operations conducted within or on the lives of persons who are residents of this state with the nonadmitted insurer on behalf of any person. Any placement in the nonadmitted insurer made by a licensee after receipt of that order is a violation of this chapter. The commissioner may issue an order when documents submitted pursuant to subdivisions (c) and (d) do not meet the

criteria of subdivisions (a) to (e), inclusive, or when the commissioner obtains documents on an insurer and the insurer does not meet the criteria of subdivisions (a) to (e), inclusive.

(i) The commissioner shall require, at least annually, the submission of records and statements as are reasonably necessary to ensure that the requirements of this section are maintained.

(j) The commissioner shall establish by regulation a schedule of fees to cover costs of administering and enforcing this chapter.

(k) (1) Insurance may be placed on a limited basis with insurers not on the list established pursuant to this section if all of the following conditions are met:

(A) The use of multiple insurers is necessary to obtain coverage for 100 percent of the risk.

(B) At least 80 percent of the risk is placed with admitted insurers or insurers that appear on the list of eligible nonadmitted insurers.

(C) The placing surplus line broker submits to the commissioner, or his or her designee, copies of all documentation relied upon by the surplus line broker to make the broker's determination that the financial stability, reputation, and integrity of the unlisted insurer or insurers, are adequate to safeguard the interest of the insured under the policy. This documentation, and any other documentation regarding the unlisted insurer requested by the commissioner, shall be submitted no more than 30 days after the insurance is placed with the unlisted insurer for the initial placement by that broker with the particular unlisted insurer, and annually thereafter for as long as the broker continues to make placements with the unlisted insurer pursuant to this paragraph.

(D) The insured has aggregate annual premiums for all risks other than workers' compensation or health coverage totaling no less than one hundred thousand dollars ($100,000).

(2) Insurance may not be placed pursuant to paragraph (1) if any of the following applies:

(A) The unlisted insurer has for any reason been objected to by the commissioner pursuant to this section, removed from the list, or denied placement on the list.

(B) The insurance includes coverage for employer-sponsored medical, surgical, hospital, or other health or medical expense benefits payable to the employee by the insurer.

(C) The insurance is mandatory under the laws of the federal government, this state, or any political subdivision thereof, and includes any portion of limits of coverage mandated by those laws.

(D) The insured is a multiple employer welfare arrangement, as defined in Section 1002(40)(A) of Title 29 of the United States Code, or any other arrangement among two or more employers that are not under common ownership or control, which is established or maintained for the primary purpose of providing insurance benefits to the employees of two or more employers.

(E) Unlisted insurers represent a disproportionate portion of the lower layers of the coverage.

(3) Nothing in this section is intended to alter any duties of a surplus line broker pursuant to subdivision (b) of Section 1765 or other laws of this state to safeguard the interests of the insured under the policy in recommending or placing insurance with a nonadmitted insurer.

(4) Placements authorized by this subdivision are intended to provide sophisticated insurance purchasers with a means to obtain necessary commercial insurance coverage from nonadmitted insurers not listed by the commissioner in situations where it is not commercially possible to fully obtain that coverage from either admitted or listed insurers. This subdivision shall not be deemed to permit surplus line brokers to place with nonadmitted insurers common commercial or personal line coverages for insureds that can be placed with insurers that are admitted or listed pursuant to this section, whether the insured is an individual insured, or a group created primarily for the purpose of purchasing insurance.

(*l*) As used in this section:

(1) "Certified" means an originally signed or sealed statement, dated not more than 60 days before submission, made by a public official or other person, attached to a copy of a document, that attests that the copy is a true copy of the original, and that the original is in the custody of the person making the statement.

(2) "Domiciliary jurisdiction" means the state, nation, or subdivision thereof under the laws of which an insurer is incorporated or otherwise organized.

(3) "Domiciliary state of the syndicate's trust" means the state in which the syndicate's trust fund is principally maintained and administered for the benefit of the syndicate's policyholders in the United States.

(4) "IID" means the International Insurers Department.

(5) "Insurer" means (unless the context indicates otherwise) "nonadmitted" insurers that are either "foreign" or "alien" insurers, as those terms are defined in Sections 25, 27, and 1580, and syndicates whose members consist of individual incorporated insurers who are not engaged in any business other than underwriting as a member of the group and individual unincorporated insurers, provided all the members are subject to the same level of solvency regulation and control by the group's domiciliary regulator. The term "insurer" includes all nonadmitted insurers selling insurance to or through purchasing groups as defined in the Liability Risk Retention Act of 1986 (15 U.S.C. Sec. 3901 et seq.) and the California Risk Retention Act of 1990 (Chapter 1.5 (commencing with Section 125) of Part 1 of Division 1), except insurers that are risk retention groups as defined by those acts.

(6) "ISI" means Insurance Solvency International.

(7) "Licensee" means a surplus line broker as defined in Section 47.

(8) "NAIC" means the National Association of Insurance Commissioners or its successor organization.

(9) "NAIIO" means the Nonadmitted Alien Insurer Information Office of the NAIC or its successor office.

(10) "State" means any state of the United States; the District of Columbia; a commonwealth, or a territory.

(11) "Verified" means a document or copy accompanied by an originally signed statement, dated not more than 60 days before submission, from a responsible executive or official who has authority to provide the statement and knowledge whereof he or she speaks, attesting either under oath before a notary public, or under penalty of perjury under California law, that the assertions made in the document are true.

(m) With respect to a nonadmitted insurer that is listed as an authorized surplus line insurer as of December 31, 1994, pursuant to Sections 2174.1 to 2174.14, inclusive, of Title 10 of the California Code of Regulations, this section shall not be effective until the subsequent expiration of the listing of that insurer. Nothing in the bill that amended this section during the 1994 portion of the 1993–94 Regular Session is intended to repeal or imply there is not authority to adopt, or to have adopted, or to continue in force, any regulation, or part thereof, with respect to surplus line insurance which is not clearly inconsistent with it.

SEC. 5. Section 4 of this bill incorporates amendments to Section 1765.1 of the Insurance Code proposed by both this bill and AB 1975. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 1999, (2) each bill amends Section 1765.1 of the Insurance Code, and (3) this bill is enacted after AB 1975, in which case Section 3 of this bill shall not become operative.

CHAPTER 371

An act to amend Sections 50199.50, 50199.52, 50199.53, and 50199.55 of, and to repeal Section 17008.7 of, the Health and Safety Code, and to amend Sections 17053.14, 23608.2, and 23608.3 of the Revenue and Taxation Code, relating to farmworker housing.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 17008.7 of the Health and Safety Code is repealed.

SEC. 2. Section 50199.50 of the Health and Safety Code is amended to read:

50199.50. For the purposes of this chapter:

(a) "Agricultural worker" or "farmworker" shall have the same meaning as specified in subdivision (b) of Section 1140.4 of the Labor Code.

(b) "Compliance period" means, with respect to any farmworker housing, the period of 30 consecutive taxable or income years, beginning with the taxable or income year in which the credit is allowable.

(c) "Eligible costs" means the total finance costs, construction costs, excavation costs, installation costs, and permit costs paid or incurred to construct or rehabilitate farmworker housing. "Eligible costs" include, but are not limited to, improvements to ensure compliance with laws governing access for persons with disabilities and costs related to reducing utility expenses. Noneligible costs include land and those costs financed by grants and below-market financing.

(d) "Farmworker housing" means housing for agricultural workers and may include, but need not be limited to, conventionally constructed units and manufactured housing.

(e) "Farmworker housing tax credits" means the tax credits authorized by Sections 17053.14, 23608.2, and 23608.3 of the Revenue and Taxation Code.

(f) "Household" has the same meaning as defined in Section 7602 of Title 25 of the California Code of Regulations.

(g) "Committee" means the California Tax Credit Allocation Committee as defined in Section 50199.7.

SEC. 3. Section 50199.52 of the Health and Safety Code is amended to read:

50199.52. All housing assisted pursuant to this chapter shall comply with the following requirements:

(a) (1) The recipient of a tax credit pursuant to Section 17053.14, 23608.2, or 23608.3 of the Revenue and Taxation Code, or the owner of the farmworker housing assisted pursuant to Section 17053.14 or 23608.2 of the Revenue and Taxation Code, shall enter into those agreements required by the committee to further the purposes of this chapter and the applicable farmworker housing tax credit sections.

(2) The owner shall agree that the farmworker housing units assisted with the farmworker housing tax credits shall be utilized, maintained, and operated pursuant to this chapter for the compliance term specified by the applicable farmworker housing tax credit statute.

(b) (1) The farmworker housing assisted pursuant to this chapter shall be available to, and occupied by, only farmworkers and their households. However, in the event of a natural disaster or other critical occurrence, as determined by the committee, the housing may be utilized at the discretion of the owner for households needing

shelter for up to 60 days if there are no farmworkers who have submitted an application to reside, or to continue to reside, in the housing. The occupants of the housing need not be limited to farmworkers employed by the property owner.

(2) In addition, where the housing is designed and operated as a dormitory, the owner and operator may restrict occupancy by sex. However, in awarding credits pursuant to this chapter, the committee shall give preference to proposed farmworker housing that is designed and operated for families rather than for single sex dormitories.

(c) The expenditures upon which the amount of the farmworker housing tax credit is based shall be eligible costs.

SEC. 4. Section 50199.53 of the Health and Safety Code is amended to read:

50199.53. The committee shall enter into an agreement with the owner of the farmworker housing to ensure compliance with the terms and conditions of the program. The agreement shall be subordinated, when required, to a lien or encumbrance of any bank or other institutional lender to the project. The provisions in the agreement shall include, but not be limited to, all of the following:

(a) Provisions establishing the location and number of units or sleeping areas and their rents.

(b) The requirement of an annual report, including occupancy, income, and maintenance information.

(c) Provisions allowing and governing state approval of the assignment, transfer, and assumption of the housing, to ensure that the requirements of this program are binding on successors.

(d) Provisions ensuring a term of use at least equal to the compliance period.

(e) A requirement that the agreement be recorded in the official records of the county in which the qualified farmworker housing project is located.

(f) A provision stating that the agreement is enforceable by the committee, and by the city or county in which the farmworker housing is located, and by the tenants as third-party beneficiaries.

(g) Provisions defining how the rents will be established and maintained so that they are affordable to the intended population of farmworkers.

SEC. 5. Section 50199.55 of the Health and Safety Code is amended to read:

50199.55. (a) The committee shall allocate farmworker housing tax credits on a regular basis in each calendar year during which applications may be filed and considered. The committee shall establish application forms and instructions, application filing deadlines, and the approximate date on which allocations shall be made. As a condition of submitting an application, or as a condition of receiving an allocation or reservation of tax credits, the committee may charge a fee to a tax credit applicant to defray the committee's

costs in administering this chapter. In review of applications, the committee shall require the following criteria in order to ensure compliance with all provisions of this chapter:

(1) The project's proposed financing, including tax credit proceeds, shall be sufficient to complete the project.

(2) The proposed operating budget shall be adequate to operate the project for the compliance period.

(3) The recipient or owner shall have sufficient expertise and the financial capacity to ensure project completion and operation for the compliance period.

(4) The project shall have enforceable financing commitments, either construction or permanent financing, for at least 50 percent of the total estimated financing of the project.

(5) Development fees included in subdivision (c) of Section 50199.52 shall not exceed a percentage of the total project cost, excluding land costs, prior to the inclusion of the fees in the total project cost, as determined by the committee.

(b) Following approval, the committee shall issue a certificate to the taxpayer that states the total amount of the allocated tax credit to which the taxpayer is entitled for each income or taxable year.

SEC. 6. Section 17053.14 of the Revenue and Taxation Code is amended to read:

17053.14. (a) (1) For taxable years beginning on or after January 1, 1997, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to the lesser of 50 percent of the eligible costs, as determined under subdivision (b), or the amount allocated under paragraph (2) of subdivision (e).

(2) Notwithstanding paragraph (1), no credit shall be allowed until the qualified year, as defined in paragraph (3).

(3) For purposes of this section, the "qualified year" is the first taxable year during which the construction or rehabilitation of the qualified farmworker housing is completed and there is occupancy of the qualified farmworker housing by eligible farmworkers.

(b) (1) For purposes of this section, the "eligible costs" shall be equal to the total finance costs, construction costs, excavation costs, installation costs, and permit costs paid or incurred to construct or rehabilitate farmworker housing. "Eligible costs" include, but are not limited to, improvements to ensure compliance with laws governing access for persons with disabilities and costs related to reducing utility expenses. Noneligible costs include land and those costs financed by grants and below-market financing.

(2) For purposes of paragraph (1), construction or rehabilitation of the farmworker housing shall have commenced on or after January 1, 1997.

(3) Notwithstanding any other provision of this part, eligible costs shall not include any costs paid or incurred prior to January 1, 1997.

(c) Notwithstanding any other provision of this part, no credit shall be allowed under this section unless the taxpayer first obtains

a certification from the committee that the amounts described in subdivision (b) qualify for the credit under this section and the total amount of the credit allocated to the taxpayer pursuant to the Farmworker Housing Assistance Program.

(d) The taxpayer shall do all of the following:

(1) Apply to the committee for credit certification prior to the payment or incurrence of costs described in paragraph (1) of subdivision (b).

(2) Retain a copy of the certification.

(3) Make the certification available to the Franchise Tax Board upon request.

(e) The committee shall do all of the following:

(1) Provide forms and instructions for applications for credit certification, as specified pursuant to the Farmworker Housing Assistance Program.

(2) Accept applications and issue a certificate to the taxpayer that includes a certification as to the eligible costs described in subdivision (b) that qualify for the credit and the total amount of the credit to which the taxpayer is entitled for the taxable year. Credit in excess of the amount necessary to make the project feasible shall not be allocated. Credits shall be allocated through a minimum of one competitive funding round per year.

(3) Obtain the taxpayer's taxpayer identification number, and each partner's taxpayer identification number in the case of a partnership, for tax administration purposes.

(4) Provide an annual listing to the Franchise Tax Board, in the form and manner agreed upon by the Franchise Tax Board and the committee, containing the names, taxpayer identification numbers pursuant to paragraph (3), eligible costs, and total amount of credit certified to each taxpayer.

(f) For purposes of this section:

(1) "Compliance period" means, with respect to any farmworker housing, the period of 30 consecutive taxable years, beginning with the taxable year in which the credit is allowable.

(2) "Construct or rehabilitate" includes reconstruction, but does not include any costs related to acquisition or refinancing of property or structures thereon.

(3) "Farmworker Housing Assistance Program" means Chapter 3.7 (commencing with Section 50199.50) of Part 1 of Division 31 of the Health and Safety Code.

(4) "Qualified farmworker housing" means housing located within this state which satisfies the requirements of the Farmworker Housing Assistance Program. The housing may be vacant or occupied.

(5) "Committee" means the California Tax Credit Allocation Committee as defined in Section 50199.7 of the Health and Safety Code.

(6) "Qualified accountant" means an accountant licensed or certified in this state who is neither an employee of the taxpayer nor related to the taxpayer, within the meaning of Section 267 of the Internal Revenue Code.

(g) No deduction or other credit shall be allowed under this part or Part 11 (commencing with Section 23001) to the extent of any eligible costs, as defined in subdivision (b), that are taken into account in computing the credit allowed under this section.

(h) The farmworker housing tax credit shall not be allowed unless the taxpayer:

(1) Constructs or rehabilitates the property subject to the covenants, conditions, and restrictions imposed by this section and pursuant to the Farmworker Housing Assistance Program, which shall include, but not necessarily be limited to, a requirement that the taxpayer obtain, for approval by the committee, a construction cost audit and certification of eligible costs from a qualified accountant.

(2) Subsequent to construction or rehabilitation of the farmworker housing, owns or operates the farmworker housing pursuant to the requirements of this section, or ensures the ownership and operation of the farmworker housing pursuant to the requirements of this section.

(i) The requirements of this section shall be set forth in a written agreement between the committee and the taxpayer. The agreement shall include, but not necessarily be limited to, the requirements set forth in the Farmworker Housing Assistance Program.

(j) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding years if necessary, until the credit has been exhausted.

(k) (1) In the case of any disqualifying event, as defined in paragraph (2), there shall be added to the "net tax," as defined in Section 17039, for the taxable year in which the disqualifying event occurs, the recapture amount computed under paragraph (3) and the interest amount computed under paragraph (4).

(2) For purposes of this subdivision, "disqualifying event" shall mean:

(A) The committee determines that the certification provided under subdivision (e) was obtained by fraud or misrepresentation.

(B) The taxpayer fails to comply with the requirements of the Farmworker Housing Assistance Program, or any other requirement imposed under this section.

(3) For purposes of this subdivision, "recapture amount" means:

(A) In the case of any disqualifying event described in subparagraph (A) of paragraph (2), the entire amount of any credit previously allowed under this section.

(B) In the case of any disqualifying event described in subparagraph (B) of paragraph (2), an amount determined by

multiplying the entire amount of the credit previously allowed under this section by a fraction, the numerator of which is the number of years remaining in the compliance period and the denominator of which is 30.

(4) For purposes of this subdivision, "interest amount" means:

(A) In the case of any disqualifying event described in subparagraph (A) of paragraph (2), the amount of interest computed using the adjusted annual rate established in Section 19521 from the due date of the return for each taxable year in which the credit was claimed to the date of the payment of the additional tax resulting from the application of this subdivision.

(B) In the case of any disqualifying event described in subparagraph (B) of paragraph (2), zero.

(*l*) The annual amount of credit granted pursuant to this section and Sections 23608.2 and 23608.3 shall not exceed five hundred thousand dollars ($500,000), provided that the aggregate amount of the credit granted pursuant to this section and Sections 23608.2 and 23608.3 for the 1998 calendar year and thereafter may exceed five hundred thousand dollars ($500,000) per calendar year by an amount equal to any unallocated credits under this section and Sections 23608.2 and 23608.3 for the preceding calendar year or years.

SEC. 7. Section 23608.2 of the Revenue and Taxation Code is amended to read:

23608.2. (a) (1) For income years beginning on or after January 1, 1997, there shall be allowed as a credit against the "tax," as defined by Section 23036, an amount equal to the lesser of 50 percent of the eligible costs, as determined under subdivision (b), or the amount allocated under paragraph (2) of subdivision (e).

(2) Notwithstanding paragraph (1), no credit shall be allowed until the qualified year, as defined in paragraph (3).

(3) For purposes of this section, the "qualified year" is the first income year during which the construction or rehabilitation of the qualified farmworker housing is completed and there is occupancy of the qualified farmworker housing by eligible farmworkers.

(b) (1) For purposes of this section, the "eligible costs" shall be equal to the total finance costs, construction costs, excavation costs, installation costs, and permit costs paid or incurred to construct or rehabilitate farmworker housing. "Eligible costs" include, but are not limited to, improvements to ensure compliance with laws governing access for persons with disabilities and costs related to reducing utility expenses. Noneligible costs include land and those costs financed by grants and below-market financing.

(2) For purposes of paragraph (1), construction or rehabilitation of the farmworker housing shall have commenced on or after January 1, 1997.

(3) Notwithstanding any provision of this part, eligible costs shall not include any costs paid or incurred prior to January 1, 1997.

(c) Notwithstanding any other provision of this part, no credit shall be allowed under this section unless the taxpayer first obtains a certification from the committee that the amounts described in subdivision (b) qualify for the credit under this section and the total amount of the credit allocated to the taxpayer pursuant to the Farmworker Housing Assistance Program.

(d) The taxpayer shall do all of the following:

(1) Apply to the committee for credit certification prior to the payment or incurrence of costs described in paragraph (1) of subdivision (b).

(2) Retain a copy of the certification.

(3) Make the certification available to the Franchise Tax Board upon request.

(e) The committee shall do all of the following:

(1) Provide forms and instructions for applications for credit certification, as specified pursuant to the Farmworker Housing Assistance Program.

(2) Accept applications and issue a certificate to the taxpayer that includes a certification as to the eligible costs described in subdivision (b) that qualify for the credit and the total amount of the credit to which the taxpayer is entitled for the income year. Credit in excess of the amount necessary to make the project feasible shall not be allocated. Credits shall be allocated through a minimum of one competitive funding round per year.

(3) Obtain the taxpayer's taxpayer identification number, or each shareholder's taxpayer identification number in the case of an S corporation, for tax administration purposes.

(4) Provide an annual listing to the Franchise Tax Board, in the form and manner agreed upon by the Franchise Tax Board and the committee, containing the names, taxpayer identification numbers pursuant to paragraph (3), eligible costs, and total amount of credit certified to each taxpayer.

(f) For purposes of this section:

(1) "Compliance period" means, with respect to any farmworker housing, the period of 30 consecutive income years, beginning with the income year in which the credit is allowable.

(2) "Construct or rehabilitate" includes reconstruction, but does not include any costs related to acquisition or refinancing of property or structures thereon.

(3) "Farmworker Housing Assistance Program" means Chapter 3.7 (commencing with Section 50199.50) of Part 1 of Division 31 of the Health and Safety Code.

(4) "Qualified farmworker housing" means housing located within this state which satisfies the requirements of the Farmworker Housing Assistance Program. The housing may be vacant or occupied, and it need not be licensed pursuant to the Employee Housing Act at the time of the initiation of construction or rehabilitation.

(5) "Committee" means the California Tax Credit Allocation Committee as defined in Section 50199.7 of the Health and Safety Code.

(6) "Qualified accountant" means an accountant licensed or certified in this state who is neither an employee of the taxpayer, nor related to the taxpayer within the meaning of Section 267 of the Internal Revenue Code.

(g) No deduction or other credit shall be allowed under this part or Part 10 (commencing with Section 17001) to the extent of any eligible costs, as defined in subdivision (b), that are taken into account in computing the credit allowed under this section.

(h) The farmworker housing tax credit shall not be allowed unless the taxpayer:

(1) Constructs or rehabilitates the property subject to the covenants, conditions, and restrictions imposed by this section and pursuant to the Farmworker Housing Assistance Program, which shall include, but not necessarily be limited to, a requirement that the taxpayer obtain, for approval by the committee, a construction cost audit and certification of eligible costs from a qualified accountant.

(2) Subsequent to construction or rehabilitation of the farmworker housing, owns or operates the farmworker housing pursuant to the requirements of this section, or ensures the ownership and operation of the farmworker housing pursuant to the requirements of this section.

(i) The requirements of this section shall be set forth in a written agreement between the committee and the taxpayer. The agreement shall include, but not necessarily be limited to, the requirements set forth in the Farmworker Housing Assistance Program.

(j) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and succeeding years if necessary, until the credit has been exhausted.

(k) (1) In the case of any disqualifying event, as defined in paragraph (2), there shall be added to the "tax," as defined in Section 23036, for the income year in which the disqualifying event occurs, the recapture amount computed under paragraph (3) and the interest amount computed under paragraph (4).

(2) For purposes of this subdivision, "disqualifying event" shall mean:

(A) The committee determines that the certification provided under subdivision (e) was obtained by fraud or misrepresentation.

(B) The taxpayer fails to comply with the requirements of the Farmworker Housing Assistance Program, or any other requirement imposed under this section.

(3) For purposes of this subdivision, "recapture amount" means:

(A) In the case of any disqualifying event described in subparagraph (A) of paragraph (2), the entire amount of any credit previously allowed under this section.

(B) In the case of any disqualifying event described in subparagraph (B) of paragraph (2), an amount determined by multiplying the entire amount of the credit previously allowed under this section by a fraction, the numerator of which is the number of years remaining in the compliance period and the denominator of which is 30.

(4) For purposes of this subdivision, "interest amount" means:

(A) In the case of any disqualifying event described in subparagraph (A) of paragraph (2), the amount of interest computed using the adjusted annual rate established in Section 19521 from the due date of the return for each income year in which the credit was claimed to the date of payment of the additional tax resulting from the application of this subdivision.

(B) In the case of any disqualifying event described in subparagraph (B) of paragraph (2), zero.

(*l*) The annual amount of credit granted pursuant to this section and Sections 17053.14 and 23608.3 shall not exceed five hundred thousand dollars ($500,000), provided that the aggregate amount of the credit granted pursuant to this section and Sections 17053.14 and 23608.3 for the calendar year 1998 and thereafter may exceed five hundred thousand dollars ($500,000) per calendar year by an amount equal to any unallocated credits under this section and Sections 17053.14 and 23608.3 for the preceding calendar year or years.

SEC. 8. Section 23608.3 of the Revenue and Taxation Code is amended to read:

23608.3. (a) For income years beginning on or after January 1, 1997, there shall be allowed as a credit against the "tax," as defined in Section 23036, for a bank or financial corporation as determined in subdivision (b).

(b) (1) For purposes of this section, the credit shall be equal to 50 percent of the difference between the amount of interest income which could have been collected by the bank or financial corporation had the loan rate been one point above prime, or any other index used by the lender, and the lesser amount of interest income actually due for the term of the loan by the bank or financial corporation on those portions of loans used to finance only eligible costs actually paid or incurred to rehabilitate or construct qualified farmworker housing.

(2) The credit allowed under this section shall be taken in equal installments over a period equal to the lesser of 10 years or the term of the loan beginning in the taxpayer's income year during which the qualified farmworker housing is completed and there is initial occupancy by eligible farmworkers. In the case where the credit allowed by this section exceeds the "tax" for any income year, the

excess may not be carried over to reduce the "tax" in any succeeding year.

(3) The credit shall not apply to loans with a term of less than three years or to loans funded prior to January 1, 1997. The credit shall apply only to interest income from the loan and shall not apply to any other loan fees or other charges collected by the bank or financial corporation with respect to the loan.

(c) The taxpayer shall qualify for the credit by application to and certification by the committee that the expenses qualify for the credit under this section.

(d) The taxpayer shall do all of the following:

(1) Apply to the committee for credit certification prior to the funding of the loan.

(2) Retain a copy of the certification.

(3) Make the certification available to the Franchise Tax Board upon request.

(e) The committee shall do all of the following:

(1) Provide forms and instructions for applications for credit certification, as specified pursuant to the Farmworker Housing Assistance Program.

(2) Accept applications and issue a certificate to the taxpayer that includes the credit amount to which the taxpayer is entitled for the income year.

(3) Obtain the taxpayer's taxpayer identification number, and each shareholder's taxpayer identification number in the case of an S corporation, for tax administration purposes.

(4) Provide an annual listing to the Franchise Tax Board, and in a form and manner agreed upon by the Franchise Tax Board and the committee, containing the names, taxpayer identification numbers pursuant to paragraph (3), qualified amounts, and total amount of credit certified to each taxpayer.

(f) For the purposes of this section:

(1) "Construct or rehabilitate" includes reconstruction, but does not include any costs related to acquisition or refinancing of property or structures thereon.

(2) "Farmworker Housing Assistance Program" means Chapter 3.7 (commencing with Section 50199.50) of Part 1 of Division 31 of the Health and Safety Code.

(3) "Eligible costs" means those expenditures certified by the committee to meet the requirements of Sections 17053.14 and 23608.2.

(4) "Qualified farmworker housing" means housing within the state that meets the requirements of the Farmworker Housing Assistance Program.

(g) (1) In the event that the committee determines that the certification provided under subdivision (e) was obtained by fraud or misrepresentation of the taxpayer, there shall be added to the "tax," as defined in Section 23036 for the income year in which the

disqualifying event occurs, the recapture amount computed under paragraph (2) and the interest amount computed under paragraph (3).

(2) For purposes of this subdivision, "recapture amount" means the entire amount of any credit previously allowed under this section.

(3) For purposes of this subdivision, "interest amount" means the amount of interest computed using the adjusted annual rate established in Section 19521 from the due date of the return for the taxable year in which the credit was claimed to the date of payment of the additional tax resulting from the application of this subdivision.

(h) (1) Except as provided in paragraph (2), if the bank or financial corporation sells the loan to another bank or financial corporation, the balance of the credit, if any, shall be transferred to the assignee or transferee of the loan, subject to the same conditions and limitations as set forth in this section.

(2) A bank or financial corporation may assign, sell, or otherwise transfer the loan to another person or entity and retain the right to claim the credit granted under this section if the bank or financial corporation also retains responsibility for servicing the loan.

(i) The annual amount of credit granted pursuant to this section and Sections 17053.14 and 23608.2 shall not exceed five hundred thousand dollars ($500,000), provided that the aggregate amount of the credit granted pursuant to this section and Sections 17053.14 and 23608.2 for the 1998 calendar year and thereafter may exceed five hundred thousand dollars ($500,000) per calendar year by an amount equal to any unallocated credits under this section and Sections 17053.14 and 23608.2 for the preceding calendar year or years.

CHAPTER 372

An act to amend Section 3011 of the Elections Code, relating to elections.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 3011 of the Elections Code is amended to read:

3011. The identification envelope shall contain the following:

(a) A declaration, under penalty of perjury, stating that the voter resides within the precinct in which he or she is voting and is the person whose name appears on the envelope.

(b) The signature of the voter.

(c) The residence address of the voter as shown on the affidavit of registration.

(d) The date of signing.

(e) A notice that the envelope contains an official ballot and is to be opened only by the canvassing board.

(f) A warning plainly stamped or printed on it that voting twice constitutes a crime.

(g) A warning plainly stamped or printed on it that the voter must sign the envelope in his or her own handwriting in order for the ballot to be counted.

(h) A statement that the voter has neither applied, nor intends to apply, for an absent voter's ballot from any other jurisdiction for the same election.

SEC. 2. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 373

An act to amend Sections 1247.63, 1247.64, 1247.66, 1247.95, and 1300 of the Business and Professions Code, relating to hemodialysis.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1247.63 of the Business and Professions Code is amended to read:

1247.63. (a) Certification of a hemodialysis technician issued by the department pursuant to subdivision (a) of Section 1247.6 shall be valid for four years.

(b) Those hemodialysis technicians certified by the department or the Board of Nephrology Examination for Nurses and Technicians (BONENT) before January 1, 1995, shall, before January 1, 1996, apply to renew their certification, or in the case of those technicians certified by the Board of Nephrology Examination for Nurses and Technicians (BONENT) obtain department certification, by submitting the fee required by subdivision (n) of Section 1300 and proof of previous certification. The department shall automatically

renew the certification of those hemodialysis technicians who were certified before January 1, 1995, and who apply for renewal pursuant to this subdivision.

(c) For renewals occurring on or after January 1, 1996, a hemodialysis technician applying for renewal of his or her certification shall submit proof that he or she has obtained 30 hours of in-service training or continuing education in dialysis care or general health care as a requirement for the renewal of his or her certification.

(d) This section shall become inoperative on July 1, 2000, and, as of January 1, 2001, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2001, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Section 1247.64 of the Business and Professions Code is amended to read:

1247.64. A hemodialysis technician may obtain the in-service training or continuing education required by subdivision (c) of Section 1247.63 from one or more of the following sources:

(a) Health-related courses offered by accredited postsecondary institutions.

(b) Health-related courses offered by continuing education providers approved by the California Board of Registered Nursing.

(c) Health-related courses offered by recognized health associations if the department determines the courses to be acceptable.

(d) Health-related, employer-sponsored in-service training or continuing education programs.

(e) This section shall become inoperative on July 1, 2000, and, as of January 1, 2001, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2001, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 3. Section 1247.66 of the Business and Professions Code is amended to read:

1247.66. (a) The department may deny, suspend, or revoke the certification of a hemodialysis technician if it finds that the hemodialysis technician is not in compliance with this article, or any regulations adopted by the department to administer this article.

(b) The department may deny, suspend, or revoke the certification of a hemodialysis technician for any of the following causes:

(1) Unprofessional conduct, which includes incompetence or gross negligence in carrying out his or her usual functions.

(2) Procuring a certificate by fraud, misrepresentation, or mistake.

(3) Making or giving any false statement or information in conjunction with the application for issuance or renewal of a certificate.

(4) Conviction of a crime substantially related to the qualifications, functions, and duties of a hemodialysis technician in which event the record of the conviction shall be conclusive evidence thereof.

(c) In addition to other acts constituting unprofessional conduct within the meaning of this article, all of the following constitute unprofessional conduct:

(1) Conviction for, or use of, any narcotic drug, as defined in Division 10 (commencing with Section 11000) of the Health and Safety Code, or any dangerous drug, as defined in Article 7 (commencing with Section 4211) of Chapter 9, or alcoholic beverages, to an extent or in a manner dangerous or injurious to the hemodialysis technician or any other person, or the public, to the extent that this use impairs the ability to conduct, with safety to the public, the practice of a hemodialysis technician.

(2) Abuse, whether verbal, physical, or mental, of a patient in any setting where health care is being rendered.

(d) Proceedings to deny, suspend, or revoke a certification under this article shall be conducted in accordance with Section 100171 of the Health and Safety Code.

(e) This section shall become inoperative on July 1, 2000, and, as of January 1, 2001, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2001, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 4. Section 1247.95 of the Business and Professions Code is amended to read:

1247.95. (a) Certification of hemodialysis technicians shall be subject to the review of the Joint Legislative Sunset Review Committee as described in Division 1.2 (commencing with Section 473).

(b) The department shall submit the report required by Section 473.2, in accordance with the time limits set forth in that section, as if this article were scheduled to become inoperative on July 1, 2000, and would be repealed as of January 1, 2001, as described in Section 473.1.

(c) This section shall become inoperative on July 1, 2000, and, as of January 1, 2001, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2001, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 5. Section 1300 of the Business and Professions Code is amended to read:

1300. The amount of application, registration, and license fees under this chapter shall be as follows:

(a) The application fee for a histocompatibility laboratory director's, clinical laboratory bioanalyst's, clinical chemist's, clinical microbiologist's, clinical laboratory toxicologist's, clinical cytogeneticist's, or clinical molecular biologist's license is thirty-eight

dollars ($38). This fee shall be sixty-three dollars ($63) commencing on July 1, 1983.

(b) The annual renewal fee for a histocompatibility laboratory director's, clinical laboratory bioanalyst's, clinical chemist's, clinical microbiologist's, or clinical laboratory toxicologist's license is thirty-eight dollars ($38). This fee shall be sixty-three dollars ($63) commencing on July 1, 1983.

(c) The application fee for a clinical laboratory scientist's or limited clinical laboratory scientist's license is twenty-three dollars ($23). This fee shall be thirty-eight dollars ($38) commencing on July 1, 1983.

(d) The application and annual renewal fee for a cytotechnologist's license shall be fifty dollars ($50) commencing on January 1, 1991.

(e) The annual renewal fee for a clinical laboratory scientist's or limited clinical laboratory scientist's license is fifteen dollars ($15). This fee shall be twenty-five dollars ($25) commencing on July 1, 1983.

(f) The application fee for a clinical laboratory license is six hundred dollars ($600).

(g) The annual renewal fee for a clinical laboratory license is five hundred fifty-seven dollars ($557).

(h) The application fee for a certificate of accreditation issued pursuant to Section 1223 is one hundred fifty dollars ($150).

(i) The annual renewal fee for a certificate of accreditation issued pursuant to Section 1223 is one hundred dollars ($100).

(j) In addition, clinical laboratories providing cytology services shall pay an annual fee that shall be set by the department in an amount needed to meet but not exceed the department's costs of proficiency testing and special site surveys for these laboratories, and that shall be based upon the volume of cytologic slides examined by a laboratory. If the amount collected is less than or exceeds the amount needed for these purposes, the amount of fees collected from those laboratories in the following year shall be adjusted accordingly.

(k) The application fee for a trainee's license is eight dollars ($8). This fee shall be thirteen dollars ($13) commencing on July 1, 1983.

(*l*) The annual renewal fee for a trainee's license is five dollars ($5). This fee shall be eight dollars ($8) commencing on July 1, 1983.

(m) The application fee for a duplicate license is three dollars ($3). This fee shall be five dollars ($5) commencing on July 1, 1983.

(n) The delinquency fee is equal to the annual renewal fee.

(o) The director may establish a fee for examinations required under this chapter. The fee shall not exceed the total cost to the department in conducting the examination.

(p) The certification and renewal fees for hemodialysis technicians certified under subdivision (a) of Section 1247.6 shall be fifty dollars ($50). This subdivision shall become inoperative on July 1, 2000, and shall have no effect after that date.

(q) The annual fee for a clinical laboratory subject to registration under paragraph (2) of subdivision (a) of Section 1265 and performing only those clinical laboratory tests or examinations considered waived under CLIA is fifty dollars ($50). The annual fee for a clinical laboratory subject to registration under paragraph (2) of subdivision (a) of Section 1265 and performing only physician-performed microscopy, as defined under CLIA is seventy-five dollars ($75). A clinical laboratory performing both waived and physician-performed microscopy shall pay an annual registration fee of seventy-five dollars ($75).

(r) The costs of the department in conducting a complaint investigation, imposing sanctions, or conducting a hearing under this chapter shall be paid by the clinical laboratory. The fee shall be no greater than the fee the laboratory would pay under CLIA for the same type of activities and shall not be payable if the clinical laboratory would not be required to pay those fees under CLIA.

(s) The state, a district, city, county, city and county, or other political subdivision, or any public officer or body, shall be subject to the payment of fees established pursuant to this chapter or regulations adopted thereunder.

(t) In addition to the payment of registration or licensure fees, a clinical laboratory located outside the State of California shall reimburse the department for travel and per diem to perform any necessary onsite inspections at the clinical laboratory in order to ensure compliance with this chapter.

(u) Whenever a clinical laboratory has paid registration or compliance fees, or both, to HCFA under CLIA for the same period of time for which a license is issued under Section 1265, the fee required for the clinical laboratory license under subdivision (f) or (g), and as adjusted pursuant to Section 116 of the Health and Safety Code, shall be reduced by the percentage of the total of all CLIA registration and compliance fees paid to HCFA by all California laboratories that are made available to the department to carry out its functions as a CLIA agent in the federal fiscal year immediately prior to when the license fee is due.

SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative

on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 374

An act to amend Section 781 of the Welfare and Institutions Code, relating to minors.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 781 of the Welfare and Institutions Code is amended to read:

781. (a) Where a petition has been filed with a juvenile court to commence proceedings to adjudge a person a ward of the court, a person is cited to appear before a probation officer or is taken before a probation officer pursuant to Section 626, or a minor is taken before any officer of a law enforcement agency, the person or the county probation officer may petition the court for sealing of the records. The petition to seal the records may be filed five years or more after the jurisdiction of the juvenile court has terminated over the person or, if no juvenile court petition was filed, five years or more after the person was cited to appear before a probation officer or was taken before a probation officer pursuant to Section 626 or was taken before any officer of a law enforcement agency, or at any time after the person has reached the age of 18 years. The petition to seal the records shall include a statement disclosing whether there is any pending civil litigation relating to the criminal act that caused the records to be created. As used in this section, "records" include records of arrest, records relating to the person's case, and records in the custody of the juvenile court, probation officer and any other agencies, including law enforcement agencies, and public officials that the petitioner alleges, in his or her petition, to have custody of the records. The court shall notify the district attorney of the county and the county probation officer, if he or she is not the petitioner, and the district attorney or probation officer or any of their deputies or any other person having relevant evidence may testify at the hearing on the petition. If, after a hearing, the court finds that since the termination of jurisdiction or action pursuant to Section 626, as the case may be, he or she has not been convicted of a felony or of any misdemeanor involving moral turpitude, that rehabilitation has been attained to the satisfaction of the court, and that the petition indicates that there is no currently pending civil litigation directly relating to, or arising from, the criminal act that caused the records to be created, it shall order all records, papers, and exhibits in the person's case in

the custody of the juvenile court sealed, including the juvenile court record, minute book entries, and entries on dockets, and other records relating to the case in the custody of the other agencies and officials as are named in the order. If a ward of the juvenile court is subject to the registration requirements set forth in Section 290 of the Penal Code, a court, in ordering the sealing of the juvenile records of the person, also shall provide in the order that the person is relieved from the registration requirement and for the destruction of all registration information in the custody of the Department of Justice and other agencies and officials. Notwithstanding any other provision of law, the court shall not order the person's records sealed in any case in which the person has been found by the juvenile court to have committed an offense listed in subdivision (b) of, paragraph (2) of subdivision (d) of, or subdivision (e) of, Section 707 until at least six years have elapsed since commission of the offense listed in those provisions. The court shall not order the records sealed in any case unless the petition indicates that there is no pending civil litigation directly relating to, or arising from, the criminal act that caused the records to be created. However, once the civil case is closed, the records may be sealed. Once the court has ordered the person's records sealed, the proceedings in the case shall be deemed never to have occurred, and the person may properly reply accordingly to any inquiry about the events, the records of which are ordered sealed. The court shall send a copy of the order to each agency and official named therein, directing the agency to seal its records and stating the date thereafter to destroy the sealed records. Each agency and official shall seal the records in its custody as directed by the order, shall advise the court of its compliance, and thereupon shall seal the copy of the court's order for sealing of records that it, he, or she received. The person who is the subject of records sealed pursuant to this section may petition the superior court to permit inspection of the records by persons named in the petition, and the superior court may so order. Otherwise, except as provided in subdivision (b), the records shall not be open to inspection.

(b) In any action or proceeding based upon defamation, a court, upon a showing of good cause, may order any records sealed under this section to be opened and admitted into evidence. The records shall be confidential and shall be available for inspection only by the court, jury, parties, counsel for the parties, and any other person who is authorized by the court to inspect them. Upon the judgment in the action or proceeding becoming final, the court shall order the records sealed.

(c) (1) Subdivision (a) does not apply to Department of Motor Vehicle records of any convictions for offenses under the Vehicle Code or any local ordinance relating to the operation, stopping and standing, or parking of a vehicle where the record of that conviction would be a public record under Section 1808 of the Vehicle Code.

However, if a court orders a case record containing that conviction to be sealed under this section, and if the Department of Motor Vehicles maintains a public record of the conviction, the court shall notify the Department of Motor Vehicles of the sealing and the department shall advise the court of its receipt of the notice.

Notwithstanding any other provision of law, subsequent to the notification, the Department of Motor Vehicles shall allow access to its record of convictions only to the subject of the record and to insurers which have been granted requester code numbers by the department. Any insurer to which a record of conviction is disclosed, when that conviction record has otherwise been sealed under this section, shall be given notice of the sealing when the record is disclosed to the insurer. The insurer may use the information contained in the record for purposes of determining eligibility for insurance and insurance rates for the subject of the record, and the information shall not be used for any other purpose nor shall it be disclosed by an insurer to any person or party not having access to the record.

(2) This subdivision shall not be construed as preventing the sealing of any record which is maintained by any agency or party other than the Department of Motor Vehicles.

(3) This subdivision shall not be construed as affecting the procedures or authority of the Department of Motor Vehicles for purging department records.

(d) Unless for good cause the court determines that the juvenile court record shall be retained, the court shall order the destruction of a person's juvenile court records that are sealed pursuant to this section as follows: five years after the record was ordered sealed, if the person who is the subject of the record was alleged or adjudged to be a person described by Section 601; or when the person who is the subject of the record reaches the age of 38 if the person was alleged or adjudged to be a person described by Section 602. Any other agency in possession of sealed records may destroy its records five years after the record was ordered sealed.

(e) This section shall not permit the sealing of a person's juvenile court records for an offense where the person is convicted of that offense in a criminal court pursuant to the provisions of Section 707.1. This subdivision is declaratory of existing law.

(f) Notwithstanding any other provision of law, the records of a juvenile who was 16 years of age or older at the time he or she committed any criminal offense listed in subdivision (b) of Section 707 shall not be destroyed.

(g) Notwithstanding any other provision of law, in any criminal prosecution in which an enhancement is alleged pursuant to Section 667 or 1170.12 of the Penal Code, the parties shall be entitled to inspect, copy, and introduce into evidence for the purpose of proving the alleged enhancement, any juvenile records of the person named in the criminal complaint or information, whether or not those

records have been sealed, where the person was found to have committed, when they were 16 years of age or older, an offense set forth in subdivision (b) of Section 707. Except as provided herein, these records shall be confidential and available for inspection and copying only by the court, the jury, as authorized by the court, parties, counsel for the parties, and any other person authorized by the court. In the case of an acquittal or if the enhancement allegations under Section 667 or 1170.12 of the Penal Code are stricken, the court shall order the records resealed.

CHAPTER 375

An act to amend Sections 886 and 886.5 of the Welfare and Institutions Code, relating to minors.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 886 of the Welfare and Institutions Code is amended to read:

886. Except as provided in Section 886.5, no juvenile home, ranch, camp, or forestry camp established pursuant to the provisions of this article shall receive or contain more than 100 children at any one time.

SEC. 2. Section 886.5 of the Welfare and Institutions Code is amended to read:

886.5. (a) A juvenile home, ranch, camp, or forestry camp may receive or contain a maximum of 125 children at any one time if the county has determined that there is a consistent need for juvenile home, ranch, camp, or forestry camp placements which exceeds the beds available in the county. Any county desiring to expand the capacity of a juvenile home, ranch, camp, or forestry camp pursuant to this section shall certify to the Board of Corrections that the facility to be expanded will continue to meet the minimum standards adopted and prescribed pursuant to Section 885 during the period of expanded capacity.

(b) (1) The Legislature reaffirms its belief that juvenile ranches, camps, forestry camps, and other residential treatment facilities should be small enough to provide individualized guidance and treatment for juvenile offenders which enables them to return to their families and communities as productive and law abiding citizens. Consistent with this principle and upon demonstration of exceptional need, a juvenile ranch, camp, or forestry camp may receive or contain a maximum population in excess of 125 children

at any one time if the Board of Corrections has approved that expanded capacity pursuant to the following procedure:

(A) The county shall submit an application to the Board of Corrections, endorsed by the board of supervisors, identifying the capacity requested and the reasons why the additional capacity is needed. The application shall include the county's plan to ensure that the facility will, with the additional capacity, comply with applicable minimum standards and maintain adequate levels of onsite staffing, program, and other services for children in the facility.

(B) The Board of Corrections shall review any application received under this subdivision and shall approve or deny the application based on a determination whether the county has demonstrated its ability to comply with minimum standards and maintain adequate staffing, program, and service levels for children in the expanded facility. In its review, the board shall consider any public comment that may be submitted while the application is pending. The board may approve an application with conditions, including a capacity below the requested number, remodeling or expansion of units or living quarters, staffing ratios in excess of those required by minimum standards, or other adjustments of program or procedure deemed appropriate by the board for a facility operating with a capacity in excess of 125 children. The board shall ensure that the staffing, program, and service levels are increased commensurate with the increased risks to residents and the staff that are a result of the expanded capacity.

(2) Notwithstanding the inspection schedule set forth in Section 885, the board shall conduct an annual inspection of any facility whose application for expanded capacity under this subdivision is approved. The approval to operate at a capacity above 125 children shall terminate, and the facility shall not thereafter receive or contain more than 125 children, if the board determines after any annual inspection that the facility is not in compliance with minimum standards, that program, staffing, or service levels for children in the expanded facility have not been maintained, or that the county has failed substantially to comply with a condition that was attached to the board's approval of the expanded capacity.

(c) The board may provide forms and instructions to local jurisdictions to facilitate compliance with this section.

CHAPTER 376

An act to amend Section 7590.3 of the Business and Professions Code, relating to alarm company operators and agents.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 7590.3 of the Business and Professions Code is amended to read:

7590.3. This chapter does not apply to:

(a) A person employed exclusively and regularly by any employer who does not provide contract alarm services for other entities or persons, in connection with the affairs of that employer only and where there exists an employer-employee relationship. A person so employed shall at no time carry or use any deadly weapon in the performance of his or her duties.

(b) An officer or employee of the United States of America, or of this state or a political subdivision thereof, while the officer or employee is engaged in the performance of his or her official duties, including uniformed peace officers employed part time by a public agency pursuant to a written agreement between a chief of police or sheriff and the public agency.

(c) Patrol special police officers appointed by the police commission of any city, county, or city and county under the express terms of its charter.

(d) A licensed private patrol operator or any employee of a licensed private patrol operator who is employed as a security guard, security officer, or street patrol person as defined in Section 7582.1 and who is employed to respond to alarm systems.

CHAPTER 377

An act to amend Section 1368 of, and to amend, repeal, and add Section 1368.02 of, the Health and Safety Code, relating to health care service plans.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1368 of the Health and Safety Code is amended to read:

1368. (a) Every plan shall do all of the following:

(1) Establish and maintain a grievance system approved by the department under which enrollees may submit their grievances to the plan. Each system shall provide reasonable procedures in accordance with department regulations that shall ensure adequate consideration of enrollee grievances and rectification when appropriate.

(2) Inform its subscribers and enrollees upon enrollment in the plan and annually thereafter of the procedure for processing and

resolving grievances. The information shall include the location and telephone number where grievances may be submitted.

(3) Provide forms for complaints to be given to subscribers and enrollees who wish to register written complaints. The forms used by plans licensed pursuant to Section 1353 shall be approved by the commissioner in advance as to format.

(4) Keep in its files all copies of complaints, and the responses thereto, for a period of five years.

(b) (1) (A) After either completing the grievance process described in subdivision (a), or participating in the process for at least 60 days, a subscriber or enrollee may submit the grievance or complaint to the department for review. In any case determined by the department to be a case involving an imminent and serious threat to the health of the patient, including, but not limited to, the potential loss of life, limb, or major bodily function, or in any other case where the department determines that an earlier review is warranted, a subscriber or enrollee shall not be required to complete the grievance process or participate in the process for at least 60 days.

(B) A grievance or complaint may be submitted to the department for review and resolution prior to any arbitration.

(C) Notwithstanding subparagraphs (A) and (B), the department may refer any grievance or complaint to the State Department of Health Services, the Department of Aging, the federal Health Care Financing Administration, or any other appropriate governmental entity for investigation and resolution.

(2) If the subscriber or enrollee is a minor, or is incompetent or incapacitated, the parent, guardian, conservator, relative, or other designee of the subscriber or enrollee, as appropriate, may submit the grievance or complaint to the department as the agent of the subscriber or enrollee. Further, a provider may join with, or otherwise assist, a subscriber or enrollee, or the agent, to submit the grievance or complaint to the department. In addition, following submission of the grievance or complaint to the department, the subscriber or enrollee, or the agent, may authorize the provider to assist, including advocating on behalf of the subscriber or enrollee. For purposes of this section, a "relative" includes the parent, stepparent, spouse, adult son or daughter, grandparent, brother, sister, uncle, or aunt of the subscriber or enrollee.

(3) The department shall review the written documents submitted with the subscriber's or the enrollee's request for review, or submitted by the agent on behalf of the subscriber or enrollee. The department may ask for additional information, and may hold an informal meeting with the involved parties, including providers who have joined in submitting the grievance or complaint, or who are otherwise assisting or advocating on behalf of the subscriber or enrollee. The department shall send a written notice of the final disposition of the grievance or complaint, and the reasons therefor, to the subscriber or enrollee, the agent, to any provider that has

joined with or is otherwise assisting the subscriber or enrollee, and to the plan, within 60 calendar days of receipt of the request for review unless the commissioner, in his or her discretion, determines that additional time is reasonably necessary to fully and fairly evaluate the relevant grievance or complaint. Distribution of the written notice shall not be deemed a waiver of any exemption or privilege under existing law, including, but not limited to, Section 6254.5 of the Government Code, for any information in connection with and including the written notice, nor shall any person employed or in any way retained by the department be required to testify as to that information or notice. On or before January 1, 1997, the commissioner shall establish and maintain a system of aging of complaints that are pending and unresolved for 60 days or more, that shall include a brief explanation of the reasons each complaint is pending and unresolved for 60 days or more.

(4) A subscriber or enrollee, or the agent acting on behalf of a subscriber or enrollee, may also request voluntary mediation with the plan prior to exercising the right to submit a grievance or complaint to the department. The use of mediation services shall not preclude the right to submit a grievance or complaint to the department upon completion of mediation. In order to initiate mediation, the subscriber or enrollee, or the agent acting on behalf of the subscriber or enrollee, and the plan shall voluntarily agree to mediation. Expenses for mediation shall be borne equally by both sides. The department shall have no administrative or enforcement responsibilities in connection with the voluntary mediation process authorized by this paragraph.

(c) The plan's grievance system shall include a system of aging of complaints that are pending and unresolved for 30 days or more. On or before January 1, 1997, the plan shall provide a quarterly report to the commissioner of complaints pending and unresolved for 30 or more days with separate categories of complaints for Medicare enrollees and Medi-Cal enrollees. The plan shall include with the report a brief explanation of the reasons each complaint is pending and unresolved for 30 days or more. The plan may include the following statement in the quarterly report that is made available to the public by the commissioner:

> "Under Medicare and Medi-Cal law, Medicare enrollees and Medi-Cal enrollees each have separate avenues of appeal that are not available to other enrollees. Therefore, complaints pending and unresolved may reflect enrollees pursuing their Medicare or Medi-Cal appeal rights."

If requested by a plan, the commissioner shall include this statement in a written report made available to the public and prepared by the commissioner that describes or compares complaints that are pending and unresolved with the plan for 30 days or more.

Additionally, the commissioner shall, if requested by a plan, append to that written report a brief explanation, provided in writing by the plan, of the reasons why complaints described in that written report are pending and unresolved for 30 days or more. The commissioner shall not be required to include a statement or append a brief explanation to a written report that the commissioner is required to prepare under this chapter, including Sections 1380 and 1397.5.

(d) Subject to subparagraph (C) of paragraph (1) of subdivision (b), the grievance, complaint, or resolution procedures authorized by this section shall be in addition to any other procedures that may be available to any person, and failure to pursue, exhaust, or engage in the procedures described in this section shall not preclude the use of any other remedy provided by law.

(e) Nothing in this section shall be construed to allow the submission to the department of any provider complaint or grievance under this section. However, as part of a provider's duty to advocate for medically appropriate health care for his or her patients pursuant to Sections 510 and 2056 of the Business and Professions Code, nothing in this subdivision shall be construed to prohibit a provider from contacting and informing the department about any concerns he or she has regarding compliance with or enforcement of this chapter.

SEC. 2. Section 1368.02 of the Health and Safety Code is amended to read:

1368.02. (a) The commissioner shall establish and maintain a toll-free telephone number for the purpose of receiving complaints regarding health care service plans regulated by the commissioner.

(b) Every health care service plan shall publish the toll-free number required by this section on every new plan contract, on every evidence of coverage, on copies of plan grievance procedures, on plan complaint forms, and on all written notices to enrollees required under the grievance process of the plan. The toll-free number shall be displayed by the plan in each of these documents in 12-point boldface type in the following regular type statement:

"The California Department of Corporations is responsible for regulating health care service plans. The department has a toll-free telephone number [1-800-telephone number] to receive complaints regarding health plans. If you have a grievance against the health plan, you should contact the plan and use the plan's grievance process. If you need the department's help with a complaint involving an emergency grievance or with a grievance that has not been satisfactorily resolved by the plan, you may call the department's toll-free telephone number."

(c) If the plan's revised evidence of coverage is not published and distributed to all enrollees on or before April 1, 1996, the plan shall provide all enrollees with the statement specified in subdivision (b)

by April 1, 1996, in a written notification document dealing solely with the grievance process. Each plan's revised evidence of coverage shall include the statement specified in subdivision (b) no later than January 1, 1997.

(d) The commissioner shall designate an ombudsperson. The duties of the ombudsperson shall be determined by the commissioner. The commissioner may designate a member of the existing staff to serve as the ombudsperson.

(e) This section shall become inoperative on July 1, 1999, and, as of January 1, 2000, is repealed, unless a later enacted statute that is enacted before January 1, 2000, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 3. Section 1368.02 is added to the Health and Safety Code, to read:

1368.02. (a) The commissioner shall establish and maintain a toll-free telephone number for the purpose of receiving complaints regarding health care service plans regulated by the commissioner.

(b) Every health care service plan shall publish the department's toll-free telephone number, the California Relay Service's toll-free telephone numbers for the hearing and speech impaired, the plan's telephone number, and the department's Internet address, on every plan contract, on every evidence of coverage, on copies of plan grievance procedures, on plan complaint forms, and on all written notices to enrollees required under the grievance process of the plan, including any written communications to an enrollee that offer the enrollee the opportunity to participate in the grievance process of the plan and on all written responses to grievances. The department's telephone number, the California Relay Service's telephone numbers, the plan's telephone number, and the department's Internet address shall be displayed by the plan in each of these documents in 12-point boldface type in the following regular type statement:

"The California Department of Corporations is responsible for regulating health care service plans. The department's Health Plan Division has a toll-free telephone number (1-800-400-0815) to receive complaints regarding health plans. The hearing and speech impaired may use the California Relay Service's toll-free telephone numbers (1-800-735-2929 (TTY) or 1-888-877-5378 (TTY)) to contact the department. The department's Internet website (http://www.corp.ca.gov) has complaint forms and instructions online. If you have a grievance against your health plan, you should first telephone your plan at [plan's telephone number] and use the plan's grievance process before contacting the Health Plan Division. If you need help with a grievance involving an emergency, a grievance that has not been satisfactorily resolved by your plan, or a grievance that has remained unresolved for more than 60 days, you may call the Health Plan Division for assistance. The plan's grievance

process and the Health Plan Division's complaint review process are in addition to any other dispute resolution procedures that may be available to you, and your failure to use these processes does not preclude your use of any other remedy provided by law."

(c) The commissioner shall designate an ombudsperson. The duties of the ombudsperson shall be determined by the commissioner. The commissioner may designate a member of the existing staff to serve as the ombudsperson.

(d) This section shall become operative on July 1, 1999.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 378

An act to amend Sections 8496 and 8837 of the Fish and Game Code, and to amend Section 6217.1 of the Public Resources Code, relating to fish.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 8496 of the Fish and Game Code is amended to read:

8496. Within the California halibut trawl grounds the following requirements shall apply to the use of trawl nets:

(a) Open season shall be June 16 to March 14, inclusive.

(b) California halibut shall only be taken pursuant to Section 8392.

(c) Not more than 500 pounds of fish other than California halibut may be possessed, except that any amount of sea cucumbers may be possessed by a person who holds a valid sea cucumber permit and who meets any conditions adopted by the commission pursuant to Section 8405.3, and any amount of sharks, skates, or rays for which the take or possession of that species is not otherwise prohibited by this code may be taken or possessed.

(d) It is unlawful to operate a trawl net in a way that damages or destroys other types of fishing gear which is buoyed or otherwise visibly marked.

(e) Sections 8833 and 8836 do not apply to trawl nets when used or possessed on California halibut trawl grounds.

(f) Trawl nets described in Section 8843 shall only be used within the halibut trawl grounds.

(g) Single bags and cod-ends or double bags and cod-ends may be used within the halibut trawl grounds and may be possessed while a vessel is in transit directly to the halibut trawl grounds or returning directly to port. Double bags shall be hung and tied to each rib line so that the knots of each layer coincide, knot for knot, for the full length of the double layers. The double mesh section shall not measure over 25 meshes or 12 feet in length, whichever is greater. The individual meshes in the double section shall measure not less than $7^1/_2$ inches in length.

(h) No net, whose cod-end meshes are less than prescribed in this section, may be possessed on any vessel that is operating under the authority of this section.

SEC. 2. Section 8837 of the Fish and Game Code is amended to read:

8837. It is unlawful to use or possess any trawl net which includes any bag or cod-end or modification thereof, other than a bag or cod-end of a single layer of webbing, except as authorized by Section 8496.

SEC. 3. Section 6217.1 of the Public Resources Code is amended to read:

6217.1. (a) For purposes of this section, "project" means an activity that improves fish habitat in coastal waters utilized by salmon and anadromous trout species.

(b) (1) The Department of Fish and Game shall grant funds from the Salmon and Steelhead Trout Restoration Account created in the Resources Trust Fund pursuant to subdivision (b) of Section 6217, as follows:

(A) At least 87.5 percent of the funds shall be allocated as project grants through the existing grant program operated by the fisheries management program of the Department of Fish and Game.

(B) Up to 12.5 percent of the funds may also be used for project contract administration activities and biological support staff.

(2) (A) A project shall require the consent of a willing landowner, and emphasize the development of coordinated watershed improvement activities.

(B) Projects that restore habitat for salmon and anadromous trout species that are eligible for protection as listed or candidate species under state or federal endangered species acts shall be given top funding priority.

(C) Projects shall be cost-effective and treat causes and not symptoms of fish habitat degradation. Projects may implement

instream, riparian, water quality, water quantity, and watershed prescriptions and shall be designed to restore the structure and function of fish habitat.

(3) Any grant funds allocated to a project which exceed the actual cost of completing the project shall be returned to the Salmon and Steelhead Trout Restoration Account.

(c) (1) A citizen's advisory committee shall be appointed by the Director of Fish and Game, to give advice on the grant program.

(2) The advisory committee shall consist of five representatives from the California Advisory Committee on Salmon and Steelhead Trout, one representative from the agriculture industry, one representative from the timber industry, one academic or research scientist with expertise in anadromous fisheries restoration, and two county supervisors from coastal counties in which anadromous trout exist. The county supervisor members shall be recommended by the California State Association of Counties.

(3) The advisory committee shall provide oversight of, and recommend priorities for, grant funding under this section. In making funding decisions, the Department of Fish and Game shall consider the project selection priorities established by the advisory committee.

(4) Members of the advisory committee shall be reimbursed for travel and incidental expenses related to the performance of their duties under this section. Reimbursement shall be made from the funds designated in subparagraph (B) of paragraph (1) of subdivision (b).

(d) Except as provided in subdivision (e), the money in the Salmon and Steelhead Trout Restoration Account shall be allocated as follows:

(1) Not less than 65 percent of the money shall be used for salmon habitat protection and restoration projects. Of that amount, at least 75 percent shall be used for watershed (upslope) and riparian area protection and restoration activities.

(2) Up to 35 percent of the money shall be allocated for any of the following uses:

(A) Watershed evaluation, assessment, and planning necessary to develop a site-specific and clearly prioritized plan to implement watershed improvements.

(B) Multiyear grants for watershed planning and project monitoring and evaluations.

(C) Watershed organization support and assistance.

(D) Project maintenance and monitoring after the project implementations are complete.

(E) Public school watershed and fishery conservation education projects.

(F) Private sector technical training and education project grants, including teaching private landowners about practical means of improving land and water management practices that, if

implemented, will contribute to the protection and restoration of salmon stream habitat; scholarship funding for workshops and conferences that teach restoration techniques; operation of nonprofit restoration technical schools; and production of restoration training and education workshops and conferences.

(G) California Forestry Incentive Program (CFIP) projects that meet CFIP guidelines.

(H) The salmon restoration project of the California Conservation Corps.

(I) The state's share of the federal Watershed Stewards Program.

(e) The advisory committee may, in any fiscal year, make a recommendation to the Department of Fish and Game to allocate money from the Salmon and Steelhead Trout Restoration Account for the purposes stated in subdivision (d), but in different percentage requirements than the 65/35 split stated in paragraphs (1) and (2) of that subdivision. Following that recommendation, the Director of Fish and Game may suspend the percentage requirements stated in paragraphs (1) and (2) of subdivision (d) for that fiscal year only.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 379

An act to amend Sections 10127.11 and 10509.974 of the Insurance Code, relating to life insurance.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 10127.11 of the Insurance Code is amended to read:

10127.11. Every insurer and life agent offering for sale individual life insurance policies or individual annuity contracts that are initially delivered or issued for delivery to senior citizens in this state on and after January 1, 1995, with the use of nonpreprinted illustrations of

nonguaranteed values shall disclose on those illustrations or on an attached cover sheet, in bold or underlined capitalized print, or in the form of a contrasting color sticker, bright highlighter pen, or in any manner that makes it more prominent than the surrounding material, with at least one-half inch space on all four sides, the following statement:

"THIS IS AN ILLUSTRATION ONLY. AN ILLUSTRATION IS NOT INTENDED TO PREDICT ACTUAL PERFORMANCE. INTEREST RATES, DIVIDENDS, OR VALUES THAT ARE SET FORTH IN THE ILLUSTRATION ARE NOT GUARANTEED, EXCEPT FOR THOSE ITEMS CLEARLY LABELED AS GUARANTEED."

All preprinted policy illustrations shall contain this notice in 12-point bold print with at least one-half inch space on all four sides and shall be printed on the illustration form itself or on an attached cover sheet, or in the form of a contrasting color sticker placed on the front of the illustration. All preprinted illustrations containing nonguaranteed values shall show the columns of guaranteed values in bold print. All other columns used in the illustration shall be in standard print. "Values" as used here includes cash value, surrender value, and death benefit.

SEC. 2. Section 10509.974 of the Insurance Code is amended to read:

10509.974. (a) Except as provided in subdivision (b), this chapter shall apply to any solicitation, negotiation, or procurement of life insurance occurring within this state.

(b) This chapter shall not apply to:

(1) Variable life insurance.

(2) Individual and group annuity contracts.

(3) Credit life insurance.

(4) Life insurance policies with no illustrated death benefits on any individual exceeding ten thousand dollars ($10,000).

(5) Franchise life insurance.

(6) Group term life insurance.

(7) Life insurance policies issued in connection with pension and welfare plans as defined by and subject to the federal Employee Retirement Income Security Act (29 U.S.C. Sec. 1001 and following), as amended.

CHAPTER 380

An act to amend Sections 27900, 34501, and 34507.5 of the Vehicle Code, relating to vehicles.

[Approved by Governor August 24, 1998. Filed with
Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 27900 of the Vehicle Code is amended to read:

27900. (a) Every motor vehicle or combination of vehicles used to carry the property of others for hire or used to carry passengers for hire, any truck or truck tractor having three or more axles or any truck tractor with a semitrailer, and all commercial motor vehicles, as defined in subdivision (c) of Section 34601, shall have displayed on both sides of each vehicle or on both sides of one of the vehicles in each combination of vehicles the name or trademark of the person under whose authority the vehicle or combination of vehicles is being operated.

(b) A vehicle or combination of vehicles listed in subdivision (a) that is operated under a rental agreement with a term of not more than 30 calendar days shall meet all of the following requirements:

(1) Have displayed on both sides of each vehicle or on both sides of one of the vehicles in each combination of vehicles the name or trademark of the lessor.

(2) Have displayed on both sides of each vehicle or on both sides of one of the vehicles in each combination of vehicles any of the following numbers issued to the lessor:

(A) The carrier identification number issued by the United States Department of Transportation.

(B) A valid operating authority number.

(C) A valid motor carrier of property number.

(3) (A) Have in the vehicle or combination of vehicles a copy of the rental agreement entered into by the lessor and the vehicle operator.

(B) The rental agreement shall be available for inspection immediately upon the request of any authorized employee of the department or any regularly employed and salaried police officer or deputy sheriff.

(C) If the rented vehicle or combination of vehicles is operated in conjunction with a commercial enterprise, the rental agreement shall include the operator's carrier identification number or motor carrier of property permit number.

(c) A vehicle or combination of vehicles that is in compliance with Section 390.21 of Title 49 of the Code of Federal Regulations shall be deemed to be in compliance with subdivision (b).

(d) All names, trademarks, and other identifiers for companies no longer in business, no longer operating with the same name, or no longer operating under the same operating authority, shall be removed from or covered over on every motor vehicle or combination of vehicles listed in subdivision (a), within 60 days from

the change of company ownership or operation. Those vehicles or combinations of vehicles shall be remarked pursuant to subdivision (a) before they may be operated on the highways.

SEC. 2. Section 34501 of the Vehicle Code is amended to read:

34501. (a) (1) The department shall adopt reasonable rules and regulations that, in the judgment of the department, are designed to promote the safe operation of vehicles described in Section 34500, regarding, but not limited to, controlled substances and alcohol testing of drivers by motor carriers, hours of service of drivers, equipment, fuel containers, fueling operations, inspection, maintenance, recordkeeping, accident reports, and drawbridges. The rules and regulations shall not, however, be applicable to schoolbuses, which shall be subject to rules and regulations adopted pursuant to Section 34501.5.

The rules and regulations shall exempt local law enforcement agencies, within a single county, engaged in the transportation of inmates or prisoners when those agencies maintain other motor vehicle operations records which furnish hours of service information on drivers which are in substantial compliance with the rules and regulations. This exemption does not apply to any local law enforcement agency engaged in the transportation of inmates or prisoners outside the county in which the agency is located, if that agency would otherwise be required, by existing law, to maintain driving logs.

(2) The department may adopt rules and regulations relating to commercial vehicle safety inspection and out-of-service criteria. In adopting the rules and regulations, the commissioner may consider the commercial vehicle safety inspection and out-of-service criteria adopted by organizations such as the Commercial Vehicle Safety Alliance , other intergovernmental safety group, or the United States Department of Transportation. The commissioner may provide departmental representatives to that alliance or other organization for the purpose of promoting the continued improvement and refinement of compatible nationwide commercial vehicle safety inspection and out-of-service criteria.

(3) The commissioner shall appoint a committee of 15 members, consisting of representatives of industry subject to the regulations to be adopted pursuant to this section, to act in an advisory capacity to the department, and the department shall cooperate and confer with the advisory committee so appointed. The commissioner shall appoint a separate committee to advise the department on rules and regulations concerning wheelchair lifts for installation and use on buses, consisting of persons who use the wheelchair lifts, representatives of transit districts, representatives of designers or manufacturers of wheelchairs and wheelchair lifts, and representatives of the Department of Transportation.

(4) The department may inspect any vehicles in maintenance facilities or terminals, as well as any records relating to the dispatch

of vehicles or drivers, and the pay of drivers, to assure compliance with this code and regulations adopted pursuant to this section.

(b) The department, using the definitions adopted pursuant to Section 2402.7, shall adopt regulations for the transportation of hazardous materials in this state, except the transportation of materials which are subject to other provisions of this code, that the department determines are reasonably necessary to ensure the safety of persons and property using the highways. The regulations may include provisions governing the filling, marking, packing, labeling, and assembly of, and containers that may be used for, hazardous materials shipments, and the manner by which the shipper attests that the shipments are correctly identified and in proper condition for transport.

(c) At least once every 13 months, the department shall inspect every maintenance facility or terminal of any person who at any time operates any bus. If the bus operation includes more than 100 buses, the inspection shall be without prior notice.

(d) The commissioner shall adopt and enforce regulations which will make the public or private users of any bus aware of the operator's last safety rating.

(e) It is unlawful and constitutes a misdemeanor for any person to operate any bus without the inspection specified in subdivision (c) having been conducted.

(f) The department may adopt regulations restricting or prohibiting the movement of any vehicle from a maintenance facility or terminal if the vehicle is found in violation of this code or regulations adopted pursuant to this section.

SEC. 3. Section 34507.5 of the Vehicle Code is amended to read:

34507.5. (a) Every motor carrier, as defined in Section 408, and every motor carrier of property, and for-hire motor carrier of property, as defined in Section 34601, shall obtain a carrier identification number from the department. Application for a carrier identification number shall be on forms furnished by the department. Information provided in connection with applications for carrier identification numbers shall be updated by motor carriers upon request from the department.

(b) The carrier identification number assigned to the motor carrier under whose operating authority or motor carrier permit the vehicle or combination of vehicles is being operated shall be displayed on both sides of each vehicle, or on both sides of at least one motor vehicle in each combination of the following vehicles while engaged in intrastate commerce:

(1) Each vehicle set forth in Section 34500.

(2) Any motortruck of two or more axles that is more than 10,000 pounds gross vehicle weight rating.

(3) Any other motortruck or motor vehicle used to transport property for compensation.

(c) A vehicle or combination of vehicles listed in subdivision (b) that is operated under a rental agreement with a term of not more than 30 calendar days shall meet all of the following requirements:

(1) Have displayed on both sides of each vehicle or on both sides of one of the vehicles in each combination of vehicles the name or trademark of the lessor.

(2) Have displayed on both sides of each vehicle or on both sides of one of the vehicles in each combination of vehicles any of the following numbers issued to the lessor:

(A) The carrier identification number issued by the United States Department of Transportation.

(B) A valid operating authority number.

(C) A valid motor carrier of property number.

(3) (A) Have in the vehicle or combination of vehicles a copy of the rental agreement entered into by the lessor and the vehicle operator.

(B) The rental agreement shall be available for inspection immediately upon the request of any authorized employee of the department or any regularly employed and salaried police officer or deputy sheriff.

(C) If the rented vehicle or combination of vehicles is operated in conjunction with a commercial enterprise, the rental agreement shall include the operator's carrier identification number or motor carrier of property permit number.

(d) A vehicle or combination of vehicles that is in compliance with Section 390.21 of Title 49 of the Code of Federal Regulations shall be deemed to be in compliance with subdivision (c).

(e) This section does not apply to any of the following vehicles:

(1) Vehicles described in subdivision (f) of Section 34500, which are operated by a private carrier as defined in subdivision (d) of Section 34601, if the gross vehicle weight rating of the towing vehicle is 10,000 pounds or less, or the towing vehicle is a pickup truck, as defined in Section 471. This exception does not apply to vehicle combinations described in subdivision (k) of Section 34500.

(2) Vehicles described in subdivision (g) of Section 34500, which are operated by a private carrier as defined in subdivision (d) of Section 34601, if the hazardous material transportation does not require the display of placards pursuant to Section 27903, a license pursuant to Section 32000.5, or hazardous waste hauler registration pursuant to Section 25163 of the Health and Safety Code.

(3) Historical vehicles, as described in Section 5004, and vehicles that display special identification plates in accordance with Section 5011.

(4) Implements of husbandry as defined in Chapter 1 (commencing with Section 36000) of Division 16.

(5) Vehicles owned or operated by an agency of the federal government.

(6) Pickup trucks, as defined in Section 471, and two-axle daily rental trucks with gross vehicle weight ratings of less than 26,001 pounds, when operated in noncommercial use.

(f) Subdivision (b) does not apply to the following:

(1) Vehicles that display a valid operating authority or identification number assigned by the former Interstate Commerce Commission, or the Federal Highway Administration, of the United States Department of Transportation.

(2) Vehicles that are regulated by, and that display a valid operating authority number issued by, the Public Utilities Commission, including household goods carriers as defined in Section 5109 of the Public Utilities Code.

(3) For-hire motor carriers of passengers.

(g) The display of the carrier identification number shall be in sharp contrast to the background, and shall be of a size, shape, and color that it is readily legible during daylight hours from a distance of 50 feet.

(h) The carrier identification number for companies no longer in business, no longer operating with the same name, or no longer operating under the same operating authority, identification number, or motor carrier permit shall be removed before sale, transfer, or other disposal of any vehicle marked pursuant to this section.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 381

An act to amend Section 1107 of the Corporations Code, relating to corporate mergers.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1107 of the Corporations Code is amended to read:

1107. (a) Upon merger pursuant to this chapter the separate existence of the disappearing corporations ceases and the surviving corporation shall succeed, without other transfer, to all the rights and property of each of the disappearing corporations and shall be subject to all the debts and liabilities of each in the same manner as if the surviving corporation had itself incurred them.

(b) For purposes of subdivision (a), a surviving corporation may succeed without the payment of any local agency transfer fee to all licenses, permits, registrations, and other privileges granted by any local agency provided the merger does not result in a change of ownership. Examples of mergers that do not result in a change of ownership are mergers between any of the following: (1) a corporation and its wholly owned subsidiary; (2) a corporation and the wholly owned subsidiary of that corporation's wholly owned subsidiary; or (3) two wholly owned subsidiaries of the same parent corporation. The surviving corporation shall be subject to the same duties and obligations in connection with the license, permit, registration, or other privileges acquired from the disappearing corporations.

(c) All rights of creditors and all liens upon the property of each of the constituent corporations shall be preserved unimpaired, provided that any liens upon property of a disappearing corporation shall be limited to the property affected thereby immediately prior to the time the merger is effective.

(d) Any action or proceeding pending by or against any disappearing corporation may be prosecuted to judgment, which shall bind the surviving corporation, or the surviving corporation may be proceeded against or substituted in its place.

(e) Nothing in subdivision (b) shall limit or restrict a tax assessor from reassessing real property upon transfer of title. Privileges granted by any local agency do not include property tax assessments.

(f) Nothing in subdivision (b) shall limit or restrict a local agency from reevaluating privileges received by a successor corporation from disappearing corporations if the local agency determines in its sole discretion that the reevaluation is necessary for public health, safety, or welfare purposes.

(g) For purposes of this section, "local agency" means a county, city, city and county, political subdivision, district, or municipal corporation.

CHAPTER 382

An act to amend Section 25548.1 of the Health and Safety Code, relating to hazardous materials liability.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 25548.1 of the Health and Safety Code is amended to read:

25548.1. As used in this chapter, the following terms have the following meaning:

(a) "Actual benefit" means the amount, if any, realized by the lender upon the disposition of property acquired through foreclosure or its equivalent as a direct result of a removal or remedial action undertaken by another person, not to exceed the amount, if any, by which the disposition proceeds exceed the sum of the balance of all of the following:

(1) The loan or obligation or the amount of the lien, evidenced by the loan or obligation outstanding at foreclosure or its equivalent.

(2) The costs, including attorneys' fees, incurred by the lender in connection with the foreclosure or its equivalent, subsequent ownership, any removal or remedial action, and disposition of the property.

(b) "Borrower, debtor or obligor" means a person who is obligated to a lender under a loan or obligation, whether or not the lender maintains a security interest in that person's property.

(c) "Damages" includes compensatory damages, exemplary damages, punitive damages, and costs of every kind and nature, including, but not limited to, costs of a removal or remedial action.

(d) "Fiduciary" means a person who is acting in any of the following capacities:

(1) As trustee for a trust described in paragraph (1) or (2) of subdivision (a) of Section 82 of the Probate Code.

(2) As a fiduciary in any arrangement described in paragraphs (1) to (3), inclusive, or paragraphs (5) to (14), inclusive, of subdivision (b) of Section 82 of the Probate Code.

(3) A trustee appointed in proceedings under any state or federal bankruptcy law.

(4) An assignee or a trustee acting under an assignment made for the benefit of creditors.

(5) A court-appointed receiver.

(e) "Finance lease" means a transaction with respect to which both of the following apply:

(1) The lessor does not select or manufacture the goods or does not supply the goods, except in the case of a re-lease, whether it is created by a new transaction or substitution of the lessee.

(2) The lessor acquires the goods or right to possession and use of the goods in connection with the lease or a prior lease transaction.

(f) "Foreclosure or its equivalent" means the acquisition of property by a lender through any of the following:

(1) Judicial or nonjudicial foreclosure of the lender's security interest in the property or acceptance of a deed or other conveyance in satisfaction thereto.

(2) Acceptance of a deed in lieu or other conveyance in satisfaction of a loan or obligation previously contracted.

(3) Termination of a finance lease by consent or default.

(4) Any other formal or informal manner, whether pursuant to law or under warranties, covenants, conditions, representations or promises from the borrower, by which the lender acquires, for subsequent disposition, actual possession of the property subject to a security interest.

(g) "Hazardous material" has the same meaning as defined in subdivision (d) of Section 25260.

(h) (1) "Indicia of ownership" means evidence of a security interest, evidence of an interest in a security interest, or evidence of an interest in real or personal property securing a loan or other obligation, including, but not limited to, any legal or equitable title to real or personal property acquired incident to foreclosure or its equivalent.

(2) "Evidence of an interest" includes, but is not limited to, all of the following:

(A) Mortgages.

(B) Deeds of trust.

(C) Liens.

(D) Surety bonds and guarantees of obligations.

(E) Title held pursuant to a finance lease in which the lessor does not select initially the leased property.

(F) Legal or equitable title obtained pursuant to foreclosure or its equivalent.

(G) Assignments, pledges, or other rights to, or other forms of, encumbrance against property that are held primarily to protect a security interest.

(3) A person is not required to hold title or a security interest to maintain indicia of ownership.

(i) "Lender" means a person to the extent of the capacity in which that person maintains indicia of ownership primarily to protect a security interest or makes, acquires, renews, modifies, or holds a loan or obligation from a borrower. "Lender" includes either of the following persons:

(1) Any person who acts as, or on behalf of, a lender in connection with any aspect of the solicitation, negotiation, consummation,

disbursement, administration, servicing, collection, enforcement, or foreclosure or its equivalent of a loan or obligation or security interest in property such as a surety, escrow, or title company.

(2) Any person who makes, secures, acquires, or holds a loan or obligation or security interest by assignment, sale, pledge, subrogation, succession, or operation of law, or becomes the receiver for the holder of a loan or obligation or security interest.

(j) "Loan or obligation" means a loan, revolving or nonrevolving line of credit, finance lease, sale-leaseback that provides for a purchase option in favor of the lessee, installment sale contract, sale on account, or other credit sale, letter of credit, forbearance or guaranty, collateral pledge, or other suretyship obligation, and any extension, renewal, or modification thereof. A loan or obligation may or may not involve a security interest in property.

(k) (1) Except as provided in paragraphs (3) and (4), "participate (or participation) in the management of the property" means actual participation in the management or operational affairs of the property by the lender while the borrower, under the loan or obligation, is in possession of the property, and the lender exercises decisionmaking control over the environmental compliance by the borrower, so that the lender assumes responsibility for the hazardous material handling or disposal practices of the borrower, or exercises control at a level comparable to that of a manager of the enterprise of the borrower, so that the lender assumes or manifests responsibility for the overall management of the enterprise encompassing the day-to-day decisionmaking of the enterprise with respect to either of the following:

(A) Environmental compliance.

(B) All, or substantially all, of the operational, as opposed to financial or administrative, aspects of the enterprise other than environmental compliance.

(2) For purposes of paragraph (1), the following terms have the following meaning:

(A) "Operational aspects of the enterprise" includes, but is not limited to, functions such as that of facility or plant manager, operations manager, chief operating officer, or chief executive officer.

(B) "Financial or administrative aspects" includes, but is not limited to, functions such as that of a credit manager, accounts payable/receivable manager, personnel manager, controller, or chief financial officer.

(3) Notwithstanding paragraph (1), "participation in the management of the property" does not include an act or omission by a prospective lender prior to making, acquiring, or holding a loan or obligation. "Participation in the management of the property" also does not include the actions taken by a prospective lender who undertakes or requires an environmental inspection of property prior to making, acquiring, or holding a loan or obligation. A lender

or prospective lender does not "participate in the management of the property" if the lender or prospective lender requires the borrower to clean up the property or requires the borrower to comply or come into compliance with any applicable law or regulation. This chapter does not require a lender to conduct or require an inspection prior to foreclosure or its equivalent to qualify for the exemption provided by this chapter, and the liability of a lender shall not be based on or affected by whether the lender conducts or requires an inspection prior to foreclosure or its equivalent.

(4) Loan policing and work out activities, as specified in paragraphs (5) and (6), that are consistent with holding ownership indicia primarily to protect a security interest and consistent with a loan or obligation made, acquired, or held primarily for purposes other than investment purposes, do not constitute participation in the management of the property. The authority for the lender to take those actions may, but are not required to, be contained in contractual or other documents specifying requirements for financial, environmental, and other warranties, covenants, conditions, representations, or promises from the borrower. Loan policing and work out activities include all activities up to foreclosure or its equivalent.

(5) A lender who engages in loan policing activities prior to foreclosure or its equivalent is exempt from liability pursuant to this chapter if the lender does not, by those actions, participate in the management of the property. Those actions include, but are not limited to, all of the following:

(A) Requiring the borrower to conduct a removal or remedial action during the term of the security interest or loan or obligation.

(B) Requiring the borrower to comply or come into compliance with applicable federal, state, and local environmental and other laws during the term of the security interest or loan or obligation.

(C) Securing or exercising authority to monitor or inspect the property, including onsite inspections, or the business or financial condition of the borrower during the term of the security interest or loan or obligation.

(D) Taking other actions to adequately police the loan, obligation, or security interest, such as requiring the borrower to comply with any warranties, covenants, conditions, representations, or promises in connection with the security interest or loan or obligation.

(6) (A) A lender who engages in work out activities prior to foreclosure or its equivalents is exempt from liability pursuant to this chapter if the lender does not, by those actions, participate in the management of the property.

(B) "Work out" means those actions by which a lender, at any time prior to foreclosure or its equivalent, seeks to prevent, cure, or mitigate a default by the borrower, or to preserve or prevent the diminution of the value of the property, security interest, or loan or obligation.

(C) Work out activities include, but are not limited to, all of the following:

(i) Restructuring or renegotiating the terms of the loan, obligation, or security interest.

(ii) Requiring payment of additional rent or interest.

(iii) Exercising rights pursuant to an assignment of accounts or other amounts owing to a lender.

(iv) Requiring or exercising rights pursuant to an escrow agreement pertaining to amounts owing to a lender.

(v) Exercising forbearance.

(vi) Providing specific or general financial or other advice, suggestions, counseling, or guidance.

(vii) Exercising any right or remedy the lender is entitled to by law or under any warranties, covenants, conditions, representations, or promises from the borrower.

(7) A lender does not participate in the management of the property by taking any response action under Section 107(d)(1) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Sec. 9607(d)(1)). However, the lender may be liable for damages, as defined by this chapter, that occur as a result of the gross negligence or willful misconduct of the lender in his or her performance of a response action under Section 107 (d)(1) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Sec. 9607(d)(1)).

(*l*) "Person" means any entity, including, but not limited to, an individual, estate, trust, firm, business trust, joint stock company, corporation, partnership, joint venture, limited liability company, association, or government. "Person" includes, but is not limited to, any city, county, district, the state, or the federal government, or any department, subdivision, or agency thereof.

(m) (1) "Primarily to protect a security interest" means that the indicia of ownership of a lender are held primarily for the purpose of securing payment or performance of an obligation.

(2) "Primarily to protect a security interest" does not include indicia of ownership held primarily for investment purposes or indicia of ownership held primarily for purposes other than as protection for a security interest. A lender may have other, secondary reasons for maintaining indicia of ownership, but the primary reason that any indicia of ownership are held shall be as protection for a security interest.

(n) "Property" means any real or personal property where hazardous materials are or were generated, handled, managed, deposited, stored, disposed of, placed, released, or otherwise have come to be located. In the context of a loan or obligation, "property" includes any real or personal property in which the obligor has or had an ownership, leasehold, or possessory interest, whether or not it was the subject of a security interest for the loan or obligation.

(o) "Release" has the same meaning as defined in Section 25320.

(p) "Remedial action" has the same meaning as defined in subdivision (g) of Section 25260.

(q) "Removal" means the cleanup or removal of released hazardous materials from the environment or the taking of other actions that may be necessary to prevent, minimize, or mitigate damages that may otherwise result from a release or threatened release, as further defined in Section 101(23) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Sec. 9601(23)).

(r) "Security interest" means an interest in a property created or established for the purpose of securing a loan or obligation. Security interests include, but are not limited to, mortgages, deeds of trust, liens, and title pursuant to a finance lease. Security interests may also arise from transactions such as sale and leasebacks, conditional sales, installment sales, trust receipt transactions, certain assignments, factoring agreements, and accounts receivable financing arrangements and consignments if the transaction creates or establishes an interest in a property for the purpose of securing a loan or other obligation.

CHAPTER 383

An act to amend Section 9543 of the Welfare and Institutions Code, relating to aging.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 9543 of the Welfare and Institutions Code is amended to read:

9543. (a) The Legislature finds and declares that the purpose of the Brown Bag Program is to provide opportunities for sponsors and volunteers to glean through excess food stuffs that are donated, and distribute bags of food to help meet the nutritional needs of low-income older individuals.

(b) For purposes of this section "low-income older individual" means a person 60 years of age or older, with an income no higher than that of the annual basic benefit level provided under the State Supplementary Program for a blind applicant or recipient pursuant to subdivision (a) of Section 12200.

(c) If services are being provided in compliance with subdivision (b) and it is then determined that a surplus of foodstuffs exists, the program may also provide these services to persons 60 years of age or older with an income that does not exceed 125 percent of the maximum income level for a low-income older individual, as

specified in subdivision (b). The provision of services under this subdivision shall be contingent upon the availability of surplus food products, as determined by the local delivery site, and services shall be rendered within the limits of available funds. Services shall be provided to otherwise eligible low-income older individuals with incomes over the annual basic benefit level specified in subdivision (b) only after the local agency operating the program determines that the needs of low-income older individuals who meet all the requirements of subdivision (b) have been met.

(d) In order to be eligible to receive funds under this chapter, a direct services contract applicant shall meet, but need not be limited to, all of the following conditions:

(1) Provide a cash match of 25 percent and an in-kind match of 25 percent prior to receiving funds under Chapter 7 (commencing with Section 9530) and this chapter.

(2) Use matching sources that are derived from, but are not limited to, city, county, and federal funds, contributions, and private or business donations. Priority shall be given to those local programs with a larger local match. State money shall be used as a catalyst for charitable contributions, including in-kind and local community support.

(3) Operate under a board of directors, with at least one low-income older individual as a representative, and other interested persons from the community.

(4) Provide adequate space to store food with necessary access to refrigerator and freezer storage.

(5) Utilize volunteers to distribute produce and unsold foodstuffs to low-income older individuals.

(6) Maintain a systematic means of capturing and reporting all required community-based services program data.

(e) Food distributed to seniors shall comply with county health regulations. Except for any injury resulting from gross negligence or willful act, no county or county agency established pursuant to this chapter and no person who donates any agricultural product shall be liable for any injury, including, but not limited to, injury resulting from the ingesting of the product, as a result of any act, or the omission of any act, in connection with donating any product pursuant to this chapter.

CHAPTER 384

An act to amend Sections 23220, 23222, 23223, 23225, and 23226 of the Vehicle Code, relating to vehicles, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 23220 of the Vehicle Code is amended to read:

23220. (a) No person shall drink any alcoholic beverage while driving a motor vehicle upon any highway or on any lands described in subdivision (b).

(b) As used in subdivision (a), "lands" means those lands to which the Chappie-Z'berg Off-Highway Motor Vehicle Law of 1971 (Division 16.5 (commencing with Section 38000)) applies as to off-highway motor vehicles, as described in Section 38001.

SEC. 2. Section 23222 of the Vehicle Code is amended to read:

23222. (a) No person shall have in his or her possession on his or her person, while driving a motor vehicle upon a highway or on lands, as described in subdivision (b) of Section 23220, any bottle, can, or other receptacle, containing any alcoholic beverage which has been opened, or a seal broken, or the contents of which have been partially removed.

(b) Except as authorized by law, every person who possesses, while driving a motor vehicle upon a highway or on lands, as described in subdivision (b) of Section 23220, not more than one avoirdupois ounce of marijuana, other than concentrated cannabis as defined by Section 11006.5 of the Health and Safety Code, is guilty of a misdemeanor and shall be punished by a fine of not more than one hundred dollars ($100). Notwithstanding any other provision of law, if the person has been previously convicted three or more times of an offense described in this subdivision during the two-year period immediately preceding the date of commission of the violation to be charged, the previous convictions shall also be charged in the accusatory pleading and, if found to be true by the jury upon a jury trial or by the court upon a court trial or if admitted by the person, Sections 1000.1 and 1000.2 of the Penal Code are applicable to the person, and the court shall divert and refer the person for education, treatment, or rehabilitation, without a court hearing or determination or the concurrence of the district attorney, to an appropriate community program which will accept the person. If the person is so diverted and referred, the person is not subject to the fine specified in this subdivision. In any case in which a person is arrested for a violation of this subdivision and does not demand to be taken before a magistrate, the person shall be released by the arresting officer upon presentation of satisfactory evidence of identity and giving his or her written promise to appear in court, as provided in Section 40500, and shall not be subjected to booking.

SEC. 3. Section 23223 of the Vehicle Code is amended to read:

23223. No person shall have in his or her possession on his or her person, while in a motor vehicle upon a highway or on lands, as described in subdivision (b) of Section 23220, any bottle, can, or other receptacle, containing any alcoholic beverage which has been

opened, or a seal broken, or the contents of which have been partially removed.

SEC. 4. Section 23225 of the Vehicle Code is amended to read:

23225. (a) (1) It is unlawful for the registered owner of any motor vehicle, or the driver if the registered owner is not then present in the vehicle, to keep in a motor vehicle, when the vehicle is upon any highway or on lands, as described in subdivision (b) of Section 23220, any bottle, can, or other receptacle containing any alcoholic beverage which has been opened, or a seal broken, or the contents of which have been partially removed, unless the container is kept in the trunk of the vehicle.

(2) If the vehicle is not equipped with a trunk and is not an off-highway motor vehicle subject to identification, as defined in Section 38012, the bottle, can, or other receptacle described in paragraph (1) shall be kept in some other area of the vehicle that is not normally occupied by the driver or passengers. For the purposes of this paragraph, a utility compartment or glove compartment shall be deemed to be within the area occupied by the driver and passengers.

(3) If the vehicle is not equipped with a trunk and is an off-highway motor vehicle subject to identification, as defined in subdivision (a) of Section 38012, the bottle, can, or other receptacle described in paragraph (1) shall be kept in a locked container. As used in this paragraph, "locked container" means a secure container that is fully enclosed and locked by a padlock, key lock, combination lock, or similar locking device.

(b) This section shall not apply to the living quarters of a housecar or camper.

SEC. 5. Section 23226 of the Vehicle Code is amended to read:

23226. It is unlawful for any person to keep in the passenger compartment of a motor vehicle, when the vehicle is upon any highway or on lands, as described in subdivision (b) of Section 23220, any bottle, can, or other receptacle containing any alcoholic beverage which has been opened, or a seal broken, or the contents of which have been partially removed.

This section shall not apply to the living quarters of a housecar or camper.

SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative

on the same date that the act takes effect pursuant to the California Constitution.

SEC. 7. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that the provisions of this act, restricting the use of alcohol and drugs with regard to the operation of vehicles, may become effective as early as possible, it is necessary that this act take effect immediately.

CHAPTER 385

An act to add and repeal Section 1021.1 of the Code of Civil Procedure, relating to attorney's fees, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1021.1 is added to the Code of Civil Procedure, to read:

1021.1. (a) Reasonable attorney's fees, may be awarded in an amount to be determined in the court's discretion, to a party to any civil action as provided by this section, and that award shall be made upon notice and motion by a party and shall be an element of the costs of suit.

(b) A party may be entitled, in the discretion of the court, to an award of attorney's fees under this section if all of the following conditions are met:

(1) The party has made an offer for judgment under Section 998.

(2) That offer was not accepted within the time provided in Section 998.

(3) The party to whom the offer was made thereafter failed to obtain a more favorable judgment.

The party making the offer shall be entitled to attorney's fees only for legal services rendered after the date of the offer.

(c) In exercising its discretion to award attorney's fees the court shall consider the following factors:

(1) The reasonableness or lack thereof, of a party's failure to accept an offer for judgment under Section 998 in light of the facts known to the party at the time which, in light of all of the circumstances, should have been known to the party. Reasonableness shall be determined by a consideration of at least the following matters:

(A) The then apparent merit or lack of merit in the claim that was the subject of the action.

(B) The closeness of the questions of fact and law at issue.

(C) Whether the offeror has unreasonably refused to furnish information necessary to evaluate the reasonableness of the offer.

(D) Whether the action was in the nature of a "test case," presenting questions of far-reaching importance affecting nonparties.

(E) The relief that might reasonably have been expected if the claimant should prevail.

(F) The amount of the additional delay, cost, and expense that the offeror reasonably would be expected to incur if the litigation should be prolonged.

(G) Those other matters that the court may deem relevant in the interest of justice.

(2) The amount of damages and other relief sought and the results obtained for the client.

(3) The efforts made by the parties or the attorneys to settle the controversy.

(4) The existence of any bad faith or abuse of legal procedure by the parties or the attorneys.

(d) In exercising its discretion to determine the amount of attorney's fees to be awarded, the court shall consider the following factors, except that in no event shall the amount awarded exceed a reasonable fee for the services actually rendered:

(1) Customary fees in the community in which the action or proceeding is pending charged by attorneys with similar experience or expertise.

(2) The time and labor reasonably required to be spent by the attorney or attorneys.

(3) The experience and ability of the attorneys generally within the profession and also with respect to the action or proceeding.

(4) The novelty and difficulty of the questions involved and the skill required to perform the services properly.

(5) The extent to which the acceptance of the particular matter imposes extraordinary burdens on the attorney or attorneys (A) by way of precluding other employment, (B) by the time limitations imposed by the client, or (C) by the circumstances.

(6) Whether the fee is fixed or contingent.

(7) Those other factors that the court may deem relevant in the interest of justice, including any of the factors described in subdivision (c).

(e) Nothing in this section shall be construed to repeal or modify any other statutory provision for the award of attorney's fees or to diminish any express or implied contractual right which a party to a civil action may otherwise have to obtain an award of attorney's fees for the prosecution or defense of an action.

(f) No attorney's fees shall be awarded pursuant to this section in any of the following instances:

(1) Against a party who is proceeding in forma pauperis or a party whom the court has found not to have the financial ability to pay fees or who would suffer an unreasonable financial hardship if ordered to pay fees.

(2) For or against any party with respect to any cause of action under which an award for reasonable attorney's fees is authorized or required by any other federal or California statute.

(3) For or against any party with respect to any cause of action or proceeding commenced or prosecuted under Title 7 (commencing with Section 1230.010) of Part 3.

(4) For or against any party in any action in which one or more plaintiffs seek to proceed as a class under Section 382.

(5) For or against any party as to any cause of action the gravamen of which is personal injury, wrongful death, or injunctive relief.

(g) The determination under this section shall be made after the final disposition of the action.

(h) This section shall apply only in Riverside County and San Bernardino County. The Legislature finds and declares that, in order to assess the impact of this section on a limited basis before making it applicable on a statewide basis, it is necessary for this section to be applicable for a limited period of time in those counties.

(i) This section shall only be in effect from July 1, 1998, until January 1, 2001, and as of that date is repealed, unless a later enacted statute, that is enacted on or before January 1, 2001, deletes or extends that date.

SEC. 2. It is the purpose of this act to encourage settlement of cases before trial. For courts in Riverside County and San Bernardino County, the effectiveness of this act shall be determined by whether, and to what extent, this act increases the early settlement of cases subject to its provisions. The Judicial Council shall assess the impact of this act upon the courts to which it applies and shall report its findings to the Legislature on or before March 1, 2000. The assessment and report shall include a determination of the number of filings in affected courts, the number of cases in which a settlement offer is made pursuant to this act, the number of cases settled pursuant to the offer, and the number of cases in which attorney's fees were awarded pursuant to this act. The presiding judges and clerks of the courts in which this act applies shall cooperate with the Judicial Council in the assessment and report required by this section.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to encourage settlements in civil actions in Riverside and San Bernardino Counties, and to reduce congestion in the courts of

those counties as quickly as possible, it is necessary that this act take effect immediately.

CHAPTER 386

An act to amend Sections 10509.6 and 10541 of the Insurance Code, relating to life insurance.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 10509.6 of the Insurance Code is amended to read:

10509.6. Every life insurer that uses an agent in a life insurance or annuity sale shall do the following:

(a) Require with or as part of each completed application for life insurance or annuity, a statement signed by the agent as to whether he or she knows replacement is or may be involved in the transaction.

(b) Where a replacement is involved:

(1) Require from the agent with the application for life insurance or annuity: (i) a list of all of the applicant's existing life insurance or annuity to be replaced, and (ii) a copy of the replacement notice provided the applicant pursuant to Section 10509.4. The existing life insurance or annuity shall be identified by name of insurer, insured, and contract number. If a number has not been assigned by the existing insurer, alternative identification, such as an application or receipt number shall be listed.

(2) Send to each existing life insurer a written communication advising of the replacement or proposed replacement and the identification information obtained pursuant to this section and a policy summary, contract summary, or ledger statement containing policy data on the proposed life insurance or annuity. Cost indices and equivalent level annual dividend figures need not be included in the policy summary or ledger statement. This written communication shall be made within three working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner.

(3) Every existing life insurer or the insurer's agent that undertakes a conservation shall, within 20 days from the date the written communication plus the materials required in subdivisions (1) and (2) are received by the existing insurer, furnish the policyowner with a policy summary for the existing life insurance or ledger statement containing policy data on the existing policy or annuity. Information relating to premiums, cash values, death

benefits, and dividends, if any, shall be computed from the current policy year of the existing life insurance. The policy summary or ledger statement shall include the amount of any outstanding indebtedness, the sum of any dividend accumulations or additions, and may include any other information that is not in violation of any regulation or statute. Cost indices and equivalent level annual dividend figures need not be included. When annuities are involved, the disclosure information shall be that in the contract summary.

The replacing insurer may request the existing insurer to furnish it with a copy of the summaries or ledger statement, which shall be within five working days of the receipt of the request.

(c) The replacing insurer shall maintain evidence of the "notice regarding replacement," the policy summary, the contract summary, and any ledger statements used, and a replacement register, cross-indexed by replacing agent and existing insurer to be replaced. The existing insurer shall maintain evidence of policy summaries, contract summaries, or ledger statements used in any conservation. Evidence that all requirements were met shall be maintained for at least three years.

(d) The replacing insurer shall provide in its policy or in a separate written notice which is delivered with the policy that the applicant has a right to an unconditional refund of all premiums paid which right may be exercised within a period of 30 days commencing from the date of delivery of the policy. In the case of variable annuity contracts, variable life insurance contracts, and modified guaranteed contracts, return of the contract during the cancellation period shall entitle the owner to a refund of account value and any policy fee paid for the policy. The account value and policy fee shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the owner has canceled the policy.

SEC. 2. Section 10541 of the Insurance Code is amended to read:

10541. (a) Insurers authorized to deliver or issue for delivery life insurance policies in this state may deliver or issue for delivery one or more funding agreements, but the issuance or delivery of those funding agreements shall not be deemed to be doing the insurance business described in Section 700, a class of business as provided in Section 100 or 101, a "security" as defined in Section 821, or receipt of "gross premiums" as defined in Section 12221 or 12222 of the Revenue and Taxation Code. Notwithstanding the definition of "insurance" in Section 22 or the definition of "life insurance" in Section 101, the issuance or delivery of a funding agreement by an admitted life insurer in this state shall constitute a lawful activity of that insurer that is reasonably related to and incidental to its insurance activities as provided in this section. However, this section shall not authorize any insurer to transact, under the guise of funding agreements, any class of insurance not authorized by its certificate of authority.

(b) As used in this section, the term "funding agreement" means an agreement that authorizes an admitted life insurer to accept funds and that provides for an accumulation of those funds for the purpose of making one or more payments at future dates in amounts that are not based on mortality or morbidity contingencies. However, the term "funding agreement" does not include any agreement in connection with the funding of one or more payments that are excludable from the gross income of the recipient under Section 104(a)(2) of the United States Internal Revenue Code, as it may be amended or renumbered from time to time.

(c) No amounts shall be guaranteed or credited under any funding agreement except upon reasonable assumptions as to investment income and expenses and on a basis equitable to all holders of funding agreements of a given class.

(d) Amounts paid to the insurer, and proceeds applied under optional modes of settlement, under those funding agreements may be allocated by the insurer to one or more separate accounts pursuant to Section 10506.

(e) The commissioner may establish reasonable conditions or adopt reasonable regulations relating to (1) the reserves to be maintained by insurers issuing those funding agreements, (2) the accounting and reporting of funds credited under those funding agreements, (3) the disclosure of information to be given to holders and prospective holders of those funding agreements, (4) the qualification of persons selling those funding agreements on behalf of insurers, and (5) any other matters relating to funding agreements that the commissioner considers necessary, proper, and advisable.

(f) Notwithstanding any other provision of law, the commissioner shall have sole authority to regulate the issuance and sale of those funding agreements, including the persons selling those funding agreements on behalf of insurers.

(g) Nothing in this section is intended to affect the order in which allowed claims shall be given preference under Section 1033. Holders of funding agreements shall retain the priority in allowance of claims described in paragraph (2) of subdivision (a) of Section 1033.

CHAPTER 387

An act to amend Section 130053 of, to add Section 130053.7 to, and to repeal and add Section 130053.5 of, the Public Utilities Code, relating to transportation.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 130053 of the Public Utilities Code is amended to read:

130053. The Riverside County Transportation Commission shall consist of the following regular members:

(a) Five members of the Riverside County Board of Supervisors.

(b) One member from each incorporated city in Riverside County, each of whom shall be a mayor or city council member.

(c) One nonvoting member appointed by the Governor.

SEC. 2. Section 130053.5 of the Public Utilities Code is repealed.

SEC. 3. Section 130053.5 is added to the Public Utilities Code, to read:

130053.5. (a) The Riverside County Board of Supervisors shall establish a procedure by which a member of that board may appoint an alternate member of the board of supervisors to represent the member for one meeting of the Riverside County Transportation Commission. Notice of the alternate appointment shall be made in writing to the clerk of the commission 24 hours prior to the meeting.

(b) Each incorporated city in Riverside County shall appoint one alternate member to the commission who shall represent the regular member of the commission who serves on behalf of the city, if the regular member is not in attendance at a meeting. Notice of the alternate appointment shall be made in writing to the clerk of the commission 24 hours prior to the meeting. If an incorporated city appoints an alternate member, the alternate member shall be either the mayor or a city council member of that incorporated city.

SEC. 4. Section 130053.7 is added to the Public Utilities Code, to read:

130053.7. (a) Except as specified in subdivision (b), each regular member of the Riverside County Transportation Commission, or an alternate member acting in the place of a regular member pursuant to Section 130053.5, shall have one vote at meetings of the commission.

(b) Notwithstanding subdivision (a), any member of the commission, immediately after a vote of the commission in accordance with subdivision (a), may call for a weighted vote. For an item to be passed by weighted vote, all of the following requirements shall be met:

(1) The item shall be approved by a majority of the commission members present at the meeting who represent the board of supervisors, who each shall have one vote.

(2) The item shall be approved by a majority of the commission members present at the meeting who represent cities in Riverside County, who each shall have one vote.

(3) The item shall be approved by commission members present at the meeting who represent cities in Riverside County representing a majority of the population of the county living in

incorporated areas. For the purpose of this paragraph, each regular commission member at the meeting who represents a city in Riverside County shall be assigned votes based on the percentage of the population of incorporated areas of Riverside County represented by that member in relation to the total population of incorporated areas of Riverside County represented at the meeting. Population data shall be determined through Department of Finance estimates, adjusted annually.

(c) Notwithstanding Section 130102, a quorum of the Riverside County Transportation Commission shall be a majority of the total voting membership of the commission.

SEC. 5. No reimbursement shall be made from the State Mandates Claims Fund pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code for costs mandated by the state pursuant to this act. It is recognized, however, that a local agency or school district may pursue any remedies to obtain reimbursement available to it under Part 7 (commencing with Section 17500) and any other provisions of law.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 388

An act to amend Section 5307.1 of the Labor Code, relating to workers' compensation.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 5307.1 of the Labor Code is amended to read:

5307.1. (a) (1) The administrative director, after public hearings, shall adopt and revise, no less frequently than biennially, an official medical fee schedule which shall establish reasonable maximum fees paid for medical services provided pursuant to this division. No later than January 1, 1995, the administrative director shall have revised the schedule. By no later than January 1, 1995, the schedule shall include services for health care facilities licensed pursuant to Section 1250 of the Health and Safety Code, and drugs and pharmacy services. The fee schedule for health care facilities shall take into consideration cost and service differentials for various types of facilities.

(2) The administrative director shall include services provided by physical therapists, physician assistants, and nurse practitioners in the official fee schedule adopted and revised pursuant to paragraph (1). Nothing in this paragraph shall affect the ability of physicians to continue to be reimbursed for their services in accordance with the official medical fee schedule adopted pursuant to paragraph (1) for the provision of services within their scope of practice.

(3) The administrative director shall consult with statewide professional organizations representing affected providers on the update of the official medical fee schedule.

(b) Nothing in this section shall prohibit a medical provider or a licensed health care facility from being paid by an employer or carrier fees in excess of those set forth on the official medical fee schedule, provided that the fee is:

(1) Reasonable.

(2) Accompanied by itemization and justified by an explanation of extraordinary circumstances related to the unusual nature of the medical services rendered.

In no event shall a physician charge in excess of his or her usual fee.

(c) In the event of a dispute between the physician and the employer or carrier concerning the medical fees charged, the physician may be allowed a reasonable fee for testimony, if a physician testifies pursuant to the employer's or carrier's subpoena, and the referee determines that the medical fee charged was reasonable.

(d) Except as provided in Section 4626, the official medical fee schedule shall not apply to medical-legal expenses as defined by Section 4620.

CHAPTER 389

An act to add and repeal Section 11756.7 of the Health and Safety Code, relating to substance abuse.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The State Department of Alcohol and Drug Programs shall, in collaboration with the County Alcohol and Drug Program Administrators' Association of California, seek input of providers, constituency groups, and other interested parties, and submit a report to the Legislature, by July 1, 1999, that will identify the key policy, program, and financial issues involved in a decision as to whether to adopt the medicaid rehabilitation option under the Medi-Cal Drug Treatment Program, provided for pursuant to

Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code.

SEC. 2. Section 11756.7 is added to the Health and Safety Code, to read:

11756.7. (a) The department shall, in partnership with the County Alcohol and Drug Program Administrators' Association of California, collaborate with providers, constituency groups, and other interested parties, to develop and test a comprehensive, client-centered system of care that is outcome-based and addresses the devastating costs of substance abuse to individuals, families, and communities.

(b) Key elements of the system of care may include:

(1) Definition of services.

(2) Automation of state, county, and provider data collection and capacity management system.

(3) Quality assurance standards.

(4) Assessment and outcome measures.

(c) Involvement in the testing of the various system of care components shall be voluntary for counties and their contract providers. Providers within the selected counties that volunteer and are approved by the county alcohol and drug program administrator shall meet the criteria for application and participation and coordinate services through their county alcohol and drug program administrator. The department shall establish criteria, in partnership with the County Alcohol and Drug Program Administrators' Association of California, and in consultation with providers, constituency groups, and other interested parties.

(d) The department, in consultation with the County Alcohol and Drug Program Administrators' Association of California, may establish terms and conditions, which may include, but need not be limited to, incentives for participation that establish alternate means to satisfy accountability, reporting, or other requirements otherwise required by this division.

(e) The department shall commence planning and implementing the tests on or after January 1, 1999, with the counties that have volunteered to participate in the system of care. The department, in partnership with the County Alcohol and Drug Program Administrators' Association of California, shall report annually to the Legislature during budget hearings as to the status of the tests.

(f) The outcome of the tests shall include automation linkages for the state, counties, and providers, and recommendations for service system improvements.

(g) Findings and recommendations shall be prepared by the department, in partnership with the County Alcohol and Drug Program Administrators' Association of California, and reported to the Legislature by July 1, 2001.

(h) The department shall seek federal funding to support the testing and evaluation of key system elements.

(i) This section shall become inoperative on October 31, 2001, and shall be repealed on January 1, 2002, unless a later enacted statute, that is enacted before October 31, 2001, deletes or extends those dates.

CHAPTER 390

An act to amend Sections 213.5 and 241.1 of, and to add Sections 726.5 and 728 to, the Welfare and Institutions Code, relating to juvenile court law.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 213.5 of the Welfare and Institutions Code is amended to read:

213.5. (a) After a petition has been filed pursuant to Section 311 to declare a child a dependent child of the juvenile court, and until the time that the petition is dismissed or dependency is terminated, upon application in the manner provided by Section 527 of the Code of Civil Procedure, the juvenile court may issue ex parte orders (1) enjoining any parent, guardian, or current or former member of the child's household from molesting, attacking, striking, sexually assaulting, stalking, or battering the child or any other child in the household; (2) excluding any parent, guardian, or current or former member of the child's household from the dwelling of the person who has care, custody, and control of the child; and (3) enjoining a parent, guardian, or current or former member of the child's household from behavior, including contacting, threatening, or disturbing the peace of the child, that the court determines is necessary to effectuate orders under paragraph (1) or (2).

(b) After a petition has been filed pursuant to Section 601 or 602 to declare a child a ward of the juvenile court, and until the time that the petition is dismissed or wardship is terminated, upon application in the manner provided by Section 527 of the Code of Civil Procedure, the juvenile court may issue ex parte orders (1) enjoining any parent, guardian or current or former member of the child's household from molesting, attacking, threatening, sexually assaulting, stalking, or battering the child; (2) excluding any parent, guardian, or current or former member of the child's household from the dwelling of the person who has care, custody, and control of the child; or (3) enjoining the child from contacting, threatening, stalking, or disturbing the peace of any person the court finds to be at risk from the conduct of the child, or with whom association would be detrimental to the child.

(c) In the case in which a temporary restraining order is granted without notice, the matter shall be made returnable on an order requiring cause to be shown why the order should not be granted, on the earliest day that the business of the court will permit, but not later than 15 days or, if good cause appears to the court, 20 days from the date the temporary restraining order is granted. The court may, on the motion of the person seeking the restraining order, or on its own motion, shorten the time for service on the person to be restrained of the order to show cause. Any hearing pursuant to this section may be held simultaneously with any regularly scheduled hearings held in proceedings to declare a child a dependent child or ward of the juvenile court pursuant to Section 300, 601, or 602, or subsequent hearings regarding the dependent child or ward.

(d) The juvenile court may issue, upon notice and a hearing, any of the orders set forth in subdivisions (a), (b), and (c). Any restraining order granted pursuant to this subdivision shall remain in effect, in the discretion of the court, not to exceed one year, unless otherwise terminated by the court, extended by mutual consent of all parties to the restraining order, or extended by further order of the court on the motion of any party to the restraining order.

(e) (1) The juvenile court may issue an order made pursuant to subdivision (a), (c), or (d) excluding a person from a residence or dwelling. This order may be issued for the time and on the conditions that the court determines, regardless of which party holds legal or equitable title or is the lessee of the residence or dwelling.

(2) The court may issue an order under paragraph (1) only on a showing of all of the following:

(A) Facts sufficient for the court to ascertain that the party who will stay in the dwelling has a right under color of law to possession of the premises.

(B) That the party to be excluded has assaulted or threatens to assault the other party or any other person under the care, custody, and control of the other party, or any minor child of the parties or of the other party.

(C) That physical or emotional harm would otherwise result to the other party, to any person under the care, custody, and control of the other party, or to any minor child of the parties or of the other party.

(f) Any order issued pursuant to subdivision (a), (b), (c), or (d) shall state on its face the date of expiration of the order.

(g) The juvenile court shall order any designated person or attorney to mail a copy of any order, or extension, modification, or termination thereof, granted pursuant to subdivision (a), (b), (c), or (d), by the close of the business day on which the order, extension, modification, or termination was granted, and any subsequent proof of service thereof, to each local law enforcement agency designated by the person seeking the restraining order or his or her attorney having jurisdiction over the residence of the person who has care, custody, and control of the child and other locations where the court

determines that acts of domestic violence or abuse against the child or children are likely to occur. Each appropriate law enforcement agency shall make available through an existing system for verification, information as to the existence, terms, and current status of any order issued pursuant to subdivision (a), (b), (c), or (d) to any law enforcement officer responding to the scene of reported domestic violence or abuse.

(h) Any willful and knowing violation of any order granted pursuant to subdivision (a), (b), (c), or (d) shall be a misdemeanor punishable under Section 273.65 of the Penal Code.

SEC. 2. Section 241.1 of the Welfare and Institutions Code is amended to read:

241.1. (a) Whenever a minor appears to come within the description of both Section 300 and Section 601 or 602, the county probation department and the county welfare department shall, pursuant to a jointly developed written protocol described in subdivision (b), initially determine which status will serve the best interests of the minor and the protection of society. The recommendations of both departments shall be presented to the juvenile court with the petition that is filed on behalf of the minor, and the court shall determine which status is appropriate for the minor. Any other juvenile court having jurisdiction over the minor shall receive notice from the court, within five calendar days, of the presentation of the recommendations of the departments. The notice shall include the name of the judge to whom, or the courtroom to which, the recommendations were presented.

(b) The probation department and the welfare department in each county shall jointly develop a written protocol to ensure appropriate local coordination in the assessment of a minor described in subdivision (a), and the development of recommendations by these departments for consideration by the juvenile court. These protocols shall require, which requirements shall not be limited to, consideration of the nature of the referral, the age of the minor, the prior record of the minor's parents for child abuse, the prior record of the minor for out-of-control or delinquent behavior, the parents' cooperation with the minor's school, the minor's functioning at school, the nature of the minor's home environment, and the records of other agencies which have been involved with the minor and his or her family. The protocols also shall contain provisions for resolution of disagreements between the probation and welfare departments regarding the need for dependency or ward status and provisions for determining the circumstances under which a new petition should be filed to change the minor's status.

(c) Nothing in this section shall be construed to authorize the filing of a petition or petitions, or the entry of an order by the juvenile court, to make a minor simultaneously both a dependent child and a ward of the court.

SEC. 3. Section 726.5 is added to the Welfare and Institutions Code, to read:

726.5. (a) At any time when (1) the minor is a ward of the juvenile court under Section 725, or the court terminates wardship while the minor remains under the age of 18 years, and (2) proceedings for dissolution of marriage, for nullity of marriage, or for legal separation of the minor's parents, proceedings to determine custody of the child, or to establish paternity of the minor under the Uniform Parentage Act, Part 3 (commencing with Section 7600) of Division 12 of the Family Code are pending in the superior court of any county, or an order has been entered with regard to the custody of the minor, the juvenile court may issue a protective order as provided in Section 213.5 or as defined in Section 6218 of the Family Code and may issue an order determining parentage, custody of, or visitation with, the minor.

A custody or visitation order issued by the juvenile court pursuant to this subdivision shall be made in accordance with the procedures and criteria of Part 2 (commencing with Section 3020) of Division 8 of the Family Code. An order determining parentage issued by the juvenile court pursuant to this subdivision shall be made in accordance with the procedures and presumptions of the Uniform Parentage Act, Part 3 (commencing with Section 7600) of Division 12 of the Family Code.

(b) If the juvenile court decides to issue an order pursuant to subdivision (a), the juvenile court shall provide notice of that decision to the superior court in which the proceeding to decide parentage, custody of, or visitation with, the minor is pending. The clerk of the superior court, upon receipt of the notice, shall file the notice with other documents and records of the pending proceeding and send by first-class mail a copy of the notice to all parties of record in that proceeding.

(c) Any order issued under this section shall continue until modified or terminated by a subsequent order of the juvenile court. The order of the juvenile court shall be filed in the proceeding for nullity, dissolution, or legal separation, or in the proceeding to determine custody or to establish paternity, if that proceeding is pending at the time the juvenile court terminates its jurisdiction over the minor. The order shall then become a part of that proceeding and may be terminated or modified as the court in that proceeding deems appropriate.

(d) If no action is filed or pending relating to the custody of the minor in the superior court of any county at the time the juvenile court terminates its jurisdiction over the minor, the juvenile court order entered pursuant to subdivision (a) may be used as the sole basis for opening a file in the superior court of the county in which the parent who has been awarded physical custody resides. The clerk of the juvenile court shall transmit the order to the clerk of the superior court of the county in which the order is to be filed. The clerk

of the superior court shall, upon receipt, open a file, without a filing fee, and assign a case number.

(e) The clerk of the superior court shall, upon the filing of any juvenile court order pursuant to subdivision (d), send by first-class mail a copy of the order with the case number, to the juvenile court and to the parents at the address listed on the order.

(f) The Judicial Council shall adopt forms for orders issued under this section. These orders shall not be confidential.

SEC. 4. Section 728 is added to the Welfare and Institutions Code, to read:

728. (a) The juvenile court may terminate or modify a guardianship of the person of a child previously established under the Probate Code, or appoint a coguardian or successor guardian of the person of the child, if the child is the subject of a petition filed under Section 300, 601, or 602. If the probation officer supervising the minor provides information to the court regarding the child's present circumstances and makes a recommendation to the court regarding a motion to terminate or modify a guardianship established in any county under the Probate Code, or to appoint a coguardian or successor guardian, of the person of a child who is before the juvenile court under a petition filed under Section 300, 601, or 602, the court shall order the appropriate county department, or the district attorney or county counsel, to file the recommended motion. The motion may also be made by the guardian or the minor's attorney. The hearing on the motion may be held simultaneously with any regularly scheduled hearing held in proceedings to declare the child a dependent child or ward of the court, or at any subsequent hearing concerning the dependent child or ward. Notice requirements of Section 1511 of the Probate Code shall apply to the proceedings in juvenile court under this subdivision.

(b) If the juvenile court decides to terminate or modify a guardianship previously established under the Probate Code pursuant to subdivision (a), the juvenile court shall provide notice of that decision to the court in which the guardianship was originally established. The clerk of the superior court, upon receipt of the notice, shall file the notice with other documents and records of the pending proceeding and send by first-class mail a copy of the notice to all parties of record in the superior court.

(c) If, at any time during the period a minor under the age of 18 years is a ward of the juvenile court, the probation officer supervising the minor recommends to the court that the court establish a guardianship of the person of the minor and appoint a specific adult to act as guardian, or on the motion of the minor's attorney, the court shall set a hearing to consider the recommendation or motion and shall order the clerk to notice the child's parents and relatives as required in Section 1511 of the Probate Code. If the motion is not made by the minor's attorney, the court may appoint the district attorney or county counsel to prosecute the action.

(d) At the hearing described in subdivision (c), the court shall determine if the appointment of a guardian of the person of the minor appears necessary or convenient, and is consistent with the rehabilitation and protection of the minor and with public safety, and if the court so determines, it shall appoint a guardian of the person of the minor and order that letters of guardianship issue pursuant to the standards and procedures specified in the Probate Code.

(e) Upon the appointment of a guardian pursuant to subdivision (d), the court may continue wardship and conditions of probation, or may terminate the wardship of the minor.

(f) Notwithstanding Section 1601 of the Probate Code, the proceedings to modify or terminate a guardianship granted under this section shall be held in the juvenile court unless the termination is due to the emancipation or adoption of the minor.

(g) The Judicial Council shall develop rules of court and adopt appropriate forms for the findings and orders under this section.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because in that regard this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

However, notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 391

An act to amend Sections 25215, 25233, 25242, and 25535 of, and to add Sections 25248, 25249, 25250, 25251, 25252, 25253, 25254, 25255, and 25403 to, the Corporations Code, relating to investment securities.

[Approved by Governor August 24, 1998. Filed with
Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 25215 of the Corporations Code is amended to read:

25215. No order may be entered under Section 25212, 25213, 25213.3, or 25252 except after notice to any person affected thereby (and, in the case of an agent, to his or her employer or prospective employer if known to the commissioner) of the intention of the commissioner to enter that order and of the reasons therefor and that upon receipt of a request the matter will be set down for hearing to commence within 15 business days after that receipt unless the person affected consents to a later date. If no hearing is requested within 30 days after the mailing of the notice and none is ordered by the commissioner, the order may be entered without hearing to remain in effect until it is modified or vacated by the commissioner. In the case of an original application for a certificate, that hearing shall be set down to commence within 15 business days after receipt of a written request by the applicant made 30 days or more after the filing of the application, even though no notice by the commissioner has been given, unless the applicant consents to a later date. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and the commissioner shall have all of the powers granted thereunder.

SEC. 2. Section 25233 of the Corporations Code is amended to read:

25233. No order may be entered under Section 25232, 25232.1, or 25252 except after notice to the person affected thereby of the intention of the commissioner to enter that order and of the reasons therefor and that upon receipt of a request the matter shall be set down for hearing to commence within 15 business days after that receipt unless the person affected consents to a later date. If no hearing is requested within 30 days after the mailing of that notice and none is ordered by the commissioner, the order may be entered without hearing to remain in effect until it is modified or vacated by the commissioner. In the case of an original application for a certificate, such a hearing shall be set down to commence within 15 business days after receipt of a written request by the applicant made 30 days or more after the filing of the application, even though no such notice by the commissioner has been given, unless the applicant consents to a later date. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and the commissioner shall have all of the powers granted thereunder.

SEC. 3. Section 25242 of the Corporations Code is amended to read:

25242. (a) Surrender of a certificate as a broker-dealer or investment adviser becomes effective 30 days after receipt of an application to surrender that certificate or within a shorter period of time as the commissioner may determine, unless a revocation or suspension proceeding is pending when the application is filed or a proceeding to revoke or suspend or to impose conditions upon the withdrawal is instituted within 30 days after the application is filed. If a proceeding is pending or instituted, withdrawal becomes effective at a time and upon any conditions as the commissioner by order determines.

(b) If the commissioner finds that any broker-dealer or investment adviser is no longer in existence, or has ceased to do business as a broker-dealer or investment adviser, or is subject to an adjudication of mental incompetence or to the control of a committee or conservator or guardian, or cannot be located after reasonable search, the commissioner may by order summarily revoke the certificate of that broker-dealer or investment adviser.

(c) The commissioner may summarily suspend or revoke the certificate of a broker-dealer or investment adviser if he or she (1) fails to pay any fee required by Section 25608 or imposed pursuant to Section 25217, 25218 or 25236 within 10 days after notice by the commissioner that the fee is due and unpaid, (2) fails to file any report required under Section 25241 within 10 days after notice by the commissioner that the report is due, (3) fails to maintain any bond required by subdivision (e) of Section 25216 or by Section 25237, (4) fails to file an application pursuant to subdivision (a) of Section 25211 when required by subdivision (c) of that section, within the time specified therein or within 10 days after notice by the commissioner that the application is required, whichever last occurs, (5) fails to maintain any capital required by subdivision (c) of Section 25216 or by Section 25237, or (6) fails to maintain records as required by Section 25241.

SEC. 4. Section 25248 is added to the Corporations Code, to read:

25248. (a) If the commissioner finds, as a result of any examination or investigation or from any report made to the commissioner, that any person subject to this part, other than an investment adviser subject to Section 25230.1, is in an insolvent condition, or is conducting a securities, broker-dealer, or investment advisory business in such an unsafe, injurious, or unauthorized manner as to render further operations hazardous to the public or to customers, the commissioner may, by an order addressed to and served by registered or certified mail or by personal service on that person and on any other person having in his or her possession or control any client funds, trust funds, or other property deposited with that person, direct discontinuance of the disbursement of client or trust funds by the parties or any of them, the receipt of client or trust funds, or other business operations. No person having in his or her possession any of these funds shall be liable for failure to comply with

the order unless he or she has received written notice of the order. Subject to subdivision (b), the order shall remain in effect until set aside by the commissioner, in whole or in part, the person has been adjudged bankrupt, or pursuant to Section 25253, the commissioner has assumed possession of the broker-dealer or investment adviser.

(b) Within 15 days from the date of an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code). Upon receipt of a request, the matter shall be set for hearing to commence within 30 days after that receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing or service of the notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right to a hearing. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

SEC. 5. Section 25249 is added to the Corporations Code, to read:

25249. If, after examination or investigation, the commissioner has reasonable grounds to believe that any broker-dealer or investment adviser has violated any law or rule binding upon it, the commissioner shall, by written order addressed to the broker-dealer or investment adviser, direct the discontinuance of the violation. The order shall be effective immediately, but shall not become final except in accordance with the provisions of Section 25251.

SEC. 6. Section 25250 is added to the Corporations Code, to read:

25250. If, after examination or investigation, the commissioner has reasonable grounds to believe that any broker-dealer or investment adviser, other than an investment adviser subject to Section 25230.1, is conducting business in an unsafe or injurious manner, the commissioner shall, by written order addressed to the broker-dealer or investment adviser, direct the discontinuance of the unsafe or injurious practices. The order shall be effective immediately, but shall not become final except in accordance with the provisions of Section 25251.

SEC. 7. Section 25251 is added to the Corporations Code, to read:

25251. (a) No order issued pursuant to Section 25249 or 25250 may become final except after notice to the affected broker-dealer or investment adviser of the commissioner's intention to make the order final and of the reasons for the finding. The commissioner shall also notify the broker-dealer or investment adviser that upon receiving a request the matter shall be set for hearing to commence within 15 business days after receipt of the request. The broker-dealer or investment adviser may consent to have the hearing commence at a later date. If no hearing is requested within 30 days after the mailing or service of the required notice, and none is ordered by the commissioner, the order may become final without a hearing and the broker-dealer or investment adviser shall

immediately discontinue the practices named in the order. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the Administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and the commissioner shall have all of the powers granted under that act. If, upon the conclusion of the hearing, it appears to the commissioner that the broker-dealer or investment adviser is conducting business in an unsafe and injurious manner or is violating any law of this state, or any rule binding upon it, the commissioner shall make the order of discontinuance final and the broker-dealer or investment adviser shall immediately discontinue the practices named in the order.

(b) The broker-dealer or investment adviser may within 10 days after an order is made final commence an action to restrain enforcement of the order. If the enforcement of the order is not enjoined within 10 days by the court in which the action is brought, the broker-dealer or investment adviser shall comply with the order.

SEC. 8. Section 25252 is added to the Corporations Code, to read:

25252. The commissioner may, after appropriate notice and opportunity for hearing, by order levy administrative penalties as follows:

(a) Any person subject to this part, other than a broker-dealer or investment adviser, who willfully violates any provision of this division, or who willfully violates any rule or order adopted or issued pursuant to this division, is liable for administrative penalties of not more than one thousand dollars ($1,000) for the first violation, and not more than two thousand five hundred dollars ($2,500) for each subsequent violation.

(b) Any broker-dealer or investment adviser that willfully violates any provision of this division to which it is subject, or that willfully violates any rule or order adopted or issued pursuant to this division and to which it is subject, is liable for administrative penalties of not more than five thousand dollars ($5,000) for the first violation, not more than ten thousand dollars ($10,000) for the second violation, and not more than fifteen thousand dollars ($15,000) for each subsequent violation.

(c) The administrative penalties shall be collected by the commissioner and paid into the State Corporations Fund.

(d) The administrative penalties available to the commissioner pursuant to this section are not exclusive, and may be sought and employed in any combination with civil, criminal, and other administrative remedies deemed advisable by the commissioner to enforce the provisions of this division.

SEC. 9. Section 25253 is added to the Corporations Code, to read:

25253. (a) Whenever it appears to the commissioner that any of the conditions specified in subdivision (b) has occurred with respect to any broker-dealer or investment adviser subject to this division, the commissioner shall dispatch a written notice demanding

remedial action and a summary of findings, as referred to in Section 25248, to the principal officer of that broker-dealer or investment adviser or to its manager of record.

(b) The conditions that require the commissioner to commence remedial action against a broker-dealer or investment adviser pursuant to subdivision (a) includes any of the following:

(1) The broker-dealer or investment adviser is in an insolvent condition.

(2) It is conducting its securities, broker-dealer, or investment advisory business in an unsafe or unauthorized manner.

(3) It has violated any rule or order adopted or issued pursuant to this division that is or has been necessary for the protection of any investor.

(4) It refuses to submit its books, papers, and affairs to the inspection of any examiner or investigator.

(5) It neglects or refuses to observe any order of the commissioner made pursuant to this division that is or has been necessary for the protection of any investor, within the time specified therein, unless the enforcement of the order is restrained in a proceeding brought by the broker-dealer or investment adviser.

(6) It has violated any provision of this division or any similar regulatory scheme of this state or a foreign jurisdiction relating to the protection of any investor.

(7) Any officer, director, stockholder, or partner of the broker-dealer or investment adviser, or attorney-in-fact of the broker-dealer or investment adviser has embezzled, misappropriated, or willfully diverted the assets or client or trust funds of the broker-dealer or investment adviser.

(8) It has permitted its capital to be lower than the minimum required by law, including any rule or order adopted or issued pursuant to this division.

(9) It has failed to comply with the bonding requirements of Chapter 2 (commencing with Section 25210) or Chapter 3 (commencing with Section 25230) of this part.

(c) The broker-dealer or investment adviser shall be afforded a reasonable opportunity to comply or otherwise effect those remedies specified in the written notice or any other remedies that the commissioner may deem acceptable. However, if the broker-dealer or investment adviser fails to comply within five days of receipt of the notice, or as soon as it appears to the commissioner that no compliance is possible, or in the event prompt delivery of the written notice is impossible, the commissioner may take possession of the property and business of the broker-dealer or investment adviser and retain possession until the broker-dealer or investment adviser, subject to those conditions that the commissioner may prescribe, resumes its business or its affairs are finally liquidated.

(d) Whenever the commissioner has taken possession of any broker-dealer or investment adviser, the broker-dealer or

investment adviser, within 10 days after the taking, may apply to the superior court to enjoin further proceedings in any California county or city and county in which the California office or offices of the broker-dealer or investment adviser is located. The court, after ordering the commissioner to show cause why further proceedings should not be enjoined and after a hearing and a determination of the facts upon the merits, may dismiss the application or enjoin the commissioner from further proceedings and direct the commissioner to surrender the property and business to the broker-dealer or investment adviser, or make any further order that may be just.

(e) If any facts occur that would entitle the commissioner under subdivision (b) to take possession of the property, business, and assets of a broker-dealer or investment adviser, the commissioner may appoint a conservator of the broker-dealer or investment adviser and require the conservator to post a bond. The conservator, under the direction of the commissioner, shall take possession of the property, business, and assets of the broker-dealer or investment adviser and take any action that the conservator deems necessary to conserve the assets of the broker-dealer or investment adviser pending further disposition of its business. The conservator shall retain possession until the property, business, and assets of the broker-dealer or investment adviser are returned to the broker-dealer or investment adviser or until further order of the commissioner.

(f) Subject to the other provisions of this section, a conservator, while in possession of the property, business, and assets of a broker-dealer or investment adviser, has the same powers and rights and is subject to the same duties and obligations as the commissioner while in possession of the property, business, and assets of a broker-dealer or investment adviser. During that time, the rights of a broker-dealer or investment adviser and of all persons with respect thereto, subject to the other provisions of this section, are the same as if the commissioner had taken possession of the property, business, and assets. A conservator, while in possession of the property, business, and assets of a broker-dealer or investment adviser shall have all the rights, powers, and privileges of the broker-dealer or investment adviser, its officers and directors or partners. All expenses of the conservatorship shall be paid out of the assets of the broker-dealer or investment adviser and shall be a lien thereon which shall be prior to any other lien.

(g) An investment adviser subject to Section 25230.1 is not subject to this section, unless that investment adviser or persons acting on behalf of that investment adviser committed any of the acts of fraud or deceit set forth in paragraph (7) of subdivision (b).

SEC. 10. Section 25254 is added to the Corporations Code, to read:

25254. (a) If the commissioner determines it is in the public interest, the commissioner may include in any administrative action brought under this part a claim for ancillary relief, including, but not limited to, a claim for restitution or disgorgement or damages on

behalf of the persons injured by the act or practice constituting the subject matter of the action, and the administrative law judge shall have jurisdiction to award additional relief.

(b) In an administrative action brought under this part, the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include an amount representing reasonable attorney's fees and investigative expenses for the services rendered, for deposit into the State Corporations Fund for the use of the Department of Corporations.

SEC. 11. Section 25255 is added to the Corporations Code, to read:

25255. The civil, criminal, and administrative remedies available to the commissioner pursuant to this division are not exclusive, and may be sought and employed in any combination deemed advisable by the commissioner to enforce the provisions of this division.

SEC. 12. Section 25403 is added to the Corporations Code, to read:

25403. (a) Every person who with knowledge directly or indirectly controls and induces any person to violate any provision of this division or any rule or order thereunder shall be deemed to be in violation of that provision, rule, or order to the same extent as the controlled and induced person.

(b) Any person that knowingly provides substantial assistance to another person in violation of any provision of this division or any rule or order thereunder shall be deemed to be in violation of that provision, rule, or order to the same extent as the person to whom the assistance was provided.

(c) It shall be unlawful for any person directly or indirectly to do any act or thing which would be unlawful for that person to do under any provision of this division or any rule or order thereunder through or by any other person.

(d) Nothing in this section shall be construed to limit the power of the state to punish any person for any conduct which constitutes a crime under any other statute.

SEC. 13. Section 25535 of the Corporations Code is amended to read:

25535. (a) Any person who violates any provision of this law, or who violates any rule or order under this law, shall be liable for a civil penalty not to exceed twenty-five thousand dollars ($25,000) for each violation, which shall be assessed and recovered in a civil action brought in the name of the people of the State of California by the commissioner in any court of competent jurisdiction.

(b) As applied to the penalties for acts in violation of this division, the remedies provided by this section and by other sections of this division are not exclusive, and may be sought and employed in any combination to enforce the provisions of this division.

(c) No action shall be maintained to enforce any liability created under subdivision (a) unless brought before the expiration of four years after the act or transaction constituting the violation.

SEC. 14. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 392

An act to amend Section 9080.3 of the Insurance Code, relating to insurance.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 9080.3 of the Insurance Code is amended to read:

9080.3. Any religious organization engaged in the business of writing fire insurance solely for its members and its churches on the effective date of this section, and which has been doing so continuously in California since January 1, 1925, is subject to all applicable provisions of this chapter.

Any religious organization described in this section shall not write insurance:

(a) In excess of 10 percent of its capital and surplus as shown in its last statement on file with the commissioner, on any one risk, or in excess of 20 percent of its capital and surplus as shown in its last statement on file with the commissioner in any one city block within an incorporated city without immediately reinsuring the excess over those amounts.

(b) On business property within any incorporated city.

CHAPTER 393

An act to add Section 11011.25 to the Government Code, relating to state property, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 24, 1998. Filed with
Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that, in order to effect the most cost-efficient and timely transfer of the 57-acre property owned by Camarillo State Hospital to the County of Ventura, it is necessary that this property be transferred to the county concurrent with the transfer of the land and improvements comprising the main campus of the hospital to the Trustees of the California State University, which is scheduled to take effect July 1, 1998. One of the existing leases currently requires the state to furnish utilities and necessary maintenance of the steam boiler plant and water softener that are on the premises subject to this lease. Transfer of this property to the county no later than October 1, 1998, along with any associated utility and maintenance responsibilities, will streamline this transaction and avoid any additional costs to the state associated with ongoing utility and maintenance obligations.

SEC. 2. Section 11011.25 is added to the Government Code, to read:

11011.25. (a) Notwithstanding any other provision of law, the Director of General Services shall transfer to the County of Ventura, no later than October 1, 1998, and upon approval by the county board of supervisors, the approximately 57 acre noncontiguous parcel of the Camarillo State Hospital property located on Lewis Road in Ventura County.

(b) The transfer shall be completed at no cost to the County of Ventura, other than reasonable costs incurred by the Department of General Services in performing the transfer.

(c) As a condition of the transfer, the County of Ventura shall agree to assume the state's position as lessor of the property and comply with all terms and conditions of any lease in effect on the property at the time of transfer.

(d) As a condition of receiving the property at no cost, the County of Ventura shall accept the property as is, and shall maintain the property in perpetuity for public use for public facilities operated by the county, or for the operation of nonprofit uses for publicly funded programs. Notwithstanding any other provision of law that limits reversionary rights to real property, including, but not limited to, Chapter 5 (commencing with Section 885.010) of Title 5 of Part 2 of Division 2 of the Civil Code, title to this property shall revert to the possession, control, and ownership of the state should this condition be violated. This condition shall be included in the quitclaim deed to the County of Ventura.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning

of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that the transfer of property to the County of Ventura pursuant to Section 2 of this act may take place concurrently with the transfer of certain land and improvements to the California State University, it is necessary that this act take effect immediately.

CHAPTER 394

An act to amend Section 19227 of, and to amend and repeal Section 19315 of, the Food and Agricultural Code, and to amend Section 2810 of, and to add Article 5 (commencing with Section 2460) to Chapter 2 of Division 2 of, the Vehicle Code, relating to licensed renderers, and making an appropriation therefor.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 19227 of the Food and Agricultural Code is amended to read:

19227. (a) In addition to the license fee required pursuant to Section 19225, the department may charge each licensed renderer and collection center an additional fee necessary to cover the costs of administering Article 6 (commencing with Section 19300) and Article 6.5 (commencing with Section 19310). The additional fees authorized to be imposed by this section may not exceed three thousand dollars ($3,000) per year per each licensed rendering plant or collection center.

(b) The secretary shall fix the annual fee established pursuant to this section and may fix different fees for renderers and collection centers. The secretary shall also fix the date the fee is due and the method of collecting the fee. If an additional fee is imposed on licensed renderers pursuant to subdivision (a) and an additional fee is imposed on registered transporters pursuant to subdivision (a) of Section 19315, only one additional fee may be imposed on a person or firm that is both licensed as a renderer pursuant to Article 6 (commencing with Section 19300) and registered as a transporter of inedible kitchen grease pursuant to Article 6.5 (commencing with Section 19310), which fee shall be the higher of the two fees.

(c) If the fee established pursuant to this section is not paid within one calendar month of the date it is due, a penalty shall be imposed in the amount of 10 percent per annum on the amount of the unpaid fee.

(d) This section shall become inoperative on July 1, 2005, and, as of January 1, 2006, is repealed, unless a later enacted statute, which

becomes effective on or before January 1, 2006, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Section 19315 of the Food and Agricultural Code is amended to read:

19315. (a) In addition to the registration fee required by Section 19312, the department may charge an additional fee necessary to cover the costs of administering this article. Any additional fee charged pursuant to this section shall not exceed three hundred dollars ($300) per year per vehicle that is operated to transport kitchen grease, and shall not exceed three thousand dollars ($3,000) per year per registered transporter.

(b) The secretary shall fix the annual fee established pursuant to this section and may fix different fees for transporters of inedible kitchen grease and collection centers. The secretary shall also fix the date the fee is due and the method of collecting the fee. If an additional fee is imposed on licensed renderers pursuant to subdivision (a) of Section 19227 and an additional fee is imposed on registered transporters pursuant to subdivision (a), only one additional fee may be imposed on a person or firm that is both licensed as a renderer pursuant to Article 6 (commencing with Section 19300) and registered as a transporter of inedible kitchen grease pursuant to this article, which fee shall be the higher of the two fees.

(c) If the fee established pursuant to this section is not paid within one calendar month of the date it is due, a penalty shall be imposed in the amount of 10 percent per annum on the amount of the unpaid fee.

(d) This section shall become inoperative on July 1, 2005, and, as of January 1, 2006, is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2006, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 3. Article 5 (commencing with Section 2460) is added to Chapter 2 of Division 2 of the Vehicle Code, to read:

Article 5. Renderers and Transporters of Inedible Kitchen Grease

2460. (a) The definitions set forth in Article 1 (commencing with Section 19200) of Chapter 5 of Part 3 of Division 9 of the Food and Agricultural Code apply for purposes of this article.

(b) A "licensed renderer" is a renderer licensed under Article 6 (commencing with Section 19300) of Chapter 5 of Part 3 of Division 9 of the Food and Agricultural Code.

(c) A "registered transporter" is a transporter of inedible kitchen grease registered under Article 6.5 (commencing with Section 19310) of Chapter 5 of Part 3 of Division 9 of the Food and Agricultural Code.

(d) A "peace officer" is any peace officer defined in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code.

2462. (a) In addition to any other records required to be kept pursuant to Chapter 5 (commencing with Section 19200) of Part 3 of Division 9 of the Food and Agricultural Code, every licensed renderer shall record and keep for one year, in connection with the receipt of kitchen grease that is not intended for human food, all of the following information:

(1) The name, address, and registration number of every transporter of inedible kitchen grease who has delivered that material to the renderer.

(2) The total amount of inedible kitchen grease purchased in each transaction.

(3) The date of each transaction.

(b) Every registered transporter of inedible kitchen grease shall record and maintain for one year all of the following:

(1) The name and address of each location from which the transporter obtained the inedible kitchen grease.

(2) The quantity of material received from each location.

(3) The date on which the inedible kitchen grease was obtained from each location.

2464. All records required to be retained pursuant to this article shall be maintained at the regular place of business of every licensed renderer and every registered transporter. Those records shall be exhibited on demand to any peace officer.

2466. Any peace officer may, during normal business hours, inspect any premises maintained by a licensed renderer or registered transporter, and any inedible kitchen grease located on the premises, for the purpose of determining whether that renderer or transporter is complying with the record maintenance requirements of this article.

2468. (a) Any licensed renderer who fails in any respect to keep the written records required by this article, or to set out in that written record any matter required by this article to be set out in the record, is guilty of a misdemeanor.

(b) Every licensed renderer or registered transporter who refuses, upon demand of any peace officer, to exhibit any written record required by this article, or who destroys that record within one year after making the final entry of any information required by this article, is guilty of a misdemeanor.

(c) Any violation of subdivision (b) is punishable as follows:

(1) For a first offense, by a fine of not less than five hundred dollars ($500), or by imprisonment in the county jail for not more than 30 days, or by both that fine and imprisonment.

(2) For a second offense within a period of one year, by a fine of not less than one thousand dollars ($1,000), or by imprisonment in the county jail for not more than 30 days, or by both that fine and imprisonment. In addition to any other punishment imposed pursuant to this paragraph, the court may order the defendant to stop

engaging in the business as a transporter or renderer for a period not to exceed 30 days.

(3) For a third or any subsequent offense within a period of two years, by a fine of not less than two thousand dollars ($2,000), or by imprisonment in the county jail for not more than six months, or by both that fine and imprisonment. In addition to any other sentence imposed pursuant to this paragraph, the court shall order the defendant to stop engaging in the business as a transporter or renderer for a period of 30 days.

2470. It is unlawful for any person to engage in the transportation of inedible kitchen grease without being registered with the Department of Food and Agriculture and without being in possession of a valid registration certificate issued by that department.

2472. It is unlawful for any person who is not a registered transporter or licensed renderer of inedible kitchen grease to transport that product from any place within this state to any place outside the borders of this state.

2474. It is unlawful for any person to steal, misappropriate, contaminate, or damage inedible kitchen grease, or containers thereof.

2476. No licensed renderer, registered transporter, or any other person may take possession of inedible kitchen grease from an unregistered transporter or knowingly take possession of stolen inedible kitchen grease.

2478. (a) Any person who is found guilty of violating Section 2470, 2472, 2474, or 2476, or the rules and regulations promulgated under those provisions, is subject to imprisonment in the county jail for not more than one year or a fine of not more than one thousand dollars ($1,000), or both that imprisonment and fine.

(b) If the conviction is a second or subsequent conviction of a violation described in subdivision (a), or the violation is committed with intent to defraud or mislead, the person shall be subject to imprisonment in the state prison, or a fine of not more than ten thousand dollars ($10,000), or both that imprisonment and fine.

SEC. 4. Section 2810 of the Vehicle Code is amended to read:

2810. (a) A member of the California Highway Patrol may stop any vehicle transporting any timber products, livestock, poultry, farm produce, crude oil, petroleum products, or inedible kitchen grease, and inspect the bills of lading, shipping, delivery papers, or other evidence to determine whether the driver is in legal possession of the load, and upon reasonable belief that the driver of such vehicle is not in legal possession, shall take custody of the vehicle and load and turn the same over into the custody of the sheriff of the county wherein the timber products, livestock, poultry, farm produce, crude oil, petroleum products, or inedible kitchen grease, or any part thereof, is apprehended.

(b) The sheriff shall receive and provide for the care and safekeeping of such timber products, livestock, poultry, farm

produce, crude oil, petroleum products, or inedible kitchen grease, or any part thereof, and immediately, in cooperation with the department, proceed with the investigation and legal disposition thereof.

(c) Any expense incurred by the sheriff in the performance of his duties under this section shall be a legal charge against the county.

CHAPTER 395

An act to add Section 666.7 to the Penal Code, relating to sentencing.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 666.7 is added to the Penal Code, to read:

666.7. It is the intent of the Legislature that this section serve merely as a nonsubstantive comparative reference of current sentence enhancement provisions. Nothing in this section shall have any substantive effect on the application of any sentence enhancement contained in any provision of law, including, but not limited to, all of the following: omission of any sentence enhancement provision, inclusion of any obsolete sentence enhancement provision, or inaccurate reference or summary of a sentence enhancement provision.

It is the intent of the Legislature to amend this section as necessary to accurately reflect current sentence enhancement provisions, including the addition of new provisions and the deletion of obsolete provisions.

For the purposes of this section, the term "sentence enhancement" means an additional term of imprisonment in the state prison added to the base term for the underlying offense. A sentence enhancement is imposed because of the nature of the offense at the time the offense was committed or because the defendant suffered a qualifying prior conviction before committing the current offense.

(a) The provisions listed in this subdivision imposing a sentence enhancement of one year imprisonment in the state prison may be referenced as Schedule A.

(1) Money laundering when the value of transactions exceeds fifty thousand dollars ($50,000), but is less than one hundred fifty thousand dollars ($150,000) (subpara. (A), para. (1), subd. (c), Sec. 186.10, Pen. C.).

(2) Commission of two or more related felonies, a material element of which is fraud or embezzlement, which involve a pattern of related felony conduct, involving the taking of more than one

hundred thousand dollars ($100,000) (para. (3), subd. (a), Sec. 186.11, Pen. C.).

(3) Felony conviction of willful harm or injury to a child, involving female genital mutilation (Sec. 273.4, Pen. C.).

(4) Prior conviction of felony hate crime with a current conviction of felony hate crime (subd. (e), Sec. 422.75, Pen. C.).

(5) Harming, obstructing, or interfering with any horse or dog being used by any peace officer in the discharge or attempted discharge of his or her duties and, with the intent to so harm, obstruct, or interfere, personally causing the death, destruction, or serious physical injury of any horse or dog (subd. (c), Sec. 600, Pen. C.).

(6) Prior prison term with current felony conviction (subd. (b), Sec. 667.5, Pen. C.).

(7) Commission of any specified offense against a person who is 65 years of age or older, blind, a paraplegic or quadriplegic, or under 14 years of age (subd. (a), Sec. 667.9, Pen. C.).

(8) Showing child pornography to a minor prior to or during the commission or attempted commission of any lewd or lascivious act with the minor (subd. (a), Sec. 667.15, Pen. C.).

(9) Felony conviction of forgery, grand theft, or false pretenses as part of plan or scheme to defraud an owner in connection with repairs to a structure damaged by a natural disaster (Sec. 667.16, Pen. C.).

(10) Felony conviction of any specified offense, including, but not limited to, forgery, grand theft, and false pretenses, as part of plan or scheme to defraud an owner in connection with repairs to a structure damaged by natural disaster with prior felony conviction of any of those offenses (Sec. 670, Pen. C.).

(11) Commission or attempted commission of a felony while armed with a firearm (para. (1), subd. (a), Sec. 12022, Pen. C.).

(12) Personally using a deadly or dangerous weapon in the commission or attempted commission of a felony (para. (1), subd. (b), Sec. 12022, Pen. C.).

(13) Taking, damaging, or destroying any property in the commission or attempted commission of a felony with the intent to cause that taking, damage, or destruction when the loss exceeds fifty thousand dollars ($50,000) (para. (1), subd. (a), Sec. 12022.6, Pen. C.).

(14) Transferring, lending, selling, or giving any assault weapon to a minor (para. (2), subd. (a), Sec. 12280, Pen. C.).

(15) Manufacturing, causing to be manufactured, distributing, transporting, importing, keeping for sale, offering or exposing for sale, giving, or lending any assault weapon while committing another crime (subd. (c), Sec. 12280, Pen. C.).

(16) Inducing, employing, or using a minor to commit a drug offense involving heroin, cocaine, or cocaine base, or unlawfully furnishing one of these controlled substances to a minor, upon the grounds of, or within, a church, playground, youth center, child day

care facility, or public swimming pool during business hours or whenever minors are using the facility (para. (1), subd. (a), Sec. 11353.1, H.& S.C.).

(17) Inducing another person to commit a drug offense as part of the drug transaction for which the defendant is convicted when the value of the controlled substance involved exceeds five hundred thousand dollars ($500,000) (para. (1), subd. (a), Sec. 11356.5, H.& S.C.).

(18) Manufacturing, compounding, converting, producing, deriving, processing, or preparing methamphetamine or phencyclidine (PCP), or attempting to commit any of those acts, or possessing specified combinations of substances with the intent to manufacture either methamphetamine or phencyclidine (PCP), when the commission or attempted commission of the offense causes the death or great bodily injury of another person other than an accomplice (Sec. 11379.9, H.& S.C.).

(19) Using a minor to commit a drug offense involving phencyclidine (PCP), methamphetamine, or lysergic acid diethylamide (LSD), or unlawfully furnishing one of these controlled substances to a minor, upon the grounds of, or within, a church, playground, youth center, child day care facility, or public swimming pool during business hours or whenever minors are using the facility (para. (1), subd. (a), Sec. 11380.1, H.& S.C.).

(20) Causing bodily injury or death to more than one victim in any one instance of driving under the influence of any alcoholic beverage or drug (Sec. 23182, Veh. C.).

(b) The provisions listed in this subdivision imposing a sentence enhancement of one, two, or three years' imprisonment in the state prison may be referenced as Schedule B.

(1) Commission of a felony for the benefit of, at the direction of, or in association with any criminal street gang, with the specific intent to promote, further, or assist in any criminal conduct by gang members (para. (1), subd. (b), Sec. 186.22, Pen. C.).

(2) Commission or attempted commission of a felony hate crime (subd. (a), Sec. 422.75, Pen. C.).

(3) Commission or attempted commission of a felony against the property of a public or private institution because the property is associated with a person or group of identifiable race, color, religion, nationality, country of origin, ancestry, gender, disability, or sexual orientation (subd. (b), Sec. 422.75, Pen. C.).

(4) Felony conviction of unlawfully causing a fire of any structure, forest land, or property when the defendant has been previously convicted of arson or unlawfully causing a fire, or when a firefighter, peace officer, or emergency personnel suffered great bodily injury, or when the defendant proximately caused great bodily injury to more than one victim, or caused multiple structures to burn (Sec. 452.1, Pen. C.).

(5) Carrying a loaded or unloaded firearm during the commission or attempted commission of any felony street gang crime (subd. (a), Sec. 12021.5, Pen. C.).

(6) Personally using a deadly or dangerous weapon in the commission of carjacking or attempted carjacking (para. (2), subd. (b), Sec. 12022, Pen. C.).

(7) Being a principal in the commission or attempted commission of any specified drug offense, knowing that another principal is personally armed with a firearm (subd. (d), Sec. 12022, Pen. C.).

(8) Furnishing or offering to furnish a firearm to another for the purpose of aiding, abetting, or enabling that person or any other person to commit a felony (Sec. 12022.4, Pen. C.).

(9) Selling, supplying, delivering, or giving possession or control of a firearm to any person within a prohibited class or to a minor when the firearm is used in the subsequent commission of a felony (para. (4), subd. (g), Sec. 12072, Pen. C.).

(10) Inducing, employing, or using a minor who is at least four years younger than the defendant to commit a drug offense involving any specified controlled substance, including, but not limited to, heroin, cocaine, and cocaine base, or unlawfully providing one of these controlled substances to a minor (para. (3), subd. (a), Sec. 11353.1, H.& S.C.).

(11) Prior conviction of inducing, employing, or using a minor to commit a drug offense involving cocaine base, or unlawfully providing cocaine base to a minor that resulted in a prison sentence with a current conviction of the same offense (subd. (a), Sec. 11353.4, H.& S.C.).

(12) Prior conviction of inducing, employing, or using a minor to commit a drug offense involving cocaine base, or unlawfully providing cocaine base to a minor with a current conviction of the same offense involving a minor who is 14 years of age or younger (subd. (b), Sec. 11353.4, H.& S.C.).

(13) Inducing, employing, or using a minor who is at least four years younger than the defendant to commit a drug offense involving any specified controlled substance, including, but not limited to, phencyclidine (PCP), methamphetamine, and lysergic acid diethylamide (LSD), or unlawfully providing one of these controlled substances to a minor (para. (3), subd. (a), Sec. 11380.1, H.& S.C.).

(c) The provisions listed in this subdivision imposing a sentence enhancement of one, two, or five years' imprisonment in the state prison may be referenced as Schedule C.

(1) Wearing a bullet-resistant body vest in the commission or attempted commission of a violent offense (subd. (b), Sec. 12022.2, Pen. C.).

(2) Commission or attempted commission of any specified sex offense while armed with a firearm or deadly weapon (subd. (b), Sec. 12022.3, Pen. C.).

(d) The provisions listed in this subdivision imposing a sentence enhancement of two years' imprisonment in the state prison may be referenced as Schedule D.

(1) Money laundering when the value of the transactions exceeds one hundred fifty thousand dollars ($150,000), but is less than one million dollars ($1,000,000) (subpara. (B), para. (1), subd. (c), Sec. 186.10, Pen. C.).

(2) Commission of two or more related felonies, a material element of which is fraud or embezzlement, which involve a pattern of related felony conduct, involving the taking of more than one hundred fifty thousand dollars ($150,000) (para. (3), subd. (a), Sec. 186.11, Pen. C.).

(3) Conviction of any specified felony sex offense that is committed after fleeing to this state under specified circumstances (subd. (d), Sec. 289.5, Pen. C.).

(4) Prior conviction of any specified insurance fraud offense with current conviction of willfully injuring, destroying, secreting, abandoning, or disposing of any property insured against loss or damage by theft, embezzlement, or any casualty with the intent to defraud or prejudice the insurer (subd. (b), Sec. 548, Pen. C.).

(5) Prior conviction of any specified insurance fraud offense with current conviction of knowingly presenting any false or fraudulent insurance claim or multiple claims for the same loss or injury, or knowingly causing or participating in a vehicular collision for the purpose of presenting any false or fraudulent claim, or providing false or misleading information or concealing information for purpose of insurance fraud (subd. (e), Sec. 550, Pen. C.).

(6) Harming, obstructing, or interfering with any horse or dog being used by any peace officer in the discharge or attempted discharge of his or her duties and, with the intent to cause great bodily injury, personally causing great bodily injury to any person other than an accomplice (subd. (d), Sec. 600, Pen. C.).

(7) Prior conviction of any specified offense with current conviction of any of those offenses committed against a person who is 65 years of age or older, blind, a paraplegic or quadriplegic, or under 14 years of age (subd. (b), Sec. 667.9, Pen. C.).

(8) Prior conviction for penetration of genital or anal openings by foreign or unknown object with current conviction of the same offense committed against a person who is 65 years of age or older, blind, deaf, developmentally disabled, a paraplegic or quadriplegic, or under 14 years of age (subd. (a), Sec. 667.10, Pen. C.).

(9) Showing child pornography to minor prior to or during the commission or attempted commission of continuous sexual abuse of the minor (subd. (b), Sec. 667.15, Pen. C.).

(10) Primary care provider in a day care facility committing any specified felony sex offense against a minor entrusted to his or her care (subd. (a), Sec. 674, Pen. C.).

(11) Commission of a felony offense while released from custody on bail or own recognizance (subd. (b), Sec. 12022.1, Pen. C.).

(12) Taking, damaging, or destroying any property in the commission or attempted commission of a felony with the intent to cause that taking, damage, or destruction when the loss exceeds one hundred fifty thousand dollars ($150,000) (para. (2), subd. (a), Sec. 12022.6, Pen. C.).

(13) Inducing, employing, or using a minor to commit a drug offense involving heroin, cocaine, or cocaine base, or unlawfully furnishing one of these controlled substances to a minor, upon, or within 1,000 feet of, the grounds of a school during school hours or whenever minors are using the facility (para. (2), subd. (a), Sec. 11353.1, H.& S.C.).

(14) Inducing another person to commit a drug offense as part of the drug transaction for which the defendant is convicted when the value of the controlled substance involved exceeds two million dollars ($2,000,000) (para. (2), subd. (a), Sec. 11356.5, H.& S.C.).

(15) Manufacturing, compounding, converting, producing, deriving, processing, or preparing methamphetamine or phencyclidine (PCP), or attempting to commit any of those acts, or possessing specified combinations of substances with the intent to manufacture either methamphetamine or phencyclidine (PCP), when the commission or attempted commission of the crime occurs in a structure where any child under 16 years of age is present (subd. (a), Sec. 11379.7, H.& S.C.).

(16) Using a minor to commit a drug offense involving phencyclidine (PCP), methamphetamine, or lysergic acid diethylamide (LSD), or unlawfully furnishing one of these controlled substances to a minor, upon, or within 1,000 feet of, the grounds of a school during school hours or whenever minors are using the facility (para. (2), subd. (a), Sec. 11380.1, H.& S.C.).

(17) Prior felony conviction of any specified insurance fraud offense with a current conviction of making false or fraudulent statements concerning a workers' compensation claim (subd. (c), Sec. 1871.4, Ins. C.).

(18) Prior felony conviction of making or causing to be made any knowingly false or fraudulent statement of any fact material to the determination of the premium, rate, or cost of any policy of workers' compensation insurance for the purpose of reducing the premium, rate, or cost of the insurance with a current conviction of the same offense (subd. (b), Sec. 11760, Ins. C.).

(19) Prior felony conviction of making or causing to be made any knowingly false or fraudulent statement of any fact material to the determination of the premium, rate, or cost of any policy of workers' compensation insurance issued or administered by the State Compensation Insurance Fund for the purpose of reducing the premium, rate, or cost of the insurance with a current conviction of the same offense (subd. (b), Sec. 11880, Ins. C.).

(e) The provisions listed in this subdivision imposing a sentence enhancement of two, three, or four years' imprisonment in the state prison may be referenced as Schedule E.

(1) Commission of a felony for the benefit of, at the direction of, or in association with any criminal street gang, with the specific intent to promote, further, or assist in any criminal conduct by gang members, and on the grounds of, or within 1,000 feet of, a school during school hours or when minors are using the facility (para. (2), subd. (b), Sec. 186.22, Pen. C.).

(2) Acting in concert with another person or aiding or abetting another person in committing or attempting to commit a felony hate crime (subd. (c), Sec. 422.75, Pen. C.).

(3) Carrying a loaded or unloaded firearm together with a detachable shotgun magazine, a detachable pistol magazine, a detachable magazine, or a belt-feeding device during the commission or attempted commission of any felony street gang crime (subd. (b), Sec. 12021.5, Pen. C.).

(f) The provisions listed in this subdivision imposing a sentence enhancement of two, three, or five years' imprisonment in the state prison may be referenced as Schedule F.

(1) Commission of two or more related felonies, a material element of which is fraud or embezzlement, which involve a pattern of related felony conduct, involving the taking of more than five hundred thousand dollars ($500,000) (para. (2), subd. (a), Sec. 186.11, Pen. C.).

(g) The provisions listed in this subdivision imposing a sentence enhancement of three years' imprisonment in the state prison may be referenced as Schedule G.

(1) Money laundering when the value of transactions exceeds one million dollars ($1,000,000), but is less than two million five hundred thousand dollars ($2,500,000) (subpara. (C), para. (1), subd. (c), Sec. 186.10, Pen. C.).

(2) Commission of a felony for the benefit of, at the direction of, or in association with any criminal street gang, with the specific intent to promote, further, or assist in any criminal conduct by gang members, if also convicted of a felony violation of witness or victim intimidation involving a credible threat of violence or death made to the witness or victim of a violent felony for the purpose of preventing or dissuading the witness or victim from attending or giving testimony at any trial for a violent felony (para. (5), subd. (b), Sec. 186.22, Pen. C.).

(3) Willfully mingling any poison or harmful substance which may cause death if ingested, or which causes the infliction of great bodily injury on any person, with any food, drink, medicine, or pharmaceutical product or willfully placing such poison or harmful substance in any spring, well, reservoir, or public water supply (subd. (a), Sec. 347, Pen. C.).

(4) Commission of elder abuse causing great bodily injury (para. (2), subd. (a), Sec. 368, Pen. C.).

(5) Maliciously driving or placing, in any tree, saw-log, shingle-bolt, or other wood, any iron, steel, ceramic, or other substance sufficiently hard to injure saws and causing bodily injury to another person other than an accomplice (subd. (b), Sec. 593a, Pen. C.).

(6) Prior prison term for violent felony with current violent felony conviction (subd. (a), Sec. 667.5, Pen. C.).

(7) Commission of any specified felony sex offense or kidnapping against a child, where the offense was committed as part of a ceremony, rite, or any similar observance (subd. (a), Sec. 667.83, Pen. C.).

(8) Commission of any specified felony sex offense by a primary care provider in a day care facility against a minor entrusted to his or her care while voluntarily acting in concert with another (subd. (b), Sec. 674, Pen. C.).

(9) Commission or attempted commission of a felony while armed with an assault weapon or a machinegun (para. (2), subd. (a), Sec. 12022, Pen. C.).

(10) Taking, damaging, or destroying any property in the commission or attempted commission of a felony with the intent to cause that taking, damage, or destruction when the loss exceeds one million dollars ($1,000,000) (para. (3), subd. (a), Sec. 12022.6, Pen. C.).

(11) Personally inflicting great bodily injury on any person other than an accomplice in the commission or attempted commission of a felony (subd. (a), Sec. 12022.7, Pen. C.).

(12) Administering by injection, inhalation, ingestion, or any other means, any specified controlled substance against the victim's will by means of force, violence, or fear of immediate and unlawful bodily injury to the victim or another person for the purpose of committing a felony (Sec. 12022.75, Pen. C.).

(13) Commission of any specified sex offense with knowledge that the defendant has acquired immune deficiency syndrome (AIDS) or with the knowledge that he or she carries antibodies of the human immunodeficiency virus at the time of the commission of the offense (Sec. 12022.85, Pen. C.).

(14) Inducing another person to commit a drug offense as part of the drug transaction for which the defendant is convicted when the value of the controlled substance involved exceeds five million dollars ($5,000,000) (para. (3), subd. (a), Sec. 11356.5, H.& S.C.).

(15) Prior conviction of any specified drug offense with current conviction of any specified drug offense (subds. (a), (b), and (c), Sec. 11370.2, H.& S.C.).

(16) Commission of any specified drug offense involving a substance containing heroin, cocaine base, cocaine, methamphetamine, amphetamine, or phencyclidine (PCP), when

the substance exceeds one kilogram or 30 liters (para. (1), subd. (a), and para. (1), subd. (b), Sec. 11370.4, H.& S.C.).

(17) Manufacturing, compounding, converting, producing, deriving, processing, or preparing any substance containing amphetamine, methamphetamine, or phencyclidine (PCP) or its analogs or precursors, or attempting to commit any of those acts, when the substance exceeds three gallons or one pound (para. (1), subd. (a), Sec. 11379.8, H.& S.C.).

(18) Four or more prior convictions of specified alcohol-related vehicle offenses with current conviction of driving under the influence and causing great bodily injury (subd. (c), Sec. 23190, Veh. C.).

(h) The provisions listed in this subdivision imposing a sentence enhancement of three, four, or five years' imprisonment in the state prison may be referenced as Schedule H.

(1) Commission of felony arson with prior conviction of arson or unlawfully starting a fire, or causing great bodily injury to a firefighter, peace officer, other emergency personnel, or multiple victims, or causing the burning of multiple structures, or using an accelerator or ignition delay device (subd. (a), Sec. 451.1, Pen. C.).

(2) Commission or attempted commission of any specified drug offense while personally armed with a firearm (subd. (c), Sec. 12022, Pen. C.).

(3) Personally inflicting great bodily injury under circumstances involving domestic violence in the commission or attempted commission of a felony (subd. (d), Sec. 12022.7, Pen. C.).

(4) Commission of any specified drug offense involving cocaine base, heroin, or methamphetamine, or a conspiracy to commit any of those offenses, upon the grounds of, or within 1,000 feet of, a school during school hours or when minors are using the facility (subd. (b), Sec. 11353.6, H.& S.C.).

(5) Commission of any specified drug offense involving cocaine base, heroin, or methamphetamine, or a conspiracy to violate any of those offenses, involving a minor who is at least four years younger than the defendant (subd. (c), Sec. 11353.6, H.& S.C.).

(i) The provisions listed in this subdivision imposing a sentence enhancement of 3, 4, or 10 years' imprisonment in the state prison may be referenced as Schedule I.

(1) Commission or attempted commission of any felony while armed with a firearm and in the immediate possession of ammunition for the firearm designed primarily to penetrate metal or armor (subd. (a), Sec. 12022.2, Pen. C.).

(2) Commission or attempted commission of any specified sex offense while using a firearm or deadly weapon (subd. (a), Sec. 12022.3, Pen. C.).

(3) Commission or attempted commission of a felony while personally using a firearm (para. (1), subd. (a), Sec. 12022.5, Pen. C.).

(4) Commission or attempted commission of any specified drug offense while personally using a firearm (subd. (c), Sec. 12022.5, Pen. C.).

(j) The provisions listed in this subdivision imposing a sentence enhancement of four years' imprisonment in the state prison may be referenced as Schedule J.

(1) Money laundering when the value of transactions exceeds two million five hundred thousand dollars ($2,500,000) (subpara. (D), para. (1), subd. (c), Sec. 186.10, Pen. C.).

(2) Prior conviction of willfully inflicting upon a child any cruel or inhuman corporal punishment or injury resulting in a traumatic condition with current conviction of that offense (subd. (b), Sec. 273d, Pen. C.).

(3) Taking, damaging, or destroying any property in the commission or attempted commission of a felony with the intent to cause that taking, damage, or destruction when the loss exceeds two million five hundred thousand dollars ($2,500,000) (para. (4), subd. (a), Sec. 12022.6, Pen. C.).

(4) Personally, willfully, and maliciously discharging a firearm from a motor vehicle at another person other than an occupant of a motor vehicle and causing a victim to suffer paralysis or paraparesis of a major body part (para. (1), subd. (b), Sec. 12022.9, Pen. C.).

(5) Personally, willfully, and maliciously discharging a firearm from a motor vehicle at another occupied motor vehicle and causing a victim to suffer paralysis or paraparesis of a major body part (para. (2), subd. (b), Sec. 12022.9, Pen. C.).

(6) Willfully causing or permitting any child to suffer, or inflicting on the child unjustifiable physical pain or injury that results in death under circumstances or conditions likely to produce great bodily harm or death, or, having the care or custody of any child, willfully causing or permitting that child to be injured or harmed under circumstances likely to produce great bodily harm or death, when that injury or harm results in death (Sec. 12022.95, Pen. C.).

(k) The provisions listed in this subdivision imposing a sentence enhancement of 4, 5, or 10 years' imprisonment in the state prison may be referenced as Schedule K.

(1) Commission or attempted commission of a felony while personally using a firearm with prior conviction of carjacking or attempted carjacking (para. (2), subd. (a), Sec. 12022.5, Pen. C.).

(*l*) The provisions listed in this subdivision imposing a sentence enhancement of five years' imprisonment in the state prison may be referenced as Schedule L.

(1) Using sex offender registration information to commit a felony (subd. (q), Sec. 290, and para. (1), subd. (b), Sec. 290.4, Pen. C.).

(2) Commission of elder abuse causing great bodily injury, when the victim is 70 years of age or older (para. (2), subd. (a), Sec. 368, Pen. C.).

(3) Commission of elder abuse causing death (para. (3), subd. (a), Sec. 368, Pen. C.).

(4) Prior conviction of a serious felony with current conviction of a serious felony (para. (1), subd. (a), Sec. 667, Pen. C.).

(5) Prior conviction of any specified sex offense with current conviction of lewd and lascivious acts with a child under 14 years of age (subd. (a), Sec. 667.51, Pen. C.).

(6) Prior conviction of any specified sex offense with current conviction of any of those sex offenses (subd. (a), Sec. 667.6, Pen. C.).

(7) Kidnapping or carrying away any child under 14 years of age with the intent to permanently deprive the parent or legal guardian custody of that child (Sec. 667.85, Pen. C.).

(8) Personally inflicting great bodily injury on any person other than an accomplice in the commission or attempted commission of a felony that causes the victim to become comatose due to a brain injury or to suffer paralysis of a permanent nature (subd. (b), Sec. 12022.7, Pen. C.).

(9) Personally inflicting great bodily injury on another person who is 70 years of age or older other than an accomplice in the commission or attempted commission of a felony (subd. (c), Sec. 12022.7, Pen. C.).

(10) Inflicting great bodily injury on any victim in the commission or attempted commission of any specified sex offense (Sec. 12022.8, Pen. C.).

(11) Personally and intentionally inflicting injury upon a pregnant woman during the commission or attempted commission of a felony that results in the termination of the pregnancy when the defendant knew or reasonably should have known that the victim was pregnant (subd. (a), Sec. 12022.9, Pen. C.).

(12) Using information disclosed to the licensee of a community care facility by a prospective client regarding his or her status as a sex offender to commit a felony (subd. (c), Sec. 1522.01, H.& S.C.).

(13) Commission of any specified drug offense involving a substance containing heroin, cocaine base, cocaine, methamphetamine, amphetamine, or phencyclidine (PCP), when the substance exceeds 4 kilograms or 100 liters (para. (2), subd. (a), and para. (2), subd. (b), Sec. 11370.4, H.& S.C.).

(14) Manufacturing, compounding, converting, producing, deriving, processing, or preparing methamphetamine or phencyclidine (PCP), or attempting to commit any of those acts, or possessing specified combinations of substances with the intent to manufacture either methamphetamine or phencyclidine (PCP), when the commission of the crime causes any child under 16 years of age to suffer great bodily injury (subd. (b), Sec. 11379.7, H.& S.C.).

(15) Manufacturing, compounding, converting, producing, deriving, processing, or preparing any substance containing amphetamine, methamphetamine, or phencyclidine (PCP) or its analogs or precursors, or attempting to commit any of those acts,

when the substance exceeds 10 gallons or three pounds (para. (2), subd. (a), Sec. 11379.8, H.& S.C.).

(16) Fleeing the scene of the crime after commission of vehicular manslaughter (subd. (c), Sec. 20001, Veh. C.).

(m) The provisions listed in this subdivision imposing a sentence enhancement of 5, 6, or 10 years' imprisonment in the state prison may be referenced as Schedule M.

(1) Discharging a firearm at an occupied motor vehicle in the commission or attempted commission of a felony which caused great bodily injury or death to another person (para. (1), subd. (b), Sec. 12022.5, Pen. C.).

(2) Commission or attempted commission of a felony while personally using an assault weapon or a machinegun (para. (2), subd. (b), Sec. 12022.5, Pen. C.).

(3) Discharging a firearm from a motor vehicle in the commission or attempted commission of a felony with the intent to inflict great bodily injury or death and causing great bodily injury or death (Sec. 12022.55, Pen. C.).

(n) The provisions listed in this subdivision imposing a sentence enhancement of seven years' imprisonment in the state prison may be referenced as Schedule N.

(1) Commission of elder abuse causing death, when the victim is 70 years of age or older (para. (3), subd. (a), Sec. 368, Pen. C.).

(o) The provisions listed in this subdivision imposing a sentence enhancement of nine years' imprisonment in the state prison may be referenced as Schedule O.

(1) Kidnapping victim for purpose of committing any specified felony sex offense (subd. (a), Sec. 667.8, Pen. C.).

(p) The provisions listed in this subdivision imposing a sentence enhancement of 10 years' imprisonment in the state prison may be referenced as Schedule P.

(1) Two or more prior prison terms for any specified sex offense with current conviction of any of those sex offenses (subd. (b), Sec. 667.6, Pen. C.).

(2) Commission or attempted commission of any specified felony offense while personally using a firearm (subd. (b), Sec. 12022.53, Pen. C.).

(3) Commission of any specified drug offense involving a substance containing heroin, cocaine base, cocaine, methamphetamine, amphetamine, or phencyclidine (PCP), when the substance exceeds 10 kilograms or 200 liters (para. (3), subd. (a), and para. (3), subd. (b), Sec. 11370.4, H.& S.C.).

(4) Manufacturing, compounding, converting, producing, deriving, processing, or preparing any substance containing amphetamine, methamphetamine, or phencyclidine (PCP) or its analogs or precursors, or attempting to commit any of those acts, when the substance exceeds 25 gallons or 10 pounds (para. (3), subd. (a), Sec. 11379.8, H.& S.C.).

(q) The provisions listed in this subdivision imposing a sentence enhancement of 15 years' imprisonment in the state prison may be referenced as Schedule Q.

(1) Kidnapping victim under 14 years of age for purpose of committing any specified felony sex offense (subd. (b), Sec. 667.8, Pen. C.).

(2) Commission of any specified drug offense involving a substance containing heroin, cocaine base, cocaine, methamphetamine, amphetamine, or phencyclidine (PCP), when the substance exceeds 20 kilograms or 400 liters (para. (4), subd. (a), and para. (4), subd. (b), Sec. 11370.4, H.& S.C.).

(r) The provisions listed in this subdivision imposing a sentence enhancement of 20 years' imprisonment in the state prison may be referenced as Schedule R.

(1) Intentionally and personally discharging a firearm in the commission or attempted commission of any specified felony offense (subd. (c), Sec. 12022.53, Pen. C.).

(2) Commission of any specified drug offense involving a substance containing heroin, cocaine base, or cocaine, when the substance exceeds 40 kilograms (para. (5), subd. (a), Sec. 11370.4, H.& S.C.).

(s) The provisions listed in this subdivision imposing a sentence enhancement of 25 years' imprisonment in the state prison may be referenced as Schedule S.

(1) Commission of any specified drug offense involving a substance containing heroin, cocaine base, or cocaine, when the substance exceeds 80 kilograms (para. (6), subd. (a), Sec. 11370.4, H.& S.C.).

(t) The provisions listed in this subdivision imposing a sentence enhancement of 25 years to life imprisonment in the state prison may be referenced as Schedule T.

(1) Intentionally and personally discharging a firearm in the commission or attempted commission of any specified felony offense and proximately causing great bodily injury to any person other than an accomplice (subd. (d), Sec. 12022.53, Pen. C.).

CHAPTER 396

An act to amend Section 22558 of the Public Utilities Code, relating to the Santa Maria Public Airport District.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 22558 of the Public Utilities Code is amended to read:

22558. In addition to all other powers authorized by this part, the Santa Maria Public Airport District may do both of the following:

(a) Employ airport police officers in accordance with subdivision (d) of Section 830.33 of the Penal Code.

(b) Pursuant to Chapter 4 (commencing with Section 6300) of Division 7 of Title 1 of the Government Code, apply for, establish, operate, and maintain a foreign trade zone and subzones thereto, and allow in the foreign trade zone and the subzones thereto any properties and businesses that are located either within or outside the geographic boundaries of the district and that are located within either the County of Santa Barbara or the County of San Luis Obispo.

SEC. 2. The Legislature finds and declares with respect to Section 1 of this act that a special law is necessary and that a general law cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution as a result of the geographical location of the Santa Maria Public Airport District.

CHAPTER 397

An act to add Section 11019.8 to the Government Code, relating to state government.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 11019.8 is added to the Government Code, to read:

11019.8. (a) All state agencies, as defined in Section 11000, are encouraged and authorized to cooperate with federally recognized California Indian tribes on matters of economic development and improvement for the tribes.

(b) Cooperation by state agencies with federally recognized California Indian tribes may include, but need not be limited to, all of the following:

(1) Providing information on programs available to assist Indian tribes.

(2) Providing technical assistance on the preparation of grants and applications for public and private funds, and conducting meetings and workshops.

(3) Any other steps that may reasonably be expected to assist tribes to become economically self-sufficient.

(c) Cooperation by state agencies on economic development and improvement for federally recognized California Indian tribes, as described in this section, shall not be construed to include activities that promote gambling.

SEC. 2. Notwithstanding Section 7550.5 of the Government Code, the Department of Housing and Community Development shall prepare and submit to the Legislature no later than January 1, 2000, a report summarizing generally the steps taken, and results achieved, by state agencies in cooperating with federally recognized California Indian tribes on matters of economic development and improvement for the tribes, as described in Section 11019.8 of the Government Code, as added by Section 1 of this act.

CHAPTER 398

An act to add Sections 12085 and 12086 to the Penal Code, relating to firearms.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 12085 is added to the Penal Code, to read:

12085. (a) Commencing July 1, 1999, no person, firm, or corporation licensed to manufacture firearms pursuant to Chapter 44 (commencing with Section 921) of Title 18 of the United States Code may manufacture firearms within this state unless licensed pursuant to Section 12086.

(b) Subdivision (a) shall not apply to a person licensed to manufacture firearms pursuant to Chapter 44 (commencing with Section 921) of Title 18 of the United States Code who manufactures fewer than one hundred firearms in a calendar year within this state.

(c) If a person, firm, or corporation required to be licensed pursuant to Section 12086 ceases operations, then the records required pursuant to paragraphs (6) and (10) of subdivision (c) of Section 12086 shall be forwarded to the Federal Bureau of Alcohol, Tobacco, and Firearms within three days of the closure of business.

(d) A violation of this section is a misdemeanor.

(e) (1) As used in this section and Section 12086, the term "firearm" includes the frame or receiver of the weapon.

(2) As used in this section and Section 12086, the term "firearm" includes the unfinished frame or receiver of a weapon that can be readily converted to the functional condition of a finished frame or receiver.

(3) For purposes of this section and Section 12086, the term "firearm" does not include an unloaded firearm which is defined as

an "antique firearm" in paragraph (16) of subsection (a) of Section 921 of Title 18 of the United States Code.

SEC. 2. Section 12086 is added to the Penal Code, to read:

12086. (a) (1) As used in this section, "licensee," means a person, firm, or corporation that satisfies both of the following:

(A) Has a license issued pursuant to paragraph (2) of subdivision (b).

(B) Is among those recorded in the centralized list specified in subdivision (f).

(2) As used in this section, "department" means the Department of Justice.

(b) (1) The Department of Justice shall accept applications for, and shall grant licenses permitting, the manufacture of firearms within this state. The department shall inform applicants who are denied licenses of the reasons for the denial in writing.

(2) No license shall be granted by the department unless and until the applicant presents proof that he or she has all of the following:

(A) A valid license to manufacture firearms issued pursuant to Chapter 44 (commencing with Section 920) of Title 18 of the United States Code.

(B) Any regulatory or business license, or licenses, required by local government.

(C) A valid seller's permit or resale certificate issued by the State Board of Equalization, if applicable.

(D) A certificate of eligibility issued by the Department of Justice pursuant to paragraph (4) of subdivision (a) of Section 12071.

(3) The department shall adopt regulations to administer this section and Section 12085 and shall recover the full costs of administering the program by collecting fees from license applicants. Recoverable costs shall include, but not be limited to, the costs of inspections and maintaining a centralized list of licensed firearm manufacturers. The fee for licensed manufacturers who produce fewer than 500 firearms in a calendar year within this state shall not exceed two hundred fifty dollars ($250) per year or the actual costs of inspections and maintaining a centralized list of firearm manufacturers and any other duties of the department required pursuant to this section and Section 12085, whichever is less.

(4) A license granted by the department shall be valid for no more than one year from the date of issuance and shall be in the form prescribed by the Attorney General.

(c) A licensee shall comply with the following prohibitions and requirements:

(1) The business shall be conducted only in the buildings designated in the license.

(2) The license or a copy thereof, certified by the department, shall be displayed on the premises where it can easily be seen.

(3) Whenever a licensee discovers a firearm to be stolen or missing from the licensee's premises, the licensee shall report the loss or theft within 48 hours of the discovery to all of the following:

(A) The Department of Justice, in a manner prescribed by the department.

(B) The Bureau of Alcohol, Tobacco, and Firearms.

(C) The police department in the city or city and county where the building designated in the license is located.

(D) If there is no police department in the city or city and county where the building designated in the license is located, the sheriff of the county where the building designated in the license is located.

(4) (A) The licensee shall require that each employee obtain a certificate of eligibility pursuant to paragraph (4) of subdivision (a) of Section 12071, which shall be renewed annually, prior to being allowed to come into contact with any firearm.

(B) The licensee shall prohibit any employee who the licensee knows or reasonably should know is within a class of persons prohibited from possessing firearms pursuant to Section 12021 or 12021.1 of this code, or Section 8100 or 8103 of the Welfare and Institutions Code, from coming into contact with any firearm.

(5) (A) Each firearm the licensee manufactures in this state shall be identified with a unique serial number stamped onto the firearm utilizing the method of compression stamping.

(B) Licensed manufacturers who produce fewer than 500 firearms in a calendar year within this state may serialize long guns only by utilizing a method of compression stamping or by engraving the serial number onto the firearm.

(C) The licensee shall stamp the serial number onto the firearm within one business day of the time the receiver or frame is manufactured.

(D) The licensee shall not use the same serial number for more than one firearm.

(6) (A) The licensee shall record the type, model, caliber, or gauge, and serial number of each firearm manufactured or acquired, and the date of the manufacture or acquisition, within one business day of the manufacture or acquisition.

(B) The licensee shall maintain permanently within the building designated in the license the records required pursuant to subparagraph (A).

(C) Backup copies of the records described in subparagraph (A), whether electronic or hard copy, shall be made at least once a month. These backup records are to be maintained in a facility separate from the one in which the primary records are stored.

(7) (A) The licensee shall allow the department to inspect the building designated in the license to ensure compliance with the requirements of this section.

(B) The licensee shall allow any peace officer, authorized law enforcement employee, or Department of Justice employee

designated by the Attorney General, upon the presentation of proper identification, to inspect facilities and records during business hours to ensure compliance with the requirements of this section.

(8) The licensee shall store in a secure facility all firearms manufactured and all barrels for firearms manufactured.

(9) (A) The licensee shall notify the chief of police or other head of the municipal police department in the city or city and county where the building designated in the license is located that the licensee is manufacturing firearms within that city or city and county and the location of the licensed premises.

(B) If there is no police department in the city or city and county where the building designated in the license is located, the licensee shall notify the sheriff of the county where the building designated in the license is located that the licensee is manufacturing firearms within that county and the location of the licensed premises.

(10) The licensee shall maintain records as prescribed by the department of all firearms that are lost or stolen and maintain the same for at least 10 years.

(d) Except as otherwise provided in subdivision (e), as used in this section, a "secure facility" means that the facility satisfies all of the following:

(1) The facility is equipped with a burglar alarm with central monitoring.

(2) All perimeter entries to areas in which firearms are stored other than doors, including windows and skylights, are secured with steel window guards or an audible, silent, or sonic alarm to detect entry.

(3) All perimeter doorways are designed in one of the following ways:

(A) A windowless steel security door equipped with both a deadbolt and a doorknob lock.

(B) A windowed metal door equipped with both a deadbolt and a doorknob lock. If the window has an opening of five inches or more measured in any direction, the window is covered with steel bars of at least one-half inch diameter or metal grating of at least nine gauge affixed to the exterior or interior of the door.

(C) A metal grate that is padlocked and affixed to the licensee's premises independent of the door and doorframe.

(D) Hinges and hasps attached to doors by welding, riveting, or bolting with nuts on the inside of the door.

(E) Hinges and hasps installed so that they cannot be removed when the doors are closed and locked.

(4) Heating, ventilating, air-conditioning, and service openings are secured with steel bars, metal grating, or an alarm system.

(5) No perimeter metal grates capable of being entered by any person.

(6) Steel bars used to satisfy the requirements of this subdivision are not capable of being entered by any person.

(7) Perimeter walls of rooms in which firearms are stored are constructed of concrete or at least 10-gauge expanded steel wire mesh utilized along with typical wood frame and drywall construction. If firearms are not stored in a vault, the facility shall use an exterior security-type door along with a high security, single-key deadbolt, or other door that is more secure. All firearms shall be stored in a separate room away from any general living area or work area. Any door to the storage facility shall be locked while unattended.

(8) Perimeter doorways, including the loading dock area, are locked at all times when not attended by paid employees or contracted employees, including security guards.

(9) Except when a firearm is currently being tested, any ammunition on the premises is removed from all manufactured guns and stored in a separate and locked room, cabinet, or box away from the storage area for the firearms. Ammunition may be stored with a weapon only in a locked safe.

(e) For purposes of this section, any licensed manufacturer who produces fewer than 500 firearms in a calendar year within this state may maintain a "secure facility" by complying with all of the requirements described in subdivision (d), or may design a security plan which shall be approved by the Department of Justice or the Federal Bureau of Alcohol, Tobacco, and Firearms.

(1) If a security plan is approved by the Federal Bureau of Alcohol, Tobacco, and Firearms, the approved plan, along with proof of approval, shall be filed with the Department of Justice and the local police department. If there is no police department, the filing shall be with the county sheriff's office.

(2) If a security plan is approved by the Department of Justice, the approved plan, along with proof of approval, shall be filed with the local police department. If there is no police department, the filing shall be with the county sheriff's office.

(f) (1) Except as otherwise provided in this subdivision, the Department of Justice shall maintain a centralized list of all persons licensed pursuant to paragraph (2) of subdivision (b). The centralized list shall be provided annually to each police department and county sheriff within the state.

(2) Except as provided in paragraph (3), the license of any licensee who violates this section may be revoked.

(3) The license of any licensee who knowingly or with gross negligence violates this section or violates this section three times shall be revoked, and that person, firm, or corporation shall become permanently ineligible to obtain a license pursuant to this section.

(g) (1) Upon the revocation of the license, notification shall be provided to local law enforcement authorities in the jurisdiction where the licensee's business is located and to the Federal Bureau of Alcohol, Tobacco, and Firearms.

(2) The department shall make information concerning the location and name of a licensee available, upon request, for the following purposes only:

(A) Law enforcement.

(B) When the information is requested by a person licensed pursuant to Chapter 44 (commencing with Section 921) of Title 18 of the United States Code for determining the validity of the license for firearm shipments.

(3) Notwithstanding paragraph (2), the department shall make the name and business address of a licensee available to any person upon written request.

(h) The Department of Justice shall maintain and make available upon request information concerning the number of inspections conducted and the amount of fees collected pursuant to paragraph (3) of subdivision (b), the number of licensees removed from the centralized list described in subdivision (f), and the number of licensees found to have violated this section.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 399

An act to amend Sections 46003, 75539, 75540, 75632, 75651, 75652, 77918, and 78636 of, and to add Sections 63904, 75602, and 78682 to, the Food and Agricultural Code, relating to agriculture.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 46003 of the Food and Agricultural Code is amended to read:

46003. (a) The secretary shall establish an advisory board, which shall be known as the Organic Food Advisory Board, for the purpose of advising the secretary with respect to his or her responsibilities

under this chapter and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code.

(b) The advisory board shall be comprised of 14 members. Each member may have an alternate. Six members and their alternates shall be producers, at least one of whom shall be a producer of meat, fowl, fish, dairy products, or eggs. Two members and their alternates shall be processors, one member and that member's alternate shall be a handler or a retailer, two members and their alternates shall be consumer representatives, one member and that member's alternate shall be an environmental representative, and two members and their alternates shall be technical representatives with scientific credentials related to agricultural chemicals, toxicology, or food science. Except for the consumer, environmental, and technical representatives, the members of the advisory board and their alternates shall have derived a substantial portion of their business income, wages, or salary from the production, handling, processing, or retailing of food sold as organic for at least three years preceding their appointment to the advisory board. The consumer and environmental representatives and their alternates shall not have a financial interest in the organic food industry and shall be representatives of recognized nonprofit organizations whose principal purpose is the protection of consumer health or protection of the environment. The technical representatives and their alternates shall not have a financial interest in the organic food industry.

(c) An alternate member shall serve at an advisory board meeting only in the absence of, and shall have the same powers and duties as, the member for whom he or she is designated as alternate, except for duties and powers as an officer of the board. The number of alternates present who are not serving in the capacity of a member shall not be considered in determining a quorum.

(d) An alternate member shall serve at an advisory board subcommittee meeting only in the absence of, and shall have the same powers and duties as, the member for whom he or she is designated as alternate, except for duties and powers as a subcommittee chairperson.

(e) The members of the advisory board and their alternates described in subdivision (b) shall be reimbursed for the reasonable expenses actually incurred in the performance of their duties, as determined by the advisory board and approved by the secretary.

(f) The State Director of Health Services, or his or her representative, and a county agricultural commissioner shall be appointed as ex officio members of the advisory board.

SEC. 2. Section 63904 is added to the Food and Agricultural Code, to read:

63904. The Legislature finds and declares that the councils and commissions operating pursuant to this division are duly constituted

authorities of this state for purposes of subdivision (i) of Section 610 of Title 7 of the United States Code.

SEC. 3. Section 75539 of the Food and Agricultural Code is amended to read:

75539. The term of office of each member, except ex officio members, is four years, commencing with the beginning of the marketing year following his or her election and until a qualified successor is elected or appointed, unless the term is earlier terminated pursuant to subdivision (e) of Section 75531 in accordance with procedures established by the commission.

SEC. 4. Section 75540 of the Food and Agricultural Code is amended to read:

75540. The terms of office of each member shall be limited to four consecutive terms.

SEC. 5. Section 75602 is added to the Food and Agricultural Code, to read:

75602. (a) In order to prevent unfair trade practices, which are detrimental to California's apple industry, including, but not limited to, deception and misinformation, the commission may collect and disseminate to any and all interested persons, handler F.O.B. market price information based on sales that have occurred.

(b) The identity of each handler reporting information and the information reported pursuant to this section shall be kept confidential and not made public by the commission under any circumstances. Information that gives industry totals, averages, and other similar data may be disclosed by the commission.

(c) The procedure for the collection and dissemination of the information pursuant to this section shall be approved by the secretary.

SEC. 6. Section 75632 of the Food and Agricultural Code is amended to read:

75632. Every handler shall keep a complete and accurate record of all apples handled. The records shall be in simple form and contain information as the commission shall prescribe including, but not limited to, market price information and the names and addresses of the producers whose apples were packed or marketed. The records shall be retained by the handler for two years and shall be offered and submitted for inspection at any reasonable time upon written demand of the commission or its duly authorized agent.

SEC. 7. Section 75651 of the Food and Agricultural Code is amended to read:

75651. Every five years after the implementation of this chapter, or every fifth year after an industry-petitioned referendum pursuant to Section 75654, the secretary shall hold a hearing to determine whether the operation of this chapter should be continued. If the secretary finds after the hearing that a substantial question exists among eligible producers regarding whether the operation of this chapter should be continued, the secretary shall submit the chapter

to a reapproval referendum. If a reapproval referendum is required, the operation of this chapter shall be continued in effect if the secretary finds that a majority of the eligible producers voting in the referendum voted in favor of continuing this chapter. No bond or security shall be required for the referendum.

SEC. 8. Section 75652 of the Food and Agricultural Code is amended to read:

75652. If the secretary finds after conducting a hearing that no substantial question exists regarding whether the operation of this chapter should be continued or that a favorable vote has been given in a referendum, the secretary shall so certify and this chapter shall remain operative. If the secretary finds that a favorable vote has not been given, he or she shall so certify and declare the operation of this chapter and the commission suspended upon the expiration of the then current marketing year. Thereupon, the operations of the commission shall be concluded and the funds distributed in the manner provided in Section 75655.

SEC. 9. Section 77918 of the Food and Agricultural Code is amended to read:

77918. (a) "Producer" means any person in this state who grows flowers for market and who, upon request, provides proof of commodity sale. "Producer" does not include any person who has grown less than a gross value of two hundred fifty thousand dollars ($250,000) of flowers in the preceding marketing year.

(b) The dollar amount specified in subdivision (a) may be increased by vote of two-thirds of the membership of the commission.

(c) The dollar amount specified in subdivision (a) may be decreased only if approved by referendum pursuant to Sections 77970 to 77974, inclusive. For purposes of a referendum conducted pursuant to this subdivision, the term "producer" in Sections 77970 to 77974, inclusive, includes persons who would become subject to this chapter if the referendum is approved.

SEC. 10. Section 78636 of the Food and Agricultural Code is amended to read:

78636. (a) "Tomatoes" means all tomatoes that are produced for commercial purposes and are handled within the state in fresh form, except cherry tomatoes, tomatoes grown in a greenhouse either under glass or plastic, and hydroponically grown tomatoes.

(b) For purposes of this section, "hydroponically grown tomatoes" means tomatoes grown in water or another liquid solution.

SEC. 11. Section 78682 is added to the Food and Agricultural Code, to read:

78682. The commission may administer any government program that is engaged in the activities authorized by this chapter and that directly and exclusively affects the fresh tomato industry, upon the request of an authorized agent of the program.

CHAPTER 400

An act relating to education, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 24, 1998. Filed with Secretary of State August 24, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The unencumbered balance of the funds appropriated in subdivision (aa) of Section 41 of Chapter 299 of the Statutes of 1997 is hereby reappropriated to the Superintendent of Public Instruction for allocation to the Montebello Unified School District for the same purposes as set forth in subdivision (aa) of Section 41 of Chapter 299 of the Statutes of 1997.

SEC. 2. The funds allocated by paragraph (1) of subdivision (j) of Section 1 of Chapter 889 of the Statutes of 1997, in addition to the purposes set forth in that paragraph, are also allocated for capital outlay and startup.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement the Budget Act of 1997 with respect to public schools and community colleges, and to effectively utilize the appropriation made in subdivision (aa) of Section 41 of Chapter 299 of the Statutes of 1997 during the 1997–98 fiscal year, it is necessary that this act take effect immediately.

CHAPTER 401

An act to add Chapter 2.2 (commencing with Section 328) to Part 1 of Division 1 of the Public Utilities Code, relating to the Public Utilities Commission, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 25, 1998. Filed with Secretary of State August 25, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Chapter 2.2 (commencing with Section 328) is added to Part 1 of Division 1 of the Public Utilities Code, to read:

CHAPTER 2.2. NATURAL GAS RESTRUCTURING

328. The commission may investigate issues associated with the further restructuring of natural gas services beyond decisions made prior to July 1, 1998. If the commission determines that further natural gas industry restructuring for core customers, as considered in Rulemaking 98-01-011, including, but not limited to, opening or changing competitive markets, establishing consumer protection standards, or unbundling costs, rates or services, is in the public interest, the commission shall submit its findings and recommendations to the Legislature. Prior to January 1, 2000, the commission shall not enact any such gas industry restructuring decisions. Any commission natural gas restructuring decisions for core customers, as considered in Rulemaking 98-01-011 enacted prior to the effective date of this section, but after July 1, 1998, shall not be enforced.

SEC. 2. It is the intent of the Legislature in enacting this act to make the necessary statutory changes to implement the Budget Act of 1998 relative to the Public Utilities Commission.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make the necessary statutory changes to implement the Budget Act of 1998 at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 402

An act to amend Sections 56705 and 56706 of the Government Code, relating to local government, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 26, 1998. Filed with Secretary of State August 26, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 56705 of the Government Code is amended to read:

56705. (a) Except as otherwise provided in subdivision (b), no petition shall be accepted for filing unless the signatures on the petition are secured within six months of the date on which the first signature on the petition was affixed and the petition is submitted to the executive officer for filing within 60 days after the last signature is affixed. If the elapsed time between the date on which the last signature is affixed and the date on which the petition is submitted

for filing is more than 60 days, the executive officer shall file the petition in accordance with Section 56709.

(b) (1) Notwithstanding subdivision (a), in cities with a population of more than 100,000 residents that are located in a county with a population of over 4,000,000, no petition shall be accepted for filing unless the signatures thereon have been secured within 90 days of the publication of the notice required pursuant to Section 56700.5 and the petition is submitted to the executive officer for filing within 60 days after the last signature is affixed. If the elapsed time between the date on which the last signature is affixed and the date on which the petition is submitted for filing is more than 60 days, the executive officer shall file the petition in accordance with Section 56709.

(2) This subdivision shall not apply to a petition for a special reorganization, as defined in Section 56075.5. Subdivision (a) shall apply to a special reorganization, as defined in Section 56075.5, regardless of the number of residents in the city or county in which signatures have been secured on the petition. This paragraph is declaratory of existing law.

SEC. 2. Section 56706 of the Government Code is amended to read:

56706. (a) Within 30 days after the date of receiving a petition, the executive officer shall, if any processing fee established pursuant to Section 56383 has been paid, cause the petition to be examined and shall prepare a certificate of sufficiency indicating whether the petition is signed by the requisite number of signers.

(b) (1) Except as provided in paragraph (2), if the certificate of the executive officer shows the petition to be insufficient, the executive officer shall immediately give notice by certified mail of the insufficiency to the chief petitioners, if any. That mailed notice shall state in what amount the petition is insufficient. Within 15 days after the date of the notice of insufficiency, a supplemental petition bearing additional signatures may be filed with the executive officer.

(2) Notwithstanding paragraph (1), the proponents of the petition may, at their option, collect signatures for an additional 15 days immediately following the statutory period allowed for collecting signatures without waiting for notice of insufficiency. Any proponent choosing to exercise this option may not file a supplemental petition as provided in paragraph (1).

(c) Within 10 days after the date of filing a supplemental petition, the executive officer shall examine the supplemental petition and certify in writing the results of his or her examination.

(d) A certificate of sufficiency shall be signed by the executive officer and dated. That certificate shall also state the minimum signature requirements for a sufficient petition and show the results of the executive officer's examination. The executive officer shall mail a copy of the certificate of sufficiency to the chief petitioners, if any.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order for proponents of special reorganization petitions currently in circulation to know the length of time during which signatures may be collected, it is necessary that this act take effect immediately.

CHAPTER 403

An act to amend Section 51201.5 of, and to add Sections 51554 and 51555 to, the Education Code, relating to education.

[Approved by Governor August 26, 1998. Filed with Secretary of State August 26, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 51201.5 of the Education Code is amended to read:

51201.5. (a) Commencing in the 1992–93 school year, school districts shall ensure that all pupils in grades 7 to 12, inclusive, or the equivalent thereof, except as otherwise provided in subdivision (c), receive AIDS prevention instruction from adequately trained instructors in appropriate courses. Each pupil shall receive the instruction at least once in junior high or middle school and once in high school. For purposes of this subdivision, "school district" includes county boards of education, county superintendents of schools, and the State Schools for the Handicapped.

(b) The required AIDS prevention instruction shall accurately reflect the latest information and recommendations from the United States Surgeon General, federal Centers for Disease Control, and the National Academy of Sciences, and shall include the following:

(1) Information on the nature of AIDS and its effects on the human body.

(2) Information on how the human immunodeficiency virus (HIV) is and is not transmitted, including information on activities that present the highest risk of HIV infection.

(3) Discussion of methods to reduce the risk of HIV infection. This instruction shall emphasize that sexual abstinence, monogamy, the avoidance of multiple sexual partners, and abstinence from intravenous drug use are the most effective means for AIDS prevention, but shall also include statistics based upon the latest medical information citing the failure and success rates of condoms and other contraceptives in preventing sexually transmitted HIV infection and information on other methods that may reduce the risk

of HIV transmission from intravenous drug use. Nothing in this section shall be construed to supersede Section 51553.

(4) Discussion of the public health issues associated with AIDS.

(5) Information on local resources for HIV testing and medical care.

(6) Development of refusal skills to assist pupils to overcome peer pressure and use effective decisionmaking skills to avoid high-risk activities.

(7) Discussion about societal views on AIDS, including stereotypes and myths regarding persons with AIDS. This instruction shall emphasize compassion for persons suffering from debilitating handicaps and terminal diseases, like AIDS.

(c) AIDS prevention instruction may not be conducted in a manner that advocates drug use, a particular sexual practice, or sexual activities. AIDS prevention instruction shall be consistent with Section 51553.

(d) At the beginning of each school year or, with respect to a pupil who enrolls in a school after the beginning of the school year, at the time of that pupil's enrollment, the governing board of each school district, each county board of education, and each county superintendent of schools, as applicable, shall provide the parent or guardian of each pupil in grades 7 to 12, inclusive, or the equivalent thereof, with written notice explaining the purpose of the AIDS prevention instruction and information stating the parent or guardian's right to request a copy of this section and Section 51553, related to AIDS prevention instruction. The governing board of each school district, each county board of education, and each county superintendent of schools, as applicable, shall keep on file copies of this section and Section 51553. The Superintendent of Public Instruction shall provide the parent or guardian of each pupil in grades 7 to 12, inclusive, or the equivalent thereof, in the State Schools for the Handicapped with written notice explaining the purpose of the AIDS prevention instruction.

(1) The notice shall specify that any parent or guardian may request that his or her child or ward not receive instruction in AIDS prevention. No pupil shall attend the AIDS prevention instruction if a written request that he or she not attend has been received by the school. For the governing boards of school districts, this notification shall accompany the reporting of rights and responsibilities required by Section 48980.

(2) If authorized by the school district governing board, a school district may require parental consent prior to providing instruction on AIDS prevention to any minor pupil.

(3) Any time an outside organization or guest speaker is scheduled to deliver AIDS prevention instruction, or any time an assembly is held to deliver AIDS prevention instruction, notification shall be sent to the pupil's parents or legal guardians through regular United States mail, or any other method that the school district, county board

of education, or county superintendent of schools, as applicable, commonly uses to communicate individually in writing to all parents or guardians, at the beginning of the school year or, with respect to a pupil who enrolls in a school after the beginning of the school year, at the time of that pupil's enrollment. If arrangements for this instruction are made after these occurrences, notice shall be mailed, or provided by the alternative method of notification otherwise commonly used, no fewer than 10, and no more than 15, days before the instruction is delivered. Notification sent pursuant to this paragraph shall include the date of the instruction, the name of the organization or affiliation of each guest speaker, and information stating the parent or guardian's right to request a copy of this section and Section 51553, related to AIDS prevention instruction. The governing board of each school district, each county board of education, and each county superintendent of schools, as applicable, shall keep on file copies of this section and Section 51553.

(e) All school districts shall ensure all of the following:

(1) That instructional materials related to this instruction are available.

(2) That these instructional materials are appropriate for use with pupils of various ages and learning abilities.

(3) That these instructional materials may be used effectively with pupils from a variety of ethnic, cultural, and linguistic backgrounds, and special needs.

(f) A pupil shall not be subject to disciplinary action, academic penalty, or other sanction if the pupil's parent or guardian declines to permit the pupil to receive the instruction described in subdivision (a) and the pupil does not receive the instruction.

(g) While the instruction described in subdivision (a) is being delivered, an alternative educational activity shall be made available to pupils whose parents or guardians have requested that they not receive the instruction described in subdivision (a).

SEC. 2. Section 51554 is added to the Education Code, to read:

51554. (a) Unless a pupil's parent or guardian has been sent written notification through regular United States mail, or any other method that the school district, county board of education, or county superintendent of schools, as applicable, commonly uses to communicate individually in writing to all parents or guardians, at the beginning of the school year or, with respect to a pupil who enrolls in a school after the beginning of the school year, at the time of that pupil's enrollment, a pupil shall not receive instruction on sexually transmitted diseases, AIDS, human sexuality, or family life, that is delivered by an outside organization or guest speakers brought in specifically to provide that instruction, whether the guest speakers are brought in to lecture, distribute information, show a videotape, act out, conduct an activity involving pupil participation, or provide audio material on these subjects. Notification sent pursuant to this section shall include the date of the instruction, the name of the

organization or affiliation of each guest speaker, and information stating the parent or guardian's right to request a copy of Sections 51201.5 and 51553, related to AIDS prevention instruction. The governing board of each school district, each county board of education, and each county superintendent of schools, as applicable, shall keep on file copies of this section and Section 51553. If arrangements for this instruction are made after the written notice required by this section is sent, notice of instruction to be delivered by outside organizations or guest speakers shall be mailed, or provided by the alternative method of notification otherwise commonly used, no fewer than 10, and no more than 15, days before the instruction is delivered. For purposes of this subdivision, "instruction" includes instruction delivered in an individual classroom, before combined classes, or in assemblies.

(b) In the case of instruction that involves presentations on sexually transmitted diseases, AIDS, human sexuality, or family life delivered in an assembly, a pupil shall not receive that instruction if a teacher employed by the school district or administrator employed by the school district delivers that instruction unless the pupil's parent or guardian is notified through regular United States mail, or any other method that the school district, county board of education, or county superintendent of schools, as applicable, commonly uses to communicate individually in writing to all parents or guardians, about the instruction at the beginning of the school year or, with respect to a pupil who enrolls in a school after the beginning of the school year, at the time of that pupil's enrollment. If arrangements for this instruction are made after these occurrences, notice shall be provided no fewer than 10, and no more than 15, days before the instruction is delivered. For purposes of this subdivision, "instruction" includes oral presentations, visual presentations, and activities.

(c) A pupil shall not be subject to a disciplinary action, academic penalty, or other sanction if the pupil's parent or guardian declines to permit the pupil to receive the instruction described in subdivision (a) or (b) and the pupil does not receive the instruction.

(d) During the period of time instruction described in subdivision (a) or (b) is being delivered, an alternative educational activity shall be made available to pupils whose parents or guardians have requested that they not receive the instruction described in subdivision (a) or (b).

SEC. 3. Section 51555 is added to the Education Code, to read:

51555. Before a pupil who is enrolled in kindergarten or any of grades 1 to 6, inclusive, receives instruction on sexually transmitted diseases, AIDS, human sexuality, or family life, the governing board of each school district, each county board of education, and each county superintendent of schools, as applicable, shall provide the parent or guardian of each pupil with written notice explaining that the instruction will be given and information stating the parent or

guardian's right to request a copy of Sections 51201.5 and 51553, related to AIDS prevention instruction. The governing board of each school district, each county board of education, and each county superintendent of schools, as applicable, shall keep on file copies of this section and Section 51553. Sending the required notice through the regular United States mail, or any other method that the school district, county board of education, or county superintendent of schools, as applicable, commonly uses to communicate individually in writing to all parents or guardians, meets the notification requirement of this paragraph.

SEC. 4. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 404

An act to amend Sections 15200.75, 15200.81, and 15200.95 of, and to repeal Section 15200.91 of, the Welfare and Institutions Code, relating to human services.

[Approved by Governor August 26, 1998. Filed with Secretary of State August 26, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 15200.75 of the Welfare and Institutions Code is amended to read:

15200.75. (a) The department shall assess on at least an annual basis each county's compliance with federal and state child support laws and regulations in effect for the time period being reviewed, using a statistically valid sample of cases. The information for the assessment shall be based on reviews conducted by either state or county staff, as determined by the department.

(1) A county shall be eligible for the state incentives under Section 15200.81 only if the department determines that the county is in compliance with all federal and state laws and regulations or if the county has a corrective action plan in place that has been certified by the department pursuant to this subdivision. If a county is

determined not to be in compliance in any compliance issue reviewed, or, after December 31, 1998, if a county fails to have a statistically valid sample of cases for any compliance issue reviewed, and fails to achieve substantial compliance with the cases actually reviewed in that compliance issue, the county may develop and submit a corrective action plan to the department. The department shall certify a corrective action plan if the department determines that the plan will put the county into compliance with federal and state laws and regulations and the county remains in compliance with the corrective action plan. A county shall be eligible for state incentives under Section 15200.81 only for any quarter the county remains in compliance with a corrective action plan that has been certified by the department.

(2) Counties under a corrective action plan shall be assessed on a quarterly basis until the department determines that they are in compliance with federal and state child support program requirements.

(b) The department shall collect information regarding whether cases on behalf of families receiving CalWORKs are disproportionately represented in the portion of each county's case sample that is not in compliance. In the event disproportionate representation is found in a county's pool of noncompliant cases, the department shall require corrective action from that county. However, this corrective action may not affect the county's right to incentives.

(c) This section shall become operative on July 1, 1998.

SEC. 2. Section 15200.81 of the Welfare and Institutions Code is amended to read:

15200.81. (a) For the 1998–99 fiscal year, and for July through September of 1999, the department shall pay to each county a child support incentive payment. Every county shall receive the federal child support incentive. A county shall receive the state child support incentive if it elects to do both of the following:

(1) Comply with the reporting requirements of Section 11475.8 while federal financial participation is available for collecting and reporting data.

(2) Comply with federal and state child support laws and regulations, or has a corrective action plan certified by the department pursuant to Section 15200.75. The combined federal and state incentive payment shall be 13.6 percent of distributed collections. If the amount appropriated by the Legislature for the state incentives is less than the amount necessary to satisfy each county's actual incentives pursuant to this section, each county shall receive its proportional share of incentives.

(b) (1) Beginning October 1, 1999, the department shall pay to each county a child support incentive for child support collections. Every county shall receive the federal child support incentive. In addition to the federal child support incentive, each county may also

receive a state child support incentive. Subject to subdivision (c), a county shall receive the state child support incentive if it elects to do both of the following:

(A) Comply with the reporting requirements of Section 11475.8 while federal financial participation is available for collecting and reporting data.

(B) Be in compliance with federal and state child support laws and regulations, or have a corrective action plan certified by the department pursuant to Section 15200.75. If the amount appropriated by the Legislature for the state incentives is less than the amount necessary to satisfy each county's actual incentives pursuant to this section, each county shall receive its proportional share of the incentives.

(2) (A) For purposes of paragraph (1), the federal incentive component shall be each county's share of the child support incentive payments that the state receives from the federal government, based on the county's collections.

(B) (i) For purposes of this subparagraph, "distributed collections" means collections used to reduce or repay aid that is paid pursuant to this chapter, collections paid to an aided family, collections paid to a nonaided family regardless of the date of collection, collections paid to other child support agencies on behalf of children residing in other states, and any other payments collected that qualify for federal incentives. Beginning October 1, 1999, and thereafter, in determining a county's distributed collections for purposes of determining its state incentives, collections on behalf of aided families are doubled, and collections on behalf of previously aided families are quadrupled.

(ii) For purposes of this subparagraph, each county's incentive rate is calculated as follows:

.034 + (.017 × (the county's welfare performance score) ÷ (the statewide average welfare performance score, weighted by each county's proportion of collections on behalf of children receiving CalWORKs benefits pursuant to Article 6 (commencing with Section 11450) of Chapter 2 in the previous fiscal year)).

(iii) The welfare performance score for each county is calculated as follows:

(The county's collections on behalf of children receiving CalWORKs benefits pursuant to Article 6 (commencing with Section 11450) of Chapter 2 in the previous fiscal year) ÷ (the county's average CalWORKs caseload in the previous fiscal year).

(iv) Each county's state incentive component is calculated as follows:

(The county's incentive rate) × (distributed collections) — (the county's share of the federal incentives).

(c) (1) Beginning October 1, 1999, any county whose performance score is in the bottom quartile of all counties and whose rate of improvement over the prior year is less than the statewide

average shall receive its state incentive only upon accepting technical assistance from the department, as set forth in paragraph (2).

(2) The department, in consultation with experts from other counties, as appropriate, shall conduct a program review of the county's child support program, which shall include a review of the county's management practices, and provide technical assistance. If the county chooses to receive its state incentives under this section, the county shall comply with the recommendations of this review.

(d) Each county shall continue to receive its federal child support incentive funding whether or not it elects to participate in the state child support incentive funding program.

(e) The state child support incentive for any county that elects to receive the incentive shall be at least 4 percent, but no more than 13 percent, of the county's child support collections. This percentage may be increased if future Budget Acts make up for the loss of federal incentives funding.

(f) The department shall provide incentive funds pursuant to this section only during any fiscal year in which funding is provided for that purpose in the Budget Act.

SEC. 3. Section 15200.91 of the Welfare and Institutions Code is repealed.

SEC. 4. Section 15200.95 of the Welfare and Institutions Code is amended to read:

15200.95. (a) Each county shall be responsible for its nonfederal share of administrative expenditures for administering the child support program.

(b) Notwithstanding subdivision (a), effective July 1, 1991, to June 30, 1992, inclusive, counties shall pay the nonfederal share of the administrative costs of conducting the reviews required under Section 15200.8 from the savings counties will obtain as a result of the reduction in the maximum aid payments specified in Section 11450. Effective July 1, 1992, to June 30, 1993, inclusive, the state shall pay the nonfederal share of administrative costs of conducting the reviews required under Section 15200.8. Funding for county costs after June 30, 1993, shall be subject to the availability of funds in the annual Budget Act.

(c) In the event that the federal government does not provide the funding for federal financial participation in administrative costs of the child support program at the scheduled rates of 66 percent for regular federal financial participation and the enhanced rates as specified in federal law as of July 1, 1997, for federal financial participation, the department shall increase the incentive rate authorized under Section 15200.1 to supplant the dollar reduction to federal financial participation.

(1) This increase shall be based on the difference between the estimated dollar reimbursement resulting from the scheduled federal financial participation and the estimated dollar

reimbursement resulting from the reduced federal financial participation rates. This increase to the base incentive rate, when applied to estimated total collections for the state fiscal year, shall approximately equal the federal reduction.

(2) This increase shall be determined annually, and shall apply to total distributed collections as defined in paragraph (1) of subdivision (a) of Section 15200.1.

(3) In no event shall the increased incentive rate exceed 4 percent in any fiscal year.

(4) This increase to the incentive rate shall apply to the period of time in which the federal financial participation rate in administrative expenditures is reduced.

(d) In the event that the federal government imposes a penalty on California's child support program for its failure to implement, by October 1, 1997, an automated child support system, as required by the federal Family Support Act of 1988 (Public Law 100-485), no portion of that penalty shall be assessed against Los Angeles County, unless the child support automation system developed by Los Angeles County fails to interface with California's child support automation system, when functional, except as provided in Chapter 4 (commencing with Section 10080) of Part 1 of Division 9.

CHAPTER 405

An act to amend Sections 7321.5, 7582.8, and 7583.1 of the Business and Professions Code, and to amend Section 44031.5 of the Health and Safety Code, relating to licensing.

[Approved by Governor August 26, 1998. Filed with Secretary of State August 26, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 7321.5 of the Business and Professions Code is amended to read:

7321.5. The board shall admit to examination for a license as a barber to practice barbering, any person who has made application to the board in proper form, paid the fee required by this chapter, and is qualified as follows:

(a) Is not less than 17 years of age.

(b) Has completed the 10th grade in the public schools of this state or its equivalent.

(c) Is not subject to denial pursuant to Section 480.

(d) Has done any of the following:

(1) Completed a course in barbering from a school approved by the board.

(2) Completed an apprenticeship program in barbering approved by the board as conducted under the provisions of the Shelley-Maloney Apprentice Labor Standards Act of 1939, Chapter 4 (commencing with Section 3070) of Division 3 of the Labor Code.

(3) Practiced barbering as defined in this chapter outside of this state for a period of time equivalent to the study and training of a qualified person who has completed a course in barbering from a school the curriculum of which complied with requirements adopted by the board. Each three months of practice shall be deemed the equivalent of 100 hours of training for qualification under paragraph (1).

(4) Holds a license as a cosmetologist in this state and has completed a barber crossover course in a school approved by the board.

(5) Completed a cosmetology course in a school approved by the board and has completed a barber crossover course in a school approved by the board.

(6) Completed comparable military training as documented by submission of Verification of Military Experience and Training (V-MET) records.

SEC. 2. Section 7582.8 of the Business and Professions Code is amended to read:

7582.8. Before an application for a license or registration is granted, the applicant for a license or his or her manager or the applicant for a security guard registration shall meet all of the following:

(a) Be at least 18 years of age.

(b) Not have committed acts or crimes constituting grounds for denial of a license under Section 480.

(c) Comply with the requirements specified in this chapter for the particular license or registration for which an application is made.

(d) Comply with other qualifications as the director may fix by rule.

(e) In lieu of meeting any other training-related requirements of this section, an applicant may apply for licensure or registration if he or she has completed comparable military training as documented by submission of Verification of Military Experience and Training (V-MET) records.

SEC. 3. Section 7583.1 of the Business and Professions Code is amended to read:

7583.1. (a) An applicant, or his or her manager, for a license as a private patrol operator shall have had at least one year of experience as a patrolperson, guard or watchman, or the equivalent thereof as determined by the director. An applicant shall substantiate the claimed year of qualifying experience and the exact details as to the character and nature thereof by written certifications from the employer, subject to independent verification by the chief as he or she may determine. In the event of inability of an applicant to supply

the written certifications from the employer in whole or in part, applicants may offer other written certifications from other than employers substantiating employment for consideration by the chief.

(b) An individual who, upon the determination of the chief, has served in the armed services and possesses the proper skills may be eligible to take the private patrol operator licensing examination. In that case the chief may waive any other required training courses, as he or she determines. However, if the applicant fails the licensing examination, the chief may not thereafter waive completion of any required training courses.

SEC. 4. Section 44031.5 of the Health and Safety Code is amended to read:

44031.5. (a) No smog check technician may perform tests or make repairs required by this chapter, for compensation, unless qualified by the department for the class and category of vehicle being tested or repaired. To qualify, smog check technicians shall pass a qualification test administered by the department, in addition to meeting prerequisite minimum experience and training criteria established by the department, pursuant to Section 44045.5. Passage of the qualification test shall, and training may, also be required upon each biennial renewal of the smog check technician's license.

(b) The department shall prescribe training and periodic retraining courses for licensed smog check technicians pursuant to Section 44045.6.

(c) Whenever the department determines, through investigation, that a previously qualified smog check technician may lack the skills to reliably and accurately perform the test or repair functions within the required qualification, the department may prescribe for the technician one or more retraining courses which have been certified by the department. The smog check technician may request and be granted a hearing, pursuant to Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, on the department's determination. The request for a hearing shall be submitted within 30 days of the department's notification of its determination. A failure to complete the prescribed retraining course within the time designated by the department, or to request a hearing within 30 days of the department's notification of its determination, shall result in loss of qualification. Upon a later completion of the prescribed department certified retraining course, the department may reinstate the smog check technician's qualification.

(d) Smog check technicians shall have the option to do hands-on work in lieu of written work in order to successfully complete the department certified training and retraining courses or may complete comparable military training as documented by submission of Verification of Military Experience and Training (V-MET) records in lieu of meeting any other training-related requirements of this section.

(e) The institution administering the department certified training or retraining courses shall issue a certificate of completion to each person who successfully completes the certified courses. The certificate shall be valid for one year.

(f) The department may, by regulation, establish procedures relating to the issuance and use of photo identification cards for licensed technicians.

CHAPTER 406

An act to amend Sections 26863, 68090.7, and 77212 of, to amend, repeal, and add Section 77201.1 of, to add Section 77201 to, and to add and repeal Section 77201.3 of, the Government Code, and to amend Section 100 of the Welfare and Institutions Code, relating to trial court funding, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 26, 1998. Filed with Secretary of State August 26, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 26863 of the Government Code is amended to read:

26863. (a) The board of supervisors of any county may provide for an additional fee of one dollar ($1) for filings in a civil action or proceeding, as specified in Section 68090.7, to defray the cost of automating the trial court recordkeeping system and conversion of the trial court document storage system to micrographics.

(b) The board of supervisors may increase this additional fee to not more than three dollars ($3) if it expends an additional, matching amount from the county general fund, equal to the revenue derived from the increase, exclusively to pay the costs of automating the trial court recordkeeping system or converting the trial court's document system to micrographics, or both.

(c) Upon completion of the automation and conversion, and payment of the costs therefor, the additional fee shall no longer be imposed.

SEC. 2. Section 68090.7 of the Government Code is amended to read:

68090.7. In any county that has established a fee pursuant to Sections 26863 and 72054, the fee shall only apply to the following filings in each civil action or proceeding:

(a) The first paper and papers transmitted from another court, as specified in Sections 26820.4 and 72055.

(b) The first paper on behalf of an adverse party, as specified in Sections 26826 and 72056.

(c) A petition or other paper in a probate, guardianship, or conservatorship matter as specified by Section 26827.

The fee shall not apply to adoptions, appeals from an inferior court, or motions.

Except as otherwise specified by law, all fees collected under this section shall deposited into the trial court operations fund of the county established pursuant to Section 77009, and an amount equal thereto shall be used exclusively to pay the costs of automating the trial court clerk and trial court recordkeeping system or converting the trial court document system to micrographics, or both.

SEC. 3. Section 77201 is added to the Government Code, to read:

77201. (a) Commencing on July 1, 1997, no county shall be responsible for funding court operations, as defined in Section 77003 and Rule 810 of the California Rules of Court as it read on July 1, 1996.

(b) In the 1997–98 fiscal year, each county shall remit to the state in installments due on January 1, April 1, and June 30, the amounts specified in paragraphs (1) and (2), as follows:

(1) Except as otherwise specifically provided in this section, each county shall remit to the state the amount listed below which is based on an amount expended by the respective county for court operations during the 1994–95 fiscal year:

Jurisdiction	Amount
Alameda	$ 42,045,093
Alpine	46,044
Amador	900,196
Butte	2,604,611
Calaveras	420,893
Colusa	309,009
Contra Costa	21,634,450
Del Norte	780,786
El Dorado	3,888,927
Fresno	13,355,025
Glenn	371,607
Humboldt	2,437,196
Imperial	2,055,173
Inyo	546,508
Kern	16,669,917
Kings	2,594,901
Lake	975,311
Lassen	517,921
Los Angeles	291,872,379
Madera	1,242,968
Marin	6,837,518

Mariposa	177,880
Mendocino	1,739,605
Merced	1,363,409
Modoc	114,249
Mono	271,021
Monterey	5,739,655
Napa	2,866,986
Nevada	815,130
Orange	76,567,372
Placer	6,450,175
Plumas	413,368
Riverside	32,524,412
Sacramento	40,692,954
San Benito	460,552
San Bernardino	31,516,134
San Diego	77,637,904
San Francisco	31,142,353
San Joaquin	9,102,834
San Luis Obispo	6,840,067
San Mateo	20,383,643
Santa Barbara	10,604,431
Santa Clara	49,876,177
Santa Cruz	6,449,104
Shasta	3,369,017
Sierra	40,477
Siskiyou	478,144
Solano	10,780,179
Sonoma	9,273,174
Stanislaus	8,320,727
Sutter	1,718,287
Tehama	1,352,370
Trinity	620,990
Tulare	6,981,681
Tuolumne	1,080,723
Ventura	16,721,157
Yolo	2,564,985
Yuba	842,240

(2) Except as otherwise specifically provided in this section, each county shall also remit to the state the amount listed below which is based on an amount of fine and forfeiture revenue remitted to the

state pursuant to Sections 27361 and 76000 of this code, Sections 1463.001 and 1464 of the Penal Code, and Sections 42007, 42007.1, and 42008 of the Vehicle Code during the 1994–95 fiscal year:

Jurisdiction	Amount
Alameda	$12,769,882
Alpine	58,757
Amador	377,005
Butte	1,437,671
Calaveras	418,558
Colusa	485,040
Contra Costa	5,646,329
Del Norte	727,852
El Dorado	1,217,093
Fresno	4,505,786
Glenn	455,389
Humboldt	1,161,745
Imperial	1,350,760
Inyo	878,321
Kern	6,688,247
Kings	1,115,601
Lake	424,070
Lassen	513,445
Los Angeles	89,771,310
Madera	1,207,998
Marin	2,700,045
Mariposa	135,457
Mendocino	948,837
Merced	2,093,355
Modoc	122,156
Mono	415,136
Monterey	3,855,457
Napa	874,219
Nevada	1,378,796
Orange	24,830,542
Placer	2,182,230
Plumas	225,080
Riverside	13,328,445
Sacramento	7,548,829
San Benito	346,451
San Bernardino	11,694,120

San Diego	21,410,586
San Francisco	5,925,950
San Joaquin	4,753,688
San Luis Obispo	2,573,968
San Mateo	7,124,638
Santa Barbara	4,094,288
Santa Clara	15,561,983
Santa Cruz	2,267,327
Shasta	1,198,773
Sierra	46,778
Siskiyou	801,329
Solano	3,757,059
Sonoma	2,851,883
Stanislaus	2,669,045
Sutter	802,574
Tehama	761,188
Trinity	137,087
Tulare	2,299,167
Tuolumne	440,496
Ventura	6,129,411
Yolo	1,516,065
Yuba	402,077

(3) The installment due on January 1 shall be for 25 percent of the amounts specified in paragraphs (1) and (2). The installments due on April 1 and June 30 shall be prorated uniformly to reflect any adjustments made by the Department of Finance, as provided in this section. If no adjustment is made by April 1, 1998, the April 1, 1998, installment shall be for 15 percent of the amounts specified in paragraphs (1) and (2). If no adjustment is made by June 30, 1998, the June 30, 1998, installment shall be for the balance of the amounts specified in paragraphs (1) and (2).

(4) Except as otherwise specifically provided in this section, county remittances specified in paragraphs (1) and (2) shall not be increased in subsequent years.

(5) Any change in statute or rule of court that either reduces the bail schedule or redirects or reduces a county's portion of fee, fine, and forfeiture revenue to an amount that is less than (A) the fees, fines, and forfeitures retained by that county and (B) the county's portion of fines and forfeitures transmitted to the state in the 1994–95 fiscal year, shall reduce that county's remittance specified in paragraph (2) of this subdivision by an equal amount. Nothing in this paragraph is intended to limit judicial sentencing discretion.

(c) The Department of Finance shall adjust the amount specified in paragraph (1) of subdivision (b) that a county is required to submit to the state, pursuant to the following:

(1) A county shall submit a declaration to the Department of Finance, no later than February 15, 1998, that the amount it is required to submit to the state pursuant to paragraph (1) of subdivision (b) either includes or does not include the costs for local judicial benefits which are court operation costs as defined in Section 77003 and Rule 810 of the California Rules of Court. The trial courts in a county that submits such a declaration shall be given a copy of the declaration and the opportunity to comment on the validity of the statements in the declaration. The Department of Finance shall verify the facts in the county's declaration and comments, if any. Upon verification that the amount the county is required to submit to the state includes the costs of local judicial benefits, the department shall reduce on or before June 30, 1998, the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) by an amount equal to the cost of those judicial benefits, in which case the county shall continue to be responsible for the cost of those benefits. If a county disagrees with the Department of Finance's failure to verify the facts in the county's declaration and reduce the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b), the county may request that the Controller conduct an audit to verify the facts in the county's declaration. The Controller shall conduct the requested audit which shall be at the requesting county's expense. If the Controller's audit verifies the facts in the county's declaration, the department shall reduce the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) by an amount equal to the amount verified by the Controller's audit and the state shall reimburse the requesting county for the cost of the audit.

(d) The Department of Finance shall adjust the amount specified in paragraph (1) of subdivision (b) of Section 77201.1 that a county is required to submit to the state, pursuant to the following procedures:

(1) A county may submit a declaration to the Department of Finance, no later than February 15, 1998, that declares that (A) the county incorrectly reported county costs as court operations costs as defined in Section 77003 in the 1994–95 fiscal year, and that incorrect report resulted in the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) being too high, (B) the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) includes amounts that were specifically appropriated, funded, and expended by a county or city and county during the 1994–95 fiscal year to fund extraordinary one-time expenditures for court operation costs, or (C) the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) includes expenses that were funded from

grants or subventions from any source, for court operation costs that could not have been funded without those grants or subventions being available. A county submitting that declaration shall concurrently transmit a copy of the declaration to the trial courts of that county. The trial courts in a county that submits that declaration shall have the opportunity to comment to the Department of Finance on the validity of the statements in the declaration. Upon receipt of the declaration and comments, if any, the Department of Finance shall determine and certify which costs identified in the county's declaration were incorrectly reported as court operation costs or were expended for extraordinary one-time expenditures or funded from grants or subventions in the 1994–95 fiscal year. The Department of Finance shall reduce the amount a county must submit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1 by an amount equal to the amount the department certifies was incorrectly reported as court operations costs or were expended for extraordinary one-time expense or funded from grants or subventions in the 1994–95 fiscal year. If a county disagrees with the Department of Finance's failure to verify the facts in the county's declaration and reduce the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1, the county may request that the Controller conduct an audit to verify the facts in the county's declaration. The Controller shall conduct the requested audit, which shall be at the requesting county's expense. If the Controller's audit verifies the facts in the county's declaration, the department shall reduce the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1 by an amount equal to the amount verified by the Controller's audit and the state shall reimburse the requesting county for the cost of the audit. A county shall provide, at no charge to the court, any service for which the amount in paragraph (1) of subdivision (b) of Section 77201.1 was adjusted downward, if the county is required to provide that service at no cost to the court by any other provision of law.

(2) A court may submit a declaration to the Department of Finance, no later than February 15, 1998, that the county failed to report county costs as court operations costs as defined in Section 77003 in the 1994–95 fiscal year, and that this failure resulted in the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) being too low. A court submitting that declaration shall concurrently transmit a copy of the declaration to the county. A county shall have the opportunity to comment to the Department of Finance on the validity of statements in the declaration and comments, if any. Upon receipt of the declaration, the Department of Finance shall determine and certify which costs identified in the court's declaration should have been reported by the county as court operation costs in the 1994–95 fiscal year and whether this failure resulted in the amount the county is required to submit

to the state pursuant to paragraph (1) of subdivision (b) being too low. The Department of Finance shall notify the county, the trial courts in the county, and the Judicial Council of its certification and decision. Within 30 days, the county shall either notify the Department of Finance, trial courts in the county, and the Judicial Council that the county shall assume responsibility for the costs the county has failed to report, or that the department shall increase the amount the county is required to submit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1 by an amount equal to the amount certified by the department. A county shall not be required to continue to provide services for which the amount in paragraph (1) of subdivision (b) of Section 77201.1 was adjusted upward.

(e) The Legislature hereby finds and declares that to ensure an orderly transition to state trial court funding, it is necessary to delay the adjustments to county obligation payments provided for by Article 3 (commencing with Section 77200) of Chapter 13 of Title 8, as added by Chapter 850 of the Statutes of 1997, until the 1998–99 fiscal year. The Legislature also finds and declares that since increase adjustments to the county obligation amounts will not take effect in the 1997–98 fiscal year, county charges for those services related to the increase adjustments shall not occur in the 1997–98 fiscal year. It is recognized that the counties have an obligation to provide, and the trial courts have an obligation to pay, for services provided by the county pursuant to Section 77212. In the 1997–98 fiscal year, the counties shall charge for, and the courts shall pay, these obligations consistent with paragraphs (1) and (2) of this subdivision.

(1) For the 1997–98 fiscal year, a county shall reduce the charges to a court for those services for which the amount in paragraph (1) of subdivision (b) of Section 77201.1 is adjusted upward, by an amount equal to the lesser of the following:

(A) The amount of the increase adjustment certified by the department pursuant to paragraph (2) of subdivision (d).

(B) The difference between the actual amount charged and paid for from the trial court operations fund, and the amount charged in the 1994–95 fiscal year.

(2) For the 1997–98 fiscal year, any funds paid out of the trial court operations fund established pursuant to Section 77009 during the 1997–98 fiscal year to pay for those services for which there was an upward adjustment, shall be returned to the trial court operations fund in the amount equal to the lesser of the following:

(A) The amount of the increase adjustment certified by the department pursuant to paragraph (2) of subdivision (d).

(B) The difference between the actual amount charged and paid for from the trial court operations fund, and the amount charged in the 1994–95 fiscal year.

(3) The Judicial Council shall reduce the allocation to the courts by an amount equal to the amount of any increase adjustment

certified by the Department of Finance, if the cost of those services was used in determining the Judicial Council's allocation of funding for the 1997–98 fiscal year.

(4) In the event the charges are not reduced as provided in paragraph (1) or the funds are not returned to the trial court operations fund as provided in paragraph (2), the trial court operations fund shall be refunded for the 1998–99 fiscal year. Funds provided to the trial court operations fund pursuant to this paragraph shall be available to the trial courts to meet financial obligations incurred during the 1997–98 fiscal year. To the extent that a trial court receives total resources for trial court funding from the county and the state for the 1997–98 fiscal year that exceeded the amount of the allocation approved by the Judicial Council by November 30, 1997, these amounts shall be available for expenditure in the 1998–99 fiscal year and the Judicial Council shall reduce the 1998–99 fiscal year allocation of the court by an equal amount.

(f) Nothing in this section is intended to relieve a county of the responsibility to provide necessary and suitable court facilities pursuant to Section 68073.

(g) Nothing in this section is intended to relieve a county of the responsibility for justice-related expenses not included in Section 77003 which are otherwise required of the county by law, including, but not limited to, indigent defense representation and investigation, and payment of youth authority charges.

(h) The Department of Finance shall notify the county, trial courts in the county, and Judicial Council of the final decision and resulting adjustment.

(i) On or before February 15, 1998, each county shall submit to the Department of Finance a report of the amount it expended for trial court operations as defined in Section 77003 and Rule 810 of the California Rules of Court as it read on July 1, 1996, between the start of the 1997–98 fiscal year and the effective date of this section. The department shall reduce the amount a county is required to remit to the state pursuant to paragraph (1) of subdivision (b) in the 1997–98 fiscal year by an amount equal to the amount a county expended for court operation costs between the start of the 1997–98 fiscal year and the effective date of this section. The department shall also reduce the amount a county is required to remit to the state pursuant to paragraph (2) of subdivision (b) in the 1997–98 fiscal year by an amount equal to the amount of fine and forfeiture revenue that a county remitted to the state between the start of the 1997–98 fiscal year and the effective date of this section. The department shall notify the county, the trial courts of the county, and the Judicial Council of the amount it has reduced a county's obligation to remit to the state pursuant to this subdivision.

SEC. 4. Section 77201.1 of the Government Code is amended to read:

77201.1. (a) Commencing on July 1, 1997, no county shall be responsible for funding court operations, as defined in Section 77003 and Rule 810 of the California Rules of Court as it read on July 1, 1996.

(b) Commencing in the 1998–99 fiscal year, and each fiscal year thereafter, each county shall remit to the state in four equal installments due on October 1, January 1, April 1, and July 1, the amounts specified in paragraphs (1) and (2), as follows:

(1) Except as otherwise specifically provided in this section, each county shall remit to the state the amount listed below which is based on an amount expended by the respective county for court operations during the 1994–95 fiscal year:

Jurisdiction	Amount
Alameda	$ 29,554,276
Alpine	–
Amador	–
Butte	2,188,561
Calaveras	–
Colusa	–
Contra Costa	14,553,828
Del Norte	–
El Dorado	2,642,828
Fresno	11,220,322
Glenn	–
Humboldt	2,023,135
Imperial	1,855,173
Inyo	–
Kern	12,237,358
Kings	1,981,326
Lake	–
Lassen	–
Los Angeles	200,596,408
Madera	1,042,967
Marin	4,727,855
Mariposa	–
Mendocino	1,539,605
Merced	1,163,409
Modoc	–
Mono	–
Monterey	5,539,656
Napa	2,131,045
Nevada	615,130

Orange	52,341,395
Placer	3,928,394
Plumas	–
Riverside	21,226,163
Sacramento	25,798,064
San Benito	–
San Bernardino	22,536,554
San Diego	50,764,874
San Francisco	20,731,433
San Joaquin	7,129,952
San Luis Obispo	4,447,550
San Mateo	13,179,481
Santa Barbara	7,516,435
Santa Clara	32,910,617
Santa Cruz	4,634,736
Shasta	2,750,564
Sierra	–
Siskiyou	–
Solano	6,975,509
Sonoma	6,724,289
Stanislaus	5,872,184
Sutter	1,388,808
Tehama	–
Trinity	–
Tulare	5,252,388
Tuolumne	–
Ventura	11,392,454
Yolo	2,364,984
Yuba	–

(2) Except as otherwise specifically provided in this section, each county shall also remit to the state the amount listed below which is based on an amount of fine and forfeiture revenue remitted to the state pursuant to Sections 27361 and 76000 of this code, Sections 1463.001, 1463.07, and 1464 of the Penal Code, and Sections 42007, 42007.1, and 42008 of the Vehicle Code during the 1994–95 fiscal year:

Jurisdiction	Amount
Alameda	$ 9,912,156
Alpine	58,757
Amador	265,707
Butte	1,217,052

Calaveras	310,331
Colusa	397,468
Contra Costa	4,168,194
Del Norte	553,730
El Dorado	1,028,349
Fresno	3,695,633
Glenn	360,974
Humboldt	1,025,583
Imperial	1,144,661
Inyo	614,920
Kern	5,530,972
Kings	982,208
Lake	375,570
Lassen	430,163
Los Angeles	71,002,129
Madera	1,042,797
Marin	2,111,712
Mariposa	135,457
Mendocino	717,075
Merced	1,733,156
Modoc	104,729
Mono	415,136
Monterey	3,330,125
Napa	719,168
Nevada	1,220,686
Orange	19,572,810
Placer	1,243,754
Plumas	193,772
Riverside	7,681,744
Sacramento	5,937,204
San Benito	302,324
San Bernardino	9,092,380
San Diego	16,166,735
San Francisco	4,046,107
San Joaquin	3,562,835
San Luis Obispo	2,036,515
San Mateo	4,831,497
Santa Barbara	3,277,610
Santa Clara	11,597,583
Santa Cruz	1,902,096

Shasta	1,044,700
Sierra	42,533
Siskiyou	615,581
Solano	2,708,758
Sonoma	2,316,999
Stanislaus	1,855,169
Sutter	678,681
Tehama	640,303
Trinity	137,087
Tulare	1,840,422
Tuolumne	361,665
Ventura	4,575,349
Yolo	880,798
Yuba	289,325

(3) Except as otherwise specifically provided in this section, county remittances specified in paragraphs (1) and (2) shall not be increased in subsequent years.

(4) Except for those counties with a population of 70,000 or less on January 1, 1996, the amount a county is required to remit pursuant to paragraph (1) shall be adjusted by the amount equal to any adjustment resulting from the procedures in subdivisions (c) and (d) of Section 77201 as it read on June 30, 1998.

(5) Any change in statute or rule of court that either reduces the bail schedule or redirects or reduces a county's portion of fee, fine, and forfeiture revenue to an amount that is less than (A) the fees, fines, and forfeitures retained by that county and (B) the county's portion of fines and forfeitures transmitted to the state in the 1994–95 fiscal year, shall reduce that county's remittance specified in paragraph (2) of this subdivision by an equal amount. Nothing in this paragraph is intended to limit judicial sentencing discretion.

(c) Nothing in this section is intended to relieve a county of the responsibility to provide necessary and suitable court facilities pursuant to Section 68073.

(d) Nothing in this section is intended to relieve a county of the responsibility for justice-related expenses not included in Section 77003 which are otherwise required of the county by law, including, but not limited to, indigent defense representation and investigation, and payment of youth authority charges.

(e) County base-year remittance requirements specified in paragraph (2) of subdivision (b) incorporate specific reductions to reflect those instances where the Department of Finance has determined that a county's remittance to both the General Fund and the Trial Court Trust Fund during the 1994–95 fiscal year exceeded the aggregate amount of state funding from the General Fund and

the Trial Court Trust Fund. The amount of the reduction was determined by calculating the difference between the amount the county remitted to the General Fund and the Trial Court Trust Fund and the aggregate amount of state support from the General Fund and the Trial Court Trust Fund allocated to the county's trial courts. In making its determination of whether a county is entitled to a reduction pursuant to that paragraph, the Department of Finance subtracted from county revenues remitted to the state, all moneys derived from the fee required by Section 42007.1 of the Vehicle Code and the parking surcharge required by subdivision (c) of Section 76000.

(f) Notwithstanding subdivision (e), the Department of Finance shall not reduce a county's base-year remittance requirement, as specified in paragraph (2) of subdivision (b), if the county's trial court funding allocation was modified pursuant to the amendments to the allocation formula set forth in paragraph (4) of subdivision (d) of Section 77200, as amended by Chapter 2 of the Statutes of 1993, to provide a stable level of funding for small county courts in response to reductions in the State General Fund support for the trial courts.

(g) In any fiscal year in which a county of the first class pays the employer-paid retirement contribution for court employees, or any other employees of the county who provide a service to the court, and the amounts of those payments are charged to the budget of the courts, the sum the county is required to pay to the state pursuant to subdivision (h) shall be increased by actual amount charged to the trial court, not to exceed twenty-three million five hundred twenty-seven thousand nine hundred forty-nine dollars ($23,527,949), in that fiscal year. The county and the trial court shall report to the Controller and the Department of Finance the actual amount charged in that fiscal year.

(h) The following amounts incorporate adjustments pursuant to paragraph (4) of subdivision (b) to the amounts specified in paragraph (1) of subdivision (b):

Jurisdiction	Amount
Alameda	$ 25,011,006
Alpine	–
Amador	–
Butte	2,185,622
Calaveras	–
Colusa	–
Contra Costa	13,305,039
Del Norte	–
El Dorado	2,459,385
Fresno	12,469,755
Glenn	–

Humboldt	1,801,779
Imperial	1,841,871
Inyo	–
Kern	10,260,568
Kings	1,639,301
Lake	–
Lassen	–
Los Angeles	194,811,830
Madera	1,136,442
Marin	4,844,248
Mariposa	–
Mendocino	1,560,187
Merced	2,469,876
Modoc	–
Mono	–
Monterey	5,023,234
Napa	2,384,362
Nevada	615,130
Orange	43,162,225
Placer	1,810,526
Plumas	–
Riverside	19,841,379
Sacramento	23,036,960
San Benito	–
San Bernardino	22,474,558
San Diego	48,328,813
San Francisco	21,439,225
San Joaquin	7,270,076
San Luis Obispo	4,509,185
San Mateo	13,534,532
Santa Barbara	7,516,435
Santa Clara	31,877,167
Santa Cruz	4,392,880
Shasta	2,254,893
Sierra	–
Siskiyou	–
Solano	6,936,290
Sonoma	6,847,184
Stanislaus	3,895,885
Sutter	416,865

Tehama	–
Trinity	–
Tulare	5,112,765
Tuolumne	–
Ventura	10,815,767
Yolo	2,364,984
Yuba	–

(i) This section shall become operative on July 1, 1998, and shall be repealed on July 1, 1999.

SEC. 5. Section 77201.1 is added to the Government Code, to read:

77201.1. (a) Commencing on July 1, 1997, no county shall be responsible for funding court operations, as defined in Section 77003 and Rule 810 of the California Rules of Court as it read on July 1, 1996.

(b) Commencing in the 1999–2000 fiscal year, and each fiscal year thereafter, each county shall remit to the state in four equal installments due on October 1, January 1, April 1, and July 1, the amounts specified in paragraphs (1) and (2), as follows:

(1) Except as otherwise specifically provided in this section, each county shall remit to the state the amount listed below which is based on an amount expended by the respective county for court operations during the 1994–95 fiscal year:

Jurisdiction	Amount
Alameda	$ 22,509,905
Alpine	–
Amador	–
Butte	–
Calaveras	–
Colusa	–
Contra Costa	11,974,535
Del Norte	–
El Dorado	–
Fresno	11,222,780
Glenn	–
Humboldt	–
Imperial	–
Inyo	–
Kern	9,234,511
Kings	–
Lake	–
Lassen	–

Los Angeles	175,330,647
Madera	–
Marin	–
Mariposa	–
Mendocino	–
Merced	–
Modoc	–
Mono	–
Monterey	4,520,911
Napa	–
Nevada	–
Orange	38,846,003
Placer	–
Plumas	–
Riverside	17,857,241
Sacramento	20,733,264
San Benito	–
San Bernardino	20,227,102
San Diego	43,495,932
San Francisco	19,295,303
San Joaquin	6,543,068
San Luis Obispo	–
San Mateo	12,181,079
Santa Barbara	6,764,792
Santa Clara	28,689,450
Santa Cruz	–
Shasta	–
Sierra	–
Siskiyou	–
Solano	6,242,661
Sonoma	6,162,466
Stanislaus	3,506,297
Sutter	–
Tehama	–
Trinity	–
Tulare	4,601,489
Tuolumne	–
Ventura	9,734,190
Yolo	–
Yuba	–

(2) Except as otherwise specifically provided in this section, each county shall also remit to the state the amount listed below which is based on an amount of fine and forfeiture revenue remitted to the state pursuant to Sections 27361 and 76000 of this code, Sections 1463.001, 1463.07, and 1464 of the Penal Code, and Sections 42007, 42007.1, and 42008 of the Vehicle Code during the 1994–95 fiscal year:

Jurisdiction	Amount
Alameda	$ 9,912,156
Alpine	58,757
Amador	265,707
Butte	1,217,052
Calaveras	310,331
Colusa	397,468
Contra Costa	4,168,194
Del Norte	553,730
El Dorado	1,028,349
Fresno	3,695,633
Glenn	360,974
Humboldt	1,025,583
Imperial	1,144,661
Inyo	614,920
Kern	5,530,972
Kings	982,208
Lake	375,570
Lassen	430,163
Los Angeles	71,002,129
Madera	1,042,797
Marin	2,111,712
Mariposa	135,457
Mendocino	717,075
Merced	1,733,156
Modoc	104,729
Mono	415,136
Monterey	3,330,125
Napa	719,168
Nevada	1,220,686
Orange	19,572,810
Placer	1,243,754
Plumas	193,772
Riverside	7,681,744
Sacramento	5,937,204

San Benito	302,324
San Bernardino	9,092,380
San Diego	16,166,735
San Francisco	4,046,107
San Joaquin	3,562,835
San Luis Obispo	2,036,515
San Mateo	4,831,497
Santa Barbara	3,277,610
Santa Clara	11,597,583
Santa Cruz	1,902,096
Shasta	1,044,700
Sierra	42,533
Siskiyou	615,581
Solano	2,708,758
Sonoma	2,316,999
Stanislaus	1,855,169
Sutter	678,681
Tehama	640,303
Trinity	137,087
Tulare	1,840,422
Tuolumne	361,665
Ventura	4,575,349
Yolo	880,798
Yuba	289,325

(3) Except as otherwise specifically provided in this section, county remittances specified in paragraphs (1) and (2) shall not be increased in subsequent years.

(4) Except for those counties with a population of 70,000, or less, on January 1, 1996, the amount a county is required to remit pursuant to paragraph (1) shall be adjusted by the amount equal to any adjustment resulting from the procedures in subdivisions (c) and (d) of Section 77201 as that section read on June 30, 1998, to the extent a county filed an appeal with the Controller with respect to the findings made by the Department of Finance. This paragraph shall not be construed to establish a new appeal process beyond what was provided by Section 77201, as that section read on June 30, 1998.

(5) Any change in statute or rule of court that either reduces the bail schedule or redirects or reduces a county's portion of fee, fine, and forfeiture revenue to an amount that is less than (A) the fees, fines, and forfeitures retained by that county, and (B) the county's portion of fines and forfeitures transmitted to the state in the 1994–95 fiscal year, shall reduce that county's remittance specified in

paragraph (2) of this subdivision by an equal amount. Nothing in this paragraph is intended to limit judicial sentencing discretion.

(c) Nothing in this section is intended to relieve a county of the responsibility to provide necessary and suitable court facilities pursuant to Section 68073.

(d) Nothing in this section is intended to relieve a county of the responsibility for justice-related expenses not included in Section 77003 which are otherwise required of the county by law, including, but not limited to, indigent defense representation and investigation, and payment of youth authority charges.

(e) County base year remittance requirements specified in paragraph (2) of subdivision (b) incorporate specific reductions to reflect those instances where the Department of Finance has determined that a county's remittance to both the General Fund and the Trial Court Trust Fund during the 1994–95 fiscal year exceeded the aggregate amount of state funding from the General Fund and the Trial Court Trust Fund. The amount of the reduction was determined by calculating the difference between the amount the county remitted to the General Fund and the Trial Court Trust Fund and the aggregate amount of state support from the General Fund and the Trial Court Trust Fund allocated to the county's trial courts. In making its determination of whether a county is entitled to a reduction pursuant to that paragraph, the Department of Finance subtracted from county revenues remitted to the state, all moneys derived from the fee required by Section 42007.1 of the Vehicle Code and the parking surcharge required by subdivision (c) of Section 76000.

(f) Notwithstanding subdivision (e), the Department of Finance shall not reduce a county's base-year remittance requirement, as specified in paragraph (2) of subdivision (b), if the county's trial court funding allocation was modified pursuant to the amendments to the allocation formula set forth in paragraph (4) of subdivision (d) of Section 77200, as amended by Chapter 2 of the Statutes of 1993, to provide a stable level of funding for small county courts in response to reductions in the General Fund support for the trial courts.

(g) In any fiscal year in which a county of the first class pays the employer-paid retirement contribution for court employees, or any other employees of the county who provide a service to the court, and the amounts of those payments are charged to the budget of the courts, the sum the county is required to pay to the state pursuant to paragraph (1) of subdivision (b) shall be increased by the actual amount charged to the trial court up to twenty-three million five hundred twenty-seven thousand nine hundred forty-nine dollars ($23,527,949) in that fiscal year. The county and the trial court shall report to the Controller and the Department of Finance the actual amount charged in that fiscal year.

(h) This section shall become operative on July 1, 1999.

SEC. 6. Section 77201.3 is added to the Government Code, to read:

77201.3. (a) The Legislature finds and declares that the delay until July 1, 1998, in adjusting county obligation payments as provided by subdivision (c) of Section 77201, has created a one-time negative fiscal impact to certain counties and shall be mitigated over a multi-year period, except as provided, pursuant to this section.

(b) Except as provided by subdivision (c), for each fiscal year for a five-year period commencing with the 1999–2000 fiscal year, a county identified in this subdivision may reduce the amount it was required to remit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1, by an amount not to exceed 20 percent of the amount identified for that county, as follows:

Jurisdiction	Amount
Alameda	$ 5,077,229
Contra Costa	2,251,310
El Dorado	196,769
Fresno	771,280
Humboldt	214,636
Kern	1,902,508
Kings	280,791
Los Angeles	19,028,623
Madera	16,581
Marin	84,372
Merced	345,600
Monterey	362,953
Orange	8,548,467
Placer	2,008,790
Riverside	1,626,433
Sacramento	2,874,779
San Diego	3,496,316
San Francisco	151,739
San Joaquin	565,159
San Luis Obispo	91,727
San Mateo	194,426
Santa Clara	400,508
Santa Cruz	379,468
Shasta	362,517
Solano	183,853
Sonoma	165,163
Stanislaus	1,630,883
Sutter	939,161

Tulare	405,789
Ventura	445,303

(c) On or before January 15, 1999, the Department of Finance shall determine if it is feasible to reduce from the amount counties are required to remit to the state for the 1999–2000 fiscal year, pursuant to paragraph (1) of subdivision (b) of Section 77201.1, the entire amount in subdivision (b) for each specified county.

(1) If the Department of Finance determines that it is feasible to allow for the full reduction of the amounts in subdivision (b) in the 1999–2000 fiscal year, then (A) the amounts identified in subdivision (b) shall be evenly credited to the payments in the 1999–2000 fiscal year that counties identified in subdivision (b) are required to remit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1, and (B) subdivision (b) shall no longer be operative.

(2) If the Department of Finance determines that it is not feasible to allow for the full reduction of the amounts in subdivision (b) in the 1999–2000 fiscal year, then the department shall establish and conduct an appeal process for any county listed in subdivision (b) for which the 20 percent reduction over a five-year period pursuant to subdivision (b) would significantly contribute to extreme financial hardship on the county. The appeal process shall permit any county listed in subdivision (b) to submit a written appeal to the department, no later than February 15, 1999, that sets forth the circumstances that would make the provisions of subdivision (b) financially unfeasible and significantly contribute to extreme hardship for the applicant county. The department shall complete its review and make a final decision concerning all applications no later than April 1, 1999. The decision of the department shall be final and not be subject to further appeal. A written copy of the decision shall be provided to the affected county and to the chairs of the fiscal committees of the Legislature.

If the department finds that the 20 percent reduction over a five-year period would cause extreme financial hardship on the county submitting an appeal, then the full amount for that county specified in subdivision (b) shall be evenly credited to the payments in the 1999–2000 fiscal year that the county was required to remit to the state pursuant to paragraph (1) of subdivision (b) of Section 77201.1.

(d) For purposes of determining whether a county would suffer extreme financial hardship pursuant to paragraph (2) of subdivision (c), the criteria considered by the Department of Finance shall include, but not be limited to, whether the applicant county had:

(1) Below average statewide growth in general purpose revenue.

(2) Below average statewide growth in property tax assessed valuation.

(3) Above average statewide unemployment rate.

(4) Above average statewide growth in program expenditures.

(5) Extraordinary local costs caused by natural disasters.

(6) Current finding of financial distress from the Commission on State Mandates with regard to the general assistance program under Section 17000 of the Welfare and Institutions Code.

(7) Other criteria, as determined by the department, which demonstrates financial hardship.

(e) Under no circumstance shall the total reduction for a county pursuant to this section exceed the amount identified for that county in subdivision (c). Pursuant to subdivision (a), the above amounts are intended to mitigate the one-time negative fiscal impact to specified counties as a result of subdivision (e) of Section 77201 and are not subject to appeal. Further, this section shall not apply to any county whose remittance to the state under paragraph (1) of subdivision (b) of Section 77201.1, was zero in the 1999–2000 fiscal year.

(f) It is the intent of the Legislature that support for state trial court funding not be impacted as a result of this section.

(g) This section shall be repealed on January 1, 2006.

SEC. 7. Section 77212 of the Government Code is amended to read:

77212. (a) The State of California, the counties of California, and the trial courts of California, recognize that a unique and interdependent relationship has evolved between the courts and the counties over a sustained period of time. While it is the intent of this act to transfer all fiscal responsibility for the support of the trial courts from the counties to the State of California, it is imperative that the activities of the state, the counties, and the trial courts be maintained in a manner that ensures that services to the people of California not be disrupted. Therefore, to this end, during the 1997–98 fiscal year, commencing on July 1, 1997, counties shall continue to provide and courts shall continue to use, county services provided to the trial courts on July 1, 1997, including, but not limited to: auditor/controller services, coordination of telephone services, data-processing and information technology services, procurement, human resources services, affirmative action services, treasurer/tax collector services, county counsel services, facilities management, and legal representation. These services shall be provided to the court at a rate that shall not exceed the costs of providing similar services to county departments or special districts. If the cost was not included in the county base pursuant to paragraph (1) of subdivision (b) of Section 77201 or was not otherwise charged to the court prior to July 1, 1997, and were court operation costs as defined in Section 77003 in the 1994–95 fiscal year, the court may seek adjustment of the amount the county is required to submit to the state pursuant Section 77201.

(b) In the 1998–99 fiscal year commencing on July 1, 1998, and thereafter the county may give notice to the court that the county will no longer provide a specific service except that the county shall cooperate with the court to ensure that a vital service for the court shall be available from the county or other entities that provide such

services. The notice must be given at least 90 days prior to the end of the fiscal year and shall be effective only upon the first day of the succeeding fiscal year.

(c) In the 1998–99 fiscal year, commencing on July 1, 1998, and thereafter, the court may give notice to the county that the court will no longer use a specific county service. The notice shall be given at least 90 days prior to the end of the fiscal year and shall be effective only upon the first day of the succeeding fiscal year. However, for three years from the effective date of this section, a court shall not terminate a service that involved the acquisition of equipment, including, but not limited to, computer and data-processing systems financed by a long-term financing plan whereby the county is dependent upon the court's continued financial support for a portion of the cost of the acquisition.

SEC. 8. Section 100 of the Welfare and Institutions Code is amended to read:

100. The Judicial Council shall establish a planning and advisory group consisting of appropriate professional and program specialists to recommend on the development of program guidelines and funding procedures consistent with this chapter. At a minimum, the council shall adopt program guidelines consistent with the guidelines established by the National Court Appointed Special Advocate Association, and with California law; but the council may require additional or more stringent standards. State funding shall be contingent on a program adopting and adhering to the program guidelines adopted by the council.

The program guidelines adopted by the council shall be adopted and incorporated into local rules of court by each participating superior court as a prerequisite to funding pursuant to this chapter.

The council shall adopt program guidelines and criteria for funding which encourage multicounty CASA programs where appropriate, and shall in no case provide for funding more than one program per county.

The council shall establish in a timely fashion a request-for-proposal process to establish, maintain, or expand local CASA programs, upon application of a board of supervisors, and require local matching funds or in-kind funds equal to the proposal request. The maximum state grant per county program per year shall not exceed thirty-five thousand dollars ($35,000) in counties in which the population is less than 700,000 and shall not exceed fifty thousand dollars ($50,000) in counties in which the population is 700,000 or more, according to the annual population report provided by the Department of Finance.

SEC. 9. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure an orderly transition to state trial court funding and enough funding to support appropriations contained in the 1998

Budget Act for the purpose of supporting the administration of justice throughout the State of California, it is necessary that this act go into effect immediately.

CHAPTER 407

An act to amend Sections 17260, 17262, 17303, 17305, 17306, and 17620 of, to add Sections 17009.3, 17009.5, 81134, 81135, and 81136 to, to add Chapter 12.5 (commencing with Section 17070.10) to Part 10 of, to add Part 68 (commencing with Section 100400) to, to repeal Section 15101 of, and to repeal and add Section 17261 of, the Education Code, to amend Section 1003 of the Elections Code, to amend Sections 65995 and 65996 of, and to add Sections 4420.5, 65995.5, 65995.6, 65995.7, 65997, and 65998 to, the Government Code, and to add and repeal Chapter 9 (commencing with Section 51450) to Division 31 of the Health and Safety Code, relating to education facilities, making an appropriation therefor, and by providing the funds necessary therefor through an election for, and the issuance and sale of, bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 27, 1998. Filed with Secretary of State August 27, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 15101 of the Education Code is repealed.

SEC. 2. Section 17009.3 is added to the Education Code, to read:

17009.3. The board may not approve any projects pursuant to this chapter on and after November 4, 1998.

SEC. 3. Section 17009.5 is added to the Education Code, to read:

17009.5. (a) On and after November 4, 1998, the board shall only approve and fund school facilities construction projects pursuant to Chapter 12.5 (commencing with Section 17070.10).

(b) A school district with a first priority project that has received a construction approval by the Department of General Services, Division of the State Architect, or a joint-use project approval by the board, prior to November 4, 1998, for growth or modernization pursuant to this chapter shall receive funding pursuant to this chapter for all unfunded approved project costs as it would have received under this chapter, and the increased capacity assigned to the project shall be included in calculating the district's capacity pursuant to Chapter 12.5 (commencing with Section 17070.10). Funds received for projects described in this subdivision shall constitute the state's final and full contribution to these projects. The board shall not consider additional project funding except where

otherwise authorized under Chapter 12.5 (commencing with Section 17070.10).

(c) A school district with a second priority project that has received a construction approval by the Department of General Services, Division of the State Architect prior to November 4, 1998, for growth or modernization pursuant to this chapter shall elect to do either of the following:

(1) Withdraw the application under this chapter, submit an initial report and application pursuant to Chapter 12.5 (commencing with Section 17070.10), and receive per pupil allocations as set forth in Chapter 12.5 (commencing with Section 17070.10). In the event that the district withdraws the application, any funds previously allocated under this chapter for the project shall be offset from the first grant to the district under Chapter 12.5 (commencing with Section 17070.10).

(2) Convert the second priority project approved under this chapter to a first priority status and receive funds in accordance with this chapter.

(d) Notwithstanding priorities established pursuant to Chapter 12.5 (commencing with Section 17070.10), projects authorized for funding as set forth in this section shall be funded by the board pursuant to this chapter prior to funding other projects pursuant to Chapter 12.5 (commencing with Section 17070.10).

(e) For purposes of funding priority for modernization grants under Chapter 12.5 (commencing with Section 17070.10), a district that applies under subdivision (b) or paragraph (1) of subdivision (c) shall retain its original project approval date.

(f) Notwithstanding Section 17017.1, West Contra Costa Unified School District shall be eligible for state facilities funds beginning November 4, 1998.

SEC. 4. Chapter 12.5 (commencing with Section 17070.10) is added to Part 10 of the Education Code, to read:

CHAPTER 12.5. LEROY F. GREENE SCHOOL FACILITIES ACT OF 1998

Article 1. General Provisions

17070.10. This chapter shall be known, and may be cited, as the Leroy F. Greene School Facilities Act of 1998.

17070.15. The following terms, wherever used or referred to in this chapter, shall have the following meanings, respectively, unless a different meaning appears from the context:

(a) "Apportionment" means a reservation of funds for the purpose of eligible new construction, modernization, or hardship approved by the board for an applicant school district.

(b) "Attendance area" means the geographical area serving an existing or proposed high school and those junior high schools and elementary schools included therein.

(c) "Board" means the State Allocation Board as established by Section 15490 of the Government Code.

(d) "Department" means the Department of General Services.

(e) "Committee" means the State School Building Finance Committee established pursuant to Section 15909.

(f) "Modernization" means any modification of a permanent structure that is at least 25 years old, or in the case of a portable classroom, that is at least 20 years old, that will enhance the ability of the structure to achieve educational purposes.

(g) "Property" includes all property, real, personal or mixed, tangible or intangible, or any interest therein necessary or desirable for carrying out the purposes of this chapter.

(h) "School district" means a school district or a county office of education. For purposes of determining eligibility under this chapter, "school district" may also mean a high school attendance area.

(i) "Fund" means the 1998 State School Facilities Fund established pursuant to Section 17070.40.

(j) "County fund" means a county school facilities fund established pursuant to Section 17070.43.

(k) "Portable classroom" means a classroom building that is designed and constructed to be relocatable and transportable over public streets, and with respect to a single story portable classroom, is designed and constructed for relocation without the separation of the roof or floor from the building and when measured at the most exterior walls, has a floor area not in excess of 2,000 square feet.

(*l*) "School building capacity" means the capacity of a school building to house students.

17070.20. The Director of General Services shall administer this chapter and shall provide assistance to the board as it requires.

17070.25. The department shall first publish applications for funding under this chapter by November 4, 1998, and shall be prepared to receive and expeditiously act upon applications on and after that date.

17070.30. The State Allocation Board is continued in existence for the purpose of this chapter. The members of the board and the Members of the Legislature meeting with the board shall have no compensation for their services under this chapter, but shall be reimbursed for their actual and necessary expenses incurred in connection with the performance of their duties pursuant to this chapter, to be paid as an administrative expense.

17070.33. (a) The board shall adopt guidelines for use by districts by June 30, 1999, to achieve measurable reductions in the costs of school facilities construction.

(b) The guidelines shall include, but need not be limited to, all of the following:

(1) Mechanisms designed to reduce the costs of professional fees.

(2) Mechanisms designed to reduce the costs of site preparation.

(3) Recommendations for the use of alternate cost-saving construction materials and methods.

(4) Recommendations regarding the joint use of core facilities.

(5) Mechanisms designed to reduce costs by incorporating efficiencies in schoolsite design.

(6) Recommendations regarding the use of cost-effective, efficient reusable facility plans.

(c) If a school district's matching funds include fees charged pursuant to Section 17620 or pursuant to Section 65995.5 or 65995.7 of the Government Code, or if a district receives funds pursuant to this chapter, the district shall consider the guidelines developed pursuant to this section as fully as is practicable.

(d) When the board adopts the guidelines, it shall not include any recommendation that would have a significant detrimental effect on educational programs.

17070.35. In addition to all other powers and duties as are granted to the board by this chapter, other statutes, or the California Constitution, the board shall do all of the following:

(a) Adopt rules and regulations, pursuant to the rulemaking provisions of the Administrative Procedure Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, for the administration of this chapter. However, the board shall have no authority to set the level of the fees of any architect, structural engineer, or other design professional on any project. The initial regulations adopted pursuant to this chapter shall be adopted as emergency regulations, and the circumstances related to the initial adoption are hereby deemed to constitute an emergency for this purpose. The initial regulations adopted pursuant to this chapter shall be adopted by November 4, 1998. If the initial regulations are not adopted by that date, the board shall report to the Legislature by that date, explaining the reasons for the delay.

(b) Establish and publish any procedures and policies in connection with the administration of this chapter as it deems necessary.

(c) Determine the eligibility of school districts to receive apportionments under this chapter.

(d) Apportion funds to eligible school districts under this chapter.

17070.40. (a) A fund is hereby established in the State Treasury to be known as the 1998 State School Facilities Fund. All money in the fund, including any money deposited in that fund from any source whatsoever, and notwithstanding Section 13340 of the Government Code, is hereby continuously appropriated for expenditure pursuant to this chapter.

(b) The State Allocation Board may apportion funds to school districts for the purposes of this chapter from funds transferred to the 1998 State School Facilities Fund from any source.

(c) The board may make apportionments in amounts not exceeding those funds on deposit in the 1998 State School Facilities

Fund, and any amount of bonds authorized by the State School Building Finance Committee, but not yet sold by the Treasurer.

(d) The board may make disbursements pursuant to any apportionment made from any funds in the 1998 State School Facilities Fund, irrespective of whether there exists at the time of the disbursement an amount in the 1998 State School Facilities Fund sufficient to permit payment in full of all apportionments previously made. However, no disbursement shall be made from any funds required by law to be transferred to the General Fund.

17070.43. (a) A county school facilities fund is hereby established in the county treasury within each county for each school district in the county.

(b) The board may from time to time authorize the Controller to transfer any funds that the board may deem necessary from the 1998 State School Facilities Fund to the corresponding county fund in the county treasury. Interest on all funds deposited in the county fund shall be retained in that fund.

(c) Funds may be expended from the county fund by the recipient school district for qualifying school facilities expenditures set forth in Sections 17072.35 and 17074.25.

17070.45. This chapter shall not be construed to change the powers and duties of the State Department of Education or the Department of General Services with respect to schoolsites and the construction of school buildings as contained in Chapter 1 (commencing with Section 17211) and Chapter 3 (commencing with Section 17251) of Part 10.5.

17070.50. The board shall not apportion funds to any school district, unless the applicant school district has certified to the board that the services of any architect, structural engineer, or other design professional for any work under the project have been obtained pursuant to a competitive process that is consistent with the requirements of Chapter 10 (commencing with Section 4525) of Division 5 of Title 1 of the Government Code and has done either of the following:

(a) Obtained the written approval of the State Department of Education that the site selection, and the building plans and specifications, comply with the standards adopted by the department pursuant to subdivisions (b) and (c), respectively, of Section 17251.

(b) Certified to the board that it is in compliance with the standards set forth in subdivision (a).

17070.55. Upon request of any school district, the State Department of Education shall provide assistance in the evaluation and utilization of existing school facilities and the justification of the need for schoolsites, new facilities, and the rehabilitation or replacement of existing facilities, in accordance with board regulations.

17070.60. Funding decisions made by the board shall not, in themselves, make the board liable for any tort, breach of contract, or

any other action for damages caused by a school district arising from new construction or modernization by the district. These contracts include, but are not limited to, contracts between the school district and its construction contractors, construction managers, architects, or engineers. The school district shall be liable for all torts, breaches of contract, or any other actions for damages caused by the school district.

17070.63. (a) The total funding provided under this chapter shall constitute the state's full and final contribution to the project and for eligibility for state facilities funding represented by the number of unhoused pupils for which the school district is receiving the state grant. As a condition of receipt of funds, a school district shall certify that the grant amount, combined with local funds, shall be sufficient to complete the school construction project for which the grant is intended.

(b) Any funds provided to a school district under any article in this chapter may not be counted towards the local match for receipt of funds under any other article in this chapter.

(c) Any savings achieved by the district's efficient and prudent expenditure of these funds shall be retained by the district in the county fund for expenditure by the district for other high priority capital outlay purposes.

17070.65. From any moneys in the 1998 State School Facilities Fund, and approved for this purpose in the annual Budget Act, the board shall make available to the Director of General Services the amounts that the board determines necessary for the Department of General Services to provide the assistance, pursuant to this chapter, required pursuant to Section 15504 of the Government Code to facilitate the construction, modernization, reconstruction, or alteration of, or addition to, school buildings.

17070.70. (a) Title to all property acquired, constructed, or improved with funds made available under this chapter shall be held by the school district to which the board grants the funds.

(b) The applicant school district shall comply with all laws pertaining to the construction, reconstruction, or alteration of, or addition to, school buildings.

17070.75. (a) The board shall require the school district to make all necessary repairs, renewals, and replacements to ensure that a project is at all times kept in good repair, working order, and condition. All costs incurred for this purpose shall be borne by the school district.

(b) In order to ensure compliance with subdivision (a) and to encourage school districts to maintain all buildings under their control, the board shall require an applicant school district to do all of the following prior to the approval of a project:

(1) Establish a restricted account within the school district's general fund for the exclusive purpose of providing moneys for ongoing and major maintenance of school buildings, according the

highest priority to funding for the purposes set forth in subdivision (a).

(2) Agree to deposit into the account established pursuant to paragraph (1), in each fiscal year for 20 years after receipt of funds under this chapter, a minimum amount equal to or greater than 3 percent of the applicant school district's general fund budget for that fiscal year. For the 1998–99 fiscal year and the 1999–2000 fiscal year, a school district may phase in this requirement by agreeing to certify the deposit of no less than 2 percent for the 1998–99 fiscal year and no less than $2^1/_2$ percent for the 1999–2000 fiscal year. Annual deposits to the fund established pursuant to paragraph (1) in excess of $2^1/_2$ percent of the district general fund budget may count towards the district's required match necessary to receive apportionments from the State School Deferred Maintenance Fund pursuant to Section 39619 to the extent that funds are used for purposes that qualify for funding under that section. In addition, any district contribution to this fund may be provided in lieu of meeting the ongoing maintenance requirements pursuant to Section 17014 to the extent the funds are used for purposes established in that section. This paragraph is applicable only to the following school districts:

(A) High school districts with an average daily attendance greater than 300 pupils.

(B) Elementary school districts with an average daily attendance greater than 900 pupils.

(C) Unified school districts with an average daily attendance greater than 1,200 pupils.

(3) Certify that it has publicly approved an ongoing and major maintenance plan that outlines the use of the funds deposited, or to be deposited, pursuant to paragraph (2). The plan may provide that the district need not expend all of its annual allocation for ongoing and major maintenance in the year in which it is deposited if the cost of major maintenance requires that the allocation be carried over into another fiscal year. However, any state funds carried over into a subsequent year shall not be counted toward the annual minimum contribution by the district. A plan developed in compliance with this section shall be deemed to meet the requirements of Section 17585.

(c) A district for which paragraph (2) of subdivision (b) does not apply shall certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance.

17070.80. (a) All school facilities purchased or newly constructed pursuant to this chapter for use, in whole or in part, by pupils who are individuals with exceptional needs, as defined in Section 56026, shall be designed and located on the schoolsite so as to maximize interaction between those individuals with exceptional needs and other pupils as appropriate to the needs of both.

(b) The governing board of each applicant school district and the county office of education shall ensure that school facilities for pupils

who are individuals with exceptional needs are integrated with other school facilities.

(c) The State Allocation Board, after consultation with the State Department of Education and representatives from county offices of education, special education services regions, and school districts, shall develop and adopt any regulations necessary to implement this section.

(d) Notwithstanding any other provision of law, the requirement set forth in subdivision (a) may be waived, by the Superintendent of Public Instruction, only upon compliance with the following procedure:

(1) The applicant school district or county superintendent of schools shall file a written request for waiver that documents the reasons for its inability to comply with the requirement.

(2) The State Department of Education shall verify the reasons set forth pursuant to paragraph (1), including the documentation submitted, which verification shall be completed no later than 30 days after the filing of the request for waiver with the Superintendent of Public Instruction.

(3) The Advisory Commission on Special Education, as established under Section 33590, at its first scheduled meeting following the verification conducted pursuant to paragraph (2), shall review the request for waiver, accompanying documentation, and the verification findings of the State Department of Education. No later than 15 days following the date of that meeting, the commission shall submit its written comments and recommendations regarding the request for waiver to the Superintendent of Public Instruction.

(4) The Superintendent of Public Instruction shall review the comments and recommendations submitted by the Advisory Commission on Special Education prior to approving or rejecting the request for waiver.

(5) Any request for waiver, submitted in accordance with this section, that is not rejected within 60 days of its receipt by the State Department of Education, shall be deemed approved.

17070.85. Notwithstanding any other provision of law, a lien recorded on school district property that has been imposed pursuant to Section 16019 or 17030 shall be released on the operative date of this section. The release shall conclusively protect any third party relying upon the same, and shall be acknowledged to permit recordation by the county recorder. On and after November 4, 1998, a lien may not be imposed pursuant to Section 16019 or Section 17030.

17070.90. As a part of its application, a school district shall certify that it has considered the feasibility of the joint use of land and facilities with other governmental entities in order to minimize school facilities costs. Funds provided pursuant to this chapter for growth and modernization may be used for the school portion of joint-use facilities.

17070.97. The board shall require the school district to insure against public liability or property damage in connection with any facility constructed or modernized with an apportionment under this chapter.

17070.98. A school district that does not have employees who possess adequate construction management experience may contract for the provision of construction management, and may use funds provided pursuant to Article 4 (commencing with Section 17072.10), Article 5 (commencing with Section 17072.20), and Article 7 (commencing with Section 17074.10) for the cost of those services as expressly authorized by Section 17072.35 and Section 17074.25.

Article 2. Existing School Building Capacity

17071.10. (a) The calculation determined by this article shall be made on a one-time basis, and will be used as the baseline for eligibility determinations pursuant to this chapter.

(b) Each school district that elects to participate in the new construction program pursuant to this chapter shall submit to the board a one-time report of existing school building capacity.

17071.25. (a) The existing school building capacity in the applicant school district or, where appropriate, in the attendance area, at the time of initial application shall be calculated pursuant to the following formula:

(1) Identify by grade level all permanent teaching stations existing in the school district or, where appropriate, the attendance area. For the purposes of this section, "teaching station" means any space that was constructed or reconstructed to serve as an area in which to provide pupil instruction, but shall not include portable buildings, except as provided in Section 17071.30.

(2) The assumed capacity of each calculated teaching station pursuant to paragraph (1) shall be 25 pupils for each teaching station used for kindergarten or for grades 1 to 6, inclusive, and 27 pupils for each teaching station used for grades 7 to 12, inclusive.

(3) Multiply the assumed capacity of each teaching station as specified in paragraph (2) by the number of teaching stations calculated under paragraph (1).

(4) The result of this computation shall be the number of pupils housed by grade level in the existing school building capacity of the applicant school district.

(b) The existing school building capacity of the applicant school district calculated under this section shall not include, in any school operated on a year-round schedule, any teaching station that has been in continuous use during the preceding five-year period primarily for the operation of a preschool program or programs.

17071.30. For purposes of determining the existing school building capacity , each applicant school district shall include each

portable classroom, whether owned or leased, except as otherwise provided in subdivision (a) or (b).

(a) Portable classrooms leased pursuant to Chapter 14 (commencing with Section 17085) shall be excluded from the existing school building capacity. Portable classrooms obtained by an applicant district pursuant to subdivision (b) of Section 17088.5 shall be excluded from the existing school building capacity, except as to any portable classroom or classrooms for which the district rejected the board's offer to purchase pursuant to that subdivision. Portable classrooms leased for a period of less than five years prior to the date of application shall not be included in existing school building capacity.

(b) The number of portable classrooms, reduced by the number of portable classrooms used as interim housing for modernization projects, that exceed 25 percent of the number of permanent classrooms available to the district shall not be included in the existing building capacity.

17071.33. For the purposes of determining existing school building capacity, the calculation shall be adjusted as required for first priority status pursuant to Section 17017.7 as that calculation would have been made under the policies of the board in effect immediately preceding September 1, 1998.

17071.35. Notwithstanding any other provisions of law, the maximum school building capacity for each applicant district shall be increased by the number of pupils reported by the Superintendent of Public Instruction for that grade level pursuant to Section 42268. This adjustment shall be calculated on the basis, at the district's option, of either the district as a whole or the appropriate attendance area.

17071.40. Each school on a year-round, multitrack calendar that has a density of 200 or more pupils enrolled per acre, that is located in a school district with 40 percent of its pupils attending multitrack, year-round schools shall be exempted from the increase in school building capacity required by Section 17071.35. Nothing in this section shall be construed as exempting the school from the requirements of Section 17071.33.

Article 3. New Construction Eligibility Determination

17071.75. After a one-time initial report of existing school building capacity has been completed, a school district's ongoing eligibility for new construction funding shall be determined by making all of the following calculations:

(a) Each school district that applies to receive funding for new construction shall calculate enrollment projections for the fifth year beyond the fiscal year in which the application is made. Projected enrollment shall be determined by utilizing the cohort survival enrollment projection system, as defined and approved by the board.

The board may supplement the cohort survival enrollment projection by the number of unhoused pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative subdivision maps.

(b) Add the number of pupils that may be adequately housed in the existing school building capacity of the applicant district as determined pursuant to Article 2 (commencing with Section 17071.10) to the number of pupils for which facilities were provided pursuant to this chapter after the existing school building capacity was determined pursuant to Article 2 (commencing with Section 17071.10).

(c) Subtract the number of pupils pursuant to subdivision (b) from the number of pupils determined pursuant to subdivision (a).

(d) The calculations required to establish eligibility under this article shall result in a distinction between the number of existing unhoused pupils and the number of projected unhoused pupils.

17071.76. (a) Whenever the existing school building capacity in any high school attendance area prevents another high school attendance area from receiving the maximum per-unhoused-pupil grant specified for the school district as a whole, the eligibility may be computed separately for each high school attendance area.

(b) For the purposes of eligibility, a school district may combine two or more adjacent high school attendance areas pursuant to the following conditions:

(1) The funding eligibility is for the construction of a high school, junior high school, or elementary school located or to be located in any of those high school attendance areas.

(2) The high school, junior high school, or elementary school to be constructed is to serve pupils residing in each of those high school attendance areas.

(3) The combined eligibility reflects the eligibility to which each of the high school attendance areas would otherwise be entitled, reflecting the proportion of projected pupil enrollment in the school to be constructed, as calculated under this chapter, from each of those attendance areas.

Article 4. New Construction Grant Eligibility Determination

17072.10. (a) The board shall determine the applicant's maximum total new construction grant eligibility by multiplying the number of unhoused pupils calculated pursuant to Article 3 (commencing with Section 17071.75) in each school district with an approved application for new construction, by the per-unhoused-pupil grant as follows:

(1) Five thousand two hundred dollars ($5,200) for elementary school pupils.

(2) Five thousand five hundred dollars ($5,500) for middle school pupils.

(3) Seven thousand two hundred dollars ($7,200) for high school pupils.

(b) The board shall annually adjust the per-unhoused-pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B construction as determined by the board.

(c) The board may adopt regulations to be effective until July 1, 2000, that adjust the amounts identified in this section for qualifying individuals with exceptional needs, as defined in Section 56026. The regulations shall be amended after July 1, 2000, in consideration of the recommendations provided pursuant to Section 17072.15.

(d) The board may establish a single supplemental per-unhoused-pupil grant in addition to the amounts specified in subdivision (a) based on the statewide average marginal difference in costs in instances where a project requires multilevel school facilities due to limited acreage. The district's application shall demonstrate that a practical alternative site is not available.

17072.12. In addition to the amount provided in Section 17072.10, the board may provide funding for assistance in site development and acquisition if all of the following are met:

(a) The amount of the site acquisition and development assistance does not exceed 50 percent of the cost of site development to the school district, plus the lesser of 50 percent of the site cost to the school district or 50 percent of the appraised value of the site at the time the complete application is submitted, whichever is less.

(b) The school district certifies that there is no alternative available site, or that the district plans to sell an available site in order to use the proceeds of the sale for the purchase of the new site.

17072.15. In conjunction with the State Department of Education and the Department of Finance, the Legislative Analyst shall review the method of funding the construction and modernization of school facilities for special education pupils and the amount provided per unhoused special education pupil pursuant to Sections 17072.10 and 17074.10. Pursuant to this review, the Legislative Analyst shall recommend modifications to this method that he or she deems to be advisable on or before September 1, 1999.

Article 5. New Construction Funding Process

17072.20. (a) An applicant school district that has been determined by the board to meet the eligibility requirements for new construction funding set forth in Article 2 (commencing with Section 17071.10) or Article 3 (commencing with Section 17071.75) may submit at any time a request to the board for a project apportionment for all or a portion of the funding for which the school district is eligible.

(b) The application shall include, but shall not be limited to, the school district's determination of the amount of state funding that the

district is otherwise eligible for relating to site acquisition, site development, new construction, and hardship funding provided pursuant to Article 8 (commencing with Section 17075.10), if any. The amount shall be reduced by the amount of the alternative fee collected pursuant to subdivision (a) of Section 65995.7 of the Government Code if a reimbursement election or agreement pursuant to Section 65995.7 of the Government Code is not in effect.

(c) The board shall verify and adjust, as necessary, and approve the district's application.

17072.25. (a) The board shall adopt regulations to develop a mechanism to rank approved applications for new construction funding. This mechanism shall be used to determine the priority of approved applications when state funds are insufficient.

(b) The ranking mechanism shall allocate priority points based upon the percentages of currently and projected unhoused pupils relative to the total population of the applicant district or attendance area and the total number of currently and projected unhoused pupils in an applicant district or attendance area.

(c) The board may award priority points based on other factors that in its judgment result in the most equitable distribution of resources among applicants. The additional factors may not constitute greater than a 10-percent weight in the overall priority ranking.

17072.30. Subject to the availability of funds, and to the determination of priority pursuant to Section 17072.25, the board shall apportion funds to an eligible school district only upon the approval of the project by the Department of General Services pursuant to the Field Act, as defined in Section 17281, and certification by the school district that the required 50 percent matching funds from local sources have been expended by the district for the project, or have been deposited in the county fund, or will be expended by the district by the time the project is completed, in an amount at least equal to the proposed apportionment pursuant to this chapter, prior to release of the state funds.

17072.32. For any project that has received an apportionment pursuant to Section 17072.30, funding shall be released in amounts equal to the amount of the local match upon certification by the district that the district has entered into a binding contract for completion of the approved project.

17072.33. In the case of site acquisition, a district may request that the state's share of site assistance be provided to the district in amounts equal to the amount of the local match when the district enters escrow for a site included within a project.

17072.35. A grant for new construction may be used for any and all costs necessary to adequately house new pupils in any approved project, and those costs may only include the cost of design, engineering, testing, inspection, plan checking, construction management, site acquisition and development, demolition,

construction, acquisition and installation of portable classrooms, landscaping, necessary utility costs, utility connections and other fees, equipment including telecommunication equipment to increase school security, furnishings, and the upgrading of electrical systems or the wiring or cabling of classrooms in order to accommodate educational technology. A grant for new construction may also be used to acquire an existing government or privately owned building, or a privately financed school building, and for the necessary costs of converting the government or privately owned building for public school use.

Article 6. Modernization Eligibility Determination

17073.10. Each school district that desires to receive an apportionment for modernization under this chapter shall submit an application in a form, and in the number of copies, that the board may require.

17073.15. A school district shall be eligible to receive an apportionment for modernization of permanent school buildings that are more than 25 years old , or in the case of portable classrooms that are at least 20 years old, and that have not been previously modernized with state funding.

17073.20. Funding may be approved for the modernization of any permanent school building that is more than 25 years old, or, in the case of any portable classroom that is more than 20 years old, as described in Section 17071.30, and that prior to November 4, 1998, had not been previously modernized with state funding.

Article 7. Modernization Apportionment

17074.10. (a) The board shall determine the total funding eligibility of a school district for modernization funding by multiplying the following amounts by each pupil of that grade level housed in permanent school buildings that are at least 25 years old or portable classrooms that are at least 20 years old, and that have not been previously modernized with state funding:

(1) Two thousand two hundred forty-six dollars ($2,246) for each elementary pupil.

(2) Two thousand three hundred seventy-six dollars ($2,376) for each middle school pupil.

(3) Three thousand one hundred ten dollars ($3,110) for each high school pupil.

(b) The board shall annually adjust the factors set forth in subdivision (a) according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the board.

(c) The board may adopt regulations to be effective until July 1, 2000, that adjust the amounts identified in this section for qualifying

individuals with exceptional needs, as defined in Section 56026. The regulations shall be amended after July 1, 2000, in consideration of the recommendations provided pursuant to Section 17072.15.

(d) It is the intent of the Legislature that the amounts provided pursuant to this article for school modernization do not include funding for administrative and overhead costs.

17074.15. The board shall release disbursements to school districts with approved applications for modernization, to the extent state funds are available for the state's 80-percent share, and the school district has provided its 20-percent local match. Subject to the availability of funds, the board shall apportion funds to an eligible school district only upon the approval of the project by the Department of General Services pursuant to the Field Act, as defined in Section 17281, and evidence that the certification by the school district that the required 20 percent matching funds from local sources have been expended by the district for the project, or have been deposited in the county fund or will be expended by the district by the time of completion of the project, and evidence that the district has entered into a binding contract for the completion of that project. If state funds are insufficient to fund all qualifying school districts, the board shall fund all qualifying school districts in the order in which the application for funding was approved by the board.

17074.20. As a condition for the receipt of funds under this article, a school district shall ensure that all buildings modernized comply with Sections 17212, 17212.5, and 17213.

17074.25. A modernization apportionment may be used for an improvement to extend the useful life of, or to enhance the physical environment of, the school. The improvement may only include the cost of design, engineering, testing, inspection, plan checking, construction management, demolition, construction, the replacement of portable classrooms, necessary utility costs, utility connection and other fees, the purchase and installation of air-conditioning equipment and insulation materials and related costs, furniture and equipment, including telecommunication equipment to increase school security, fire safety improvements, playground safety improvements, the identification, assessment, or abatement of hazardous asbestos, seismic safety improvements, and the upgrading of electrical systems or the wiring or cabling of classrooms in order to accommodate educational technology. A modernization grant may not be used for costs associated with acquisition and development of real estate or for routine maintenance and repair.

Article 8. Hardship Application

17075.10. (a) A school district may apply for hardship assistance in cases of extraordinary circumstances.

(b) A school district applying for hardship state funding under this article shall comply with either paragraph (1) or (2).

(1) Demonstrate both of the following:

(A) That due to extreme financial, disaster-related, or other hardship the school district has unmet need for pupil housing.

(B) That the school district is not financially capable of providing the matching funds otherwise required for state participation, that the district has made all reasonable efforts to impose all levels of local debt capacity and development fees, and that the school district is, therefore, unable to participate in the program pursuant to this chapter except as set forth in this article.

(2) Demonstrate that due to unusual circumstances that are beyond the control of the district, excessive costs need to be incurred in the construction of school facilities.

17075.15. (a) From funds available from any bond act for the purpose of funding facilities for school districts with a financial hardship, the board may provide other construction, modernization, or relocation assistance as set forth in this chapter or Chapter 14 (commencing with Section 17085) to the extent that severe circumstances may require, and may adjust or defer the local financial participation, as pupil health and safety considerations require to the extent that bond act funds are provided for this purpose.

(b) The board shall adopt regulations for determining the amount of funding that may be provided to a district, and the eligibility and prioritization of funding, under this article.

(1) The regulations shall include a method for determining the amount, and sources, of financing that the school district could reasonably provide for school facilities. Further, the regulations shall also specify a method for determining required levels of local effort to obtain matching funds.

(2) The value of any unused local general obligation debt capacity and developer fees added to the needs analysis to reflect the district's financial hardship, available for the purposes of school facilities financing shall be considered when evaluating available resources for the purposes of the determination described in paragraph (1).

Article 9. Program Accountability

17076.10. (a) A school district that has received any funds pursuant to this chapter shall submit a summary report of expenditure of state funds and of district matching funds annually until all state funds and district matching funds are expended, and shall then submit a final report to the board. The board may require an audit of these reports or other district records to ensure that all funds received pursuant to this chapter are expended in accordance with program requirements.

(b) If the board finds that a participating school district has made no substantial progress towards increasing its pupil capacity or renovating its facilities within 18 months of the receipt of any funding pursuant to this chapter, the board shall rescind the apportionment in an amount equal to the unexpended funds.

(c) If the board, after the review of expenditures or audit has been conducted pursuant to subdivision (a), determines that a school district failed to expend funds in accordance with this chapter, the department shall notify the school district of the amount that must be repaid to the 1998 State School Facilities Fund within 60 days. If the school district fails to make the required payment within 60 days, the department shall notify the Controller and the school district in writing, and the Controller shall deduct an amount equal to the amount received by the school district under this subdivision, from the school district's next principal apportionment or apportionments of state funds to the school district, other than basic aid apportionments required by Section 6 of Article IX of the California Constitution. Any amounts obtained by the Controller shall be deposited into the 1998 State School Facilities Fund.

(d) If a school district has received an apportionment, but has not met the criteria to have funds released pursuant to Section 17072.32 or 17074.15 within 18 months, the board shall rescind the apportionment and deny the district's application.

SEC. 5. Section 17260 of the Education Code is amended to read:

17260. As used in this article "school buildings" shall have the same meaning as in Section 17283.

SEC. 6. Section 17261 of the Education Code is repealed.

SEC. 7. Section 17261 is added to the Education Code, to read:

17261. The State Allocation Board shall obtain construction plans for school buildings appropriate for school districts in various climates and geographical conditions of the state. The plans shall be composed of plans designed to meet the needs of school districts requiring school buildings of various sizes. The plans may include landscape suggestions.

SEC. 8. Section 17262 of the Education Code is amended to read:

17262. Any school district may request sets of the plans and specifications obtained by the State Allocation Board as appropriate for use in constructing a school building of the type desired by the district. The plans and specifications shall be furnished to the school district subject to the payment by the school district of the actual expense incurred by the State Allocation Board, but that payment shall not exceed more than 2 percent of the total cost of the project. Any payments received for the plans and specifications shall be paid into the 1998 State School Facilities Fund.

SEC. 9. Section 17303 of the Education Code is amended to read:

17303. (a) The Department of General Services shall establish one or more methods to ensure that each application has been

completed sufficiently by the applicant to enable the plan review to be performed.

(b) Upon receipt of a complete application, the Department of General Services shall inform the applicant of the period of time that it anticipates to elapse prior to commencing review of the applicant's plans. Within 10 days of being so notified, the applicant shall make an election to either use the Department of General Services for the review of the applicant's plan or, request the plan review be performed by one or more qualified plan review firms pursuant to Sections 17305 and 17306. If the applicant elects to use the services of the Department of General Services for review of the applicant's plan, the department, as necessary to expedite review of the applicant's plans, shall do one or more of the following:

(1) Contract for assistance from one or more qualified plan review firms pursuant to Section 17305.

(2) Employ additional staff on a temporary basis.

(3) Maximize the use of department staff through the use of overtime or other appropriate means.

(4) Any other action determined by the department to have the effect of expediting the review and approval process.

(c) Each application shall identify, for purposes of receiving the notifications required under this subdivision, an employee of the applicant school district and either the applicant's architect or structural engineer. The Department of General Services immediately shall notify that employee, and the identified architect or structural engineer, when each of the following steps in the plan review process occurs:

(1) The department requests the applicant's architect or structural engineer to correct or complete any part of the application.

(2) An application number is assigned to the application.

(3) Review of the applicant's plans is commenced.

(4) Review of the applicant's plans is completed and the department returns the plans to the architect or structural engineer for correction.

(5) Corrected plans are returned to the department by the applicant's architect or structural engineer for final review and approval.

(6) The department approves the plans and causes a final record set of the plans to be printed in accordance with Section 17304.

(d) The Department of General Services may provide additional notifications to applicants as it deems necessary.

SEC. 10. Section 17305 of the Education Code is amended to read:

17305. (a) Notwithstanding Section 14952 of the Government Code, the Department of General Services shall contract with a sufficient number of qualified plan review firms for assistance in performing the plan review required under this article or Article 5 (commencing with Section 17350).

(b) For purposes of this article, "qualified plan review firm" means an individual, firm, or the building official of a city, a county, or a city and county, as defined in Section 18949.27 of the Health and Safety Code or the authorized representative of the building official that is identified by the Department of General Services as having appropriate expertise and knowledge of the requirements that apply to school buildings under this article. The department shall establish and maintain a list of the individuals and firms, and building officials or the authorized representatives of building officials so identified, and shall make that list available, upon request, to school districts and other interested parties.

SEC. 11. Section 17306 of the Education Code is amended to read:

17306. (a) Upon submitting a complete application for review under this article, the applicant may request that the Department of General Services refer the documents necessary for the review of that application to a qualified plan review firm operating under contract with the department pursuant to Section 17305. The department immediately shall grant the request and refer the necessary documents to a qualified plan review firm if the applicant so requests.

Upon completing the review, the qualified plan review firm shall submit the documents referred to it for the review of the application, together with the results of its review, to the Department of General Services.

(b) The Department of General Services shall establish a procedure governing the use by applicants of the review process alternative described in this section, including, but not limited to, provisions restricting the use of qualified plan review firms on the basis of conflict of interest.

SEC. 12. Section 17620 of the Education Code is amended to read:

17620. (a) (1) The governing board of any school district is authorized to levy a fee, charge, dedication, or other requirement against any construction within the boundaries of the district, for the purpose of funding the construction or reconstruction of school facilities, subject to any limitations set forth in Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code. This fee, charge, dedication, or other requirement may be applied to construction only as follows:

(A) To new commercial and industrial construction. The chargeable covered and enclosed space of commercial or industrial construction shall not be deemed to include the square footage of any structure existing on the site of that construction as of the date the first building permit is issued for any portion of that construction.

(B) To new residential construction.

(C) To other residential construction, only if the resulting increase in assessable space exceeds 500 square feet. The calculation of the "resulting increase in assessable space" for this purpose shall reflect any decrease in assessable space in the same residential

structure that also results from that construction. Where authorized under this paragraph, the fee, charge, dedication, or other requirement is applicable to the total resulting increase in assessable space.

(D) To location, installation, or occupancy of manufactured homes and mobilehomes, as defined in Section 17625.

(2) For purposes of this section, "construction" and "assessable space" have the same meaning as defined in Section 65995 of the Government Code.

(3) For purposes of this section and Section 65995, "construction or reconstruction of school facilities" does not include any item of expenditure for any of the following:

(A) The regular maintenance or routine repair of school buildings and facilities.

(B) The inspection, sampling, analysis, encapsulation, or removal of asbestos-containing materials, except where incidental to school facilities construction or reconstruction for which the expenditure of fees or other consideration collected pursuant to this section is not prohibited.

(C) The purposes of deferred maintenance described in Section 17582.

(4) The appropriate city or county may be authorized, pursuant to contractual agreement with the governing board, to collect and otherwise administer, on behalf of the school district, any fee, charge, dedication, or other requirement levied under this subdivision. In the event of any agreement authorizing a city or county to collect that fee, charge, dedication, or other requirement in any area within the school district, the certification requirement set forth in subdivision (b) or (c), as appropriate, is deemed to be complied with as to any residential construction within that area upon receipt by that city or county of payment of the fee, charge, dedication, or other requirement imposed on that residential construction.

(5) Fees or other consideration collected pursuant to this section may be expended by a school district for the costs of performing any study or otherwise making the findings and determinations required under subdivisions (a), (b), and (d) of Section 66001 of the Government Code, or in preparing the school facilities needs analysis described in Section 65995.6 of the Government Code. In addition, an amount not to exceed, in any fiscal year, 3 percent of the fees collected in that fiscal year pursuant to this section may be retained by the school district, city, or county, as appropriate, for reimbursement of the administrative costs incurred by that entity in collecting the fees. When any city or county is entitled, under an agreement as described in paragraph (4), to compensation in excess of that amount, the payment of that excess compensation shall be made from other revenue sources available to the school district. For purposes of this paragraph, "fees collected in that fiscal year pursuant to this section" does not include any amount in addition to the

amounts specified in paragraphs (1) and (2) of subdivision (b) of Section 65995 of the Government Code.

(b) A city or county, whether general law or chartered, may not issue a building permit for any construction absent certification by the appropriate school district that any fee, charge, dedication, or other requirement levied by the governing board of that school district has been complied with, or of the district's determination that the fee, charge, dedication, or other requirement does not apply to the construction. The school district shall issue the certification immediately upon compliance with the fee, charge, dedication, or other requirement.

(c) If, pursuant to subdivision (c) of Section 17621, the governing board specifies that the fee, charge, dedication, or other requirement levied under subdivision (a) is subject to the restriction set forth in subdivision (a) of Section 66007 of the Government Code, the restriction set forth in subdivision (b) of this section does not apply. In that event, however, a city or county, whether general law or chartered, may not conduct a final inspection or issue a certificate of occupancy, whichever is later, for any residential construction absent certification by the appropriate school district of compliance by that residential construction with any fee, charge, dedication, or other requirement levied by the governing board of that school district pursuant to subdivision (a).

(d) Neither subdivision (b) nor (c) shall apply to a city or county as to any fee, charge, dedication, or other requirement as described in subdivision (a), or as to any increase in that fee, charge, dedication, or other requirement, except upon the receipt by that city or county of notification of the adoption of, or increase in, the fee or other requirement in accordance with subdivision (c) of Section 17621.

SEC. 13. Section 81134 is added to the Education Code, to read:

81134. (a) The Department of General Services shall establish one or more methods to ensure that each application has been completed sufficiently by the applicant to enable the plan review to be performed.

(b) Upon receipt of a complete application, the Department of General Services shall inform the applicant of the period of time that it anticipates to elapse prior to commencing review of the applicant's plans. Within 10 days of being so notified, the applicant shall make an election to either use the Department of General Services for the review of the applicant's plans or, request the plan review be performed by one or more qualified plan review firms pursuant to Sections 81135 and 81136. If the applicant elects to use the services of the Department of General Services for review of the applicant's plans, the department shall, as necessary to expedite review of the applicant's plans do one or more of the following:

(1) Contract for assistance from one or more qualified plan review firms pursuant to Sections 81135 and 81136.

(2) Employ additional staff on a temporary basis.

(3) Maximize the use of department staff through the use of overtime or other appropriate means.

(4) Any other action determined by the department to have the effect of expediting the review and approval process.

(c) Each application shall identify, for purposes of receiving the notifications required under this subdivision, an employee of the applicant community college district and either the applicant's architect or structural engineer. The Department of General Services immediately shall notify that employee, and the identified architect or structural engineer, when each of the following steps in the plan review process occurs:

(1) The department requests the applicant's architect or structural engineer to correct or complete any part of the application.

(2) An application number is assigned to the application.

(3) Review of the applicant's plans is commenced.

(4) Review of the applicant's plans is completed and the department returns the plans to the architect or structural engineer for correction.

(5) Corrected plans are returned to the department by the applicant's architect or structural engineer for final review and approval.

(6) The department approves the plans and causes a final record set of the plans to be printed in accordance with Section 17304.

(d) The Department of General Services may provide additional notifications to applicants as it deems necessary.

SEC. 14. Section 81135 is added to the Education Code, to read:

81135. (a) Notwithstanding Section 14952 of the Government Code, the Department of General Services shall contract with sufficient numbers of qualified plan review firms for assistance in performing the plan review required under this article or Article 5 (commencing with Section 17350).

(b) For purposes of this article, "qualified plan review firm" means an individual, firm, or the building official of a city, county, or city and county, as defined in Section 18949.27 of the Health and Safety Code or the authorized representative of that building official that is identified by the Department of General Services as having appropriate expertise and knowledge of the requirements that apply to school buildings under this article. The department shall establish and maintain a list of the individuals firms, and building officials or the authorized representatives of building officials so identified, and shall make that list available, upon request, to community college districts and other interested parties.

SEC. 15. Section 81136 is added to the Education Code, to read:

81136. (a) Upon submitting a complete application for review under this article, the applicant may request that the Department of General Services refer the documents necessary for the review of that application to a qualified plan review firm operating under

contract with the department pursuant to Section 81135. The department immediately shall grant the request and refer the necessary documents to a qualified plan review firm if the applicant so requests. Upon completing the review, the qualified plan review firm shall submit the documents referred to it for the review of the application, together with the results of its review, to the Department of General Services.

(b) The Department of General Services shall establish a procedure governing the use by applicants of the review process alternative described in this section, including, but not limited to, provisions restricting the use of qualified plan review firms on the basis of conflict of interest.

SEC. 16. Part 68 (commencing with Section 100400) is added to the Education Code, to read:

PART 68. PUBLIC EDUCATION BONDS

CHAPTER 1. CLASS SIZE REDUCTION KINDERGARTEN-UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 1998

100400. This part shall be known and may be cited as the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998.

100401. The incorporation of, or reference to, any provisions of California statutory law in this part includes all acts amendatory thereof and supplementary thereto.

100403. (a) Bonds in the total amount of nine billion two hundred million dollars ($9,200,000,000), not including the amount of any refunding bonds issued in accordance with Chapter 2 (commencing with Section 100410) and Chapter 3 (commencing with Section 100450), or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established by Section 15909 and the Higher Education Facilities Finance Committee established pursuant to Section 67353 at any different times necessary to service expenditures required by the apportionments.

100405. For purposes of this part, "Chapter 12" means Chapter 12 (commencing with Section 17000) of Part 10 and "Chapter 12.5" means Chapter 12.5 (commencing with Section 17070.10) of Part 10.

CHAPTER 2. KINDERGARTEN THROUGH 12TH GRADE

Article 1. Kindergarten Through 12th Grade School Facilities Program Provisions

100410. (a) Three billion three hundred fifty million dollars ($3,350,000,000) of the proceeds of bonds issued and sold pursuant to this part shall be deposited in the 1998 State School Facilities Fund, which is established by Section 17070.40, and allocated by the State Allocation Board pursuant to this chapter. Before requesting the sale of bonds pursuant to Section 100432 for deposit in the State School Facilities Fund, the State Allocation Board shall request, pursuant to Section 100432, the sale of bonds sufficient to finance all projects for which application was made pursuant to the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 12 (commencing with Section 17000) of Part 10) and for which an application was approved for construction, but funding was not available, prior to November 4, 1998.

(b) In addition to the amount specified in subdivision (a), three billion three hundred fifty million dollars ($3,350,000,000) of the bonds authorized by this chapter shall only be issued and sold pursuant to this chapter on or after July 1, 2000, and the proceeds of those bonds shall be deposited in the 1998 State School Facilities Fund and allocated by the State Allocation Board pursuant to this chapter.

100415. (a) All moneys deposited in the 1998 State School Facilities Fund pursuant to this chapter shall be available and, notwithstanding any other provision of law to the contrary, are hereby appropriated to provide aid to school districts of the state in accordance with the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 12 (commencing with Section 17000) of Part 10) and in accordance with the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10), to provide aid to school districts, county superintendents of schools, and county boards of education of the state in accordance with Section 100420, to provide funds to repay any money advanced or loaned to the 1998 State School Facilities Fund under any act of the Legislature, together with interest provided for in that act, and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

(b) The bonds issued and sold pursuant to this chapter shall fund kindergarten and grades 1 through 12, inclusive, school constructions for a four-year period.

100420. (a) Of the proceeds from the sale of bonds, issued and sold pursuant to this chapter, as specified in subdivision (a) of Section 100410, not more than three billion three hundred fifty million dollars ($3,350,000,000) shall be allocated beginning in the 1998–99 fiscal year in accordance with the following schedule:

(1) Not less than one billion three hundred fifty million dollars ($1,350,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12 and Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than eight hundred million dollars ($800,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12 and Chapter 12.5.

(3) Not more than five hundred million dollars ($500,000,000) shall be deposited in the Public School Critical Hardship Account, which is hereby established in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(4) (A) Not more than seven hundred million dollars ($700,000,000) may be allocated to assist school districts with site acquisition and facilities-related costs of kindergarten and grades 1 to 3, inclusive, that are in the Class Size Reduction Program contained in Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10, and to assist districts with the restoration of facilities that previously accommodated other programs and were displaced as a result of the implementation of class size reduction. On and after July 1, 2000, if applications for the total funds available under this paragraph have not been filed with the State Allocation Board, the funds for which applications have not been received may be allocated by the board to other high priority needs as the board determines. On and after July 1, 2003, any funds not allocated are available for other high priority needs.

(B) The funds allocated in subparagraph (A) shall be allocated to the State Department of Education to provide class size reduction facilities grants necessary to implement the K-3 Class Size Reduction Program established pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10. The department shall certify to the State Allocation Board the amount of funds needed for this purpose. The board shall transfer the amount of funds needed to the department. From these funds, the department shall award eligible districts forty thousand dollars ($40,000) for each new option one class established for class size reduction for which the district had not previously received funding under class size reduction facilities programs.

(C) The remaining funds provided pursuant to subparagraph (A) shall be to provide funding for schoolsites that were eligible to receive a class size reduction land-locked waiver pursuant to Section 52122.6. The funds may be provided to districts to provide 50 percent of the cost of funding a facilities mitigation plan developed for the impacted site pursuant to Section 52122.7.

(D) Any funds not expended pursuant to subparagraphs (A), (B), or (C) shall be allocated to districts that request funding of forty thousand dollars ($40,000) for each teaching station that (1) was displaced as a result of the implementation of class size reduction and (2) received less than forty thousand dollars ($40,000) per teaching station in 1996–97 pursuant to Chapter 19 (commencing with Section 17200) of Part 10. Programs for which teaching stations may be restored may include child care, extended day care, school libraries, computer labs, and special education classrooms.

(b) Of the proceeds from the sale of bonds issued and sold pursuant to this chapter, as specified in subdivision (b) of Section 100410, not more than three billion three hundred fifty million dollars ($3,350,000,000) shall be allocated beginning in the 2000–01 fiscal year in accordance with the following schedule:

(1) Not less than one billion five hundred fifty million dollars ($1,550,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than one billion three hundred million dollars ($1,300,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12.5.

(3) Not more than five hundred million dollars ($500,000,000) shall be deposited in the Public School Critical Hardship Account in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(c) Districts may use funds allocated pursuant to paragraph (2) of subdivision (a) and paragraph (2) of subdivision (b) for one or more of the following purposes in accordance with Chapter 12.5:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other renovation or modernization of facilities pursuant to Chapter 12.5.

(d) Funds allocated pursuant to paragraph (1) of subdivision (a) and paragraph (1) of subdivision (b) may be utilized to provide new construction grants, without regard to funding priorities, for applicant county boards of education under Chapter 12.5 that are eligible for that funding or classrooms for severely handicapped pupils and funding for classrooms for county community school pupils.

(e) (1) The Legislature may amend this section to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (a) and the maximum funding amounts specified in paragraphs (3) and (4) of subdivision (a), and to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (b) and the maximum funding amount specified in paragraph (3) of subdivision (b), by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) or paragraphs (1) to (3), inclusive, of subdivision (b) or both, but may not increase or decrease the total amount to be expended pursuant to either subdivision.

Article 2. Kindergarten Through 12th Grade School Facilities Fiscal Provisions

100425. (a) Bonds in the total amount of six billion seven hundred million dollars ($6,700,000,000), not including the amount of any refunding bonds issued in accordance with Section 100444, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established pursuant to Section 15909 at any different times necessary to service expenditures required by the apportionments.

100427. The State School Building Finance Committee, established by Section 15909 and composed of the Governor, the Controller, the Treasurer, the Director of Finance, and the Superintendent of Public Instruction, or their designated representatives, all of whom shall serve thereon without compensation, and a majority of whom shall constitute a quorum, is continued in existence for the purpose of this chapter. The Treasurer shall serve as chairperson of the committee. Two Members of the Senate appointed by the Senate Committee on Rules, and two Members of the Assembly appointed by the Speaker of the Assembly,

shall meet with and provide advice to the committee to the extent that the advisory participation is not incompatible with their respective positions as Members of the Legislature. For the purposes of this chapter, the Members of the Legislature shall constitute an interim investigating committee on the subject of this chapter and, as that committee, shall have the powers and duties imposed upon those committees by the Joint Rules of the Senate and the Assembly. The Director of Finance shall provide the assistance to the committee as it may require. The Attorney General of the state is the legal adviser of the committee.

100430. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law, except Section 16727 of the Government Code, apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) For purposes of the State General Obligation Bond Law, the State Allocation Board is designated the "board" for purposes of administering the 1998 State School Facilities Fund.

100432. Upon request of the State Allocation Board from time to time, supported by a statement of the apportionments made and to be made for the purposes described in Sections 100415 and 100420, the State School Building Finance Committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to fund the apportionments and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to fund those apportionments progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

100434. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

100435. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 100440, appropriated without regard to fiscal years.

100436. The State Allocation Board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

100438. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

100440. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the State School Building Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 1998 State School Facilities Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

100442. All money deposited in the 1998 State School Facilities Fund, that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

100444. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

100446. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

CHAPTER 3. HIGHER EDUCATION FACILITIES

Article 1. Program Provision

100450. The Legislature finds and declares all of the following:

(a) California's economic and social prosperity relies on a higher education system that keeps pace with California's growth. In the coming decades, the state's economic prosperity will depend on increasing the productivity of the work force and on the ability to compete successfully in the world marketplace.

(b) The system of public higher education in this state includes the University of California, the Hastings College of the Law, the California State University, the California Community Colleges, and their respective off-campus centers. Each of these institutions plays a vital role in maintaining California's dominance in higher education in the United States.

(c) Over the last several years, studies have been completed by the California Postsecondary Education Commission, the University of California, the California State University, and the California Community Colleges to assess their long-term and short-term capital needs. Those studies demonstrate that the long-term and short-term needs total, in the aggregate, seven hundred fifty million dollars ($750,000,000) per year into the next century.

(d) Proceeds from the sale of bonds issued and sold pursuant to this chapter may be used to fund construction on existing or new campuses and off-campus centers, including the construction of buildings and the acquisition of related fixtures, the renovation and reconstruction of facilities, site acquisition, the equipping of new, renovated, or reconstructed facilities, which equipment shall have an average useful life of 10 years; and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings at the University of California, the Hastings College of the Law, the California State University and the California Community Colleges.

(e) The purposes of this article include assisting in meeting the capital outlay financing needs of California's public higher education system.

100455. (a) Two billion five hundred million dollars ($2,500,000,000) of the proceeds of bonds issued and sold pursuant to this part shall be deposited in the 1998 Higher Education Capital Outlay Bond Fund which is hereby established in the State Treasury. These funds shall be available for expenditure when appropriated.

(b) One billion two hundred fifty million dollars ($1,250,000,000) of the bonds described in subdivision (a), shall only be issued and sold pursuant to this chapter on or after July 1, 2000.

100457. (a) Of the amount of bonds issued and sold pursuant to subdivision (b) of Section 100455, one hundred sixty-five million dollars ($165,000,000) shall be allocated in the 2000–01 fiscal year to be available only for the following purposes:

(1) The development of new campuses of the University of California.

(2) The development of new campuses, small campuses with enrollments of less than 5,000 full-time equivalent students, and off-campus centers at the California State University and the California Community Colleges.

(b) The amount of the allocation of funds required pursuant to this section for the development of new campuses may be reduced by a future legislative act if the Legislature finds that state funds have been provided from sources other than the proceeds of bonds for capital outlay costs. The reduction shall be limited to the amount actually provided from sources other than bond proceeds.

100460. The Higher Education Facilities Finance Committee established pursuant to Section 67353 is hereby authorized to create a debt or debts, liability or liabilities, of the State of California pursuant to this chapter for the purpose of providing funds to aid the University of California, the Hastings College of the Law, the California State University, and the California Community Colleges.

Article 2. Higher Education Fiscal Provisions

100500. (a) Bonds in the total amount of two billion five hundred million dollars ($2,500,000,000), not including the amount of any refunding bonds issued in accordance with Section 100555, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the Higher Education Facilities Finance Committee established pursuant to Section 67353 at any different times necessary to service expenditures required by the apportionments.

100510. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the

Government Code), and all of the provisions of that law, except Section 16727 of the Government Code, apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) For the purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the 1998 Higher Education Capital Outlay Bond Fund is designated as the "board" for projects funded pursuant to this chapter.

(c) The proceeds of the bonds issued and sold pursuant to this chapter shall be available for the purpose of funding aid to the University of California, the Hastings College of the Law, the California State University, and the California Community Colleges, for the construction on existing or new campuses, and their respective off-campus centers, including the construction of buildings and the acquisition of related fixtures, renovation, and reconstruction of facilities, for the acquisition of sites upon which these facilities are to be constructed, for the equipping of new, renovated, or reconstructed facilities, which equipment shall have a useful life of at least 10 years, to provide funds for payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings.

100520. The Higher Education Facilities Finance Committee established pursuant to Section 67353 shall authorize the issuance of bonds under this chapter only to the extent necessary to fund the apportionments for the purposes described in this chapter that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the purposes described in this chapter and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

100525. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

100530. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 100545, appropriated without regard to fiscal years.

100535. The board, as defined in subdivision (b) of Section 100510, may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board, as defined in subdivision (b) of Section 100510, shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

100540. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

100545. (a) For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the Higher Education Facilities Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 1998 Higher Education Capital Outlay Bond Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

(b) Any request forwarded to the Legislature and the Department of Finance for funds from this bond issue for expenditure for the purposes described in this chapter by the University of California, the California State University, or the California Community Colleges shall be accompanied by the five-year capital outlay plan. Requests forwarded by a university or college shall include a schedule that prioritizes the seismic retrofitting needed to significantly reduce, by the 2002–03 fiscal year, in the judgment of the particular university or college, seismic

hazards in buildings identified as high priority by the university or college. Requests forwarded by the California Community Colleges shall be accompanied by a five-year capital outlay plan reflecting the needs and priorities of the community college system, prioritized on a statewide basis.

100550. All money deposited in the 1998 Higher Education Capital Outlay Bond Fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

100555. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

100560. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 17. Section 1003 of the Elections Code is amended to read:

1003. This chapter shall not apply to the following:

(a) Any special election called by the Governor.

(b) Elections held in chartered cities or chartered counties in which the charter provisions are inconsistent with this chapter.

(c) School governing board elections consolidated pursuant to Section 5006 of the Education Code or initiated by petition pursuant to Section 5091 of the Education Code.

(d) Elections of any kind required or permitted to be held by a school district located in a chartered city or county when the election is consolidated with a regular city or county election held in a jurisdiction that includes 95 percent or more of the school district's population.

(e) County, municipal, district, and school district initiative, referendum, or recall elections.

(f) Any election conducted solely by mailed ballot pursuant to Division 4 (commencing with Section 4000).

(g) Elections held pursuant to Article 1 (commencing with Section 15100) of Chapter 1 of Part 10 of the Education Code.

SEC. 18. Section 4420.5 is added to the Government Code, to read:

4420.5. (a) Subdivision (b) of Section 4420 shall not apply to any construction or renovation project undertaken by a school district.

(b) The district may use owner-controlled or wrap-up insurance with regard to a construction or renovation project if the district makes the following determinations:

(1) Prospective bidders, including contractors and subcontractors, meet minimum occupational safety and health qualifications established to bid on the project. The evaluation of prospective bidders shall be based on consideration of the following factors:

(A) Serious and willful violations of Part 1 (commencing with Section 6300) of Division 5 of the Labor Code, by a contractor or subcontractor during the past five-year period.

(B) The contractor's or subcontractor's workers' compensation experience modification factor.

(C) A contractor's or subcontractor's injury prevention program instituted pursuant to Section 3201.5 or 6401.7 of the Labor Code.

(2) The use of owner-controlled or wrap-up insurance will maximize the expenditure of public funds on the project in conjunction with the exercise of appropriate risk management.

(c) For purposes of this section, "owner-controlled or wrap-up insurance" means a series of insurance policies issued to cover all of the contractors and subcontractors on a given project for purposes of general liability and workers' compensation.

(d) Any use of owner-controlled or wrap-up insurance pursuant to this section shall be subject to subparagraphs (B), (C), (D), and (E) of paragraph (1) of subdivision (d) of Section 4420 and paragraphs (2) and (3) of that subdivision.

SEC. 19. Section 65995 of the Government Code is amended to read:

65995. (a) Except for a fee, charge, dedication, or other requirement authorized under Section 17620 of the Education Code, or pursuant to Chapter 4.7 (commencing with Section 65970), a fee, charge, dedication, or other requirement for the construction or reconstruction of school facilities may not be levied or imposed in connection with, or made a condition of, any legislative or adjudicative act, or both, by any state or local agency involving, but not limited to, the planning, use, or development of real property, or any change in governmental organization or reorganization, as defined in Section 56021 or 56073.

(b) Except as provided in Sections 65995.5 and 65995.7, the amount of any fees, charges, dedications, or other requirements authorized under Section 17620 of the Education Code, or pursuant to Chapter 4.7 (commencing with Section 65970), or both, may not exceed the following:

(1) In the case of residential construction, including the location, installation, or occupancy of manufactured homes and mobilehomes, one dollar and ninety-three cents ($1.93) per square foot of assessable space. "Assessable space," for this purpose, means all of the square footage within the perimeter of a residential structure, not including

any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area. The amount of the square footage within the perimeter of a residential structure shall be calculated by the building department of the city or county issuing the building permit, in accordance with the standard practice of that city or county in calculating structural perimeters. "Manufactured home" and "mobilehome" have the meanings set forth in subdivision (f) of Section 17625 of the Education Code. The application of any fee, charge, dedication, or other form of requirement to the location, installation, or occupancy of manufactured homes and mobilehomes is subject to Section 17625 of the Education Code.

(2) In the case of any commercial or industrial construction, thirty-one cents ($0.31) per square foot of chargeable covered and enclosed space. "Chargeable covered and enclosed space," for this purpose, means the covered and enclosed space determined to be within the perimeter of a commercial or industrial structure, not including any storage areas incidental to the principal use of the construction, garage, parking structure, unenclosed walkway, or utility or disposal area. The determination of the chargeable covered and enclosed space within the perimeter of a commercial or industrial structure shall be made by the building department of the city or county issuing the building permit, in accordance with the building standards of that city or county.

(3) The amount of the limits set forth in paragraphs (1) and (2) shall be increased in 2000, and every two years thereafter, according to the adjustment for inflation set forth in the statewide cost index for class B construction, as determined by the State Allocation Board at its January meeting, which increase shall be effective as of the date of that meeting.

(c) (1) Notwithstanding any other provision of law, during the term of a contract entered into between a subdivider or builder and a school district, city, county, or city and county, whether general law or chartered, on or before January 1, 1987, that requires the payment of a fee, charge, or dedication for the construction of school facilities as a condition to the approval of residential construction, neither Section 17620 of the Education Code nor this chapter applies to that residential construction.

(2) Notwithstanding any other provision of state or local law, construction that is subject to a contract entered into between a person and a school district, city, county, or city and county, whether general law or chartered, after January 1, 1987, and before the operative date of the act that adds paragraph (3) that requires the payment of a fee, charge, or dedication for the construction of school facilities as a condition to the approval of construction, may not be affected by the act that adds paragraph (3).

(3) Notwithstanding any other provision of state or local law, until January 1, 2000, any construction not subject to a contract as described in paragraph (2) that is carried out on real property for

which residential development was made subject to a condition relating to school facilities imposed by a state or local agency in connection with a legislative act approving or authorizing the residential development of that property after January 1, 1987, and before the operative date of the act adding this paragraph, shall be required to comply with that condition.

Notwithstanding any other provision of state or local law, on and after January 1, 2000, any construction not subject to a contract as described in paragraph (2) that is carried out on real property for which residential development was made subject to a condition relating to school facilities imposed by a state or local agency in connection with a legislative act approving or authorizing the residential development of that property after January 1, 1987, and before the operative date of the act adding this paragraph, may not be subject to a fee, charge, dedication, or other requirement exceeding the amount specified in paragraphs (1) and (2) of subdivision (b), or, if a district has increased the limit specified in paragraph (1) of subdivision (b) pursuant to either Section 65995.5 or 65995.7, that increased amount.

(4) Any construction that is not subject to a contract as described in paragraph (2), or to paragraph (3), and that satisfies both of the requirements of this paragraph, may not be subject to any increased fee, charge, dedication, or other requirement authorized by the act that adds this paragraph beyond the amount specified in paragraphs (1) and (2) of subdivision (b).

(A) A tentative map, development permit, or conditional use permit was approved before the operative date of the act that amends this subdivision.

(B) A building permit is issued before January 1, 2000.

(d) For purposes of this chapter, "construction" means new construction and reconstruction of existing building for residential, commercial, or industrial. "Residential, commercial, or industrial construction" does not include any facility used exclusively for religious purposes that is thereby exempt from property taxation under the laws of this state, any facility used exclusively as a private full-time day school as described in Section 48222 of the Education Code, or any facility that is owned and occupied by one or more agencies of federal, state, or local government. In addition, "commercial or industrial construction" includes, but is not limited to, any hotel, inn, motel, tourist home, or other lodging for which the maximum term of occupancy for guests does not exceed 30 days, but does not include any residential hotel, as defined in paragraph (1) of subdivision (b) of Section 50519 of the Health and Safety Code.

(e) The Legislature finds and declares that the financing of school facilities and the mitigation of the impacts of land use approvals, whether legislative or adjudicative, or both, on the need for school facilities are matters of statewide concern. For this reason, the Legislature hereby occupies the subject matter of requirements

related to school facilities levied or imposed in connection with, or made a condition of, any land use approval, whether legislative or adjudicative act, or both, and the mitigation of the impacts of land use approvals, whether legislative or adjudicative, or both, on the need for school facilities, to the exclusion of all other measures, financial or nonfinancial, on the subjects. For purposes of this subdivision, "school facilities" means any school-related consideration relating to a school district's ability to accommodate enrollment.

(f) Nothing in this section shall be interpreted to limit or prohibit the use of Chapter 2.5 (commencing with Section 53311) of Division 2 of Title 5 to finance the construction or reconstruction of school facilities. However, the use of Chapter 2.5 (commencing with Section 53311) of Division 2 of Title 5 may not be required as a condition of approval of any legislative or adjudicative act, or both, if the purpose of the community facilities district is to finance school facilities.

(g) (1) The refusal of a person to agree to undertake or cause to be undertaken an act relating to Chapter 2.5 (commencing with Section 53311) of Division 2 of Title 5, including formation of, or annexation to, a community facilities district, voting to levy a special tax, or authorizing another to vote to levy a special tax, may not be a factor when considering the approval of a legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property, or any change in governmental organization or reorganization, as defined in Section 56021 or 56073, if the purpose of the community facilities district is to finance school facilities.

(2) If a person voluntarily elects to establish, or annex into, a community facilities district and levy a special tax approved by landowner vote to finance school facilities, the present value of the special tax specified in the resolution of formation shall be calculated as an amount per square foot of assessable space and that amount shall be a credit against any applicable fee, charge, dedication, or other requirement for the construction or reconstruction of school facilities. For purposes of this paragraph, the calculation of present value shall use the interest rate paid on the United States Treasury's 30-year bond on the date of the formation of, or annexation to, the community facilities district, as the capitalization rate.

(3) For purposes of subdivisions (f), (h), and (i), and this subdivision, "school facilities" means any school-related consideration relating to a school district's ability to accommodate enrollment.

(h) The payment or satisfaction of a fee, charge, or other requirement levied or imposed pursuant to Section 17620 of the Education Code in the amount specified in Section 65995 and, if applicable, any amounts specified in Section 65995.5 or 65995.7 are hereby deemed to be full and complete mitigation of the impacts of any legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property, or any change

in governmental organization or reorganization as defined in Section 56021 or 56073, on the provision of adequate school facilities.

(i) A state or local agency may not deny or refuse to approve a legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property, or any change in governmental organization or reorganization as defined in Section 56021 or 56073 on the basis of a person's refusal to provide school facilities mitigation that exceeds the amounts authorized pursuant to this section or pursuant to Section 65995.5 or 65995.7, as applicable.

SEC. 20. Section 65995.5 is added to the Government Code, to read:

65995.5. (a) The governing board of a school district may impose the amount calculated pursuant to this section as an alternative to the amount that may be imposed on residential construction calculated pursuant to subdivision (b) of Section 65995.

(b) To be eligible to impose the fee, charge, dedication, or other requirement up to the amount calculated pursuant to this section, a governing board shall do all of the following:

(1) Make a timely application to the State Allocation Board for new construction funding for which it is eligible and be determined by the board to meet the eligibility requirements for new construction funding set forth in Article 2 (commencing with Section 17071.10) and Article 3 (commencing with Section 17071.75) of Chapter 12.5 of Part 10 of the Education Code. A governing board that submits an application to determine the district's eligibility for new construction funding shall be deemed eligible if the State Allocation Board fails to notify the district of the district's eligibility within 120 days of receipt of the application.

(2) Conduct and adopt a school facility needs analysis pursuant to Section 65995.6.

(3) Until January 1, 2000, satisfy at least one of the requirements set forth in subparagraphs (A) to (D), inclusive, and, on and after January 1, 2000, satisfy at least two of the requirements set forth in subparagraphs (A) to (D), inclusive:

(A) The district is a unified or elementary school district that has a substantial enrollment of its elementary school pupils on a multitrack year-round schedule. "Substantial enrollment" for purposes of this paragraph means at least 30 percent of district pupils in kindergarten and grades 1 to 6, inclusive, in the high school attendance area in which all or some of the new residential units identified in the needs analysis are planned for construction. A high school district shall be deemed to have met the requirements of this paragraph if either of the following apply:

(i) At least 30 percent of the high school district's pupils are on a multitrack year-round schedule.

(ii) At least 40 percent of the pupils enrolled in public schools in kindergarten and grades 1 to 12, inclusive, within the boundaries of the high school attendance area for which the school district is

applying for new facilities are enrolled in multitrack year-round schools.

(B) The district has placed on the ballot in the previous four years a local general obligation bond to finance school facilities and the measure received at least 50 percent plus one of the votes cast.

(C) The district meets one of the following:

(i) The district has issued debt or incurred obligations for capital outlay in an amount equivalent to 15 percent of the district's local bonding capacity, including indebtedness that is repaid from property taxes, parcel taxes, the district's general fund, special taxes levied pursuant to Section 4 of Article XIII A of the California Constitution, special taxes levied pursuant to Chapter 2.5 (commencing with Section 52211) of Division 2 of Title 5 that are approved by a vote of registered voters, special taxes levied pursuant to Chapter 2.5 (commencing with Section 52211) of Division 2 of Title 5 that are approved by a vote of landowners prior to November 4, 1998, and revenues received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code). Indebtedness or other obligation to finance school facilities to be owned, leased, or used by the district, that is incurred by another public agency, shall be counted for the purpose of calculating whether the district has met the debt percentage requirement contained herein.

(ii) The district has issued debt or incurred obligations for capital outlay in an amount equivalent to 30 percent of the district's local bonding capacity, including indebtedness that is repaid from property taxes, parcel taxes, the district's general fund, special taxes levied pursuant to Section 4 of Article XIII A of the California Constitution, special taxes levied pursuant to Chapter 2.5 (commencing with Section 52211) of Division 2 of Title 5 that are approved by a vote of registered voters, special taxes levied pursuant to Chapter 2.5 (commencing with Section 52211) of Division 2 of Title 5 that are approved by a vote of landowners after November 4, 1998, and revenues received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code). Indebtedness or other obligation to finance school facilities to be owned, leased, or used by the district, that is incurred by another public agency, shall be counted for the purpose of calculating whether the district has met the debt percentage requirement contained herein.

(D) At least 20 percent of the teaching stations within the district are relocatable classrooms.

(c) The maximum square foot fee, charge, dedication, or other requirement authorized by this section that may be collected in accordance with Chapter 6 (commencing with Section 17620) of Part 10.5 of the Education Code shall be calculated by a governing board of a school district, as follows:

(1) The number of unhoused pupils identified in the school facilities needs analysis shall be multiplied by the appropriate amounts provided in subdivision (a) of Section 17072.10. This sum shall be added to the site acquisition and development cost determined pursuant to subdivision (h).

(2) The full amount of local funds the governing board has dedicated to facilities necessitated by new construction shall be subtracted from the amount determined pursuant to paragraph (1). Local funds include fees, charges, dedications, or other requirements imposed on commercial or industrial construction.

(3) The resulting amount determined pursuant to paragraph (2) shall be divided by the projected total square footage of assessable space of residential units anticipated to be constructed during the next five-year period in the school district or the city and county in which the school district is located. The estimate of the projected total square footage shall be based on information available from the city or county within which the residential units are anticipated to be constructed or a market report prepared by an independent third party.

(d) A school district that has a common territorial jurisdiction with a district that imposes the fee, charge, dedication, or other requirement up to the amount calculated pursuant to this section or Section 65995.7, may not impose a fee, charge, dedication, or other requirement on residential construction that exceeds the limit set forth in subdivision (b) of Section 65995 less the portion of that amount it would be required to share pursuant to Section 17623 of the Education Code, unless that district is eligible to impose the fee, charge, dedication, or other requirement up to the amount calculated pursuant to this section or Section 65995.7.

(e) Nothing in this section is intended to limit or discourage the joint use of school facilities or to limit the ability of a school district to construct school facilities that exceed the amount of funds authorized by Section 17620 of the Education Code and provided by the state grant program, if the additional costs are funded solely by local revenue sources other than fees, charges, dedications, or other requirements imposed on new construction.

(f) A fee, charge, dedication, or other requirement authorized under Section 17620 of the Education Code or pursuant to Chapter 4.7 (commencing with Section 65970) shall be expended solely on the school facilities identified in the needs analysis as being attributable to projected enrollment growth from the construction of new residential units.

(g) "Residential units" and "residences" as used in this section and in Sections 65995.6 and 65995.7 means the development of single-family detached housing units, single-family attached housing units, manufactured homes and mobile homes, as defined in subdivision (f) of Section 17625 of the Education Code, condominiums, and multifamily housing units, including apartments,

residential hotels, as defined in paragraph (1) of subdivision (b) of Section 50519 of the Health and Safety Code, and stock cooperatives, as defined in Section 1351 of the Civil Code.

(h) Site acquisition costs shall not exceed half the amount determined by multiplying the land acreage determined to be necessary under the guidelines of the State Department of Education, as published in the "School Site Analysis and Development Handbook," as that handbook read as of January 1, 1998, by the estimated cost determined pursuant to Section 17072.12 of the Education Code. Site development costs shall not exceed two times the amount funded by the State Allocation Board.

SEC. 21. Section 65995.6 is added to the Government Code, to read:

65995.6. (a) The school facilities needs analysis required by paragraph (2) of subdivision (b) of Section 65995.5 shall be conducted by the governing board of a school district to determine the need for new school facilities for unhoused pupils that are attributable to projected enrollment growth from the development of new residential units over the next five years. The school facilities needs analysis shall project the number of unhoused elementary, middle, and high school pupils generated by new residential units, in each category of pupils enrolled in the district. This projection of unhoused pupils shall be based on the historical student generation rates of new residential units constructed during the previous five years that are of a similar type of unit to those anticipated to be constructed either in the school district or the city or county in which the school district is located, and relevant planning agency information, such as multiphased development projects, that may modify the historical figures. For purposes of this paragraph, "type" means a single family detached, single family attached, or multifamily unit. The existing school building capacity shall be calculated pursuant to Article 2 (commencing with Section 17071.10) of Chapter 12.5 of Part 10 of the Education Code. If a district meets the requirements of paragraph (3) of subdivision (b) of Section 65995.5 by having a substantial enrollment on a multitrack year-round schedule, the determination of whether the district has school building capacity area shall reflect the additional capacity created by the multitrack year-round schedule.

(b) When determining the funds necessary to meet its facility needs, the governing board shall do each of the following:

(1) Identify and consider any surplus property owned by the district that can be used as a schoolsite or that is available for sale to finance school facilities.

(2) Identify and consider the extent to which projected enrollment growth may be accommodated by excess capacity in existing facilities.

(3) Identify and consider local sources other than fees, charges, dedications, or other requirements imposed on residential

construction available to finance the construction or reconstruction of school facilities needed to accommodate any growth in enrollment attributable to the construction of new residential units.

(c) The governing board shall adopt the school facility needs analysis by resolution at a public hearing. The school facilities needs analysis may not be adopted until the school facilities needs analysis in its final form has been made available to the public for a period of not less than 30 days during which time the school facilities needs analysis shall be provided to the local agency responsible for land use planning for its review and comment. Prior to the adoption of the school facilities needs analysis, the public shall have the opportunity to review and comment on the school facilities needs analysis and the governing board shall respond to written comments it receives regarding the school facilities needs analysis.

(d) Notice of the time and place of the hearing, including the location and procedure for viewing or requesting a copy of the proposed school facilities needs analysis and any proposed revision of the school facilities needs analysis, shall be published in at least one newspaper of general circulation within the jurisdiction of the school district that is conducting the hearing no less than 30 days prior to the hearing. If there is no paper of general circulation, the notice shall be posted in at least three conspicuous public places within the jurisdiction of the school district not less than 30 days prior to the hearing. In addition to these notice requirements, the governing board shall mail a copy of the school facilities needs analysis and any proposed revision to the school facilities needs analysis not less than 30 days prior to the hearing to any person who has made a written request if the written request was made 45 days prior to the hearing. The governing board may charge a fee reasonably related to the cost of providing these materials to those persons who request the school facilities needs analysis or revision.

(e) The school facilities needs analysis may be revised at any time in the same manner, and the revision is subject to the same conditions and requirements, applicable to the adoption of the school facilities needs analysis.

(f) A fee, charge, dedication, or other requirement in an amount authorized by this section or Section 65995.7, shall be adopted by a resolution of the governing board as part of the adoption or revision of the school facilities needs analysis and may not be effective for more than one year. Notwithstanding subdivision (a) of Section 17621 of the Education Code, or any other provision of law, the fee, charge, dedication, or other requirement authorized by the resolution shall take effect immediately after the adoption of the resolution.

(g) Division 13 (commencing with Section 21000) of the Public Resources Code may not apply to the preparation, adoption, or update of the school facilities needs analysis, or adoption of the resolution specified in this section.

(h) Notice and hearing requirements other than those provided in this section may not be applicable to the adoption or revision of a school facilities needs analysis or the resolutions adopted pursuant to this section.

SEC. 22. Section 65995.7 is added to the Government Code, to read:

65995.7. (a) If state funds for new school facility construction are not available, the governing board of a school district that complies with Section 65995.5 may increase the alternative fee, charge, dedication, or other requirement calculated pursuant to subdivision (c) of Section 65995.5 by an amount that may not exceed the amount calculated pursuant to subdivision (c) of Section 65995.5, except that for the purposes of calculating this additional amount, the amount identified in paragraph (2) of subdivision (c) of Section 65995.5 may not be subtracted from the amount determined pursuant to paragraph (1) of subdivision (c) of Section 65995.5. For purposes of this section, state funds are not available if the State Allocation Board is no longer approving apportionments for new construction pursuant to Article 5 (commencing with Section 17072.20) of Chapter 12.5 of Part 10 of the Education Code due to a lack of funds available for new construction. Upon making a determination that state funds are no longer available, the State Allocation Board shall notify the Secretary of the Senate and the Chief Clerk of the Assembly, in writing, of that determination and the date when state funds are no longer available for publication in the respective journal of each house.

(b) A governing board may offer a reimbursement election to the person subject to the fee, charge, dedication, or other requirement that provides the person with the right to monetary reimbursement of the supplemental amount authorized by this section, to the extent that the district receives funds from state sources for construction of the facilities for which that amount was required, less any amount expended by the district for interim housing. At the option of the person subject to the fee, charge, dedication, or other requirement the reimbursement election may be made on a tract or lot basis. Reimbursement of available funds shall be made within 30 days as they are received by the district.

(c) A governing board may offer the person subject to the fee, charge, dedication, or other requirement an opportunity to negotiate an alternative reimbursement agreement if the terms of the agreement are mutually agreed upon.

(d) A governing board may provide that the rights granted by the reimbursement election or the alternative reimbursement agreement are assignable.

SEC. 23. Section 65996 of the Government Code is amended to read:

65996. (a) Notwithstanding Section 65858, or Division 13 (commencing with Section 21000) of the Public Resources Code, or

any other provision of state or local law, the following provisions shall be the exclusive methods of considering and mitigating impacts on school facilities that occur or might occur as a result of any legislative or adjudicative act, or both, by any state or local agency involving, but not limited to, the planning, use, or development of real property or any change of governmental organization or reorganization, as defined in Section 56021 or 56073:

(1) Section 17620 of the Education Code.

(2) Chapter 4.7 (commencing with Section 65970) of Division 1 of Title 7.

(b) The provisions of this chapter are hereby deemed to provide full and complete school facilities mitigation and, notwithstanding Section 65858, or Division 13 (commencing with Section 21000) of the Public Resources Code, or any other provision of state or local law, a state or local agency may not deny or refuse to approve a legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property or any change in governmental organization or reorganization, as defined in Section 56021 or 56073, on the basis that school facilities are inadequate.

(c) For purposes of this section, "school facilities" means any school-related consideration relating to a school district's ability to accommodate enrollment.

(d) Nothing in this chapter shall be interpreted to limit or prohibit the ability of a local agency to utilize other methods to provide school facilities if these methods are not levied or imposed in connection with, or made a condition of, a legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property or a change in governmental organization or reorganization, as defined in Section 56021 or 56073. Nothing in this chapter shall be interpreted to limit or prohibit the assessment or reassessment of property in conjunction with ad valorum taxes, or the placement of a parcel on the secured roll in conjunction with qualified special taxes as that term is used in Section 50079.

(e) Nothing in this section shall be interpreted to limit or prohibit the ability of a local agency to mitigate the impacts of land use approvals other than on the need for school facilities, as defined in this section.

(f) This section shall become inoperative during any time that Section 65997 is operative and this section shall become operative at any time that Section 65997 is inoperative.

SEC. 24. Section 65997 is added to the Government Code, to read:

65997. (a) The following provisions shall be the exclusive methods of mitigating environmental effects related to the adequacy of school facilities when considering the approval or the establishment of conditions for the approval of a development project, as defined in Section 17620, pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code:

(1) Chapter 12 (commencing with Section 17000) of Part 10 of the Education Code or Chapter 12.5 (commencing with Section 17070.10).

(2) Chapter 14 (commencing with Section 17085) of Part 10 of the Education Code.

(3) Chapter 18 (commencing with Section 17170) of Part 10 of the Education Code.

(4) Article 2.5 (commencing with Section 17430) of Chapter 4 of Part 10.5 of the Education Code.

(5) Section 17620 of the Education Code.

(6) Chapter 2.5 (commencing with Section 53311) of Division 2 of Title 5 of the Government Code.

(7) Chapter 4.7 (commencing with Section 65970) of Division 1 of Title 7 of the Government Code.

(b) A public agency may not, pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code or Division 2 (commencing with Section 66410) of this code, deny approval of a project on the basis of the adequacy of school facilities.

(c) (1) This section shall become operative on or after any statewide election in 2006, if a statewide general obligation bond measure submitted for voter approval in 2006 or thereafter that includes bond issuance authority to fund construction of kindergarten and grades 1 to 12, inclusive, public school facilities is submitted to the voters and fails to be approved.

(2) (A) This section shall become inoperative if subsequent to the failure of a general obligation bond measure described in paragraph (1) a statewide general bond measure as described in paragraph (1) is approved by the voters.

(B) Thereafter, this section shall become operative if a statewide general obligation bond measure submitted for voter approval that includes bond issuance authority to fund construction of kindergarten and grades 1 to 12, inclusive, public school facilities is submitted to the voters and fails to be approved and shall become inoperative if subsequent to the failure of the general obligation bond measure a statewide bond measure as described in this subparagraph is approved by the voters.

(d) Notwithstanding any other provision of law, a public agency may deny or refuse to approve a legislative act involving, but not limited to, the planning, use, or development of real property, on the basis that school facilities are inadequate, except that a public agency may not require the payment or satisfaction of a fee, charge, dedication, or other financial requirement in excess of that levied or imposed pursuant to Section 65995 and, if applicable, any amounts specified in Sections 65995.5 or 65995.7.

SEC. 25. Section 65998 is added to the Government Code, to read:

65998. (a) Nothing in this chapter or in Section 17620 of the Education Code shall be interpreted to limit or prohibit the authority of a local agency to reserve or designate real property for a schoolsite.

(b) Nothing in this chapter or in Section 17620 of the Education Code shall be interpreted to limit or prohibit the ability of a local agency to mitigate the impacts of a land use approval involving, but not limited to, the planning, use, or development of real property other than on the need for school facilities.

SEC. 26. Chapter 9 (commencing with Section 51450) is added to Division 31 of the Health and Safety Code, to read:

CHAPTER 9. SCHOOL FACILITY FEE AFFORDABLE HOUSING ASSISTANCE PROGRAMS

51450. (a) It is the intent of the Legislature that affordable homebuyer and rental housing programs be implemented to address the needs of economically distressed entities in the state and the needs of very low, low-, and moderate-income homebuyers and renters who may be affected by the impact of school facility fees on the development of affordable housing.

(b) The Department of General Services shall contract with the California Housing Finance Agency for the administration of the programs established by this chapter and for the allocation of funds to the purchasers of newly constructed residential structures and the housing sponsors of housing developments, pursuant to this chapter. The California Housing Finance Agency shall administer these programs and allocate funds in accordance with that agency's authority as set forth in Part 3 (commencing with Section 50900) of Division 31.

51451. The Homebuyer Down Payment Assistance Program and the Rental Assistance Program are hereby established to provide assistance in the amount of the applicable school facility fee on affordable housing developments.

(a) A Homebuyer Down Payment Assistance Program shall provide the following assistance:

(1) Downpayment assistance to the purchaser of newly constructed residential structures in a development project in economically distressed areas in the amount of school facility fees paid pursuant to Sections 65995.5 or 65995.7 of the Government Code, less the amount that would be required pursuant to subdivision (b) of Section 65995 of the Government Code notwithstanding Sections 65995.5 and 65995.7 of the Government Code, if all of the following conditions are met:

(A) The development project is located in a county with an unemployment rate that equals or exceeds 125 percent of the state unemployment rate.

(B) Five hundred or more residential structures have been constructed in the county during 1997.

(C) A building permit for an eligible residential structure in the development project is issued by the local agency on or after January 1, 1999.

(D) The eligible residential structure is to be owner occupied for at least five years. If a structure is owner occupied for fewer than five years, the recipient of the assistance shall repay the School Facilities Fee Assistance Fund the amount of the assistance, on a prorated basis.

(E) The sales price of the eligible residential structure does not exceed 175 percent of the median sales price of residential structures in the county during the average of the previous five years.

(2) Downpayment assistance to the purchaser of any newly constructed residential structure in the development project in the amount of school facility fees paid pursuant to Sections 65995.5 or 65995.7 of the Government Code, less the amount that would be required pursuant to subdivision (b) of Section 65995 of the Government Code notwithstanding Sections 65995.5 and 65995.7 of the Government Code, if all of the following conditions are met:

(A) The development project is located in the state of California.

(B) The sales price of the eligible residential structure in the development project does not exceed one hundred ten thousand dollars ($110,000).

(C) A building permit for an eligible residential structure in the development project is issued by the local agency on or after January 1, 1999.

(D) The eligible residential structure is to be owner occupied for at least five years. If a structure is owner occupied for fewer than five years, the recipient of the assistance shall repay the School Facilities Fee Assistance Fund the amount of the assistance, on a prorated basis.

(3) Downpayment to the purchaser of any newly constructed residential structure in a development project in the amount of school facility fees paid pursuant to subdivision (b) of Section 65995 of the Government Code, Section 65995.5 of the Government Code, or Section 65995.7 of the Government Code for the eligible residential structure if all of the following conditions are met:

(A) The assistance is provided to a qualified first-time homebuyer pursuant to Section 50068.5.

(B) The qualified first-time homebuyer meets the very low or low-income requirements set forth in Section 50052.5.

(C) A building permit for an eligible residential structure in the development project is issued by the local agency on or after January 1, 1999.

(D) The eligible residential structure is to be owner occupied for at least five years. If a structure is owner occupied for fewer than five years, the recipient of the assistance shall repay the School Facilities Fee Assistance Fund the amount of the assistance, on a prorated basis.

(b) A Rental Assistance Program shall provide assistance to the housing sponsor of a housing development in the amount of the school facility fees paid pursuant to subdivision (b) of Section 65995 of the Government Code, Section 65995.5 of the Government Code, or Section 65995.7 of the Government Code that meets all of the following conditions:

(1) The units are deed restricted to very low income households and are continuously available to or occupied by very low income households at rents that do not exceed those prescribed by Section 50053, except that for the purposes of this subdivision, very low income shall be defined as 30 percent times 30 percent of the median income adjusted for family size appropriate for the unit.

(2) The number of dedicated residential units must equal or exceed the number of units supported by the reimbursed school impact fees determined by the average per unit development cost.

(3) The dedicated residential units are regulated by an appropriate local or state agency for a minimum of 30 years.

(4) A building permit for an eligible residential unit in the development project is issued by the local agency on or after January 1, 1999.

51452. (a) The School Facilities Fee Assistance Fund is hereby established in the State Treasury and, notwithstanding Section 13340 of the Government Code, is continuously appropriated to the Department of General Services for the purposes of this chapter.

(b) The amount of one hundred sixty million dollars ($160,000,000) is hereby appropriated from the General Fund to the School Facilities Fee Assistance Fund for administrative costs and to make payments to purchasers of newly constructed residential structures and housing sponsors of housing developments pursuant to this chapter from that fund for a period of four years as follows:

(1) Twenty-eight million dollars ($28,000,000) shall be available for the program set forth in paragraph (1) of subdivision (a) of Section 51451, except that any funds not expended within 18 months shall be available for programs set forth in paragraphs (2) and (3) of subdivision (a) of Section 51451.

(2) Twenty-eight million dollars ($28,000,000) shall be available for the program set forth in paragraph (2) of subdivision (a) of Section 51451.

(3) Fifty-two million dollars ($52,000,000) shall be available for the program set forth in paragraph (3) of subdivision (a) of Section 51451.

(4) Fifty-two million dollars ($52,000,000) shall be available for the program set forth in subdivision (b) of Section 51451.

51453. Twenty-five percent of the funds available in each of the programs pursuant to Section 51452 shall be allocated in each of the four fiscal years, commencing with the 1998–99 fiscal year.

51454. The Legislative Analyst's Office shall submit a report to the Legislature and the Governor no later than January 1, 2001, regarding the effectiveness of the programs established pursuant to this chapter.

51455. This chapter shall remain in effect only until January 1, 2002, and as of that date is repealed.

SEC. 27. The Legislature declares that it is the policy of the state to exercise prudence in undertaking the sale of bonds otherwise

authorized for sale by the act adding this section. In this regard, the Legislature encourages undertaking the sale of bonds in a manner not to exceed debt service to General Fund revenue ratio of 6 percent unless the sale is in the best fiscal interest of the state.

SEC. 28. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 29. Section 16 of this act shall become effective upon the approval by the voters, at the November 3, 1998, statewide general election, of the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998, as set forth in Section 16 of this act.

SEC. 30. (a) Notwithstanding any other provision of law, with respect to the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998, all ballots of the November 3, 1998, statewide general election shall have printed thereon and in a square thereof, exclusively the words: "Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998" and in the same square under those words, the following in 8-point type: "This nine billion two hundred million dollar ($9,200,000,000) bond issue will provide funding for necessary education facilities for at least four years for class size reduction, to relieve overcrowding and accommodate student enrollment growth and to repair older schools and for wiring and cabling for education technology. Funds will also be used to upgrade and build new classrooms in community colleges, the California State University, and the University of California. These bonds may be used only for eligible construction projects." Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(b) Notwithstanding Sections 13247 and 13281 of the Elections Code, the language in subdivision (a) shall be the only language included in the ballot label for the condensed statement of the ballot title, and the Attorney General shall not supplement, subtract from, or revise that language, except that the Attorney General may include the financial impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code. The ballot label is the condensed statement of the ballot title and the financial impact summary.

(c) Where the voting in the election is done by means of voting machines used pursuant to law in a manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 31. Section 3, Section 12, and Section 18 to 28, inclusive, of this act shall not become operative before November 4, 1998, and on that date shall become operative only if the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 is approved by the voters at the November 3, 1998, statewide general election.

SEC. 32. If the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 is not approved by the voters at the November 3, 1998, statewide general election, Section 17009.3 of the Education Code, as added by Section 2 of, and Chapter 12.5 (commencing with Section 17070.10) of Part 10 of the Education Code, as added by Section 4 of, this act shall become inoperative on November 4, 1998.

SEC. 33. Notwithstanding the requirements of Sections 9040, 9043, 9044, 9061, and 9082 of the Elections Code or any other provision of law, the Secretary of State shall submit Section 16 of this act to the voters at the November 3, 1998, statewide general election.

SEC. 34. Notwithstanding Section 13115 of the Elections Code, Section 16 of this act shall be placed first on the ballot for the November 3, 1998, statewide general election, and shall be designated as Proposition 1A.

SEC. 35. Notwithstanding Section 13282 of the Elections Code, the public shall be permitted to examine the condensed statement of the ballot title regarding the measure set forth in Section 16 of this act for not more than eight days, and the financial impact statement from the time it is received by the Secretary of State until the end of the eight days. Any voter may seek a writ of mandate for the purpose of requiring any statement of the ballot title, or portion thereof, to be amended or deleted only within that eight-day period.

SEC. 36. The Secretary of State shall include, in the ballot pamphlets mailed pursuant to Section 9094 of the Elections Code, the information specified in Section 9084 of the Elections Code regarding the bond act contained in Section 16 of this act. If that inclusion is not possible, the Secretary of State shall publish a supplemental ballot pamphlet regarding this act to be mailed with the ballot pamphlet. If the supplemental ballot pamphlet cannot be mailed with the ballot pamphlet, the supplemental ballot pamphlet shall be mailed separately.

SEC. 37. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide adequate school facilities to house the growing pupil population attending the California schools, to facilitate class size reduction, to renovate existing facilities, to provide for joint-use facilities, and to provide adequate higher education facilities to accommodate the growing number of students, it is necessary that this act take effect immediately.

CHAPTER 408

An act relating to elections, to take effect immediately, as an act calling an election.

[Approved by Governor August 27, 1998. Filed with Secretary of State August 27, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Notwithstanding the requirements of Sections 9040, 9043, 9044, 9061, and 9082 of the Elections Code or any other provision of law, the Secretary of State shall submit Assembly Constitutional Amendment 10 of the 1997–98 Regular Session to the voters at the November 3, 1998, statewide general election.

SEC. 2. (a) Notwithstanding any other provision of law, all ballots of the November 3, 1998, general election shall have printed thereon and in a square thereof, the words: "Local Sales and Use Taxes—Revenue Sharing. This measure would authorize local governments to voluntarily enter into sales tax revenue sharing agreements by a two-thirds vote of the local city council or board of supervisors of each participating jurisdiction." Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(b) Notwithstanding Sections 13247 and 13281 of the Elections Code, the language in subdivision (a) shall be the only language included in the ballot label for the condensed statement of the ballot title, and the Attorney General shall not supplement, subtract from, or revise that language, except that the Attorney General may include the financial impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code. The ballot label is the condensed statement of the ballot title and the financial impact summary.

(c) Where voting in the election is done by means of voting machines used pursuant to law in a manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 3. Notwithstanding Section 13115 of the Elections Code, Assembly Constitutional Amendment 10 of the 1997–98 Regular Session and any other measure placed on the ballot by the Legislature for the November 3, 1998, statewide general election after the 131-day deadline set forth in Section 9040 of the Elections Code shall be placed on the ballot, following all other ballot measures.

SEC. 4. Notwithstanding Section 13282 of the Elections Code, the public shall be permitted to examine the condensed statement of the ballot title regarding Assembly Constitutional Amendment 10 of the 1997–98 Regular Session for not more than eight days. Any voter may seek a writ of mandate for the purpose of requiring any statement of the ballot title, or portion thereof, to be amended or deleted only within that eight-day period.

SEC. 5. The Secretary of State shall include, in the ballot pamphlets mailed pursuant to Section 9094 of the Elections Code, the information specified in Section 9084 of the Elections Code regarding Assembly Constitutional Amendment 10 of the 1997–98 Regular Session. If that inclusion is not possible, the Secretary of State shall include in a supplemental ballot pamphlet, but only if one is required by another measure, a statement regarding Assembly Constitutional Amendment 10 of the 1997–98 Regular Session, to be mailed with the ballot pamphlet.

SEC. 6. No reimbursement shall be made from the State Mandates Claims Fund pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code for costs mandated by the state pursuant to this act. It is recognized, however, that a local agency or school district may pursue any remedies to obtain reimbursement available to it under Part 7 (commencing with Section 17500) and any other provisions of law.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 7. This act calls an election within the meaning of Article IV of the Constitution and shall go into immediate effect.

SEC. 8. A special election is hereby called to be held throughout the state on November 8, 1998. The election shall be consolidated with the general election to be held on that date. The consolidated election shall be held and conducted in all respects as if there were only one election and only one form of ballot shall be used.

CHAPTER 409

An act to add Section 12012.5 to the Government Code, relating to gambling.

[Approved by Governor August 28, 1998. Filed with
Secretary of State August 28, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 12012.5 is added to the Government Code, to read:

12012.5. (a) The following tribal-state compacts entered in accordance with the Indian Gaming Regulatory Act of 1988 (18 U.S.C. Sec. 1166 et seq. and 25 U.S.C. Sec. 2701 et seq.) are hereby ratified:

(1) The compact between the State of California and the Barona Band of Mission Indians, executed on August 12, 1998.

(2) The compact between the State of California and the Big Sandy Rancheria of Mono Indians, executed on July 20, 1998.

(3) The compact between the State of California and the Cher-Ae Heights Indian Community of Trinidad Rancheria, executed on July 13, 1998.

(4) The compact between the State of California and the Jackson Rancheria Band of Miwuk Indians, executed on July 13, 1998.

(5) The compact between the State of California and the Mooretown Rancheria of Concow/Maidu Indians, executed on July 13, 1998.

(6) The compact between the State of California and the Pala Band of Mission Indians, as approved by the Secretary of the Interior on April 25, 1998.

(7) The compact between the State of California and the Redding Rancheria, executed on August 11, 1998.

(8) The compact between the State of California and the Rumsey Indian Rancheria of Wintun Indians of California, executed on July 13, 1998.

(9) The compact between the State of California and the Sycuan Band of Mission Indians, executed on August 12, 1998.

(10) The compact between the State of California and the Table Mountain Rancheria, executed on July 13, 1998.

(11) The compact between the State of California and the Viejas Band of Kumeyaay Indians, executed on or about August 17, 1998.

The terms of each compact apply only to the State of California and the tribe that has signed it, and the terms of these compacts do not bind any tribe that is not a signatory to any of the compacts.

(b) Any other compact entered into between the State of California and any other federally recognized Indian tribe which is executed after August 24, 1998, is hereby ratified if (1) the compact is identical in all material respects to any of the compacts ratified pursuant to subdivision (a), and (2) the compact is not rejected by each house of the Legislature, two-thirds of the membership thereof concurring, within 30 days of the date of the submission of the compact to the Legislature by the Governor. However, if the 30-day

period ends during a joint recess of the Legislature, the period shall be extended until the fifteenth day following the day on which the Legislature reconvenes. A compact will be deemed to be materially identical to a compact ratified pursuant to subdivision (a) if the Governor certifies that it is materially identical at the time he or she submits it to the Legislature.

(c) The Legislature acknowledges the right of federally recognized tribes to exercise their sovereignty to negotiate and enter into compacts with the state that are materially different from the compacts ratified pursuant to subdivision (a). These compacts shall be ratified upon approval of each house of the Legislature, a majority of the membership thereof concurring.

(d) The Governor is the designated state officer responsible for negotiating and executing, on behalf of the state, tribal-state gaming compacts with federally recognized Indian tribes in the State of California pursuant to the federal Indian Gaming Regulatory Act of 1988 (18 U.S.C. Sec. 1166 et seq. and 25 U.S.C. Sec. 2701 et seq.) for the purpose of authorizing class III gaming, as defined in that act, on Indian lands. Nothing in this section shall be construed to deny the existence of the Governor's authority to have negotiated and executed tribal-state compacts prior to the effective date of this section.

(e) The Governor is authorized to waive the state's immunity to suit in federal court in connection with any compact negotiated with an Indian tribe or any action brought by an Indian tribe under the Indian Gaming Regulatory Act (18 U.S.C. Sec. 1166 et seq. and 25 U.S.C. Sec. 2701 et seq.).

(f) In deference to tribal sovereignty, the execution of, and compliance with the terms of, any compact specified under subdivision (a) or (b) shall not be deemed to constitute a project for purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(g) Nothing in this section shall be interpreted to authorize the unilateral imposition of a statewide limit on the number of lottery devices or of any allocation system for lottery devices on any Indian tribe that has not entered into a compact that provides for such a limit or allocation system. Each tribe may negotiate separately with the state over these matters on a government-to-government basis.

CHAPTER 410

An act to amend Section 7319 of the Business and Professions Code, relating to corrections.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 7319 of the Business and Professions Code is amended to read:

7319. The following persons are exempt from this chapter:

(a) All persons authorized by the laws of this state to practice medicine, surgery, dentistry, pharmacy, osteopathic medicine, chiropractic, naturopathy, podiatry, or nursing and acting within the scope of practice for which they are licensed.

(b) Commissioned officers of the United States Army, Navy, Air Force, Marine Corps, members of the United States Public Health Service, and attendants attached to those services when engaged in the actual performance of their official duties.

(c) Persons employed to render barbering, cosmetology, or electrolysis services in the course of and incidental to the business of employers engaged in the theatrical, radio, television or motion picture production industry.

(d) Persons engaged in any practice within its scope when done outside of a licensed establishment, without compensation.

(e) Persons engaged in the administration of hair, skin, or nail products for the exclusive purpose of recommending, demonstrating, or selling those products.

(f) Persons who render barbering or cosmetology services in an institutional program during the course of and incidental to the incarceration or confinement of inmates, prisoners, or persons charged with a crime. However, all of the following conditions shall apply:

(1) Those persons shall complete a barbering training course, developed by the Department of Corrections and approved by the Department of Consumer Affairs, in the proper care of instruments and the prevention of infectious diseases.

(2) Those persons shall successfully pass an examination, developed and administered by the Department of Corrections, on the proper care of instruments and the prevention of infectious diseases.

(3) All barbering facilities located in correctional institutions shall be subject to all appropriate health and safety sanitation standards, as determined by the Department of Corrections.

CHAPTER 411

An act to amend Sections 1030, 1032, and 1256 of the Unemployment Insurance Code, relating to unemployment compensation.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that:

The Employment Development Department, through its regulatory authority, currently provides unemployment insurance benefits to victims of domestic violence who left employment with good cause.

Because certain other good cause conditions are specified by statute, it is necessary to specify by statute that an otherwise eligible victim of domestic violence can receive unemployment insurance benefits if found to have left with good cause to highlight the existence of this crime and its effect on employment, and in addition, to exempt employers' reserve accounts from increased charges because the victim left employment through no fault of the employer.

SEC. 2. Section 1030 of the Unemployment Insurance Code is amended to read:

1030. (a) Any employer who is entitled under Section 1327 to receive notice of the filing of a new or additional claim may, within 10 days after mailing of the notice, submit to the department any facts within its possession disclosing whether the claimant left the employer's employ voluntarily and without good cause or left under one of the following circumstances:

(1) The claimant was discharged from the employment for misconduct connected with his or her work.

(2) The claimant's discharge or quitting from his or her most recent employer was the result of an irresistible compulsion to use or consume intoxicants including alcoholic beverages.

(3) The claimant was a student employed on a temporary basis and whose employment began within, and ended with his or her leaving to return to school at the close of, his or her vacation period.

(4) The claimant left the employer's employ to accompany his or her spouse to or join her or him at a place from which it is impractical to commute to the employment, to which a transfer of the claimant by the employer is not available.

(5) The claimant left the employer's employ to protect his or her children or himself or herself from domestic violence abuse.

The period during which the employer may submit these facts may be extended by the director for good cause.

(b) Any base period employer that is not entitled under Section 1327 to receive notice of the filing of a new or additional claim and is entitled under Section 1329 to receive notice of computation may, within 15 days after mailing of the notice of computation, submit to the department any facts within its possession disclosing whether the claimant left the employer's employ voluntarily and without good cause or left under one of the following circumstances:

(1) The claimant was discharged from the employment for misconduct connected with his or her work.

(2) The claimant was a student employed on a temporary basis and whose employment began within, and ended with his or her leaving to return to school at the close of, his or her vacation period.

(3) The claimant left the employer's employ to accompany his or her spouse to or join her or him at a place from which it is impractical to commute to the employment, to which a transfer of the claimant by the employer is not available.

(4) The claimant left the employer's employ to protect his or her children or himself or herself from domestic violence abuse.

The period during which the employer may submit these facts may be extended by the director for good cause.

(c) The department shall consider these facts together with any information in its possession. If the employer is entitled to a ruling under subdivision (b) or to a determination under Section 1328, the department shall promptly notify the employer of its ruling as to the cause of the termination of the claimant's employment. The employer may appeal from a ruling or reconsidered ruling to an administrative law judge within 20 days after mailing or personal service of notice of the ruling or reconsidered ruling. The 20-day period may be extended for good cause, which includes, but is not limited to, mistake, inadvertence, surprise, or excusable neglect. The director is an interested party to any appeal. The department may for good cause reconsider any ruling or reconsidered ruling within either five days after the date an appeal to an administrative law judge is filed or, if no appeal is filed, within 20 days after mailing or personal service of notice of the ruling or reconsidered ruling. However, a ruling or reconsidered ruling that relates to a determination that is reconsidered pursuant to subdivision (a) of Section 1332 may also be reconsidered by the department within the time provided for reconsideration of that determination.

(d) For purposes of this section only, if the claimant voluntarily leaves the employer's employ without notification to the employer of the reasons for the leaving, and if the employer submits all of the facts within its possession concerning the leaving within the applicable time period referred to in this section, the leaving is presumed to be without good cause.

(e) An individual whose employment is terminated under the compulsory retirement provisions of a collective bargaining agreement to which the employer is a party shall not be deemed to have voluntarily left his or her employment without good cause.

SEC. 3. Section 1032 of the Unemployment Insurance Code is amended to read:

1032. If it is ruled under Section 1030 or 1328 that the claimant left the employer's employ voluntarily and without good cause, or left under one of the following circumstances, benefits paid to the claimant subsequent to the termination of employment that are based upon wages earned from the employer prior to the date of the termination of employment shall not be charged to the account of the

employer, except as provided by Section 1026, unless the employer failed to furnish the information specified in Section 1030 within the time limit prescribed in that section or unless that ruling is reversed by a reconsidered ruling:

(a) The claimant was discharged by reason of misconduct connected with his or her work.

(b) The claimant was a student employed on a temporary basis and whose employment began within, and ended with his or her leaving to return to school at the close of, his or her vacation period.

(c) The claimant left the employer's employ to accompany his or her spouse to or join her or him at a place from which it is impractical to commute to the employment, to which a transfer of the claimant by the employer is not available.

(d) The claimant left the employer's employ to protect his or her children or himself or herself from domestic violence abuse.

(e) The claimant left the employer's employ to take a substantially better job.

(f) The claimant's discharge or quitting from his or her most recent employer was the result of an irresistible compulsion to use or consume intoxicants including alcoholic beverages.

For purposes of this section and Section 1030 "spouse" includes a person to whom marriage is imminent.

SEC. 4. Section 1256 of the Unemployment Insurance Code is amended to read:

1256. An individual is disqualified for unemployment compensation benefits if the director finds that he or she left his or her most recent work voluntarily without good cause or that he or she has been discharged for misconduct connected with his or her most recent work.

An individual is presumed to have been discharged for reasons other than misconduct in connection with his or her work and not to have voluntarily left his or her work without good cause unless his or her employer has given written notice to the contrary to the department as provided in Section 1327, setting forth facts sufficient to overcome the presumption. The presumption provided by this section is rebuttable.

An individual whose employment is terminated under the compulsory retirement provisions of a collective bargaining agreement to which the employer is a party, shall not be deemed to have left his or her work without good cause.

An individual may be deemed to have left his or her most recent work with good cause if he or she leaves employment to accompany his or her spouse to a place from which it is impractical to commute to the employment. For purposes of this section "spouse" includes a person to whom marriage is imminent.

An individual may be deemed to have left his or her most recent work with good cause if he or she leaves employment to protect his or her children, or himself or herself, from domestic violence abuse.

An individual shall be deemed to have left his or her most recent work with good cause if he or she elects to be laid off in place of an employee with less seniority pursuant to a provision in a collective bargaining agreement that provides that an employee with more seniority may elect to be laid off in place of an employee with less seniority when the employer has decided to layoff employees.

CHAPTER 412

An act to amend Section 100 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 100 of the Revenue and Taxation Code is amended to read:

100. Notwithstanding any other provision of law, commencing with the 1988–89 fiscal year, property tax assessed value attributable to unitary and operating nonunitary property, as defined in Sections 723 and 723.1, that is assessed by the State Board of Equalization shall be allocated by county as provided in Section 756, and the assessed value and revenues attributable to that allocation shall be allocated within each county as follows:

(a) Each county shall establish one countywide tax rate area. The assessed value of all unitary and operating nonunitary property shall be assigned to this tax rate area. No other property shall be assigned to this tax rate area.

(b) Property assigned to the tax rate area created by subdivision (a) shall be taxed at a rate equal to the sum of the following two rates:

(1) A rate determined by dividing the county's total ad valorem tax levies for the secured roll, including levies made pursuant to Section 96.8, for the prior year, exclusive of levies for debt service, by the county's total ad valorem secured roll assessed value for the prior year.

(2) A rate determined as follows:

(A) By dividing the county's total ad valorem tax levies for unitary and operating nonunitary property for the prior year debt service only by the county's total unitary and operating nonunitary assessed value for the prior year.

(B) Beginning with the 1989–90 fiscal year, adjusting the rate determined pursuant to subparagraph (A) by the percentage change between the two preceding fiscal years in the county's ad valorem debt service levy for the secured roll, not including unitary and operating nonunitary debt service.

(c) The property tax revenue derived from the assessed value assigned to the countywide tax rate area pursuant to subdivision (a) by the use of the tax rate determined in paragraph (1) of subdivision (b) shall be allocated as follows:

(1) For the 1988–89 fiscal year and each fiscal year thereafter, each taxing jurisdiction shall be allocated an amount of property tax revenue equal to 102 percent of the amount of the aggregate property tax revenue it received from all unitary and operating nonunitary property in the prior fiscal year, exclusive of revenue attributable to levies for debt service.

(2) If the amount of property tax revenue available for allocation in the current fiscal year is insufficient to make the allocations required by paragraph (1), the amount of revenue to be allocated to each taxing jurisdiction shall be prorated based on a factor determined by dividing the total amount of property tax revenue available to all taxing jurisdictions from unitary and operating nonunitary property in the current year, exclusive of revenue attributable to levies for debt service, by the total amount of property tax revenue received by all taxing jurisdictions from unitary and operating nonunitary property in the prior fiscal year, exclusive of revenue attributable to levies for debt service.

(3) If the amount of property tax revenue available for allocation to all taxing jurisdictions in the current fiscal year from unitary and operating nonunitary property, exclusive of revenue attributable to levies for debt service, exceeds 102 percent of the property tax revenue received by all taxing jurisdictions from all unitary and operating nonunitary property in the prior fiscal year, exclusive of revenue attributable to levies for debt service, the amount of revenue in excess of 102 percent shall be allocated to all taxing jurisdictions in the county by a ratio determined by dividing each taxing jurisdiction's share of the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total ad valorem tax levies for the secured roll for the prior year, exclusive of levies for debt service.

(d) The property tax revenue derived from the assessed value assigned to the countywide tax rate area pursuant to subdivision (a) by the use of the tax rate determined in paragraph (2) of subdivision (b) shall be allocated as follows:

(1) An amount shall be computed for each taxing jurisdiction and shall be determined by multiplying the amounts required in the current year pursuant to subdivisions (a) and (c) of Section 93 by that percentage that shall be determined by dividing the amount of property tax revenue the jurisdiction received in the prior year from unitary property and operating nonunitary property by the total amount of property tax revenue the jurisdiction received in the prior year from all property.

(2) The amount of property tax revenue available for allocation pursuant to this subdivision shall be allocated among taxing

jurisdictions in the proportion that the amount computed for each taxing jurisdiction pursuant to paragraph (1) bears to the total amount computed pursuant to paragraph (1) for all taxing jurisdictions.

(3) If a taxing jurisdiction is levying a tax rate for debt service for the first time in the current fiscal year, for purposes of determining the percentage specified in paragraph (1), that percentage shall be the percentage determined by dividing the amount of property tax revenue received by that taxing jurisdiction in the prior year pursuant to subdivision (c) from unitary and operating nonunitary property by the total amount of property tax revenue received by that taxing jurisdiction in the prior year from all property within the taxing jurisdiction.

(e) For purposes of this section:

(1) "The county's total ad valorem tax levies for the secured roll" means all ad valorem tax levies for the county's secured roll, including the general tax levy, levies for debt service (including land only and land and improvement rates), and levies for redevelopment agencies.

(2) "The county's total ad valorem secured roll" means the county's local roll, after all exemptions except the homeowner's exemption, and the county's utility roll.

(3) "Taxing jurisdiction" includes a redevelopment agency.

(4) In a county of the second class, for the 1992–93 fiscal year and each fiscal year thereafter, "taxing jurisdiction" includes that fund that has been designated by the auditor as the "Unallocated Residual Public Utility Tax Fund." All revenues allocated to that fund pursuant to this section shall be deposited in that fund and shall be distributed as follows:

(A) For the 1992–93 fiscal year to the 1996–97 fiscal year, inclusive, at the discretion of the county board of supervisors.

(B) For the 1997–98 fiscal year, 100 percent to the Orange County Fire Authority.

(C) For the 1998–99 fiscal year and each fiscal year thereafter, in accordance with the following schedule:

(i) Fifty-seven and forty-seven hundredths percent to the Orange County Fire Authority.

(ii) Forty-one and forty-seven hundredths percent to the Orange County Library District.

(iii) Forty-eight hundredths percent to the Buena Park Library District.

(iv) Fifty-eight hundredths percent to the Placentia Library District.

(f) The assessed value of the unitary and operating nonunitary property shall be kept separate for each state assessee throughout the allocation process.

(g) Each state assessee shall be issued only one tax bill for all unitary and operating nonunitary property within the county.

(h) This section does not apply to unitary property of regulated railway companies.

(i) This section does not apply to property that on July 1, 1987, was undeveloped and owned by a utility and located within a city, county, or city and county that adopts a resolution stating that the property is subject to a development plan or agreement and that this section shall not apply to that property, and the city, county, or city and county transmits a copy of that resolution, including a legal description of the property, to the State Board of Equalization and the county's auditor-controller prior to January 1, 1988.

(j) (1) For property that on July 1, 1990, was undeveloped and owned by a utility and that is located within a city, county, or city and county that adopts a resolution stating that the property is subject to a development plan or agreement and that this subdivision applies to that property, and the city, county, or city and county transmits a copy of that resolution, including a legal description of the property, to the county auditor prior to August 1, 1991, the allocation of property tax revenues derived with respect to that property pursuant to Sections 96.1, 96.2, 97.31, 98, 98.01, and 98.04, shall be subject to the allocation required by paragraph (2).

(2) The county auditor shall annually allocate to a city, county, or city and county, that has adopted and transmitted a resolution pursuant to paragraph (1), the amount of property tax revenues derived with respect to the property described in paragraph (1) that would be allocated to that city, county, or city and county if that property were subject to assessment by the county assessor. In order to provide the allocations required by this paragraph, the county auditor shall make any necessary pro rata reductions in allocations to local agencies other than that city, county, or city and county adopting and transmitting a resolution pursuant to paragraph (1), of property tax revenues derived with respect to the property described in paragraph (1).

(k) (1) For property subject to this section that is owned by a utility that serves no more than two counties and is located within a city, county, or city and county that adopts a resolution stating that the property is subject to a development plan or agreement for new construction and the city, county, or city and county transmits a copy of that resolution, including a legal description of the property, to the State Board of Equalization and the county auditor prior to January 1, 1995, the allocation of property tax revenues derived with respect to that property pursuant to Sections 96.1, 97.31, 98, 98.01, and 98.04, shall be subject to the requirements of paragraph (2) until December 31, 2004.

(2) If the city, county, or city and county has adopted and transmitted a resolution pursuant to paragraph (1), the county auditor shall annually allocate the property tax revenue attributable to the new construction described in the development plan or

agreement, as if that new construction were subject to assessment by the county assessor, according to the following formula:

(A) An amount of property tax revenue to school entities, as defined in subdivision (f) of Section 95, equivalent to the same percentage the school entities received in the prior fiscal year of the property tax revenues paid by the utility in the county in which the property described in paragraph (1) is located.

(B) An amount of property tax revenue to the county in which the property is located equivalent to the same percentage the county received in the prior fiscal year of the property tax revenues paid by the utility in the county in which the property described in paragraph (1) is located. The county shall distribute those property tax revenues to the county general fund, the county library district, the county flood control district, the county sanitation districts, and the county service areas.

(C) The property tax revenue remaining after the allocations described in subparagraphs (A) and (B) are made shall be distributed to the city in which the property described in paragraph (1) is located.

(3) In order to provide the allocations required by paragraph (2), the county auditor shall make any necessary pro rata reductions in allocations of property taxes attributable to the property specified in paragraph (1) to jurisdictions other than those receiving an allocation under paragraph (2).

(4) The allocation required by this subdivision shall not apply to property tax revenues allocated on or after December 31, 2004.

SEC. 2. The Legislature finds and declares that a general law cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the uniquely severe and retrospective impacts upon local finances and local services that will be suffered in the County of Orange if this act does not take effect.

CHAPTER 413

An act to amend Section 4560 of the Government Code, relating to child care.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 4560 of the Government Code is amended to read:

4560. (a) The Legislature finds and declares that there is a substantial need to provide adequate child care facilities for state employees.

(b) When the state constructs, acquires, or receives as a gift any office building that can accommodate 700 or more state employees, or when additions, alterations, or repairs are made to any existing state-owned office building that can accommodate 700 or more state employees, and the additions, alterations, or repairs both change and affect the use of 25 percent of the net square feet area of the building and include the addition to, alteration of, or repair of the first floor, adequate space shall be designated within the building to meet the child care needs of those employees, if a review of those employees slated to occupy the new or renovated building shows sufficient need for child care services for 30 or more children. The review shall be conducted by the Department of General Services and the Child Development Programs Advisory Committee established pursuant to Section 8286 of the Education Code.

(c) The Director of General Services may secure space in any adequate facility for the same purposes if funds for the offsite facilities are made available and the director determines that any of the following conditions exist:

(1) All other physical requirements controlling the development of the child care facilities within the office building cannot be utilized.

(2) It is more cost-efficient for the state to provide for equivalent child care facilities within a reasonable distance of the place of employment.

(3) Locating the child care center within a reasonable distance offsite would provide an enhanced facility for the children or would mitigate security concerns.

(d) It is the intent of the Legislature that existing state office buildings, at the discretion of the Director of General Services, may be retrofitted to accommodate a child care facility. State funds required for the retrofitting shall be subject to regular budgetary procedures and approvals.

(e) Space designed within a state-owned office building for the child care facility shall comply with the prevailing local and state safety building codes for child care facilities.

(f) The indoor area shall not exceed 2,100 square feet, nor be less than that required to accommodate 30 children, excluding space for restrooms, kitchen facilities, storage areas, and teacher offices. Outdoor play area space shall correspond with the indoor play area as set forth in Title 22 of the California Code of Regulations.

(g) Utilization of the space shall be subject to terms and conditions as set forth by the Director of General Services. The terms shall include payment of rent, proof of financial responsibility, and maintenance of space. The space shall be made available to the employees who wish to establish child care facilities at a rate to be

established by the Director of General Services based upon the actual cost to the state, the average cost of state-owned space in the area, or the statewide average cost of state-owned space, whichever is less. If, however, the director determines that a lower rent must be charged to ensure the viability of a child care facility, the director may charge a lower rate.

(h) (1) The employee-occupants shall be notified in writing by the department or departments occupying the building, of the availability of space to be used for a child care facility no earlier than 180 days prior to the projected date of occupancy of a new building or space provided as the result of additions, alterations, or repairs to an existing state-owned building, and the additions, alterations, or repairs that both change and affect the use of 25 percent of the net square feet area of the building and include the addition to, alteration of, or repair of the first floor. If, within 30 days after full occupancy of a new office building or 30 days after the completion of additions, alterations, or repairs to an existing state-owned office building, the employee-occupants so desiring have not filed an application with the Secretary of State as a nonprofit corporation for the purpose of organizing a child care center, deposited two months' rent in a commercial or savings account, and entered into a contract with the Department of General Services, the space may be used for any other purpose, as long as no permanent alteration of the space occurs. Other purposes may include, but are not limited to, conference rooms, storage areas, or offices. The space for child care shall be held for the employee-occupants' nonprofit corporation only as long as they pay the monthly rent and meet the terms set forth in the contract. Payment of rent shall commence 30 days after full occupancy of a new office building or 30 days after completion of additions, alterations, or repairs, as specified in this section.

(2) If at a later date, the employee-occupants so desiring (A) file an application with the Secretary of State as a nonprofit corporation for the purpose of organizing a child care facility, (B) deposit two month's rent in a commercial or savings account, and (C) notify the Director of General Services of those actions, then the space shall be reconverted for child care purposes within 180 days of the notice.

(i) Children of whom at least one parent or guardian is a state employee shall be given priority admission, over other children, to the child care facility.

(j) When a child care center within a state-owned office building has been operative for five years, the Director of General Services shall assess the child care needs of the state employees using the center and the office space needs of the building within which the center is located. If the assessment demonstrates a greater need for office space than for child care, the Director of General Services may close the child care center. Ninety days' written notice shall be given to the director or head teacher of the center of the closure.

(k) This section does not apply to buildings that provide care or 24-hour residential care for patients, inmates, or wards of the state, such as state hospitals and correctional facilities.

CHAPTER 414

An act to amend Section 11411 of the Penal Code, relating to hate crimes.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 11411 of the Penal Code is amended to read:

11411. (a) Any person who places or displays a sign, mark, symbol, emblem, or other physical impression, including, but not limited to, a Nazi swastika on the private property of another, without authorization, for the purpose of terrorizing the owner or occupant of that private property or in reckless disregard of the risk of terrorizing the owner or occupant of that private property shall be punished by imprisonment in the county jail not to exceed one year, by a fine not to exceed five thousand dollars ($5,000), or by both the fine and imprisonment for the first conviction and by imprisonment in the county jail not to exceed one year, by a fine not to exceed fifteen thousand dollars ($15,000), or by both the fine and imprisonment for any subsequent conviction.

(b) Any person who engages in a pattern of conduct for the purpose of terrorizing the owner or occupant of private property or in reckless disregard of terrorizing the owner or occupant of that private property, by placing or displaying a sign, mark, symbol, emblem, or other physical impression, including, but not limited to, a Nazi swastika, on the private property of another on two or more occasions, shall be punished by imprisonment in the state prison for 16 months or 2 or 3 years, by a fine not to exceed ten thousand dollars ($10,000), or by both the fine and imprisonment, or by imprisonment in a county jail not to exceed one year, by a fine not to exceed five thousand dollars ($5,000), or by both the fine and imprisonment. A violation of this subdivision shall not constitute felonious conduct for purposes of Section 186.22.

(c) Any person who burns or desecrates a cross or other religious symbol, knowing it to be a religious symbol, on the private property of another without authorization for the purpose of terrorizing the owner or occupant of that private property or in reckless disregard of the risk of terrorizing the owner or occupant of that private property, or who burns, desecrates, or destroys a cross or other religious symbol, knowing it to be a religious symbol, on the property

of a primary school, junior high school, or high school for the purpose of terrorizing any person who attends or works at the school or who is otherwise associated with the school, shall be punished by imprisonment in the state prison for 16 months or 2 or 3 years, by a fine of not more than ten thousand dollars ($10,000), or by both the fine and imprisonment, or by imprisonment in a county jail not to exceed one year, by a fine not to exceed five thousand dollars ($5,000), or by both the fine and imprisonment for the first conviction and by imprisonment in the state prison for 16 months or 2 or 3 years, by a fine of not more than ten thousand dollars ($10,000), or by both the fine and imprisonment, or by imprisonment in a county jail not to exceed one year, by a fine not to exceed fifteen thousand dollars ($15,000), or by both the fine and imprisonment for any subsequent conviction.

(d) As used in this section, "terrorize" means to cause a person of ordinary emotions and sensibilities to fear for personal safety.

(e) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 415

An act to add Section 10111.2 to the Insurance Code, relating to insurance.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 10111.2 is added to the Insurance Code, to read:

10111.2. (a) Under a policy of disability income insurance, as defined in subdivision (i) of Section 799.01, payment of benefits to the

insured shall be made within 30 calendar days after the insurer has received all information needed to determine liability for a claim. However, the 30-calendar-day period shall not include any time during which the insurer is doing any of the following:

(1) Awaiting a response for relevant medical information from a health care provider.

(2) Awaiting a response from the claimant to a request for additional relevant information.

(3) Investigating possible fraud that has been reported to the department's Fraud Division in compliance with subdivision (a) of Section 1872.4.

(b) If the insurer has not received all information needed to determine liability for a claim within 30 calendar days after receipt of the claim, the insurer shall notify the insured in writing and include a written list of all information it reasonably needs to determine liability for the claim. In that event, the 30-calendar-day period set out in subdivision (a) shall commence when the insured has provided to the insurer all information in that notification. If no notice is sent by the insurer within 30 calendar days after the claim is filed by the insured, interest shall begin to accrue on the payment of benefits on the 31st calendar day after receipt of the claim, at the rate of 10 percent per year.

(c) When the insurer has received all information needed to determine liability for a claim, and the insurer determines that liability exists and fails to make payment of benefits to the insured within 30 calendar days after the insurer has received that information, any delayed payment shall bear interest, beginning the 31st calendar day, at the rate of 10 percent per year. Liability shall, in all cases, be determined by the insurer within 30 calendar days of receiving all information set out in the insurer's written notification to the insured.

(d) Nothing in this section is intended to restrict any other remedies available to an insured by statute or any other law.

CHAPTER 416

An act to amend Section 1602.5 of, and to repeal Section 1602 of, the Health and Safety Code, relating to health services.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1602 of the Health and Safety Code is repealed.

SEC. 2. Section 1602.5 of the Health and Safety Code is amended to read:

1602.5. (a) No person shall engage in the production of human whole blood or human whole blood derivatives unless the person is licensed under this chapter and the human whole blood or human whole blood derivative is collected, prepared, labeled, and stored in accordance with both of the following:

(1) The standards set forth in the 13th Edition of "Standards for Blood Banks and Transfusion Services," as published by the American Association of Blood Banks and in effect on November 15, 1989, or any amendments thereto or later published editions or amendments thereto. These shall be the standards for all licensed blood banks and blood transfusion services in the state.

(2) Those provisions of Title 17 of the California Code of Regulations that are continued in effect by subdivision (c) or that are adopted pursuant to subdivision (b).

(b) The department may, by the adoption of regulations, establish and require compliance with requirements in addition to, or in lieu of, those in subdivision (a) as the department deems appropriate to reflect changing technology or to improve the safety of human whole blood or human whole blood derivatives. Any standards adopted pursuant to this subdivision shall be adopted after consultation with representatives of the American Association of Blood Banks.

(c) Until the time superseded by any regulation adopted pursuant to this section, all of the provisions of Group 1 (commencing with Section 950) of Subchapter 1 of Chapter 2 of Part 1 of Title 17 of the California Code of Regulations shall remain in effect with the exception of the following:

(1) Subdivisions (i) to (k), inclusive, of Section 997.

(2) Sections 999 and 1001.

(3) Subdivisions (a) to (c), inclusive, of Section 1002.

(4) Paragraphs (2) and (3) of subdivision (e) of Section 1002.

(5) Subdivisions (f) and (g) of Section 1002.

(6) Paragraphs (2) to (6), inclusive, of subdivision (h) of Section 1002.

(7) Subdivisions (i), (k), and (*l*) of Section 1002.

(8) Subdivisions (a) to (c), inclusive, of Section 1004.

(9) Sections 1010, 1012, 1013, 1014, 1024, and 1024.1.

(10) Subdivisions (a), (b), and (e) of Section 1025.

(11) Paragraphs (1) to (3), inclusive, of subdivision (c) of Section 1025.

(d) (1) Any amendment to the 13th Edition of "Standards for Blood Banks and Transfusion Services," any later editions, or any amendments thereto, published by the American Association of Blood Banks shall become effective in California 90 days after the effective date of this section, or 90 days after publication by the association, unless the department sends written notice, within such a 90-day period, to all persons licensed under this chapter to engage

in the production of human whole blood or human whole blood derivatives, indicating which portions shall not become effective.

(2) The department may determine that no portion of any amendments or later editions shall become effective. The department shall determine that no portion of an amendment or later edition shall become effective pursuant to this section whenever the department has not received a copy of the amendment or later edition by the date it is published by the American Association of Blood Banks.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 417

An act to amend Section 17935 of the Revenue and Taxation Code, relating to taxation.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 17935 of the Revenue and Taxation Code is amended to read:

17935. (a) For each taxable year beginning on or after January 1, 1997, every limited partnership doing business in this state (as defined by Section 23101) and required to file a return under Section 18633 shall pay annually to this state a tax for the privilege of doing business in this state in an amount equal to the applicable amount specified in Section 23153.

(b) (1) In addition to any limited partnership that is doing business in this state and therefore is subject to the tax imposed by subdivision (a), for each taxable year beginning on or after January 1, 1997, every limited partnership that has executed, acknowledged, and filed a certificate of limited partnership with the Secretary of State pursuant to Section 15621 of the Corporations Code, and every foreign limited partnership that has registered with the Secretary of

State pursuant to Section 15692 of the Corporations Code, shall pay annually the tax prescribed in subdivision (a). The tax shall be paid for each taxable year, or part thereof, until a certificate of cancellation is filed on behalf of the limited partnership with the office of the Secretary of State pursuant to Section 15623 or 15696 of the Corporations Code.

(2) If a taxpayer files a return with the Franchise Tax Board that is designated its final return, that board shall notify the taxpayer that the minimum tax is due annually until a certificate of cancellation is filed with the Secretary of State pursuant to Section 15623 or 15696 of the Corporations Code.

(c) The tax imposed under this section shall be due and payable on the date the return is required to be filed under former Section 18432 or Section 18633.

(d) For purposes of this section, "limited partnership" means any partnership formed by two or more persons under the laws of this state or any other jurisdiction and having one or more general partners and one or more limited partners.

CHAPTER 418

An act to amend Section 1357 of the Health and Safety Code, and to amend Section 10700 of the Insurance Code, relating to health care coverage.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1357 of the Health and Safety Code is amended to read:

1357. As used in this article:

(a) "Dependent" means the spouse or child of an eligible employee, subject to applicable terms of the health care plan contract covering the employee, and includes dependents of guaranteed association members if the association elects to include dependents under its health coverage at the same time it determines its membership composition pursuant to subdivision (o).

(b) "Eligible employee" means either of the following:

(1) Any permanent employee who is actively engaged on a full-time basis in the conduct of the business of the small employer with a normal workweek of at least 30 hours, at the small employer's regular places of business, who has met any statutorily authorized applicable waiting period requirements. The term includes sole proprietors or partners of a partnership, if they are actively engaged on a full-time basis in the small employer's business and included as

employees under a health care plan contract of a small employer, but does not include employees who work on a part-time, temporary, or substitute basis. It includes any eligible employee as defined in this paragraph who obtains coverage through a guaranteed association. Employees of employers purchasing through a guaranteed association shall be deemed to be eligible employees if they would otherwise meet the definition except for the number of persons employed by the employer. Permanent employees who work at least 20 hours but not more than 29 hours are deemed to be eligible employees if all four of the following apply:

(A) They otherwise meet the definition of an eligible employee except for the number of hours worked.

(B) The employer offers the employees health coverage under a health benefit plan.

(C) All similarly situated individuals are offered coverage under the health benefit plan.

(D) The employee must have worked at least 20 hours per normal workweek for at least 50 percent of the weeks in the previous calendar quarter. The health care service plan may request any necessary information to document the hours and time period in question, including, but not limited to, payroll records and employee wage and tax filings.

(2) Any member of a guaranteed association as defined in subdivision (o).

(c) "In force business" means an existing health benefit plan contract issued by the plan to a small employer.

(d) "Late enrollee" means an eligible employee or dependent who has declined enrollment in a health benefit plan offered by a small employer at the time of the initial enrollment period provided under the terms of the health benefit plan and who subsequently requests enrollment in a health benefit plan of that small employer, provided that the initial enrollment period shall be a period of at least 30 days. It also means any member of an association that is a guaranteed association as well as any other person eligible to purchase through the guaranteed association when that person has failed to purchase coverage during the initial enrollment period provided under the terms of the guaranteed association's plan contract and who subsequently requests enrollment in the plan, provided that the initial enrollment period shall be a period of at least 30 days. However, an eligible employee, any other person eligible for coverage through a guaranteed association pursuant to subdivision (o), or dependent shall not be considered a late enrollee if: (1) the individual meets all of the following: (A) he or she was covered under another employer health benefit plan or no share-of-cost Medi-Cal coverage at the time the individual was eligible to enroll; (B) he or she certified at the time of the initial enrollment that coverage under another employer health benefit plan or no share-of-cost Medi-Cal coverage was the reason for declining enrollment, provided that, if

the individual was covered under another employer health plan, the individual was given the opportunity to make the certification required by this subdivision and was notified that failure to do so could result in later treatment as a late enrollee; (C) he or she has lost or will lose coverage under another employer health benefit plan as a result of termination of employment of the individual or of a person through whom the individual was covered as a dependent, change in employment status of the individual or of a person through whom the individual was covered as a dependent, termination of the other plan's coverage, cessation of an employer's contribution toward an employee or dependent's coverage, death of the person through whom the individual was covered as a dependent, legal separation, divorce, or loss of no share-of-cost Medi-Cal coverage; and (D) he or she requests enrollment within 30 days after termination of coverage or employer contribution toward coverage provided under another employer health benefit plan; (2) the employer offers multiple health benefit plans and the employee elects a different plan during an open enrollment period; (3) a court has ordered that coverage be provided for a spouse or minor child under a covered employee's health benefit plan; (4) (A) in the case of an eligible employee as defined in paragraph (1) of subdivision (b), the plan cannot produce a written statement from the employer stating that the individual or the person through whom the individual was eligible to be covered as a dependent, prior to declining coverage, was provided with, and signed, acknowledgment of an explicit written notice in boldface type specifying that failure to elect coverage during the initial enrollment period permits the plan to impose, at the time of the individual's later decision to elect coverage, an exclusion from coverage for a period of 12 months as well as a six-month preexisting condition exclusion, unless the individual meets the criteria specified in paragraph (1), (2), or (3); (B) in the case of an association member who did not purchase coverage through a guaranteed association, the plan cannot produce a written statement from the association stating that the association sent a written notice in boldface type to all potentially eligible association members at their last known address prior to the initial enrollment period informing members that failure to elect coverage during the initial enrollment period permits the plan to impose, at the time of the member's later decision to elect coverage, an exclusion from coverage for a period of 12 months as well as a six-month preexisting condition exclusion unless the member can demonstrate that he or she meets the requirements of subparagraphs (A), (C), and (D) of paragraph (1) or paragraph (2) or (3); or (C) in the case of an employer or person who is not a member of an association, was eligible to purchase coverage through a guaranteed association, and did not do so, and would not be eligible to purchase guaranteed coverage unless purchased through a guaranteed association, the employer or person can demonstrate that he or she meets the requirements of subparagraphs (A), (C), and

(D) of paragraph (1), or paragraph (2) or (3), or that he or she recently had a change in status that would make him or her eligible and that application for enrollment was made within 30 days of the change; (5) the individual is an employee or dependent who meets the criteria described in paragraph (1) and was under a COBRA continuation provision and the coverage under that provision has been exhausted. For purposes of this section, the definition of "COBRA" set forth in subdivision (e) of Section 1373.621 shall apply; or (6) the individual is a dependent of an enrolled eligible employee who has lost or will lose his or her no share-of-cost Medi-Cal coverage and requests enrollment within 30 days after notification of this loss of coverage.

(e) "New business" means a health care service plan contract issued to a small employer that is not the plan's in force business.

(f) "Preexisting condition provision" means a contract provision that excludes coverage for charges or expenses incurred during a specified period following the employee's effective date of coverage, as to a condition for which medical advice, diagnosis, care, or treatment was recommended or received during a specified period immediately preceding the effective date of coverage.

(g) "Creditable coverage" means:

(1) Any individual or group policy, contract, or program that is written or administered by a disability insurer, health care service plan, fraternal benefits society, self-insured employer plan, or any other entity, in this state or elsewhere, and that arranges or provides medical, hospital, and surgical coverage not designed to supplement other private or governmental plans. The term includes continuation or conversion coverage but does not include accident only, credit, coverage for onsite medical clinics, disability income, Medicare supplement, long-term care, dental, vision, coverage issued as a supplement to liability insurance, insurance arising out of a workers' compensation or similar law, automobile medical payment insurance, or insurance under which benefits are payable with or without regard to fault and that is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

(2) The federal Medicare program pursuant to Title XVIII of the Social Security Act.

(3) The medicaid program pursuant to Title XIX of the Social Security Act.

(4) Any other publicly sponsored program, provided in this state or elsewhere, of medical, hospital, and surgical care.

(5) 10 U.S.C.A. Chapter 55 (commencing with Section 1071) (Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)).

(6) A medical care program of the Indian Health Service or of a tribal organization.

(7) A state health benefits risk pool.

(8) A health plan offered under 5 U.S.C.A. Chapter 89 (commencing with Section 8901) (Federal Employees Health Benefits Program (FEHBP)).

(9) A public health plan as defined in federal regulations authorized by Section 2701(c)(1)(I) of the Public Health Service Act, as amended by Public Law 104-191, the Health Insurance Portability and Accountability Act of 1996.

(10) A health benefit plan under Section 5(e) of the Peace Corps Act (22 U.S.C.A. Sec. 2504(e)).

(11) Any other creditable coverage as defined by subdivision (c) of Section 2701 of Title XXVII of the federal Public Health Services Act (42 U.S.C. Sec. 300gg(c)).

(h) "Rating period" means the period for which premium rates established by a plan are in effect and shall be no less than six months.

(i) "Risk adjusted employee risk rate" means the rate determined for an eligible employee of a small employer in a particular risk category after applying the risk adjustment factor.

(j) "Risk adjustment factor" means the percentage adjustment to be applied equally to each standard employee risk rate for a particular small employer, based upon any expected deviations from standard cost of services. This factor may not be more than 120 percent or less than 80 percent until July 1, 1996. Effective July 1, 1996, this factor may not be more than 110 percent or less than 90 percent.

(k) "Risk category" means the following characteristics of an eligible employee: age, geographic region, and family composition of the employee, plus the health benefit plan selected by the small employer.

(1) No more than the following age categories may be used in determining premium rates:

Under 30
30–39
40–49
50–54
55–59
60–64
65 and over

However, for the 65 and over age category, separate premium rates may be specified depending upon whether coverage under the plan contract will be primary or secondary to benefits provided by the federal Medicare program pursuant to Title XVIII of the federal Social Security Act.

(2) Small employer health care service plans shall base rates to small employers using no more than the following family size categories:

(A) Single.
(B) Married couple.
(C) One adult and child or children.
(D) Married couple and child or children.

(3) (A) In determining rates for small employers, a plan that operates statewide shall use no more than nine geographic regions in the state, have no region smaller than an area in which the first three digits of all its ZIP Codes are in common within a county, and divide no county into more than two regions. Plans shall be deemed to be operating statewide if their coverage area includes 90 percent or more of the state's population. Geographic regions established pursuant to this section shall, as a group, cover the entire state, and the area encompassed in a geographic region shall be separate and distinct from areas encompassed in other geographic regions. Geographic regions may be noncontiguous.

(B) In determining rates for small employers, a plan that does not operate statewide shall use no more than the number of geographic regions in the state than is determined by the following formula: the population, as determined in the last federal census, of all counties that are included in their entirety in a plan's service area divided by the total population of the state, as determined in the last federal census, multiplied by nine. The resulting number shall be rounded to the nearest whole integer. No region may be smaller than an area in which the first three digits of all its ZIP Codes are in common within a county and no county may be divided into more than two regions. The area encompassed in a geographic region shall be separate and distinct from areas encompassed in other geographic regions. Geographic regions may be noncontiguous. No plan shall have less than one geographic area.

Nothing in this section shall be construed to require a plan to establish a new service area or to offer health coverage on a statewide basis, outside of the plan's existing service area.

(*l*) "Small employer" means either of the following:

(1) Any person, firm, proprietary or nonprofit corporation, partnership, public agency, or association that is actively engaged in business or service, that, on at least 50 percent of its working days during the preceding calendar quarter or preceding calendar year, employed at least two, but no more than 50, eligible employees, the majority of whom were employed within this state, that was not formed primarily for purposes of buying health care service plan contracts, and in which a bona fide employer-employee relationship exists. In determining whether to apply the calendar quarter or calendar year test, a health care service plan shall use the test that ensures eligibility if only one test would establish eligibility. However, for purposes of subdivisions (a), (b), and (c) of Section 1357.03, the definition shall include employers with at least three eligible employees until July 1, 1997, and two eligible employees thereafter. In determining the number of eligible employees, companies that are affiliated companies and that are eligible to file a combined tax return for purposes of state taxation shall be considered one employer. Subsequent to the issuance of a health care service plan contract to a small employer pursuant to this article, and

for the purpose of determining eligibility, the size of a small employer shall be determined annually. Except as otherwise specifically provided in this article, provisions of this article that apply to a small employer shall continue to apply until the plan contract anniversary following the date the employer no longer meets the requirements of this definition. It includes any small employer as defined in this paragraph who purchases coverage through a guaranteed association, and any employer purchasing coverage for employees through a guaranteed association.

(2) Any guaranteed association, as defined in subdivision (n), that purchases health coverage for members of the association.

(m) "Standard employee risk rate" means the rate applicable to an eligible employee in a particular risk category in a small employer group.

(n) "Guaranteed association" means a nonprofit organization comprised of a group of individuals or employers who associate based solely on participation in a specified profession or industry, accepting for membership any individual or employer meeting its membership criteria, and that (1) includes one or more small employers as defined in paragraph (1) of subdivision (*l*), (2) does not condition membership directly or indirectly on the health or claims history of any person, (3) uses membership dues solely for and in consideration of the membership and membership benefits, except that the amount of the dues shall not depend on whether the member applies for or purchases insurance offered to the association, (4) is organized and maintained in good faith for purposes unrelated to insurance, (5) has been in active existence on January 1, 1992, and for at least five years prior to that date, (6) has included health insurance as a membership benefit for at least five years prior to January 1, 1992, (7) has a constitution and bylaws, or other analogous governing documents that provide for election of the governing board of the association by its members, (8) offers any plan contract that is purchased to all individual members and employer members in this state, (9) includes any member choosing to enroll in the plan contracts offered to the association provided that the member has agreed to make the required premium payments, and (10) covers at least 1,000 persons with the health care service plan with which it contracts. The requirement of 1,000 persons may be met if component chapters of a statewide association contracting separately with the same carrier cover at least 1,000 persons in the aggregate.

This subdivision applies regardless of whether a contract issued by a plan is with an association or a trust formed for, or sponsored by, an association to administer benefits for association members.

For purposes of this subdivision, an association formed by a merger of two or more associations after January 1, 1992, and otherwise meeting the criteria of this subdivision shall be deemed to have been in active existence on January 1, 1992, if its predecessor organizations had been in active existence on January 1, 1992, and for at least five

years prior to that date and otherwise met the criteria of this subdivision.

(o) "Members of a guaranteed association" means any individual or employer meeting the association's membership criteria if that person is a member of the association and chooses to purchase health coverage through the association. At the association's discretion, it also may include employees of association members, association staff, retired members, retired employees of members, and surviving spouses and dependents of deceased members. However, if an association chooses to include these persons as members of the guaranteed association, the association shall make that election in advance of purchasing a plan contract. Health care service plans may require an association to adhere to the membership composition it selects for up to 12 months.

(p) "Affiliation period" means a period that, under the terms of the health care service plan contract, must expire before health care services under the contract become effective.

SEC. 2. Section 10700 of the Insurance Code is amended to read:

10700. As used in this chapter:

(a) "Agent or broker" means a person or entity licensed under Chapter 5 (commencing with Section 1621) of Part 2 of Division 1.

(b) "Benefit plan design" means a specific health coverage product issued by a carrier to small employers, to trustees of associations that include small employers, or to individuals if the coverage is offered through employment or sponsored by an employer. It includes services covered and the levels of copayment and deductibles, and it may include the professional providers who are to provide those services and the sites where those services are to be provided. A benefit plan design may also be an integrated system for the financing and delivery of quality health care services which has significant incentives for the covered individuals to use the system.

(c) "Board" means the Major Risk Medical Insurance Board.

(d) "Carrier" means any disability insurance company or any other entity that writes, issues, or administers health benefit plans that cover the employees of small employers, regardless of the situs of the contract or master policyholder. For the purposes of Articles 3 (commencing with Section 10719) and 4 (commencing with Section 10730), "carrier" also includes health care service plans.

(e) "Dependent" means the spouse or child of an eligible employee, subject to applicable terms of the health benefit plan covering the employee, and includes dependents of guaranteed association members if the association elects to include dependents under its health coverage at the same time it determines its membership composition pursuant to subdivision (z).

(f) "Eligible employee" means either of the following:

(1) Any permanent employee who is actively engaged on a full-time basis in the conduct of the business of the small employer

with a normal workweek of at least 30 hours, in the small employer's regular place of business, who has met any statutorily authorized applicable waiting period requirements. The term includes sole proprietors or partners of a partnership, if they are actively engaged on a full-time basis in the small employer's business, and they are included as employees under a health benefit plan of a small employer, but does not include employees who work on a part-time, temporary, or substitute basis. It includes any eligible employee as defined in this paragraph who obtains coverage through a guaranteed association. Employees of employers purchasing through a guaranteed association shall be deemed to be eligible employees if they would otherwise meet the definition except for the number of persons employed by the employer. A permanent employee who works at least 20 hours but not more than 29 hours is deemed to be an eligible employee if all four of the following apply:

(A) The employee otherwise meets the definition of an eligible employee except for the number of hours worked.

(B) The employer offers the employee health coverage under a health benefit plan.

(C) All similarly situated individuals are offered coverage under the health benefit plan.

(D) The employee must have worked at least 20 hours per normal workweek for at least 50 percent of the weeks in the previous calendar quarter. The insurer may request any necessary information to document the hours and time period in question, including, but not limited to, payroll records and employee wage and tax filings.

(2) Any member of a guaranteed association as defined in subdivision (z).

(g) "Enrollee" means an eligible employee or dependent who receives health coverage through the program from a participating carrier.

(h) "Financially impaired" means, for the purposes of this chapter, a carrier that, on or after the effective date of this chapter, is not insolvent and is either:

(1) Deemed by the commissioner to be potentially unable to fulfill its contractual obligations.

(2) Placed under an order of rehabilitation or conservation by a court of competent jurisdiction.

(i) "Fund" means the California Small Group Reinsurance Fund.

(j) "Health benefit plan" means a policy or contract written or administered by a carrier that arranges or provides health care benefits for the covered eligible employees of a small employer and their dependents. The term does not include accident only, credit, disability income, coverage of Medicare services pursuant to contracts with the United States government, Medicare supplement, long-term care insurance, dental, vision, coverage issued as a supplement to liability insurance, automobile medical payment

insurance, or insurance under which benefits are payable with or without regard to fault and that is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

(k) "In force business" means an existing health benefit plan issued by the carrier to a small employer.

(*l*) "Late enrollee" means an eligible employee or dependent who has declined health coverage under a health benefit plan offered by a small employer at the time of the initial enrollment period provided under the terms of the health benefit plan, and who subsequently requests enrollment in a health benefit plan of that small employer, provided that the initial enrollment period shall be a period of at least 30 days. It also means any member of an association that is a guaranteed association as well as any other person eligible to purchase through the guaranteed association when that person has failed to purchase coverage during the initial enrollment period provided under the terms of the guaranteed association's health benefit plan and who subsequently requests enrollment in the plan, provided that the initial enrollment period shall be a period of at least 30 days. However, an eligible employee, another person eligible for coverage through a guaranteed association pursuant to subdivision (z), or dependent shall not be considered a late enrollee if: (1) the individual meets all of the following: (A) was covered under another employer health benefit plan or no share-of-cost Medi-Cal coverage at the time the individual was eligible to enroll; (B) certified at the time of the initial enrollment that coverage under another employer health benefit plan or no share-of-cost Medi-Cal coverage was the reason for declining enrollment provided that, if the individual was covered under another employer health plan, the individual was given the opportunity to make the certification required by this subdivision and was notified that failure to do so could result in later treatment as a late enrollee; (C) has lost or will lose coverage under another employer health benefit plan as a result of termination of employment of the individual or of a person through whom the individual was covered as a dependent, change in employment status of the individual, or of a person through whom the individual was covered as a dependent, the termination of the other plan's coverage, cessation of an employer's contribution toward an employee or dependent's coverage, death of the person through whom the individual was covered as a dependent, legal separation, divorce, or loss of no share-of-cost Medi-Cal coverage; and (D) requests enrollment within 30 days after termination of coverage or employer contribution toward coverage provided under another employer health benefit plan; (2) the individual is employed by an employer who offers multiple health benefit plans and the individual elects a different plan during an open enrollment period; (3) a court has ordered that coverage be provided for a spouse or minor child under a covered employee's health benefit plan; (4) (A) in the case of an eligible employee as defined in paragraph (1) of subdivision (f), the

carrier cannot produce a written statement from the employer stating that the individual or the person through whom an individual was eligible to be covered as a dependent, prior to declining coverage, was provided with, and signed acknowledgment of, an explicit written notice in boldface type specifying that failure to elect coverage during the initial enrollment period permits the carrier to impose, at the time of the individual's later decision to elect coverage, an exclusion from coverage for a period of 12 months as well as a six-month preexisting condition exclusion unless the individual meets the criteria specified in paragraph (1), (2), or (3); (B) in the case of an eligible employee who is a guaranteed association member, the plan cannot produce a written statement from the guaranteed association stating that the association sent a written notice in boldface type to all potentially eligible association members at their last known address prior to the initial enrollment period informing members that failure to elect coverage during the initial enrollment period permits the plan to impose, at the time of the member's later decision to elect coverage, an exclusion from coverage for a period of 12 months as well as a six-month preexisting condition exclusion unless the member can demonstrate that he or she meets the requirements of subparagraphs (A), (C), and (D) of paragraph (1) or paragraph (2) or (3); or (C) in the case of an employer or person who is not a member of an association, was eligible to purchase coverage through a guaranteed association, and did not do so, and would not be eligible to purchase guaranteed coverage unless purchased through a guaranteed association, the employer or person can demonstrate that he or she meets the requirements of subparagraphs (A), (C), and (D) of paragraph (1), or paragraph (2) or (3), or that he or she recently had a change in status that would make him or her eligible and that application for coverage was made within 30 days of the change; (5) the individual is an employee or dependent who meets the criteria described in paragraph (1) and was under a COBRA continuation provision and the coverage under that provision has been exhausted. For purposes of this section, the definition of "COBRA" set forth in subdivision (e) of Section 1373.62 shall apply; or (6) the individual is a dependent of an enrolled eligible employee who has lost or will lose his or her no share-of-cost Medi-Cal coverage and requests enrollment within 30 days after notification of this loss of coverage.

(m) "New business" means a health benefit plan issued to a small employer that is not the carrier's in force business.

(n) "Participating carrier" means a carrier that has entered into a contract with the program to provide health benefits coverage under this part.

(o) "Plan of operation" means the plan of operation of the fund, including articles, bylaws and operating rules adopted by the fund pursuant to Article 3 (commencing with Section 10719).

(p) "Program" means the Health Insurance Plan of California.

(q) "Preexisting condition provision" means a policy provision that excludes coverage for charges or expenses incurred during a specified period following the insured's effective date of coverage, as to a condition for which medical advice, diagnosis, care, or treatment was recommended or received during a specified period immediately preceding the effective date of coverage.

(r) "Creditable coverage" means:

(1) Any individual or group policy, contract, or program, that is written or administered by a disability insurer, health care service plan, fraternal benefits society, self-insured employer plan, or any other entity, in this state or elsewhere, and that arranges or provides medical, hospital, and surgical coverage not designed to supplement other private or governmental plans. The term includes continuation or conversion coverage but does not include accident only, credit, coverage for onsite medical clinics, disability income, Medicare supplement, long-term care, dental, vision, coverage issued as a supplement to liability insurance, insurance arising out of a workers' compensation or similar law, automobile medical payment insurance, or insurance under which benefits are payable with or without regard to fault and that is statutorily required to be contained in any liability insurance policy or equivalent self-insurance.

(2) The federal Medicare program pursuant to Title XVIII of the Social Security Act.

(3) The medicaid program pursuant to Title XIX of the Social Security Act.

(4) Any other publicly sponsored program, provided in this state or elsewhere, of medical, hospital, and surgical care.

(5) 10 U.S.C.A. Chapter 55 (commencing with Section 1071) (Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)).

(6) A medical care program of the Indian Health Service or of a tribal organization.

(7) A state health benefits risk pool.

(8) A health plan offered under 5 U.S.C.A. Chapter 89 (commencing with Section 8901) (Federal Employees Health Benefits Program (FEHBP)).

(9) A public health plan as defined in federal regulations authorized by Section 2701(c)(1)(I) of the Public Health Service Act, as amended by Public Law 104-191, the Health Insurance Portability and Accountability Act of 1996.

(10) A health benefit plan under Section 5(e) of the Peace Corps Act (22 U.S.C.A. Sec. 2504(e)).

(11) Any other creditable coverage as defined by subdivision (c) of Section 2701 of Title XXVII of the federal Public Health Services Act (42 U.S.C. Sec. 300gg(c)).

(s) "Rating period" means the period for which premium rates established by a carrier are in effect and shall be no less than six months.

(t) "Risk adjusted employee risk rate" means the rate determined for an eligible employee of a small employer in a particular risk category after applying the risk adjustment factor.

(u) "Risk adjustment factor" means the percent adjustment to be applied equally to each standard employee risk rate for a particular small employer, based upon any expected deviations from standard claims. This factor may not be more than 120 percent or less than 80 percent until July 1, 1996. Effective July 1, 1996, this factor may not be more than 110 percent or less than 90 percent.

(v) "Risk category" means the following characteristics of an eligible employee: age, geographic region, and family size of the employee, plus the benefit plan design selected by the small employer.

(1) No more than the following age categories may be used in determining premium rates:

Under 30
30–39
40–49
50–54
55–59
60–64
65 and over

However, for the 65 and over age category, separate premium rates may be specified depending upon whether coverage under the health benefit plan will be primary or secondary to benefits provided by the federal Medicare program pursuant to Title XVIII of the federal Social Security Act.

(2) Small employer carriers shall base rates to small employers using no more than the following family size categories:

(A) Single.
(B) Married couple.
(C) One adult and child or children.
(D) Married couple and child or children.

(3) (A) In determining rates for small employers, a carrier that operates statewide shall use no more than nine geographic regions in the state, have no region smaller than an area in which the first three digits of all its ZIP Codes are in common within a county and shall divide no county into more than two regions. Carriers shall be deemed to be operating statewide if their coverage area includes 90 percent or more of the state's population. Geographic regions established pursuant to this section shall, as a group, cover the entire state, and the area encompassed in a geographic region shall be separate and distinct from areas encompassed in other geographic regions. Geographic regions may be noncontiguous.

(B) In determining rates for small employers, a carrier that does not operate statewide shall use no more than the number of geographic regions in the state than is determined by the following formula: the population, as determined in the last federal census, of

all counties which are included in their entirety in a carrier's service area divided by the total population of the state, as determined in the last federal census, multiplied by nine. The resulting number shall be rounded to the nearest whole integer. No region may be smaller than an area in which the first three digits of all its ZIP Codes are in common within a county and no county may be divided into more than two regions. The area encompassed in a geographic region shall be separate and distinct from areas encompassed in other geographic regions. Geographic regions may be noncontiguous. No carrier shall have less than one geographic area.

(w) "Small employer" means either of the following:

(1) Any person, proprietary or nonprofit firm, corporation, partnership, public agency, or association that is actively engaged in business or service that, on at least 50 percent of its working days during the preceding calendar quarter, or preceding calendar year, employed at least two, but not more than 50, eligible employees, the majority of whom were employed within this state, that was not formed primarily for purposes of buying health insurance and in which a bona fide employer-employee relationship exists. In determining whether to apply the calendar quarter or calendar year test, the insurer shall use the test that ensures eligibility if only one test would establish eligibility. However, for purposes of subdivisions (b) and (h) of Section 10705, the definition shall include employers with at least three eligible employees until July 1, 1997, and two eligible employees thereafter. In determining the number of eligible employees, companies that are affiliated companies and that are eligible to file a combined income tax return for purposes of state taxation shall be considered one employer. Subsequent to the issuance of a health benefit plan to a small employer pursuant to this chapter, and for the purpose of determining eligibility, the size of a small employer shall be determined annually. Except as otherwise specifically provided, provisions of this chapter that apply to a small employer shall continue to apply until the health benefit plan anniversary following the date the employer no longer meets the requirements of this definition. It includes any small employer as defined in this paragraph who purchases coverage through a guaranteed association, and any employer purchasing coverage for employees through a guaranteed association.

(2) Any guaranteed association, as defined in subdivision (y), that purchases health coverage for members of the association.

(x) "Standard employee risk rate" means the rate applicable to an eligible employee in a particular risk category in a small employer group.

(y) "Guaranteed association" means a nonprofit organization comprised of a group of individuals or employers who associate based solely on participation in a specified profession or industry, accepting for membership any individual or employer meeting its membership criteria which (1) includes one or more small employers as defined

in paragraph (1) of subdivision (w), (2) does not condition membership directly or indirectly on the health or claims history of any person, (3) uses membership dues solely for and in consideration of the membership and membership benefits, except that the amount of the dues shall not depend on whether the member applies for or purchases insurance offered by the association, (4) is organized and maintained in good faith for purposes unrelated to insurance, (5) has been in active existence on January 1, 1992, and for at least five years prior to that date, (6) has been offering health insurance to its members for at least five years prior to January 1, 1992, (7) has a constitution and bylaws, or other analogous governing documents that provide for election of the governing board of the association by its members, (8) offers any benefit plan design that is purchased to all individual members and employer members in this state, (9) includes any member choosing to enroll in the benefit plan design offered to the association provided that the member has agreed to make the required premium payments, and (10) covers at least 1,000 persons with the carrier with which it contracts. The requirement of 1,000 persons may be met if component chapters of a statewide association contracting separately with the same carrier cover at least 1,000 persons in the aggregate.

This subdivision applies regardless of whether a master policy by an admitted insurer is delivered directly to the association or a trust formed for or sponsored by an association to administer benefits for association members.

For purposes of this subdivision, an association formed by a merger of two or more associations after January 1, 1992, and otherwise meeting the criteria of this subdivision shall be deemed to have been in active existence on January 1, 1992, if its predecessor organizations had been in active existence on January 1, 1992, and for at least five years prior to that date and otherwise met the criteria of this subdivision.

(z) "Members of a guaranteed association" means any individual or employer meeting the association's membership criteria if that person is a member of the association and chooses to purchase health coverage through the association. At the association's discretion, it may also include employees of association members, association staff, retired members, retired employees of members, and surviving spouses and dependents of deceased members. However, if an association chooses to include those persons as members of the guaranteed association, the association must so elect in advance of purchasing coverage from a plan. Health plans may require an association to adhere to the membership composition it selects for up to 12 months.

(aa) "Affiliation period" means a period that, under the terms of the health benefit plan, must expire before health care services under the plan become effective.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 419

An act to repeal and add Section 22360 of the Education Code, relating to the State Teachers' Retirement System.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 22360 of the Education Code is repealed.

SEC. 2. Section 22360 is added to the Education Code, to read:

22360. (a) Notwithstanding any other provision of law, the board may pursuant to Section 22203 and in conformance with its fiduciary duty set forth in Section 22250, enter into correspondent agreements with private lending institutions in this state to utilize the retirement fund to invest in residential mortgages, including assisting members, through financing, to obtain homes in this state.

(b) For the purpose of this section, the term "member" means any person who is receiving, or is entitled to receive, a retirement allowance funded by this system, notwithstanding any vesting requirement and without regard to present eligibility to retire.

(c) The board shall adopt regulations governing the program that shall, among other things, provide:

(1) That home loans be made available to borrowers, including members, for the purchase of single-family dwellings, two-family dwellings, three-family dwellings, four-family dwellings, single-family cooperative apartments, and single-family condominiums.

(2) That the recipients of the loans occupy the homes as their principal residences in accord with rules and regulations established by the board.

(3) That the home loans shall be available only for the purchase or refinance of homes in this state.

(4) That the amount and length of the loans shall be pursuant to a schedule periodically established by the board that shall provide a loan-to-value ratio of: (A) for the first loan, except for three-family dwellings and four-family dwellings, a maximum of 95 percent of the first loan; (B) for the first loan on three-family dwellings and four-family dwellings, a maximum of 90 percent of the first loan; and (C) for each additional loan, a maximum of 95 percent of each additional loan. The portion of any loan exceeding 80 percent of value shall be insured by an admitted mortgage guaranty insurer conforming to Chapter 2A (commencing with Section 12640.01) of Part 6 of Division 2 of the Insurance Code, in an amount so that the unguaranteed portion of the loan does not exceed 75 percent of the market value of the property together with improvements thereon.

(5) That there may be prepayment penalties assessed on the loans in accordance with rules and regulations established by the board.

(6) That the criteria and terms for its loans shall be consistent with the financial integrity of the program and the sound investment of the retirement fund.

(7) Any other terms and conditions as the board shall deem appropriate.

(d) It is the intent of the Legislature that the provisions of this section be used to establish an investment program for residential mortgages, including assisting members in obtaining homes in this state. The Legislature intends that home loans made pursuant to this section shall be secured primarily by the property acquired and shall not exceed the fair market value of the property acquired.

(e) The board shall include in any investment program established pursuant to this section a procedure whereby a borrower may obtain 100-percent financing for the purchase of a single-family dwelling unit in accordance with the following criteria:

(1) The member shall obtain one loan with a loan-to-value ratio not to exceed 95 percent secured by the purchased home and a second personal loan with a loan-to-value ratio not to exceed 5 percent secured by a portion of the accumulated contributions and vested accrued benefits in the member's individual account. The 5 percent personal loan shall only be used for the purchase of the member's principal residence and not for a loan to refinance.

(2) The loan secured by the purchased home shall be consistent with the loan-to-value ratios specified in the schedules established pursuant to this section.

(3) In no event shall the loan amount exceed three hundred fifty thousand dollars ($350,000).

(4) In no event may the personal loan secured by the accumulated contributions and vested accrued benefits in the member's individual account exceed the lesser of 50 percent of the current value amount of the accumulated contributions, or fifty thousand dollars ($50,000).

(5) The pledge of security under this section shall remain in effect until the loan is paid in full.

(f) In the event of a default on the personal loan secured by the member's contributions as authorized by this section, the board may deduct an amount from the member's contributions on deposit and adjust the member's accrued benefit, up to the amount pledged as security, prior to making any disbursement of retirement benefits.

(g) The secured personal loan permitted under this section shall be made available only to currently employed members who meet eligibility criteria the board deems advisable.

(h) If the member is married at the time the home is purchased with a personal loan secured by the member's contributions as authorized by this section, then the member's spouse shall agree in writing to the pledge of security, as to his or her community interest in the amount pledged regardless of whether title to the home is in joint tenancy.

(i) The pledge of security under this section shall take binding effect. In the event of default, the accumulated contributions in the member's account shall be reduced as necessary to recover any outstanding loan balance, not to exceed the pledge amount.

(j) Appropriate administrative costs of implementing this section shall be paid by the members utilizing this section. Those costs may be included in the loan amount.

(k) Appropriate interest rates shall be periodically reviewed and adjusted to provide loans to borrowers consistent with the financial integrity of the home loan program and the sound and prudent investment of the retirement fund. Under no circumstances, however, shall the interest rates offered to borrowers be below current market rate.

(*l*) The board shall administer this section under other terms and conditions it deems appropriate and in keeping with the investment standard. The board may adopt procedural guidelines as necessary for its administration of this section and to assure compliance with applicable state and federal laws.

(m) This section shall be known as, and may be cited as, the Dave Elder State Teachers' Retirement System Home Loan Program Act.

CHAPTER 420

An act to amend Sections 6479.3, 8131, 9156, 30009, 30016, 30367, 32406, 40117, 41106, 43456, 45656, 46507, 55226, and 60525 of, and to add Section 50142.2 to, the Revenue and Taxation Code, relating to taxation.

[Approved by Governor August 28, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 6479.3 of the Revenue and Taxation Code is amended to read:

6479.3. (a) Any person whose estimated tax liability under this part averages twenty thousand dollars ($20,000) or more per month, as determined by the board pursuant to methods of calculation prescribed by the board, shall remit amounts due by an electronic funds transfer under procedures prescribed by the board. Any person who collects use tax on a voluntary basis is not required to remit amounts due by electronic funds transfer.

(b) Any person whose estimated tax liability under this part averages less than twenty thousand dollars ($20,000) per month or any person who voluntarily collects use tax may elect to remit amounts due by electronic funds transfer with the approval of the board. The election shall be operative for a minimum of one year.

(c) Any person remitting amounts due pursuant to subdivision (a) or (b) shall perform electronic funds transfer in compliance with the due dates set forth in Article 1 (commencing with Section 6451) and Article 1.1 (commencing with Section 6470). Payment is deemed complete on the date the electronic funds transfer is initiated, if settlement to the state's demand account occurs on or before the banking day following the date the transfer is initiated. If settlement to the state's demand account does not occur on or before the banking day following the date the transfer is initiated, payment is deemed to occur on the date settlement occurs.

(d) Any person remitting taxes by electronic funds transfer shall, on or before the due date of the remittance, file a return for the preceding reporting period in the form and manner prescribed by the board. Any person who fails to timely file the required return shall pay a penalty of 10 percent of the amount of taxes, exclusive of prepayments, with respect to the period for which the return is required.

(e) Any person required to remit taxes pursuant to this article who remits those taxes by means other than appropriate electronic funds transfer shall pay a penalty of 10 percent of the taxes incorrectly remitted.

(f) Any person who fails to pay any tax to the state or any amount of tax required to be collected and paid to the state, except amounts of determinations made by the board under Article 2 (commencing with Section 6481) or Article 3 (commencing with Section 6511), within the time required shall pay a penalty of 10 percent of the tax or amount of tax, in addition to the tax or amount of tax, plus interest at the modified adjusted rate per month, or fraction thereof, established pursuant to Section 6591.5, from the date on which the tax or the amount of tax required to be collected became due and payable to the state until the date of payment.

(g) In determining whether a person's estimated tax liability averages twenty thousand dollars ($20,000) or more per month, the board may consider tax returns filed pursuant to this part and any other information in the board's possession.

(h) The penalties imposed by subdivisions (d), (e), and (f) shall be limited to a maximum of 10 percent of the taxes due, exclusive of prepayments, for any one return. Any person remitting taxes by electronic funds transfer shall be subject to the penalties under this section and not Section 6591.

(i) The board shall promulgate regulations pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code for purposes of implementing this section.

SEC. 2. Section 8131 of the Revenue and Taxation Code is amended to read:

8131. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 3. Section 9156 of the Revenue and Taxation Code is amended to read:

9156. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 4. Section 30009 of the Revenue and Taxation Code is amended to read:

30009. "Use or consumption" includes the exercise of any right or power over cigarettes or tobacco products incident to the ownership thereof, other than the sale of the cigarettes or tobacco products or the keeping or retention thereof by a licensed distributor for the purpose of sale.

SEC. 5. Section 30016 of the Revenue and Taxation Code is amended to read:

30016. "Wholesaler" includes :

(a) Any person, other than a licensed distributor, who engages in this state in making sales for resale of cigarettes that are contained in packages to which are affixed stamps or meter impressions.

(b) Any person, other than a licensed distributor, who engages in this state in making sales for resale of tobacco products on which the tax imposed in Section 30123 has been paid.

SEC. 6. Section 30367 of the Revenue and Taxation Code is amended to read:

30367. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 7. Section 32406 of the Revenue and Taxation Code is amended to read:

32406. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 8. Section 40117 of the Revenue and Taxation Code is amended to read:

40117. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 9. Section 41106 of the Revenue and Taxation Code is amended to read:

41106. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 10. Section 43456 of the Revenue and Taxation Code is amended to read:

43456. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the

period during which the person requests the board to defer action on the claim.

SEC. 11. Section 45656 of the Revenue and Taxation Code is amended to read:

45656. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 12. Section 46507 of the Revenue and Taxation Code is amended to read:

46507. (a) If the board determines that any overpayment has been made intentionally or by reasons of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 13. Section 50142.2 is added to the Revenue and Taxation Code, to read:

50142.2. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 14. Section 55226 of the Revenue and Taxation Code is amended to read:

55226. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

SEC. 15. Section 60525 of the Revenue and Taxation Code is amended to read:

60525. (a) If the board determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest thereon.

(b) If any person who has filed a claim for refund requests the board to defer action on the claim, the board, as a condition to deferring action, may require the claimant to waive interest for the period during which the person requests the board to defer action on the claim.

CHAPTER 421

An act to amend Section 201.7 of the Corporations Code, and to amend Sections 4019 and 11535 of, to add Article 17 (commencing with Section 1560) to Chapter 3 of Part 2 of Division 1 of, and to add Article 10 (commencing with Section 4097) to Chapter 4 of Part 1 of Division 2 of, the Insurance Code, relating to insurance.

[Approved by Governor August 31, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 201.7 of the Corporations Code is amended to read:

201.7. Upon receipt of a certified copy of the commissioner's authorization issued pursuant to subdivision (a) of Section 11542 or subdivision (a) of Section 4097.11 of the Insurance Code and subject to subdivision (a) of Section 110 of the Corporations Code, the Secretary of State shall accept for filing the certificate of amendment of the articles of incorporation of the domestic mutual insurer certified by the secretary thereof.

Upon receipt of a certified copy of the commissioner's authorization to file articles of incorporation of a mutual holding company and a stock holding company authorized pursuant to conversion proceedings pursuant to subdivision (a) of Section 11542 or subdivision (a) of Section 4097.11 of the Insurance Code and subject to subdivision (a) of Section 110 of the Corporations Code, the Secretary of State shall accept for filing the articles of incorporation of the mutual holding company and stock holding company.

SEC. 2. Article 17 (commencing with Section 1560) is added to Chapter 3 of Part 2 of Division 1 of the Insurance Code, to read:

Article 17. Conversion of Certain Reciprocal Insurers to Incorporated Stock Insurers

1560. This article shall apply only to domestic reciprocal insurers organized after 1974 to provide medical malpractice insurance.

1560.01. By following the procedure specified in this article, any domestic reciprocal insurer described in Section 1560 may be converted into an incorporated stock insurer. To that end, it may

provide and carry out a plan for the conversion by complying with the requirements of this article.

1560.02. The definitions in this section apply to the following terms when used in this article:

(a) "Adoption date" means the date the governing body adopts the plan of conversion.

(b) "Converted insurer" means the incorporated stock insurer into which a domestic reciprocal insurer has been converted in accordance with the provisions of this article.

(c) "Converting insurer" means, for a plan of conversion under this article, the domestic reciprocal insurer that is converting under the plan.

(d) "Effective date" means the date upon which the conversion of a domestic reciprocal insurer is effective, as specified in the amended articles of incorporation of the reciprocal holding company filed with the Secretary of State, as a result of conversion proceedings under this article.

(e) "Eligible subscribers" means the subscribers of the domestic reciprocal insurer who are of record, fully paid-up, and otherwise in good standing on the domestic reciprocal insurer's adoption date and on its effective date, but shall not include those persons covered solely under a reporting endorsement to a claims-made policy on either date.

(f) "Governing body" means the body exercising subscribers' rights selected pursuant to Section 1308 for the domestic reciprocal insurer.

(g) "Independent director" means a member of the governing body of the reciprocal holding company who does not own shares, options, or any other equity interests in the stock holding company.

(h) "Person" means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

(i) "Plan of conversion" or "plan" means a plan adopted by a domestic reciprocal insurer in compliance with this article.

(j) "Policy" means an individual or group policy of insurance issued by a domestic reciprocal insurer. If a policy takes a form other than an individual form but holders of certificates or other interests under the policy are treated by the domestic reciprocal insurer as if they were holders of individual policies, the domestic reciprocal insurer may provide in its plan of conversion under this article that such a certificate or other interest is deemed to be a policy and deem the holder of the certificate or other interest to be an owner of a policy. Such a provision shall be for the sole purpose of determining the rights, if any, of policyholders of the domestic reciprocal insurer to vote upon and receive consideration under the plan of conversion

and shall not affect the other voting rights and qualifications of members of the domestic reciprocal insurer.

(k) "Policyholder" means the holder of a policy other than a reinsurance contract or a person covered solely under a reporting endorsement to a claims-made policy.

(*l*) "Reciprocal holding company" means a corporation organized under the laws of this state subject to the General Corporation Law as set forth in the Corporations Code. The articles of incorporation of a reciprocal holding company shall contain provisions stating the following:

(1) It is a reciprocal holding company organized under this article.

(2) One purpose of the reciprocal holding company is to hold not less than 51 percent of the voting stock of a stock holding company, which in turn holds all of the voting stock of a converted insurer. In addition, the reciprocal holding company shall own not less than 51 percent of the total stockholders' equity of the stock holding company at all times.

(3) It is not authorized to issue voting stock.

(4) Its subscribers have the rights specified in Section 1560.11 and in its articles of incorporation and bylaws.

(5) Its assets and liabilities are subject to inclusion in the estate of the converted insurer in any proceedings successfully prosecuted against the converted insurer under Article 14 (commencing with Section 1010) or Article 14.3 (commencing with Section 1064.1) of Chapter 1.

(m) "Rights in surplus" for a domestic reciprocal insurer, means rights of subscribers to a return of that portion of the surplus that has not been apportioned or declared by the governing body for policyholder dividends. "Rights in surplus" includes rights of subscribers to a distribution of surplus in liquidation or conservation of the insurer under this code, or in a dissolution or winding up. "Rights in surplus" does not include any right expressly conferred solely by the terms of an insurance policy.

(n) "Stock holding company" means a corporation authorized to issue one or more classes of capital stock, the corporate purposes of which include holding all of the voting stock in an insurer that has been converted from a domestic reciprocal insurer into a stock insurer in proceedings under this article in which a reciprocal holding company is formed.

(o) "Subscriber" means a person who, by the records of the domestic reciprocal insurer and its rules and regulations, is deemed to be a holder of a subscriber's interest in the domestic reciprocal insurer. On and after the effective date of a plan of conversion, the term "subscriber" means a member of a reciprocal holding company, as provided in Section 1560.11.

(p) "Subscriber interests" mean the interests of subscribers arising under this code and the rules and regulations of the domestic reciprocal insurer or otherwise by law.

(q) "Voting stock" means securities of any class or any ownership interest having voting power for the election of directors, trustees, or management of a person, other than securities having voting power only because of the occurrence of a contingency. All references to a specified percentage of voting stock of any person mean securities having the specified percentage of the voting power in that person for the election of directors, trustees, or management of that person, other than securities having voting power only because of the occurrence of a contingency.

1560.03. A plan of conversion adopted by a domestic reciprocal insurer for the establishment of a reciprocal holding company shall provide that the domestic reciprocal insurer will become a stock insurer, that the subscribers of the domestic reciprocal insurer will become subscribers of a reciprocal holding company, that the reciprocal holding company will acquire at least 51 percent of the voting stock of the stock holding company, and that the stock holding company will acquire all of the voting stock of the converted insurer. The plan of conversion shall include appropriate proceedings for amending the domestic reciprocal insurer's rules and regulations and other charter documents to give effect to the conversion from a domestic reciprocal insurer into a stock corporation. The plan shall be:

(a) As approved by a resolution of two-thirds of the governing board. The resolution shall specify the reasons for and the purposes of the proposed conversion of the domestic reciprocal insurer and the manner in which the conversion is expected to benefit and serve the best interests of the policyholders.

(b) Submitted to the commissioner for consent in writing, subject to the provisions of Section 1560.05, by an application executed by an authorized officer of the domestic reciprocal insurer and accompanied by the following documents, or true and correct copies of the following documents:

(1) The proposed plan of conversion.

(2) The proposed articles of incorporation of each corporation that is a constituent corporation of the conversion.

(3) The proposed bylaws of each corporation that is a constituent corporation of the conversion.

(4) A list of the officers and directors, together with their biographies in the form customarily required by the commissioner, of each corporation that is a constituent corporation of the conversion.

(5) The resolution of the governing board of the domestic reciprocal insurer, certified by the secretary of the domestic reciprocal insurer, authorizing the conversion under this article, and a report of the percentage of directors approving the resolution.

(6) Financial statements, which may be prepared on a pro forma basis, in the form required by the commissioner.

(7) A plan of operations for the converted insurer.

(8) A summary of the plan of conversion and drafts of written materials to be mailed to subscribers seeking their approval of the plan, including an information statement containing, at a minimum, the information required under Section 1560.06.

(9) A description of any plans for an initial public offering, including a description of the maximum percentage of stock to be sold, the process to be used in offering the stock and setting the initial sale price for the stock, and how policyholders would be treated in an initial public offering.

(10) A description of any plans for the transfer of assets and liabilities, including any subsidiaries, to the reciprocal holding company.

(11) Any final rulings relating to the plan of reorganization obtained from any federal government agency, and all supporting documents submitted to the agency in connection with the rulings.

(12) A copy of the proposed form of notice of special meeting to be sent to members pursuant to Section 1560.06.

(13) Other relevant information that the commissioner may require.

(c) Approved by two-thirds vote of the subscribers of the domestic reciprocal insurer voting at a meeting of the subscribers called for that purpose, subject to the provisions of Section 1560.06.

(d) Filed in the office of the commissioner after receipt of the commissioner's consent, and after having been approved as provided in Sections 1560.05 and 1560.06.

1560.05. (a) The commissioner shall examine the plan submitted pursuant to Section 1560.03. As a part of the examination the commissioner shall order a public hearing of the plan after written notice of the hearing to the domestic reciprocal insurer and its subscribers and the public, all of whom shall have the right to appear at the hearing. The hearing shall occur before the policyholder vote. The commissioner may require as a condition of consent that the domestic reciprocal insurer make modifications of the proposed plan that the commissioner finds necessary for the protection of policyholders. The commissioner shall consent to the plan if he or she finds all of the following:

(1) The plan is fair, just, and equitable to the insurer and its policyholders.

(2) The plan does not violate the law.

(3) The converted insurer will, after the conversion, satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

(4) The plan will not require subscribers to pay additional funds to retain their rights in surplus, but nothing herein is intended to prohibit or restrict a reciprocal insurer that is converting to a stock insurer by establishing a reciprocal holding company from offering to its subscribers subscription rights that are in addition to the rights in surplus to be held in the reciprocal holding company.

(5) Any stock issued to officers, directors, employees, or employee benefit plans for their benefit, if any, will be fair, just, and equitable and not hazardous to policyholders, stockholders, or creditors.

(6) The plan provides sufficient means for the accumulated earnings, cash, and/or other non-operating assets held by the reciprocal holding company to inure to the exclusive benefit of its members.

(b) The commissioner may appoint one or more actuarial, financial, or other consultants, including legal counsel, as the commissioner finds necessary to advise the commissioner in making the determination of whether the proposed plan of conversion meets the applicable requirements of this article. The domestic reciprocal insurer is responsible for the reasonable fees and expenses of any actuarial, financial, or other consultants, including legal counsel, appointed, and for the mailing and publication of notices to the domestic reciprocal insurer and its members.

1560.06. The meeting of subscribers prescribed by subdivision (c) of Section 1560.03 shall be called by the governing board, the chairperson of the board, or the president of the domestic reciprocal insurer. Notice of the meeting shall be given to eligible subscribers by mail at least 45 days prior to the date set for the meeting to subscribers of the domestic reciprocal insurer of record on the date the plan of conversion was adopted by the governing board. The notice shall be accompanied by an information statement describing the proposed reorganization. The information statement shall include, at a minimum, all of the following items:

(a) A full copy and summary of the plan of reorganization.

(b) A discussion addressing the reasons and purposes of the proposed restructuring, which shall include a comparison to a dereciprocalization.

(c) An analysis of the benefits and risks associated with the proposed reorganization to the reciprocal company and its policyholders.

(d) An explanation of how the restructuring will benefit policyholders, as well as a description of any potential risks to policyholder interests and a description of how the policyholders' rights differ at the reciprocal holding company level from those in the existing company.

(e) A description of any stock issuance, including any shares or options to be issued to directors, officers, agents, employees, or employee benefit plans, for their benefit, that will be made in conjunction with the plan of conversion, if any, and the guidelines and parameters that shall apply in the event stock is to be issued, including a detailed discussion of subscription rights that are to be granted to policyholders.

(f) The converted insurer's proposed articles of incorporation and bylaws.

(g) Any proposed articles and bylaws of the reciprocal holding company and any other entities to be created in the reorganization.

(h) Financial information.

(i) Any other information that the commissioner determines is necessary to make a complete and adequate disclosure to policyholders.

Voting shall be by ballot, in person, or by proxy. A quorum shall consist of 10 percent of the subscribers of the domestic reciprocal insurer entitled to vote at the meeting.

1560.07. Nothing in this article shall be deemed to prohibit the inclusion in the plan of conversion of provisions under which the insurer's officers, directors, employees, agents, and employee benefit plans for their benefit may be entitled, in accordance with reasonable classifications of those individuals and employee benefit plans as may be included in the plan, to purchase for cash, at the same price as offered to the public in the initial public offering, voting stock not purchased by subscribers upon exercise of subscription rights. Nothing in this code shall be deemed to prohibit the establishment of stock option, incentive, and share ownership plans customary for publicly traded companies in the same and similar industries. The plan may not permit those persons to acquire any of the following:

(a) Greater than 25 percent of the voting stock issued pursuant to the plan for a domestic reciprocal insurer having assets in excess of two hundred million dollars ($200,000,000) or 35 percent for a domestic reciprocal insurer having assets of two hundred million dollars ($200,000,000) or less.

(b) Greater than 25 percent of the stockholders' equity for a medical malpractice reciprocal insurer having assets in excess of two hundred million dollars ($200,000,000) or 35 percent for a medical malpractice reciprocal insurer having assets of less than two hundred million dollars ($200,000,000).

(c) Unexercised options that exceed 20 percent of the number of issued and outstanding shares.

1560.08. No director, officer, agent, or employee of the domestic reciprocal insurer shall receive any fee, commission, or other valuable consideration whatsoever, other than regular salary and compensation, for in any manner aiding, promoting, or assisting in the conversion except as set forth in the plan approved by the commissioner. This provision shall not be deemed to prohibit the payment of reasonable fees and compensation to attorneys at law, accountants, and actuaries for services performed in the independent practice of their professions, even though they may also be directors of the domestic reciprocal insurer.

1560.09. At any time before that plan of conversion becomes effective, the domestic reciprocal company may, by resolution of at least two-thirds of the governing board, amend the plan of conversion or withdraw the plan of conversion. Any plan amendment shall require the written consent of the commissioner. For a plan

amendment, all references in this article to the plan of conversion shall be deemed to refer to the plan as amended, but no amendment shall be deemed to change the adoption date of the plan of conversion. No amendment may change the plan of conversion in a manner that the commissioner determines is materially disadvantageous to policyholders of the insurer or members of the reciprocal holding company, unless a further public hearing is held on the plan as amended, if the amendment is made after the initial public hearing, or if the plan as amended is submitted for reconsideration by the subscribers if the amendment is made after the plan has been approved by the subscribers.

1560.10. Upon consent by the commissioner to the plan of conversion of a domestic reciprocal insurer and filing of the plan of conversion in accordance with the provisions of this article, the commissioner shall issue a new certificate of authority to the converted insurer. Upon issuance of the certificate of authority to a domestic reciprocal insurer and subject to subdivision (a) of Section 110 of the Corporations Code, the Secretary of State shall accept for filing the articles of incorporation of the reciprocal holding company, the stock holding company, and the converted insurer. The plan is effective upon the filing of the articles of incorporation or the certificate of amendment of the articles of incorporation.

1560.11. (a) Upon the effective date of a plan of conversion in accordance with Section 1560.10, the domestic reciprocal insurer immediately becomes a stock corporation, the interests and rights in surplus of its subscribers are extinguished, the subscribers of the insurer immediately become members of the reciprocal holding company, and are granted rights in surplus in the reciprocal holding company equivalent to those rights in surplus previously held in the converted company, all of the voting stock initially issued by the converted insurer is owned by the stock holding company, and all of the voting stock initially issued by the stock holding company is owned by the reciprocal holding company. Except for the subscribership interests in the reciprocal insurer, which becomes membership interests in the reciprocal holding company, nothing herein is intended to, nor shall eliminate, curtail or otherwise diminish the contract rights of policyholders of a converted company. The stock holding company may thereafter, subject to compliance with Article 8 (commencing with Section 820) of Chapter 1, issue securities to other persons. After the effective date, owners of policies that are issued by a stock insurer that has been converted from a domestic reciprocal insurer pursuant to proceedings under this article shall become members of the reciprocal holding company immediately upon issuance of the policies, except that an owner solely of a reporting endorsement to a claims-made policy shall not be members of the reciprocal holding company.

(b) The converted insurer shall be a continuation of the original reciprocal insurer, and the conversion shall in no way annul, modify,

or change any of the original reciprocal insurer's existing suits, rights, contracts, or liabilities except as provided in the approved plan. The converted insurer shall exercise all the rights and powers and perform all the duties conferred or imposed by law upon insurers writing the classes of insurance written by it, and shall retain the rights and contracts existing prior to conversion subject to the effect of the plan.

(c) From the effective date, the reciprocal holding company shall hold at least 51 percent of the issued and outstanding voting stock of the stock holding company and the stock holding company thereafter shall at all times hold all of the issued and outstanding voting stock of the converted insurer. The stock holding company may issue additional voting stock to the reciprocal holding company and, in addition, to other persons an amount of voting stock and securities convertible into voting stock, if in the aggregate, the issued and outstanding voting stock of the stock holding company held by the reciprocal holding company is not less than 51 percent of the issued and outstanding voting stock of the stock holding company. For purposes of the 51 percent limitation, any issued and outstanding securities of the stock holding company that are convertible into voting stock are considered issued and outstanding voting stock, provided that securities having voting power only because of the occurrence of a contingency shall not be considered securities convertible into voting stock where the contingency has not occurred.

From the effective date, the reciprocal holding company's equity interest in the stock holding company shall not be less than 51 percent of the total stockholders' equity in the stock holding company. For purposes of the 51 percent limitation, any issued and outstanding securities of the stock holding company that are convertible into equity securities, whether voting or nonvoting, shall be considered stockholders' equity. Debt securities that include a default contingency conversion interest shall not be considered stockholders' equity for compliance with the foregoing limitation.

(d) The commissioner shall retain jurisdiction over the reciprocal holding company organized pursuant to this article. Except as provided in this code, a reciprocal holding company is subject to the provisions of the General Corporation Law in like manner with other corporations. However, provisions of that law referring to shareholders or subscribers shall be applied as though those provisions referred to the members of a reciprocal holding company. For purposes of Section 1215.5, the reciprocal holding company shall be considered as if it were an insurance company. The commissioner shall retain jurisdiction over the issuance of debt securities in accordance with the protections provided in Article 8 (commencing with Section 820) of Chapter 1.

(e) If any proceedings under Article 14 (commencing with Section 1010), Article 14.3 (commencing with Section 1064.1), Article

14.5 (commencing with Section 1065.1), or Article 15.5 (commencing with Section 1077), of Chapter 1, are brought naming as a party a stock insurer created as a result of proceedings authorized by this article, the reciprocal holding company formed as part of the conversion automatically becomes a party to the proceedings. All of the assets of the reciprocal holding company, including, but not limited to, its interest in the stock holding company formed pursuant to this article, are deemed assets of the estate of this stock insurer to the extent necessary to satisfy claims of persons against the stock insurer who have claims falling within the priorities established in paragraphs (1) to (5), inclusive, of subdivision (a) of Section 1033. Claims of persons in their capacity as members of the reciprocal holding company shall be claims falling within the priority established in paragraph (6) of subdivision (a) of Section 1033. A reciprocal holding company may not dissolve, liquidate, or wind up and dissolve without the prior written approval of the commissioner or the court pursuant to proceedings brought pursuant to Article 15 (commencing with Section 1070) of Chapter 1.

(f) With respect to the management, records, and affairs of a reciprocal holding company and except as otherwise provided in this article, a member of a reciprocal holding company has the same character of rights and relationship as a stockholder has toward a domestic stock life insurer subject to the provisions of this code.

(g) Each member of a reciprocal holding company is entitled to one vote on each matter coming to a vote at any meeting of members, regardless of the number of policies that the member holds.

(h) Notice of all meetings of members of a reciprocal holding company, whether annual or special, shall be given in writing to the members entitled to vote. The notice shall be given by the secretary, assistant secretary, or other persons charged with that duty. If there is no officer so charged, or if he or she neglects or refuses this duty, notice may be given by any director. At the option of the converted insurer, the notice may be imprinted on premium notices or receipts or on both. A notice may be given to any member either personally, or by mail, or other means of written communication, charges prepaid, addressed to the member at his or her address appearing on the books of the insurer, or given by the member to the converted insurer for the purpose of notice. If a member gives no address, and if there is no address on the books of the insurer, notice shall be deemed to have been given the member if sent by mail or other means of written communication addressed to the place where the principal office of the converted insurer is situated, or if published at least once in a newspaper of general circulation in the county in which the office is located and in the newspaper that has the largest daily circulation in this state. Notice of any meeting of members shall be sent to each member entitled to notice not less than 14 days before a meeting. Notice of any meeting of members shall specify the place,

the day, and the hour of the meeting and the general nature of the business to be transacted.

For any member who gives no address and has no address on the books of the insurer, notice of an annual meeting to be held at the time and place specified is deemed adequate if published at least once in each of four successive weeks in a newspaper of general circulation in the county in which the principal office of the converted insurer is located and in the newspaper that has the largest daily circulation in this state. If the notice is so published, no other notice of the meeting is required.

(i) The presence in person or by proxy of 5 percent of the members of a reciprocal holding company entitled to vote at any meeting constitutes a quorum for the transaction of all business of the reciprocal holding company, including, but not limited to, the amendment of the articles of incorporation or bylaws of the reciprocal holding company.

(j) Any required member approval shall be by the affirmative vote of a majority of the members who vote, or a higher percentage of the members as may be required by law or the articles of incorporation, a quorum being present.

(k) The governing body of the reciprocal holding company shall be comprised of not less than 6 nor more than 18 directors. A majority of the reciprocal holding company directors shall be policyholders of the converted insurer. Unless the plan provides that at least a majority of the directors of the boards of the stock holding company and the converted insurer are also directors of the reciprocal holding company, the commissioner shall determine whether the proposed composition of the boards of directors of each of the constituent corporations of the reciprocal holding company system, as provided in the articles of incorporation and bylaws, facilitate the control of the converted insurer by the reciprocal holding company. No term shall continue longer than six years. In the absence of such provisions, each director shall be elected for a term of one year. All directors shall hold office for the term for which they are elected and until their successors are elected and qualified. The bylaws of the reciprocal holding company shall set forth a procedure for establishing reciprocal holding company independent directors in the event that the stock holding company issues securities. Not less than one of every six directors of the reciprocal holding company shall be so designated. A director may, but need not, be a member of the reciprocal holding company of which he or she is acting as director. Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum. Each director so elected shall hold office until the next annual meeting.

(*l*) Member interests in a reciprocal holding company are exempt from Article 8 (commencing with Section 820) of Chapter 1. A description of the member interests and related factual disclosure shall not be considered to be an inducement to buy insurance in

violation of Section 10430. Any promise of returns, profits, or distributions, or representations with regard to the benefits of membership, made as an inducement in connection with the issuance and delivery of a policy is subject to Section 10430 and the remedy provided in Section 10433.

1560.12. Prior to, and for a period of five years following, the effective date of the plan of conversion, no person or group of persons acting in concert shall directly or indirectly offer to acquire or acquire in any manner the beneficial ownership of 5 percent or more of any class of voting securities of a converted insurer or of a person that controls, as defined by subdivision (b) of Section 1215, the converted insurer, without the prior consent of the commissioner. Any application for that approval shall contain information as the commissioner may require and shall be accompanied by a filing fee in an amount equal to the filing fee specified in Section 1215.2. In the event of any violation of this section, or of any action that, if consummated, would constitute a violation, all voting securities of the converted insurer or of the person acquired by any person in excess of the maximum amount permitted to be acquired by the person pursuant to this subdivision shall be deemed to be nonvoting securities of the converted insurer or of that person. The violation or action may be enforced or enjoined by appropriate proceeding commenced by the converted insurer, a person, the commissioner, any policyholder or stockholder of the converted insurer, or the person on behalf of the converted insurer or the person in the superior court in the judicial district in which the converted insurer has its home office or in any other court having jurisdiction. The court may issue any order it finds necessary to cure the violation or to prevent the proposed action. In addition to the foregoing, whenever it appears to the commissioner that any person has committed a violation of this section, the commissioner may proceed as provided in Article 14 (commencing with Section 1010) of Chapter 1 to take possession of the property of the converted insurer and to conduct the business thereof. For the purposes of this section, "beneficial ownership," with respect to voting securities, means the sole or shared power to vote, or direct the voting of, voting securities or the sole or shared power to dispose, or direct the disposition, of voting securities. "Voting security" includes voting stock as defined in Section 1560.02. Any preorganization certificate or subscription, including subscription rights issued pursuant to a plan of conversion, or any security convertible, with or without consideration, into voting security, or carrying any warrant or right to subscribe for or purchase any voting security, or any such warrant or right. "Offer" includes an offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of a security or interest in a security for value.

1560.13. Unless otherwise provided in the plan of conversion, the governing body and officers of the domestic reciprocal insurer shall

serve as directors and officers of the converted insurer until new directors and officers have been duly elected and qualified pursuant to the articles of incorporation and bylaws of the stock company.

1560.14. (a) Notwithstanding any other provision of law and except as otherwise provided in subdivision (b), actions concerning any plan of conversion, proposed plan of conversion, plan amendment, or proposed plan amendment under this article or any acts taken or proposed to be taken under this article shall be commenced within one year after the plan of conversion or plan amendment is filed in the office of the commissioner pursuant to subdivision (d) of Section 1560.03 or Section 1560.10, or six months from the effective date of the plan of conversion, whichever is later. If the plan of conversion is withdrawn, the actions or acts shall be commenced within six months from the date the governing body approves a resolution to withdraw the plan. If an action concerns or arises out of a plan amendment or proposed plan amendment made under Section 1560.09, the applicable time period is measured from the filing, effective date, or approval of withdrawal of the plan amendment, whichever is later.

(b) Judicial review of any act of the commissioner or any other governmental body or officer concerning or arising out of any plan of conversion, proposed plan of conversion, plan amendment, or proposed plan amendment under this article may only be had by filing a petition for a writ of mandate within 30 days of the date of the act. However, any petition seeking judicial review shall be filed no later than 30 days from the effective date of the plan of conversion or plan amendment, whichever is the subject of the petition.

1560.15. The offer or sale of securities issued pursuant to the plan of conversion developed and approved in accordance with the provisions of this article, shall be exempt from Article 8 (commencing with Section 820) of Chapter 1.

1560.16. The commissioner shall have the authority from time to time, to make, amend, and rescind any rules and regulations necessary to carry out the provisions of this article. The commissioner shall also have the authority to charge and collect from the insurer for the actual amount of expenses reasonably incurred by the state in discharge of the commissioner's duties hereunder.

1560.17. Upon completion of the act of conversion and issuance of the certificate of authority under Section 1560.10, the Secretary of State shall accept for filing a verified copy of the articles of incorporation of the converted insurer.

1560.18. (a) The articles of incorporation of a converted insurer that have been adopted pursuant to a plan of conversion and filed with the Secretary of State in accordance with Section 1560.10 may be further amended after the effective date pursuant to applicable law. The plan of conversion may be amended in other respects after the effective date of the plan as specified in this section. An

amendment of the plan of conversion shall take effect upon filing with the Secretary of State after compliance with the following:

(1) Approval by a resolution of at least two-thirds of the board of directors of the converted insurer. The resolution shall specify the reasons for and the purposes of the proposed amendment.

(2) Submission to the commissioner for consent in writing, subject to the provisions of Section 1560.05.

(3) Approval by at least two-thirds of those members of the corporation who were subscribers of the converting insurer and entitled to vote on the original plan of conversion approved pursuant to subdivision (c) of Section 1560.03 and who vote at a meeting called for that purpose.

(4) Filed in the office of the commissioner after having been consented to and approved as contemplated by paragraphs (2) and (3).

(b) If an amendment proposed under subdivision (a) would adversely affect the rights of one or more classes of subscribers, but not all of those subscribers, then only the subscribers of each class whose rights would be adversely affected by the proposed amendment are entitled to vote on the proposed plan amendment.

(c) A subscriber meeting prescribed by paragraph (3) of subdivision (a) shall be called by the board of directors, the chairperson of the board, or the president of the converted insurer. Notice of the meeting shall be given to subscribers entitled to vote at the meeting by mail at least 45 days prior to the date set for the meeting. Voting shall be by ballot, in person, or by proxy. A quorum consists of 10 percent of the subscribers of the converted insurer entitled to vote at the meeting.

(d) At any time before the plan amendment becomes effective, the converted insurer may, by resolution of at least two-thirds of the board of directors, amend the plan amendment or withdraw its plan amendment. For an amendment to a plan amendment, all references in this section to the plan amendment shall be deemed to refer to the plan amendment as amended. Any amendment of the plan amendment shall require the written consent of the commissioner. No amendment shall be deemed to change the date of adoption of the plan amendment. No amendment made after approval by the subscribers as provided in paragraph (3) of subdivision (a) may change the plan amendment in a manner that the commissioner determines is materially disadvantageous to any of the affected subscribers unless the plan amendment as amended is submitted for reconsideration under the procedures prescribed for the original plan amendment, subscriber approval.

1560.19. If the name of a domestic reciprocal insurer converting to a stock insurer pursuant to this article includes the word "reciprocal," the new stock insurer may continue to use the word "reciprocal" in its name if the name includes a word or words that identify the new stock insurer as a stock insurer and the

commissioner finds that the continued use of the word "reciprocal" in its name is not likely to mislead or deceive the public.

SEC. 3. Section 4019 of the Insurance Code is amended to read:

4019. This chapter does not apply to a mutual insurer that has converted to a mutual legal reserve insurer pursuant to former Chapter 9 (commencing with Section 10810) of Part 2 of Division 2. Except for Section 4016.2, this chapter does not apply to (a) a mutual insurer that has completed proceedings for voluntary mutualization pursuant to Chapter 13 (commencing with Section 11525) of Part 2 or (b) a stock life insurer that has converted from a mutual life insurer, or a mutual holding company or a stock holding company formed, pursuant to proceedings under Chapter 14 (commencing with Section 11535) of Part 2.

SEC. 4. Article 10 (commencing with Section 4097) is added to Chapter 4 of Part 1 of Division 2 of the Insurance Code, to read:

Article 10. Conversion of an Incorporated Medical Malpractice Mutual Insurer into an Incorporated Stock Insurer

4097. (a) A domestic incorporated medical malpractice mutual insurer, issuing nonassessable policies on a reserve basis may be converted into an incorporated stock insurer issuing, on a reserve basis, nonassessable policies either by demutualization or by establishing a mutual holding company. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this article.

(b) A mutual holding company may be converted into a stock corporation. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this article.

(c) As part of the conversion authorized in this section, a domestic incorporated medical malpractice mutual insurer may merge with an incorporated stock insurer, if the merging insurers comply with the provisions of Article 9 (commencing with Section 4090) applicable to their participation in the merger, or may transfer its domicile to any other state, if the insurer complies with Section 709.5.

4097.01. The definitions in this section apply to the following terms when used in this article.

(a) "Adoption date" means the date the board of directors adopts the plan of conversion.

(b) "Converted company" means the converted insurer or converted mutual holding company, as the case may be.

(c) "Converted insurer" means the incorporated stock insurer into which a medical malpractice mutual insurer has been converted or merged or redomiciled in accordance with the provisions of this article.

(d) "Converted mutual holding company" means the stock corporation into which a mutual holding company has been converted in accordance with this article.

(e) "Converting mutual company" means, for a plan of conversion under this article, the medical malpractice mutual insurer or mutual holding company that is converting under the plan.

(f) "Demutualization" means the conversion of a medical malpractice mutual insurer into a stock insurer without the establishment of a mutual holding company or the conversion of a mutual holding company into a stock corporation.

(g) "Effective date" means, for the conversion of a medical malpractice mutual insurer, the date upon which the conversion of the mutual insurer is effective, as specified in the commissioner's amendment to the mutual insurer's certificate of authority issued in accordance with Section 4097.11, as a result of conversion proceedings under this article. For the conversion of a medical malpractice mutual holding company, "effective date" means the date upon which the conversion of a mutual holding company is effective, as specified in the amended articles of incorporation of the mutual holding company filed with the Secretary of State in accordance with Section 4097.11, as a result of conversion proceedings under this article.

(h) "Eligible members" means, for the conversion of a mutual insurer, members of the mutual insurer who are of record, fully paid-up and otherwise in good standing on the mutual insurer's adoption date and on its effective date, but shall not include those persons covered solely under a reporting endorsement to a claims made policy on either date. For the conversion of a mutual holding company, "eligible members" means the members of the mutual holding company who are of record, fully paid-up with respect to policies in effect issued by the converted insurer and are otherwise in good standing on the mutual holding company's adoption date and on its effective date.

(i) "Medical malpractice mutual insurer" means a mutual insurer organized under this chapter that writes predominantly medical malpractice insurance, as that class of insurance is defined in subdivision (d) of Section 108. A mutual insurer shall be considered to write predominantly medical malpractice insurance if, for each of the most recent five calender years, its direct written premiums for medical malpractice insurance, as reported in the annual statement filed with the commissioner pursuant to Section 900, is not less than 50 percent of its aggregate direct premiums for all classes of insurance.

(j) "Member" means a person who, by the records of the mutual company and by its articles of incorporation or bylaws, is deemed to be a holder of a membership interest in the mutual company. On and after the effective date of a plan of conversion that creates a mutual holding company, the term "member" means a member of a mutual holding company, as provided in Section 4097.12.

(k) "Membership interests" means the interests of members arising under this code and the articles of incorporation and bylaws

of the mutual company or otherwise by law. Membership interests include the right to vote for directors of the mutual company and the right to vote on any plan of merger, consolidation, reinsurance, or transfer of assets and liabilities of the mutual company.

(*l*) "Mutual company" means, in the case of a plan of conversion, the medical malpractice mutual insurer or mutual holding company that is converting pursuant to the plan.

(m) "Mutual holding company" means a corporation organized under the laws of this state subject to the general corporation law as set forth in the Corporations Code. The articles of incorporation of a mutual holding company shall contain provisions stating the following:

(1) It is a mutual holding company organized under this article.

(2) One purpose of the mutual holding company is to hold not less than 51 percent of the voting stock of a stock holding company, which in turn holds all of the voting stock of a converted insurer. In addition, the mutual holding company shall own not less than 51 percent of the total stockholders' equity of the stock holding company at all times.

(3) It is not authorized to issue voting stock.

(4) Its members have the rights specified in Section 4097.12 and in its articles of incorporation and bylaws.

(5) Its assets and liabilities are subject to inclusion in the estate of the converted insurer in any proceedings successfully prosecuted against the converted insurer under Article 14 (commencing with Section 1010) or Article 14.3 (commencing with Section 1064.1) of Chapter 1 of Part 2 of Division 1.

(n) "Mutual holding company independent director" means a member of the board of directors of the mutual holding company who does not own shares, options, or any other equity interests in the stock holding company.

(o) "Mutual insurer" means, in the case of a plan of conversion under this article, the medical malpractice mutual insurer that is converting pursuant to the plan.

(p) "Person" means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

(q) "Plan of conversion" or "plan" means a plan adopted by a mutual company in compliance with this article.

(r) "Policy" means an individual or group policy of insurance issued by a mutual insurer or a converted insurer. If a policy takes a form other than an individual form but holders of certificates or other interests under the policy are treated by the mutual insurer as if they were holders of individual policies, the mutual insurer may provide in its plan of conversion under this article that such a certificate or other interest is deemed to be a policy and deem the holder of the certificate or other interest to be an owner of a policy. Such a

provision shall be for the sole purpose of determining the rights, if any, of policyholders of the mutual insurer to vote upon and receive consideration under the plan of conversion and shall not affect the other voting rights and qualifications of members of the mutual insurer.

(s) "Policyholder" means the holder of a policy other than a reinsurance contract.

(t) "Rights in surplus," for a mutual insurer, means rights of members of the insurer to a return of that portion of the surplus that has not been apportioned or declared by the board of directors for policyholder dividends. "Rights in surplus" includes rights of members of the insurer to a distribution of surplus in liquidation, conservation or demutualization of the insurer under this code, or in a dissolution or winding up. "Rights in surplus," for a mutual holding company, means rights of members of the company to a return of any surplus that has not been apportioned or declared by its board of directors for member dividends. "Rights in surplus" includes rights of members of the mutual holding company to a distribution of surplus in liquidation, conservation, or demutualization of the insurer under this code, or in a dissolution or winding up. "Rights in surplus" does not include any right expressly conferred solely by the terms of an insurance policy.

(u) "Stock holding company" means a corporation authorized to issue one or more classes of capital stock, the corporate purposes of which include holding all of the voting stock in an insurer that has been converted from a mutual insurer to a stock insurer in proceedings under Section 4097.05 in which a mutual holding company is formed.

(v) "Voting stock" means securities of any class or any ownership interest having voting power for the election of directors, trustees, or management of a person, other than securities having voting power only because of the occurrence of a contingency. All references to a specified percentage of voting stock of any person mean securities having the specified percentage of the voting power in that person for the election of directors, trustees, or management of that person, other than securities having voting power only because of the occurrence of a contingency.

4097.02. The plan of conversion shall include appropriate proceedings for amending the mutual company's articles of incorporation to give effect to the conversion from a nonstock corporation into a stock corporation. The plan shall be:

(a) Approved by a resolution of two-thirds of the board of directors. The resolution shall specify the reasons for and the purposes of the proposed conversion of the mutual company and the manner in which the conversion is expected to benefit and serve the best interests of the policyholders, for a mutual insurer, or members, for a mutual holding company.

(b) Submitted to the commissioner for consent in writing, subject to the provisions of Section 4097.06, by an application executed by an authorized officer of the mutual company and accompanied by the following documents, or true and correct copies of the documents:

(1) The proposed plan of conversion.

(2) The proposed articles of incorporation of each corporation that is a constituent corporation of the conversion.

(3) The proposed bylaws of each corporation that is a constituent corporation of the conversion.

(4) A list of officers and directors, together with their biographies in the form customarily required by the commissioner, of each corporation that is a constituent corporation of the conversion.

(5) The resolution of the board of directors of the mutual company, certified by the secretary of the board of directors, authorizing the conversion under this article, and a report of the percentage of directors approving the resolution.

(6) Financial statements, which may be prepared on a pro forma basis, in the form required by the commissioner.

(7) For a conversion of a mutual insurer, a plan of operations for the converted insurer.

(8) A summary of the plan of conversion and drafts of written materials to be mailed to members seeking their approval of the plan.

(9) If the plan provides for the establishment of a mutual holding company under Section 4097.05, it shall contain all of the following:

(A) An information statement containing, at a minimum, the information required under Section 4097.07.

(B) A description of any plans for an initial public offering, including a description of the maximum percentage of stock to be sold, the process to be used in offering the stock and setting the initial sale price for the stock, and how policyholders would be treated in an initial public offering.

(C) A description of any plans for the transfer of assets and liabilities, including any subsidiaries, to the mutual holding company.

(D) Any final rulings relating to the plan of reorganization obtained from any federal government agency, and all supporting documents submitted to the agency in connection with those rulings.

(10) A copy of the proposed form of notice of the special meeting sent to members pursuant to Section 4097.07.

(11) Other relevant information that the commissioner may require.

(c) Approved by two-thirds of the members of the mutual company voting at a meeting of the members called for that purpose, subject to the provisions of Section 4097.07.

(d) Filed in the office of the commissioner after receipt of the commissioner's consent, and after having been approved as provided in Sections 4097.06 and 4097.07, respectively.

4097.03. For the conversion of a medical malpractice mutual insurer, the plan of conversion shall provide for either a

demutualization in compliance with Section 4097.04 or for a mutual holding company in compliance with Section 4097.05. For the conversion of a mutual holding company, the plan of conversion shall provide for demutualization in compliance with Section 4097.04.

4097.04. For the demutualization of a mutual insurer into a stock insurer or for the demutualization of a mutual holding company into a stock corporation, the plan for conversion shall include the following:

(a) A fair, just, and equitable formula, approved by the commissioner, for determining the rights in surplus of each eligible member in the mutual company. The formula shall take account of both the total premiums paid by each eligible member and the duration of his or her membership. The rights in surplus shall be based upon an appraisal of the fair value of the mutual company by one or more qualified disinterested persons appointed by the mutual company with the approval of the commissioner. Those persons shall consider the assets and liabilities of the mutual company and any factors bearing on the value of the mutual company.

(b) Each eligible member of the mutual company shall be given a preemptive right to acquire his or her proportionate part of all of the proposed capital stock of the converting mutual company, within a designated reasonable period, by applying upon the purchase of that part the amount of his or her rights in surplus as determined under the formula described in subdivision (a).

(c) Each member not applying his or her rights in surplus upon the purchase price of stock shall elect to receive either a cash payment or a certificate of contribution. The cash payment shall not be greater than 50 percent of his or her rights in surplus as determined by the formula in subdivision (a). The certificate of contribution shall be in an amount equal to 100 percent of his or her rights in surplus, as determined by the formula in subdivision (a), shall bear interest at the rate established in Section 10489.4 for minimum standard valuation of all life insurance policies of more than 20 years' duration issued in the year, and shall be repayable within 10 years or, if necessary under the terms of the plan, later, only on written approval of the commissioner and only out of surplus in excess of an amount established in the plan. Any member not electing to receive cash or purchase stock shall be deemed to have elected to receive a certificate of contribution. The stock purchased, cash payment, or certificate of contribution shall constitute full payment and discharge of the member's rights in surplus or property interest in the mutual company, and, notwithstanding any other provision of law, the member shall have no other rights with respect thereto.

(d) The number of shares to be authorized for the new stock insurer, their par value, and the method for determining the price at which the shares will be offered to eligible members, to the end that the plan, when completed, would satisfy the financial requirements for issuance of a license to transact insurance.

(e) Provision for the offering to others of shares not purchased by eligible members within the designated period referred to in subdivision (b) at a price not less than the offering price to members.

4097.05. A plan of conversion adopted by a medical malpractice mutual insurer to establish a mutual holding company shall provide that the medical malpractice mutual insurer will become a stock insurer, that the members of the medical malpractice mutual insurer will become members of a mutual holding company, that the mutual holding company will acquire at least 51 percent of the voting stock of the stock holding company, and that the stock holding company will acquire all of the voting stock of the converted insurer.

4097.06. (a) The commissioner shall examine the plan submitted pursuant to subdivision (b) of Section 4097.02. If the plan provides for the establishment of a mutual holding company under Section 4097.05, the mutual insurer shall demonstrate that the issuance of stock:

(1) Will not require members to pay additional funds to retain their rights in surplus, but nothing herein is intended to prohibit or restrict a mutual insurer that is converting to a stock insurer by establishing a mutual holding company from offering to its members subscription rights that are in addition to the rights in surplus to be held in the mutual holding company.

(2) Issued to officers, directors, employees, or employee benefit plans for their benefit, if any, will be fair, just and equitable and not hazardous to policyholders, stockholders, or creditors.

(3) Provides sufficient means for the accumulated earnings, cash, and other non-operating assets held by the mutual holding company to inure to the exclusive benefit of its members.

(b) As part of the examination the commissioner shall order a public hearing on the plan after written notice of the hearing to the mutual company, its members, and the public. Members of the mutual company, their representatives, and the public shall have the right to appear at the public hearing and to submit written comments to the commissioner. The hearing shall occur before the policyholder vote. The commissioner may require as a condition of consent that the mutual company make modifications of the proposed plan that the commissioner finds necessary for the protection of policyholders. The commissioner shall consent to the plan if he or she finds all of the following:

(1) For the conversion of a mutual insurer, the plan is fair, just, and equitable to the insurer and its policyholders.

(2) For the conversion of a mutual holding company, the plan is fair, just, and equitable to the company, its members, and the policyholders of the converted insurer.

(3) The plan does not violate the law.

(4) The converted insurer will, after the conversion, satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

(c) For the conversion of a mutual company, the commissioner may appoint one or more actuarial, financial, or other consultants, including legal counsel, as the commissioner finds necessary to advise the commissioner in making the determination of whether the proposed plan of conversion meets the applicable requirements of this article. The mutual company is responsible for the reasonable fees and expenses of any actuarial, financial, or other consultants, including legal counsel, appointed, and for the mailing and publication of notices to the mutual company and its members.

4097.07. The meeting of members prescribed by subdivision (c) of Section 4097.02 shall be called by the board of directors, the chairperson of the board, or the president of the mutual company. Notice of the meeting shall be given to eligible members by mail at least 45 days prior to the date set for the meeting to members of the mutual company of record on the date the plan of conversion was adopted by the board of directors. In the event that a plan of reorganization provides for the establishment of a mutual holding company under Section 4097.05, the notice shall be accompanied by an information statement describing the proposed reorganization. The information statement shall include, at a minimum, the following items:

(a) A full copy and a summary of the plan of reorganization.

(b) A discussion addressing the reasons and purposes of the proposed restructuring, which shall include a comparison to a demutualization.

(c) An analysis of the benefits and risks associated with the proposed reorganization to the mutual company and its policyholders.

(d) An explanation of how the restructuring will benefit policyholders, as well as a description of any potential risks to policyholder interests and a description of how the policyholders' rights differ at the mutual holding company level from those in the existing company.

(e) A description of any stock issuance, including any shares or options to be issued to directors, officers, agents, employees, or employee benefit plans, for their benefit, that will be made in conjunction with the plan of conversion, if any, and the guidelines and parameters which shall apply in the event stock is to be issued, including a detailed discussion of subscription rights that are to be granted to policyholders.

(f) Any proposed amendments to the mutual insurer's articles of incorporation to address the restructuring from a mutual to a stock insurer.

(g) Any proposed articles and bylaws of the mutual holding company and any other entities to be created in the reorganization.

(h) Financial information.

(i) Any other information that the commissioner determines is necessary to make a complete and adequate disclosure to policyholders.

Voting shall be by ballot, in person or by proxy. A quorum shall consist of 10 percent of the members of the mutual company entitled to vote at the meeting.

4097.08. Nothing in this article shall be deemed to prohibit the inclusion in the plan of conversion of provisions under which the insurer's officers, directors, employees, agents, and employee benefit plans for their benefit may be entitled, in accordance with reasonable classifications of those individuals and employee benefit plans as may be included in the plan, to purchase for cash, at the same price as offered to the public in the initial public offering, voting stock not purchased by members upon exercise of subscription rights. Nothing in this code shall be deemed to prohibit the establishment of stock option, incentive, and share ownership plans customary for publicly traded companies in the same and similar industries. The plan may not permit those persons to acquire any of the following:

(a) Greater than 25 percent of the voting stock issued pursuant to the plan for a medical malpractice mutual insurer having assets in excess of two hundred million dollars ($200,000,000) or 35 percent for a medical malpractice mutual insurer having assets of two hundred million dollars ($200,000,000) or less.

(b) Greater than 25 percent of the stockholders' equity for a medical malpractice mutual insurer having assets in excess of two hundred million dollars ($200,000,000) or 35 percent for a medical malpractice mutual insurer having assets of less than two hundred million dollars ($200,000,000).

(c) Unexercised options that exceed 20 percent of the number of the issued and outstanding shares.

4097.09. No director, officer, agent, or employee of the mutual company shall receive any fee, commission, or other valuable consideration whatsoever, other than regular salary and compensation, for in any manner aiding, promoting, or assisting in the conversion except as set forth in the plan approved by the commissioner. This provision shall not be deemed to prohibit the payment of reasonable fees and compensation to attorneys at law, accountants, and actuaries for services performed in the independent practice of their professions, even though they may also be directors of the mutual company.

4097.10. At any time before that plan of conversion becomes effective as provided in Section 4097.11, the mutual company may, by resolution of at least two-thirds of the board of directors, amend the plan of conversion or withdraw the plan of conversion. Any plan amendment shall require the written consent of the commissioner. For a plan amendment, all references in this article to the plan of conversion shall be deemed to refer to the plan as amended, but no amendment shall be deemed to change the adoption date of the plan

of conversion. No amendment may change the plan of conversion in a manner that the commissioner determines is materially disadvantageous to policyholders of the mutual insurer or members of the mutual holding company, unless a further public hearing is held on the plan as amended, if the amendment is made after the initial public hearing, or if the plan as amended is submitted for reconsideration by the members if the amendment is made after the plan has been approved by the members.

4097.11. (a) Upon consent by the commissioner to the plan of conversion of a mutual insurer and filing of the plan of conversion in accordance with the provisions of this article, the commissioner shall issue a new certificate of authority to the converted insurer. Upon issuance of the certificate of authority to a mutual insurer and subject to subdivision (a) of Section 110 of the Corporations Code, the Secretary of State shall accept for filing the articles of incorporation, certificate of amendment of articles of incorporation, or agreement of merger and officers' certificates of the converted insurer for the conversion of a mutual insurer. For a plan of conversion that provides for the establishment of a mutual holding company in accordance with Section 4097.05, the Secretary of State shall accept for filing the articles of incorporation of the mutual holding company and the stock holding company. Upon consent to the plan of conversion of a mutual holding company and filing of the plan of conversion in accordance with the provisions of this article, the Secretary of State shall accept for filing the articles of incorporation or certificate of amendment of articles of incorporation of the converted mutual holding company. The plan is effective upon the filing of the articles of incorporation or certificate of amendment of articles of incorporation.

(b) Upon the effective date of the plan of conversion of a mutual insurer, the mutual insurer shall immediately become a stock corporation. The converted insurer shall be a continuation of the original mutual insurer, and the conversion shall in no way annul, modify, or change any of the original mutual insurer's existing suits, rights, contracts, or liabilities except as provided in the approved conversion plan. The insurer, after conversion, shall exercise all the rights and powers and perform all the duties conferred or imposed by law upon insurers writing the classes of insurance written by it, and shall retain the rights and contracts existing prior to conversion, subject to the effect of the plan.

(c) Upon the effective date of the plan of conversion of a mutual holding company, all membership interests and rights in surplus are extinguished, members eligible to receive consideration under the plan of conversion are entitled to receive the consideration in exchange for their membership interests and liquidation of their rights in surplus, and the plan otherwise becomes effective in accordance with its terms. The conversion in no way annuls, modifies, or changes any of the converting mutual holding company's existing

suits, rights, contracts, or liabilities, except as provided in the approved plan of conversion.

4097.12. (a) Upon the effective date of a plan of conversion in accordance with Section 4097.05, the mutual insurer immediately becomes a stock corporation, the membership interests and rights in surplus of its members are extinguished, the members of the mutual insurer immediately become members of the mutual holding company and are granted rights in surplus in the mutual holding company equivalent to those rights in surplus previously held in the converted company, all of the voting stock initially issued by the converted insurer is owned by the stock holding company, and all of the voting stock initially issued by the stock holding company is owned by the mutual holding company. Except for the membership interests in the mutual insurer, which become membership interests in the mutual holding company, nothing herein is intended to, nor shall eliminate, curtail or otherwise diminish the contract rights of policyholders of a converted company. The stock holding company may thereafter, subject to compliance with Article 8 (commencing with Section 820) of Chapter 1 of Part 2 of Division 1, issue securities to other persons. After the effective date, owners of policies that are issued by a stock insurer that has been converted from a mutual insurer pursuant to proceedings under this article shall become members of the mutual holding company immediately upon issuance of the policies, except that owners of a reporting endorsements issued by the insurer that provide strictly tail coverage on expired claims made policies shall not be members of the mutual holding company. Any person may be a member of a mutual holding company.

(b) From the effective date, the mutual holding company shall hold at least 51 percent of the issued and outstanding voting stock of the stock holding company and the stock holding company thereafter shall at all times hold all of the issued and outstanding voting stock of the converted insurer. The stock holding company may issue additional voting stock, and securities convertible into voting stock, to the mutual holding company and to other persons if, in the aggregate, the voting stock of the stock holding company held by the mutual holding company is not less than 51 percent of the issued and outstanding voting stock of the stock holding company. For purposes of the 51 percent limitation, any issued and outstanding securities of the stock holding company that are convertible into voting stock are considered issued and outstanding voting stock.

(c) From the effective date, the mutual holding company's equity interest in the stock holding company shall not be less than 51 percent of the total stockholders' equity in the stock holding company. For purposes of the 51 percent limitation, any issued and outstanding securities of the stock holding company that are convertible into equity securities, whether voting or nonvoting, shall be considered stockholders' equity. Debt securities that include a default

contingency conversion interest shall not be considered stockholders' equity for compliance with the foregoing limitation.

(d) The commissioner shall retain jurisdiction over the mutual holding company pursuant to this article. For purposes of Section 1215.5, the mutual holding company shall be considered as if it were an insurance company. The commissioner shall also retain jurisdiction over the issuance of debt securities by the mutual holding company in accordance with the protections provided in Article 8 (commencing with Section 820) of Chapter 1 of Part 2 of Division 1.

(e) If any proceedings under Article 14 (commencing with Section 1010), Article 14.3 (commencing with Section 1064.1), Article 14.5 (commencing with Section 1065.1), or Article 15.5 (commencing with Section 1077), of Chapter 1 of Part 2 of Division 1, are brought naming as a party a stock insurer created as a result of proceedings authorized by this article, the mutual holding company formed as part of the conversion automatically becomes a party to the proceedings. All of the assets of the mutual holding company, including, but not limited to, its interest in the stock holding company formed pursuant to this article, are deemed assets of the estate of the stock insurer to the extent necessary to satisfy claims of persons against the stock insurer who have claims falling within the priorities established in paragraphs (1) to (5), inclusive, of subdivision (a) of Section 1033. Claims of persons in their capacity as members of the mutual holding company shall be claims falling within the priority established in paragraph (6) of subdivision (a) of Section 1033. A mutual holding company may not dissolve, liquidate, or wind up and dissolve without the prior written approval of the commissioner or the court pursuant to proceedings brought pursuant to Article 15 (commencing with Section 1070) of Chapter 1 of Part 2 of Division 1.

(f) Except as provided in this code, a mutual holding company is subject to the provisions of the general corporation law in like manner with other corporations. However, provisions of that law referring to shareholders or members shall be applied as though those provisions referred to the members of a mutual holding company. With respect to the management, records, and affairs of a mutual holding company and except as otherwise provided in this chapter, a member of a mutual holding company has the same character of rights and relationship as a stockholder has toward a domestic stock insurer subject to the provisions of this code.

(g) Each member of a mutual holding company is entitled to one vote on each matter coming to a vote at any meeting of members, regardless of the number of policies that the member holds.

(h) Notice of all meetings of members of the mutual holding company, whether annual or special, shall be given in writing to the members entitled to vote. The notice shall be given by the secretary, assistant secretary, or other persons charged with that duty. If there is no officer so charged, or if he or she neglects or refuses this duty,

notice may be given by any director. At the option of the converted insurer, the notice may be imprinted on premium notices or receipts or on both. A notice may be given to any member either personally, or by mail, or other means of written communication, charges prepaid, addressed to the member at his or her address appearing on the books of the insurer, or given by the member to the converted insurer for the purpose of notice. If a member gives no address, and if there is no address on the books of the insurer, notice shall be deemed to have been given the member if sent by mail or other means of written communication addressed to the place where the principal office of the converted insurer is situated, or if published at least once in a newspaper of general circulation in the county in which the office is located and in the newspaper that has the largest daily circulation in this state. Notice of any meeting of members shall be sent to each member entitled to notice not less than 14 days before a meeting. Notice of any meeting of members shall specify the place, the day, and the hour of the meeting and the general nature of the business to be transacted. For any member who gives no address and has no address on the books of the insurer, notice of an annual meeting to be held at the time and place specified is deemed adequate if published at least once in each of four successive weeks in a newspaper of general circulation in the county in which the principal office of the converted insurer is located and in the newspaper that has the largest daily circulation in this state. If the notice is so published, no other notice of the meeting is required.

(i) The presence in person or by proxy of 5 percent of the members of a mutual holding company entitled to vote at any meeting constitutes a quorum for the transaction of all business of the mutual holding company, including, but not limited to, the amendment of the articles of incorporation or bylaws of the mutual holding company.

(j) Any required member approval shall be by the affirmative vote of a majority of the members who vote, or a higher percentage of the members as may be required by law or the articles of incorporation, a quorum being present.

(k) The board of the mutual holding company shall be comprised of not less than 6 nor more than 18 directors. A majority of the mutual holding company directors shall be policyholders of the converted insurer. Unless the plan provides that at least a majority of the directors of the boards of the stock holding company and the converted insurer are also directors of the mutual holding company, the commissioner shall determine whether the proposed composition of the boards of directors of each of the constituent corporations of the mutual holding company system, as provided in the articles of incorporation and bylaws, facilitate the control of the converted insurer by the mutual holding company. No term shall continue longer than six years. In the absence of such provisions, each director shall be elected for a term of one year. All directors shall hold

office for the term for which they are elected and until their successors are elected and qualified. The bylaws of the mutual holding company shall set forth a procedure for establishing mutual holding company independent directors in the event that the stock holding company issues securities. Not less than one of every six directors of the mutual holding company shall be so designated. A director may, but need not, be a member of the mutual holding company of which he or she is acting as director. Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum. Each director so elected shall hold office until the next annual meeting.

(*l*) Membership interests in a mutual holding company are exempt from Article 8 (commencing with Section 820) of Chapter 1 of Part 2 of Division 1. A description of the membership interests and related factual disclosure shall not be considered to be an inducement to buy insurance in violation of Section 10430. Any promise of returns, profits, or distributions, or representations with regard to the benefits of membership, made as an inducement in connection with the issuance and delivery of a policy is subject to Section 10430 and the remedy provided in Section 10433.

4097.13. Prior to, and for a period of five years following, the effective date of the plan of conversion, no person or group of persons acting in concert shall directly or indirectly offer to acquire or acquire in any manner the beneficial ownership of 5 percent or more of any class of voting securities of a converted insurer or of a person that controls, as defined by subdivision (b) of Section 1215, the converted insurer, without the prior consent of the commissioner. Any application for that approval shall contain information as the commissioner may require and shall be accompanied by a filing fee in an amount equal to the filing fee specified in Section 1215.2. In the event of any violation of this section, or of any action that, if consummated, would constitute a violation, all voting securities of the converted insurer or of the person acquired by any person in excess of the maximum amount permitted to be acquired by the person pursuant to this subdivision shall be deemed to be nonvoting securities of the converted insurer or of that person. The violation or action may be enforced or enjoined by an appropriate proceeding commenced by the converted insurer, a person, the commissioner, any policyholder or stockholder of the converted insurer, or the person on behalf of the converted insurer or the person in the superior court in the judicial district in which the converted insurer has its home office or in any other court having jurisdiction. The court may issue any order it finds necessary to cure the violation or to prevent the proposed action. In addition to the foregoing, whenever it appears to the commissioner that any person has committed a violation of this section, the commissioner may proceed as provided in Article 14 (commencing with Section 1010) of Chapter 1 of Part 2 of Division 1 to take possession of the property of the converted

insurer and to conduct the business thereof. For the purposes of this section, "beneficial ownership," with respect to voting securities, means the sole or shared power to vote, or direct the voting of, voting securities or the sole or shared power to dispose, or direct the disposition, of voting securities. "Voting security" includes voting stock as defined in Section 4097.01, any preorganization certificate or subscription, including subscription rights issued pursuant to a plan of conversion, or any security convertible, with or without consideration, into voting security, or carrying any warrant or right to subscribe for or purchase any voting security, or any such warrant or right. "Offer" includes an offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of a security or interest in a security for value.

4097.14. Unless otherwise provided in the plan of conversion, the directors and officers of the mutual company shall serve as directors and officers of the converted company until new directors and officers have been duly elected and qualified pursuant to the articles of incorporation and bylaws of the stock company.

4097.15. (a) Notwithstanding any other provision of law and except as otherwise provided in subdivision (b), actions concerning any plan of conversion, proposed plan of conversion, plan amendment, or proposed plan amendment under this article or any acts taken or proposed to be taken under this article shall be commenced within one year after the plan of conversion or plan amendment is filed in the office of the commissioner pursuant to subdivision (d) of Section 4097.02 or subdivision (a) of Section 4098.1, or six months from the effective date of the plan of conversion, whichever is later. If the plan of conversion is withdrawn, the actions or acts shall be commenced within six months from the date the board of directors approves a resolution to withdraw the plan. If an action concerns or arises out of a plan amendment or proposed plan amendment made under Section 4097.18, the applicable time period is measured from the filing, effective date, or approval of withdrawal of the plan amendment, whichever is later.

(b) Judicial review of any act of the commissioner or any other governmental body or officer concerning or arising out of any plan of conversion, proposed plan of conversion, plan amendment, or proposed plan amendment under this article may only be had by filing a petition for a writ of mandate within 30 days of the date of the act. However, any petition seeking judicial review shall be filed no later than 30 days from the effective date of the plan of conversion or plan amendment, whichever is the subject of the petition.

4097.16. The offer or sale of securities, including any debt securities, issued pursuant to the plan of conversion developed and approved in accordance with the provisions of this article, shall be exempt from Article 8 (commencing with Section 820) of Chapter 1 of Part 2 of Division 1.

4097.17. The commissioner shall have the authority from time to time, to make, amend, and rescind any rules and regulations as may be necessary to carry out the provisions of this article. The commissioner shall also have the authority to charge and collect from the insurer for the actual amount of expenses reasonably incurred by the state in discharge of the commissioner's duties hereunder.

4097.18. Upon completion of the act of conversion and issuance of the certificate of authority under Section 4097.11, the Secretary of State shall accept for filing a verified copy of the amended articles of incorporation.

4097.19. (a) The amended articles of incorporation of a converted company that have been adopted pursuant to a plan of conversion and filed with the Secretary of State in accordance with Section 4097.11 may be further amended after the effective date pursuant to applicable law. The plan of conversion may be amended in other respects after the effective date of the plan as specified in this section. The amendment shall take effect upon filing with the Secretary of State after compliance with the following:

(1) Approval by a resolution of at least two-thirds of the board of directors of the converted company. The resolution shall specify the reasons for and the purposes of the proposed amendment.

(2) Submission to the commissioner for consent in writing, subject to the provisions of Section 4097.06.

(3) For the conversion of a mutual insurer, approval by at least two-thirds of those current policyholders of the corporation who were members of the former mutual insurer and were entitled to vote on the original plan of conversion approved pursuant to subdivision (c) of Section 4097.02 and who vote at a meeting called for that purpose.

(4) For the demutualization of a mutual holding company, approval by at least two-thirds of those current members of the corporation who were members of the former mutual holding company and were entitled to vote on the original plan of conversion approved pursuant to subdivision (c) of Section 4097.02 and who vote at a meeting called for that purpose.

(5) Filed in the office of the commissioner after having been consented to and approved as contemplated by paragraphs (2), (3), and (4).

(b) If an amendment proposed under subdivision (a) would adversely affect the rights of one or more classes of members, but not all those members, then only the members of each class whose rights would be adversely affected by the proposed amendment are entitled to vote on the proposed plan amendment.

(c) A policyholder or member meeting prescribed by paragraph (3) or (4) of subdivision (a) shall be called by the board of directors, the chairperson of the board, or the president of the converted company. Notice of the meeting shall be given to policyholders or members entitled to vote at the meeting by mail at least 45 days prior

to the date set for the meeting. Voting shall be by ballot, in person, or by proxy. A quorum consists of 10 percent of the policyholders or members of the converted company entitled to vote at the meeting.

(d) At any time before the plan amendment becomes effective, the converted company may, by resolution of two-thirds of the board of directors, amend the plan amendment or withdraw its plan amendment. For an amendment to a plan amendment, all references in this section to the plan amendment shall be deemed to refer to the plan amendment as amended. Any amendment of the plan amendment shall require the written consent of the commissioner. No amendment shall be deemed to change the date of adoption of the plan amendment. No amendment made after approval by the policyholders or members as provided in paragraph (3) or (4) of subdivision (a) may change the plan amendment in a manner that the commissioner determines is materially disadvantageous to any of the affected policyholders or members unless the plan amendment as amended is submitted for reconsideration under the procedures prescribed for the original plan amendment policyholder or member approval.

4097.20. If the name of a mutual insurer converting to a stock insurer pursuant to this article includes the word "mutual," the new stock insurer may continue to use the word "mutual" in its name if the name includes a word or words that identify the new stock insurer as a stock insurer and the commissioner finds that the continued use of the word "mutual" in its name is not likely to mislead or deceive the public.

SEC. 5. Section 11535 of the Insurance Code is amended to read:

11535. (a) A domestic incorporated mutual life insurer, or life and disability insurer, issuing nonassessable policies on a reserve basis may be converted into an incorporated stock life or stock life and disability insurer issuing, on a reserve basis, nonassessable policies of life insurance or of both life and disability insurance. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this chapter.

(b) A domestic incorporated mutual insurer not referred to in subdivision (a) and that is not a medical malpractice mutual insurer as defined in subdivision (i) of Section 4097.01, which may be referred to in this chapter as a mutual property-casualty insurer, may be converted into an incorporated stock property-casualty insurer. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this chapter. A medical malpractice mutual insurer as defined in subdivision (i) of Section 4097.01 may not convert to a stock insurer under this chapter.

(c) A mutual holding company may be converted into a stock corporation. To that end, it may provide and carry out a plan for the conversion by complying with the requirements of this chapter.

(d) As part of the conversion authorized in this section, a domestic incorporated mutual insurer may merge with an incorporated stock

insurer, if the merging insurers comply with the provisions of this code applicable to their participation in the merger, or may transfer its domicile to any other state, if the insurer complies with Section 709.5.

CHAPTER 422

An act to amend Sections 7260 and 7262.5 of the Government Code, relating to housing.

[Approved by Governor August 31, 1998. Filed with Secretary of State August 31, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 7260 of the Government Code is amended to read:

7260. As used in this chapter:

(a) "Public entity" includes the state, the Regents of the University of California, a county, city, city and county, district, public authority, public agency, and any other political subdivision or public corporation in the state or any entity acting on behalf of these agencies when acquiring real property, or any interest therein, in any city or county for public use and any person who has the authority to acquire property by eminent domain under state law.

(b) "Person" means any individual, partnership, corporation, limited liability company, or association.

(c) (1) "Displaced person" means both of the following:

(A) Any person who moves from real property, or who moves his or her personal property from real property, either:

(i) As a direct result of a written notice of intent to acquire or the acquisition of the real property, in whole or in part, for a program or project undertaken by a public entity or by any person having an agreement with or acting on behalf of a public entity.

(ii) As a direct result of the rehabilitation, demolition, or other displacing activity as the public entity may prescribe under a program or project undertaken by a public entity, of real property on which the person is a residential tenant or conducts a business or farm operation, in any case in which the public entity determines that the displacement is permanent. For purposes of this subparagraph, "residential tenant" includes any occupant of a residential hotel unit, as defined in subdivision (b) of Section 50669 of the Health and Safety Code, and any occupant of employee housing, as defined in Section 17008 of the Health and Safety Code, but does not include any person who has been determined to be in unlawful occupancy of the displacement dwelling.

(B) Solely for the purposes of Sections 7261 and 7262, any person who moves from real property, or moves his or her personal property from real property, either:

(i) As a direct result of a written notice of intent to acquire or the acquisition of other real property, in whole or in part, on which the person conducts a business or farm operation, for a program or project undertaken by a public entity.

(ii) As a direct result of the rehabilitation, demolition, or other displacing activity as the public entity may prescribe under a program or project undertaken by a public entity, of other real property on which the person conducts a business or farm operation, in any case in which the public entity determines that the displacement is permanent.

(2) The definition contained in this subdivision shall be construed so that persons displaced as a result of public action receive relocation benefits in cases where they are displaced as a result of an owner participation agreement or an acquisition carried out by a private person for or in connection with a public use where the public entity is otherwise empowered to acquire the property to carry out the public use. Except persons or families of low and moderate income, as defined in Section 50093 of the Health and Safety Code, who are occupants of housing that was made available to them on a permanent basis by a public agency and who are required to move from the housing, a "displaced person" does not include any of the following:

(A) Any person who has been determined to be in unlawful occupancy of the displacement dwellings.

(B) Any person whose right of possession at the time of moving arose after the date of the public entity's acquisition of the real property.

(C) Any person who has occupied the real property for the purpose of obtaining assistance under this chapter.

(D) In any case in which the public entity acquires property for a program or project (other than a person who was an occupant of the property at the time it was acquired), any person who occupies the property for a period subject to termination when the property is needed for the program or project.

(d) "Business" means any lawful activity, except a farm operation, conducted for any of the following:

(1) Primarily for the purchase, sale, lease, or rental of personal and real property, and for the manufacture, processing, or marketing of products, commodities, or any other personal property.

(2) Primarily for the sale of services to the public.

(3) Primarily by a nonprofit organization.

(4) Solely for the purpose of Section 7262 for assisting in the purchase, sale, resale, manufacture, processing, or marketing of products, commodities, personal property, or services by the erection and maintenance of an outdoor advertising display, whether or not

the display is located on the premises on which any of the above activities are conducted.

(e) "Farm operation" means any activity conducted solely or primarily for the production of one or more agricultural products or commodities, including timber, for sale or home use, and customarily producing these products or commodities in sufficient quantity to be capable of contributing materially to the operator's support.

(f) "Affected property" means any real property that actually declines in fair market value because of acquisition by a public entity for public use of other real property and a change in the use of the real property acquired by the public entity.

(g) "Public use" means a use for which real property may be acquired by eminent domain.

(h) "Mortgage" means classes of liens that are commonly given to secure advances on, or the unpaid purchase price of, real property, together with the credit instruments, if any, secured thereby.

(i) "Comparable replacement dwelling" means any dwelling that is all of the following:

(1) Decent, safe, and sanitary.

(2) Adequate in size to accommodate the occupants.

(3) In the case of a displaced person who is a renter, within the financial means of the displaced person. A comparable replacement dwelling is within the financial means of a displaced person if the monthly rental cost of the dwelling, including estimated average monthly utility costs, minus any replacement housing payment available to the person does not exceed 30 percent of the person's average monthly income, unless the displaced person meets one or more of the following conditions, in which case the payment of the monthly rental cost of the comparable replacement dwelling, including estimated average monthly utility costs, minus any replacement housing payment available to the person shall not exceed 25 percent of the person's average monthly income:

(A) Prior to January 1, 1998, the displaced person received a notice to vacate from a public entity, or from a person having an agreement with a public entity.

(B) The displaced person resides on property that was acquired by a public entity, or by a person having an agreement with a public entity, prior to January 1, 1998.

(C) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, initiated negotiations to acquire the property on which the displaced person resides.

(D) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, entered into an agreement to acquire the property on which the displaced person resides.

(E) Prior to January 1, 1998, a public entity, or a person having an agreement with a public entity, gave written notice of intent to acquire the property on which the displaced person resides.

(F) The displaced person is covered by, or resides in an area or project covered by, a final relocation plan that was adopted by the legislative body prior to January 1, 1998, pursuant to this chapter and the regulations promulgated thereunder.

(G) The displaced person is covered by, or resides in an area or project covered by, a proposed relocation plan that was required to have been submitted prior to January 1, 1998, to the Department of Housing and Community Development or to a local relocation committee, or for which notice was required to have been provided to occupants of the property prior to January 1, 1998, pursuant to this chapter and the regulations promulgated thereunder.

(H) The displaced person is covered by, or resides in an area or project covered by, a proposed relocation plan that was submitted prior to January 1, 1998, to the Department of Housing and Community Development or to a local relocation committee, or for which notice was provided to the public or to occupants of the property prior to January 1, 1998, pursuant to this chapter and the regulations promulgated thereunder, and the person is eventually displaced by the project covered in the proposed relocation plan.

(I) The displaced person resides on property for which a contract for acquisition, rehabilitation, demolition, construction, or other displacing activity was entered into by a public entity, or by a person having an agreement with a public entity, prior to January 1998.

(J) The displaced person resides on property where an owner participation agreement, or other agreement between a public entity and a private party that will result in the acquisition, rehabilitation, demolition, or development of the property or other displacement, was entered into prior to January 1, 1998, and the displaced person resides in the property at the time of the agreement, provides information to the public entity, or person having an agreement with the public entity showing that he or she did reside in the property at the time of the agreement and is eventually displaced by the project covered in the agreement.

(4) Comparable with respect to the number of rooms, habitable space, and type and quality of construction. Comparability under this paragraph shall not require strict adherence to a detailed, feature-by-feature comparison. While a comparable replacement dwelling need not possess every feature of the displacement dwelling, the principal features shall be present.

(5) In an area not subject to unreasonable adverse environmental conditions.

(6) In a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, facilities, services, and the displaced person's place of employment.

(j) "Displacing agency" means any public entity or person carrying out a program or project which causes a person to be a displaced person for a public project.

(k) "Appraisal" means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

(*l*) "Small business" means a business as defined in Part 24 of Title 49 of the Code of Federal Regulations.

SEC. 2. Section 7262.5 of the Government Code is amended to read:

7262.5. Notwithstanding Section 7265.3 or any other provision of law, tenants residing in any rental project who are displaced from the project for a period of one year or less as part of a rehabilitation of that project, that is funded in whole or in part by a public entity, shall not be eligible for permanent housing assistance benefits pursuant to Section 7264 and 7264.5 of this chapter if all of the following criteria are satisfied:

(a) The project is a "qualified affordable housing preservation project," which means any complex of two or more units whose owners enter into a recorded regulatory agreement, having a term for the useful life of the project, with any entity for the provision of project rehabilitation financing. For this purpose, the regulatory agreement shall require of the owner and all successors and assigns of the owner, as long as the regulatory agreement is in effect, that at least 49 percent of the tenants in the project shall have, at the time of the recordation of the regulatory agreement, incomes not in excess of 60 percent of the area median income, adjusted by household size, as determined by the appropriate agency of the state. In addition, a project is a qualified affordable housing preservation project only if the beneficiary of the regulatory agreement elects this designation by so indicating on the regulatory agreement.

(b) The resident is offered the right to return to his or her original unit, or a comparable unit in the same complex if his or her original unit is not otherwise available due to the rehabilitation, with rent for the first 12 months subsequent to that return being the lower of the following: up to 5 percent higher than the rent at the time of displacement; or up to 30 percent of household income.

(c) The estimated time of displacement is reasonable, and the temporary unit is not unreasonably impacted by the effects of the construction, taking into consideration the ages and physical conditions of the members of the displaced household.

(d) All other financial benefits and services otherwise required under this chapter are provided to the residents temporarily displaced from their units, including relocation to a comparable replacement unit. Residents shall be temporarily relocated to a unit within the same complex, or to a unit located reasonably near the complex if that unit is in a location generally not less desirable than the location of the displaced person's dwelling with respect to public utilities, services, and the displaced person's place of employment.

SEC. 3. The amendments to Sections 7260 and 7262.5 of the Government Code made by this act shall apply prospectively only from January 1, 1999, and only to the extent that its provisions would not adversely affect existing rights of persons or households entitled to benefits under existing provisions on or before December 31, 1998.

CHAPTER 423

An act to amend Section 19801 of the Business and Professions Code, and to amend Section 337j of the Penal Code, relating to gaming, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 31, 1998. Filed with Secretary of State September 1, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 19801 of the Business and Professions Code is amended to read:

19801. The Legislature hereby finds and declares all of the following:

(a) The longstanding public policy of this state disfavors the business of gambling. State law prohibits commercially operated lotteries, banked or percentage games, and gambling machines, and strictly regulates parimutuel wagering on horse racing. To the extent that state law categorically prohibits certain forms of gambling and prohibits gambling devices, nothing herein shall be construed, in any manner, to reflect a legislative intent to relax those prohibitions.

(b) Gambling can become addictive and is not an activity to be promoted or legitimized as entertainment for children and families.

(c) Unregulated gambling enterprises are inimical to the public health, safety, welfare, and good order. Accordingly, no person in this state has a right to operate a gambling enterprise except as may be expressly permitted by the laws of this state and by the ordinances of local governmental bodies.

(d) It is the policy of this state that gambling activities that are not expressly prohibited or regulated by state law may be prohibited or regulated by local government. Moreover, it is the policy of this state that no new cardroom gambling establishment may be opened in a city, county, or city and county in which a cardroom gambling establishment was not operating on and before January 1, 1984, except upon the affirmative vote of the electors of that city, county, or city and county.

(e) It is not the purpose of this chapter to expand opportunities for gambling, or to create any right to operate a gambling enterprise in this state or to have a financial interest in any gambling enterprise.

Rather, it is the purpose of this chapter to regulate businesses that offer otherwise lawful forms of gambling games.

(f) Public trust that permissible gambling will not endanger public health, safety, or welfare requires that comprehensive measures be enacted to ensure that such gambling is free from criminal and corruptive elements, that it is conducted honestly and competitively, and that it is conducted in suitable locations.

(g) Public trust and confidence can only be maintained by strict and comprehensive regulation of all persons, locations, practices, associations, and activities related to the operation of lawful gambling establishments and the manufacture or distribution of permissible gambling equipment.

(h) All gambling operations, all persons having a significant involvement in gambling operations, all establishments where gambling is conducted, and all manufacturers, sellers, and distributors of gambling equipment must be licensed and regulated to protect the public health, safety, and general welfare of the residents of this state as an exercise of the police powers of the state.

(i) To ensure that gambling is conducted honestly, competitively, and free of criminal and corruptive elements, all licensed gambling establishments in this state must remain open to the general public and the access of the general public to licensed gambling activities must not be restricted in any manner, except as provided by the Legislature. However, subject to state and federal prohibitions against discrimination, nothing herein shall be construed to preclude exclusion of unsuitable persons from licensed gambling establishments in the exercise of reasonable business judgment.

(j) In order to effectuate state policy as declared herein, it is necessary that gambling establishments, activities, and equipment be licensed, that persons participating in those activities be licensed or registered, that certain transactions, events, and processes involving gambling establishments and owners of gambling establishments be subject to prior approval or permission, that unsuitable persons not be permitted to associate with gambling activities or gambling establishments, and that gambling activities take place only in suitable locations. Any license or permit issued, or other approval granted pursuant to this chapter, is declared to be a revocable privilege, and no holder acquires any vested right therein or thereunder.

(k) The location of lawful gambling premises, the hours of operation of those premises, the number of tables permitted in those premises, and wagering limits in permissible games conducted in those premises are proper subjects for regulation by local governmental bodies. However, consideration of those same subjects by a state regulatory agency, as specified in this chapter, is warranted when local governmental regulation respecting those subjects is inadequate or the regulation fails to safeguard the legitimate interests of residents in other governmental jurisdictions.

(*l*) The exclusion or ejection of certain persons from gambling establishments is necessary to effectuate the policies of this chapter and to maintain effectively the strict regulation of licensed gambling.

(m) Records and reports of cash and credit transactions involving gambling establishments may have a high degree of usefulness in criminal and regulatory investigations and, therefore, licensed gambling operators may be required to keep records and make reports concerning significant cash and credit transactions.

SEC. 2. Section 337j of the Penal Code is amended to read:

337j. (a) It is unlawful for any person, as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, to do any of the following without having first procured and thereafter maintained in effect all federal, state, and local licenses required by law:

(1) To deal, operate, carry on, conduct, maintain, or expose for play in this state any controlled game.

(2) To receive, directly or indirectly, any compensation or reward or any percentage or share of the revenue, for keeping, running, or carrying on any controlled game.

(3) To manufacture, distribute, or repair any gambling equipment within the boundaries of this state, or to receive, directly or indirectly, any compensation or reward for the manufacture, distribution, or repair of any gambling equipment within the boundaries of this state.

(b) It is unlawful for any person to knowingly permit any controlled game to be conducted, operated, dealt, or carried on in any house or building or other premises that he or she owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.

(c) It is unlawful for any person to knowingly permit any gambling equipment to be manufactured, stored, or repaired in any house or building or other premises that the person owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.

(d) Any person who violates, attempts to violate, or conspires to violate this section shall be punished by imprisonment in a county jail for not more than one year, or by a fine of not more than five thousand dollars ($5,000), or by both that imprisonment and fine.

(e) (1) As used in this section, "controlled game" means any game of chance, including any gambling device, played for currency, check, credit, or any other thing of value that is not prohibited and made unlawful by statute or local ordinance.

(2) As used in this section, "controlled game" does not include any of the following:

(A) The game of bingo conducted pursuant to Section 326.5.

(B) Parimutuel racing on horse races regulated by the California Horse Racing Board.

(C) Any lottery game conducted by the California State Lottery.

(D) Games played with cards in private homes or residences, in which no person makes money for operating the game, except as a player.

(f) It is unlawful for any person to collect any fee in connection with a controlled game authorized pursuant to Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code unless the method of fee collection conforms to regulations adopted by the Division of Gambling Control of the Department of Justice or the California Gambling Control Commission. Until those regulations become operative, an owner licensee may continue to collect fees, in accordance with any of the following provisions:

(1) In the same manner as fees were collected in the establishment as of January 1, 1997, if the method of fee collection is permitted by ordinance, resolution, letter, or other written authorization of the local governmental entity having regulatory jurisdiction or law enforcement authority over the gambling establishment.

(2) In the same manner as fees were collected in the establishment as of January 1, 1997, if all of the following are true:

(A) The amount of the fee is fixed in advance of the game.

(B) There is no minimum wager in any game, round, or hand.

(C) No fee is deducted from the amount wagered.

(D) In any game or round, the same fixed fee is collected from all players at the table.

(E) The method of fee collection has not been challenged by, and is not prohibited by any ordinance or resolution of, the local governmental entity having regulatory jurisdiction or law enforcement authority over the gambling establishment.

(3) Using any method of fee collection that is otherwise authorized by law.

(g) This subdivision is intended to be dispositive of the law relating to the collection of player fees in gambling establishments. No fee may be calculated as a portion of wagers made or from winnings earned. Fees charged for all wagers shall be determined and collected prior to the start of play of any hand or round. Ample notice shall be provided to the patrons of gambling establishments relating to the assessment of fees. Flat fees on each wager may be assessed at different collection rates, but no more than three collection rates may be established per table. This legislation codifies the holding in Sullivan v. Fox (1987) 189 Cal.App.3d 673, as to the collection of player fees in licensed gambling establishments, that no fee shall be calculated as a portion of wagers made or winnings earned, exclusive of charges or fees for the use of space and facilities.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to clarify the law with regard to the collection of player fees in gambling establishments and to address the legality of those fees, at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 424

An act to amend Section 337j of the Penal Code, as amended by Assembly Bill 518 of the 1997–98 Regular Session of the Legislature, relating to gambling, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 31, 1998. Filed with Secretary of State September 1, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 337j of the Penal Code, as amended by Assembly Bill 518 of the 1997–98 Regular Session of the Legislature, is amended to read:

337j. (a) It is unlawful for any person, as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, to do any of the following without having first procured and thereafter maintained in effect all federal, state, and local licenses required by law:

(1) To deal, operate, carry on, conduct, maintain, or expose for play in this state any controlled game.

(2) To receive, directly or indirectly, any compensation or reward or any percentage or share of the revenue, for keeping, running, or carrying on any controlled game.

(3) To manufacture, distribute, or repair any gambling equipment within the boundaries of this state, or to receive, directly or indirectly, any compensation or reward for the manufacture, distribution, or repair of any gambling equipment within the boundaries of this state.

(b) It is unlawful for any person to knowingly permit any controlled game to be conducted, operated, dealt, or carried on in any house or building or other premises that he or she owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.

(c) It is unlawful for any person to knowingly permit any gambling equipment to be manufactured, stored, or repaired in any house or building or other premises that the person owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.

(d) Any person who violates, attempts to violate, or conspires to violate this section shall be punished by imprisonment in a county jail for not more than one year, or by a fine of not more than five thousand dollars ($5,000), or by both that imprisonment and fine.

(e) (1) As used in this section, "controlled game" means any game of chance, including any gambling device, played for currency, check, credit, or any other thing of value that is not prohibited and made unlawful by statute or local ordinance.

(2) As used in this section, "controlled game" does not include any of the following:

(A) The game of bingo conducted pursuant to Section 326.5.

(B) Parimutuel racing on horse races regulated by the California Horse Racing Board.

(C) Any lottery game conducted by the California State Lottery.

(D) Games played with cards in private homes or residences, in which no person makes money for operating the game, except as a player.

(f) This subdivision is intended to be dispositive of the law relating to the collection of player fees in gambling establishments. No fee may be calculated as a portion of wagers made or from winnings earned. Fees charged for all wagers shall be determined and collected prior to the start of play of any hand or round. Ample notice shall be provided to the patrons of gambling establishments relating to the assessment of fees. Flat fees on each wager may be assessed at different collection rates, but no more than three collection rates may be established per table. This legislation codifies the holding in Sullivan v. Fox (1987) 189 Cal.App.3d 673, as to the collection of player fees in licensed gambling establishments, that no fee shall be calculated as a portion of wagers made or winnings earned, exclusive of charges or fees for the use of space and facilities.

SEC. 2. Section 1 of this act, which amends Section 337j of the Penal Code as amended by Assembly Bill 518 of the 1997–98 Regular Session of the Legislature, shall become operative only if Assembly Bill 518 of the 1997–98 Regular Session of the Legislature is enacted and becomes effective on or before January 1, 1998.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to clarify the law with regard to the collection of player fees in gambling establishments and to address the legality of those fees at the earliest possible time, it is necessary that this act take effect immediately.

CHAPTER 425

An act to amend Sections 11370.4, 11374.5, and 11379.8 of the Health and Safety Code, relating to controlled substances.

[Approved by Governor September 8, 1998. Filed with Secretary of State September 8, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 11370.4 of the Health and Safety Code is amended to read:

11370.4. (a) Any person convicted of a violation of, or of a conspiracy to violate, Section 11351, 11351.5, or 11352 with respect to a substance containing heroin, cocaine base as specified in paragraph (1) of subdivision (f) of Section 11054, or cocaine as specified in paragraph (6) of subdivision (b) of Section 11055 shall receive an additional term as follows:

(1) Where the substance exceeds one kilogram by weight, the person shall receive an additional term of three years.

(2) Where the substance exceeds four kilograms by weight, the person shall receive an additional term of five years.

(3) Where the substance exceeds 10 kilograms by weight, the person shall receive an additional term of 10 years.

(4) Where the substance exceeds 20 kilograms by weight, the person shall receive an additional term of 15 years.

(5) Where the substance exceeds 40 kilograms by weight, the person shall receive an additional term of 20 years.

(6) Where the substance exceeds 80 kilograms by weight, the person shall receive an additional term of 25 years.

The conspiracy enhancements provided for in this subdivision shall not be imposed unless the trier of fact finds that the defendant

conspirator was substantially involved in the planning, direction, execution, or financing of the underlying offense.

(b) Any person convicted of a violation of, or of conspiracy to violate, Section 11378, 11378.5, 11379, or 11379.5 with respect to a substance containing methamphetamine, amphetamine, phencyclidine (PCP) and its analogs shall receive an additional term as follows:

(1) Where the substance exceeds one kilogram by weight, or 30 liters by liquid volume, the person shall receive an additional term of three years.

(2) Where the substance exceeds four kilograms by weight, or 100 liters by liquid volume, the person shall receive an additional term of five years.

(3) Where the substance exceeds 10 kilograms by weight, or 200 liters by liquid volume, the person shall receive an additional term of 10 years.

(4) Where the substance exceeds 20 kilograms by weight, or 400 liters by liquid volume, the person shall receive an additional term of 15 years.

In computing the quantities involved in this subdivision, plant or vegetable material seized shall not be included.

The conspiracy enhancements provided for in this subdivision shall not be imposed unless the trier of fact finds that the defendant conspirator was substantially involved in the planning, direction, execution, or financing of the underlying offense.

(c) The additional terms provided in this section shall not be imposed unless the allegation that the weight of the substance containing heroin, cocaine base as specified in paragraph (1) of subdivision (f) of Section 11054, cocaine as specified in paragraph (6) of subdivision (b) of Section 11055, methamphetamine, amphetamine, or phencyclidine (PCP) and its analogs exceeds the amounts provided in this section is charged in the accusatory pleading and admitted or found to be true by the trier of fact.

(d) The additional terms provided in this section shall be in addition to any other punishment provided by law.

(e) Notwithstanding any other provision of law, the court may strike the additional punishment for the enhancements provided in this section if it determines that there are circumstances in mitigation of the additional punishment and states on the record its reasons for striking the additional punishment.

SEC. 2. Section 11374.5 of the Health and Safety Code is amended to read:

11374.5. (a) Any manufacturer of a controlled substance who disposes of any hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance in violation of any law regulating the disposal of hazardous substances or hazardous waste is guilty of a public offense

punishable by imprisonment in the state prison for two, three, or four years or in the county jail not exceeding one year.

(b) (1) In addition to any other penalty or liability imposed by law, a person who is convicted of violating subdivision (a), or any person who is convicted of the manufacture, sale, possession for sale, possession, transportation, or disposal of any hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance in violation of any law, shall pay a penalty equal to the amount of the actual cost incurred by the state or local agency to remove and dispose of the hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance and to take removal action with respect to any release of the hazardous substance or any items or materials contaminated by that release, if the state or local agency requests the prosecuting authority to seek recovery of that cost. The court shall transmit all penalties collected pursuant to this subdivision to the county treasurer of the county in which the court is located for deposit in a special account in the county treasury. The county treasurer shall pay that money at least once a month to the agency that requested recovery of the cost for the removal action. The county may retain up to 5 percent of any assessed penalty for appropriate and reasonable administrative costs attributable to the collection and disbursement of the penalty.

(2) If the Department of Toxic Substances Control has requested recovery of the cost of removing the hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance or taking removal action with respect to any release of the hazardous substance, the county treasurer shall transfer funds in the amount of the penalty collected to the Treasurer, who shall deposit the money in the Illegal Drug Lab Cleanup Account, which is hereby created in the General Fund in the State Treasury. The Department of Toxic Substances Control may expend the money in the Illegal Drug Lab Cleanup Account, upon appropriation by the Legislature, to cover the cost of taking removal actions pursuant to Section 25354.5.

(3) If a local agency and the Department of Toxic Substances Control have both requested recovery of removal costs with respect to a hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance, the county treasurer shall apportion any penalty collected among the agencies involved in proportion to the costs incurred.

(c) As used in this section the following terms have the following meaning:

(1) "Dispose" means to abandon, deposit, intern, or otherwise discard as a final action after use has been achieved or a use is no longer intended.

(2) "Hazardous substance" has the same meaning as defined in Section 25316.

(3) "Hazardous waste" has the same meaning as defined in Section 25117.

(4) For purposes of this section, "remove" or "removal" has the same meaning as set forth in Section 25323.

SEC. 2.5. Section 11374.5 of the Health and Safety Code is amended to read:

11374.5. (a) Any manufacturer of a controlled substance who disposes of any hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance in violation of any law regulating the disposal of hazardous substances or hazardous waste is guilty of a public offense punishable by imprisonment in the state prison for two, three, or four years or in the county jail not exceeding one year.

(b) (1) In addition to any other penalty or liability imposed by law, a person who is convicted of violating subdivision (a), or any person who is convicted of the manufacture, sale, possession for sale, possession, transportation, or disposal of any hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance in violation of any law, shall pay a penalty equal to the amount of the actual cost incurred by the state or local agency to remove and dispose of the hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance, and to take removal action with respect to any release of the hazardous substance or any items or materials contaminated by that release, if the state or local agency requests the prosecuting authority to seek recovery of that cost. The court shall transmit all penalties collected pursuant to this subdivision to the county treasurer of the county in which the court is located for deposit in a special account in the county treasury. The county treasurer shall pay that money at least once a month to the agency that requested recovery of the cost for the removal action. The county may retain up to 5 percent of any assessed penalty for appropriate and reasonable administrative costs attributable to the collection and disbursement of the penalty.

(2) If the Department of Toxic Substances Control has requested recovery of the cost of removing the hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance or taking removal action with respect to any release of the hazardous substance, the county treasurer shall transfer funds in the amount of the penalty collected to the Treasurer, who shall deposit the money in the Illegal Drug Lab Cleanup Account, which is hereby created in the General Fund in the State Treasury. The Department of Toxic Substances Control may expend the money in the Illegal Drug Lab Cleanup Account, upon appropriation by the Legislature, to cover the cost of taking removal actions pursuant to Section 25354.5.

(3) If a local agency and the Department of Toxic Substances Control have both requested recovery of removal costs with respect

to a hazardous substance that is a controlled substance or a chemical used in, or is a byproduct of, the manufacture of a controlled substance, the county treasurer shall apportion any penalty collected among the agencies involved in proportion to the costs incurred.

(4) This subdivision shall not apply to a violation of paragraph (3) of subdivision (g) of Section 11100.

(c) As used in this section the following terms have the following meaning:

(1) "Dispose" means to abandon, deposit, intern, or otherwise discard as a final action after use has been achieved or a use is no longer intended.

(2) "Hazardous substance" has the same meaning as defined in Section 25316.

(3) "Hazardous waste" has the same meaning as defined in Section 25117.

(4) For purposes of this section, "remove" or "removal" has the same meaning as set forth in Section 25323.

SEC. 3. Section 11379.8 of the Health and Safety Code is amended to read:

11379.8. (a) Any person convicted of a violation of subdivision (a) of Section 11379.6, or of a conspiracy to violate subdivision (a) of Section 11379.6, with respect to any substance containing a controlled substance which is specified in paragraph (21), (22), or (23) of subdivision (d) of Section 11054, or in paragraph (1) or (2) of subdivision (d) or in paragraph (3) of subdivision (e) or in paragraph (2) of subdivision (f) of Section 11055 shall receive an additional term as follows:

(1) Where the substance exceeds three gallons of liquid by volume or one pound of solid substances by weight, the person shall receive an additional term of three years.

(2) Where the substance exceeds 10 gallons of liquid by volume or three pounds of solid substance by weight, the person shall receive an additional term of five years.

(3) Where the substance exceeds 25 gallons of liquid by volume or 10 pounds of solid substance by weight, the person shall receive an additional term of 10 years.

(4) Where the substance exceeds 105 gallons of liquid by volume or 44 pounds of solid substance by weight, the person shall receive an additional term of 15 years.

In computing the quantities involved in this subdivision, plant or vegetable material seized shall not be included.

(b) The additional terms provided in this section shall not be imposed unless the allegation that the controlled substance exceeds the amounts provided in this section is charged in the accusatory pleading and admitted or found to be true by the trier of fact.

(c) The additional terms provided in this section shall be in addition to any other punishment provided by law.

(d) Notwithstanding any other provision of law, the court may strike the additional punishment for the enhancements provided in this section if it determines that there are circumstances in mitigation of the additional punishment and states on the record its reasons for striking the additional punishment.

(e) The conspiracy enhancements provided for in this section shall not be imposed unless the trier of fact finds that the defendant conspirator was substantially involved in the direction or supervision of, or in a significant portion of the financing of, the underlying offense.

SEC. 4. Section 2.5 of this bill shall become operative only if (1) both this bill and Senate Bill 1691 of the 1997-98 Regular Session are enacted and become effective on or before January 1, 1999, and (2) Senate Bill 1691 amends Section 11100 of the Health and Safety Code, to revise the language of subdivision (g) of that section to provide criminal penalties for the sale of ephedrine, in which case Section 2 of this bill shall not become operative.

CHAPTER 426

An act to amend Sections 18949.6 and 116049.1 of the Health and Safety Code, relating to building standards, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 11, 1998. Filed with Secretary of State September 11, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 18949.6 of the Health and Safety Code is amended to read:

18949.6. (a) The commission shall adopt regulations setting forth the procedure for the adoption of building standards and administrative regulations that apply directly to the implementation or enforcement of building standards.

(b) Regulatory adoption shall be accomplished so as to facilitate the triennial adoption of the specified model codes pursuant to Section 18928.

(c) The regulations shall allow for the distribution of proposed building standards and regulatory changes to the public for review in compliance with the requirements of the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and for the acceptance of responses from the public.

(d) With regard to proposed residential building standards, the Trade and Commerce Agency shall provide, if requested by the commission, an economic review of the housing cost impact

statement or related study submitted by the code change proponent pursuant to Section 11346.5 of the Government Code.

SEC. 2. Section 116049.1 of the Health and Safety Code is amended to read:

116049.1. (a) "Public swimming pool," as used in this section, means any swimming pool operated for the use of the general public with or without charge, or for the use of the members and guests of a private club, including any swimming pool located on the grounds of a hotel, motel, inn, an apartment complex, or any residential setting other than a single-family home. For purposes of this section, public swimming pool shall not include a swimming pool located on the grounds of a private single-family home.

(b) The design and installation of all underwater lighting systems, operating at more than 15 volts, supplied from a branch circuit either directly or by way of a transformer, shall be installed in a public swimming pool, as defined in this section, so that there is no shock hazard with any likely combination of fault conditions during normal use, and shall comply with both of the following requirements:

(1) An approved ground-fault circuit interrupter shall be installed in the branch circuit that supplies all fixtures operating at more than 15 volts.

(2) Only approved underwater lighting fixtures shall be used and no lighting fixtures shall be installed for operations at more than 150 volts between conductors.

(c) Any public swimming pool that does not meet the requirements specified in subdivision (b) , shall be retrofitted to comply with these requirements by May 1, 1999.

(d) The ground-fault circuit interrupter required pursuant to this section shall comply with standards acceptable to the authority having jurisdiction.

(e) The owner or operator of a public swimming pool shall , on or before May 1, 1999, comply with both of the following:

(1) Obtain an inspection of its public swimming pool by the local health officer or a qualified contractor as set forth in subdivision (f).

(2) Certify to the local health officer as set forth in Section 116053 that the public swimming pool facility is in compliance with this section.

(f) All electrical work required for compliance with this section shall be performed by a person licensed to perform electrical work within his or her general, specialty, or limited specialty contractor's licensed scope of practice pursuant to Section 7059 of the Business and Professions Code.

(g) This section shall be known and may be cited as the Yasmin Paleso'o Memorial Swimming Pool Safety Law.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because in that regard this act creates a new crime or infraction, eliminates

a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

However, notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide that the design and installation of all underwater lighting systems in public swimming pools are retrofitted to appropriate safety standards at the earliest possible date, it is necessary for this act to take effect immediately.

CHAPTER 427

An act to amend Section 798.56 of the Civil Code, relating to mobilehome parks.

[Approved by Governor September 11, 1998. Filed with Secretary of State September 11, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 798.56 of the Civil Code is amended to read:

798.56. A tenancy shall be terminated by the management only for one or more of the following reasons:

(a) Failure of the homeowner or resident to comply with a local ordinance or state law or regulation relating to mobilehomes within a reasonable time after the homeowner receives a notice of noncompliance from the appropriate governmental agency.

(b) Conduct by the homeowner or resident, upon the park premises, that constitutes a substantial annoyance to other homeowners or residents.

(c) Conviction of the homeowner or resident for prostitution or a felony controlled substance offense if the act resulting in the

conviction was committed anywhere on the premises of the mobilehome park, including, but not limited to, within the homeowner's mobilehome.

However the tenancy may not be terminated for the reason specified in this subdivision if the person convicted of the offense has permanently vacated, and does not subsequently reoccupy, the mobilehome.

(d) Failure of the homeowner or resident to comply with a reasonable rule or regulation of the park that is part of the rental agreement or any amendment thereto.

No act or omission of the homeowner or resident shall constitute a failure to comply with a reasonable rule or regulation unless and until the management has given the homeowner written notice of the alleged rule or regulation violation and the homeowner or resident has failed to adhere to the rule or regulation within seven days. However, if a homeowner has been given a written notice of an alleged violation of the same rule or regulation on three or more occasions within a 12-month period after the homeowner or resident has violated that rule or regulation, no written notice shall be required for a subsequent violation of the same rule or regulation.

Nothing in this subdivision shall relieve the management from its obligation to demonstrate that a rule or regulation has in fact been violated.

(e) (1) Nonpayment of rent, utility charges, or reasonable incidental service charges; provided that the amount due has been unpaid for a period of at least five days from its due date, and provided that the homeowner shall be given a three-day written notice subsequent to that five-day period to pay the amount due or to vacate the tenancy. For purposes of this subdivision, the five-day period does not include the date the payment is due. The three-day written notice shall be given to the homeowner in the manner prescribed by Section 1162 of the Code of Civil Procedure. A copy of this notice shall be sent to the persons or entities specified in subdivision (b) of Section 798.55 within 10 days after notice is delivered to the homeowner. If the homeowner cures the default, the notice need not be sent. The notice may be given at the same time as the 60 days' notice required for termination of the tenancy.

(2) Payment by the homeowner prior to the expiration of the three-day notice period shall cure a default under this subdivision. If the homeowner does not pay prior to the expiration of the three-day notice period, the homeowner shall remain liable for all payments due up until the time the tenancy is vacated.

(3) Payment by the legal owner, as defined in Section 18005.8 of the Health and Safety Code, any junior lienholder, as defined in Section 18005.3 of the Health and Safety Code, or the registered owner, as defined in Section 18009.5 of the Health and Safety Code, if other than the homeowner, on behalf of the homeowner prior to the expiration of 30 calendar days following the mailing of the notice

to the legal owner, each junior lienholder, and the registered owner provided in subdivision (b) of Section 798.55, shall cure a default under this subdivision with respect to that payment.

(4) Cure of a default of rent, utility charges, or reasonable incidental service charges by the legal owner, any junior lienholder, or the registered owner, if other than the homeowner, as provided by this subdivision, may not be exercised more than twice during a 12-month period.

(5) If a homeowner has been given a three-day notice to pay the amount due or to vacate the tenancy on three or more occasions within the preceding 12-month period, no written three-day notice shall be required in the case of a subsequent nonpayment of rent, utility charges, or reasonable incidental service charges.

In that event, the management shall give written notice to the homeowner in the manner prescribed by Section 1162 of the Code of Civil Procedure to remove the mobilehome from the park within a period of not less than 60 days, which period shall be specified in the notice. A copy of this notice shall be sent to the legal owner, each junior lienholder, and the registered owner of the mobilehome, if other than the homeowner, as specified in paragraph (b) of Section 798.55, by certified or registered mail return receipt requested within 10 days after notice is sent to the homeowner.

(6) When a copy of the 60 days' notice described in paragraph (5) is sent to the legal owner, each junior lienholder, and the registered owner of the mobilehome, if other than the homeowner, the default may be cured by any of them on behalf of the homeowner prior to the expiration of 30 calendar days following the mailing of the notice, if all of the following conditions exist:

(A) A copy of a three-day notice sent pursuant to subdivision (b) of Section 798.55 to a homeowner for the nonpayment of rent, utility charges, or reasonable incidental service charges was not sent to the legal owner, junior lienholder, or registered owner, of the mobilehome, if other than the homeowner, during the preceding 12-month period.

(B) The legal owner, junior lienholder, or registered owner of the mobilehome, if other than the homeowner, has not previously cured a default of the homeowner during the preceding 12-month period.

(C) The legal owner, junior lienholder or registered owner, if other than the homeowner, is not a financial institution or mobilehome dealer.

If the default is cured by the legal owner, junior lienholder, or registered owner within the 30-day period, the notice to remove the mobilehome from the park described in paragraph (5) shall be rescinded.

(f) Condemnation of the park.

(g) Change of use of the park or any portion thereof, provided:

(1) The management gives the homeowners at least 15 days' written notice that the management will be appearing before a local

governmental board, commission, or body to request permits for a change of use of the mobilehome park.

(2) After all required permits requesting a change of use have been approved by the local governmental board, commission, or body, the management shall give the homeowners six months' or more written notice of termination of tenancy.

If the change of use requires no local governmental permits, then notice shall be given 12 months or more prior to the management's determination that a change of use will occur. The management in the notice shall disclose and describe in detail the nature of the change of use.

(3) The management gives each proposed homeowner written notice thereof prior to the inception of his or her tenancy that the management is requesting a change of use before local governmental bodies or that a change of use request has been granted.

(4) The notice requirements for termination of tenancy set forth in Sections 798.56 and 798.57 shall be followed if the proposed change actually occurs.

(5) A notice of a proposed change of use given prior to January 1, 1980, that conforms to the requirements in effect at that time shall be valid. The requirements for a notice of a proposed change of use imposed by this subdivision shall be governed by the law in effect at the time the notice was given.

(h) The report required pursuant to subdivisions (b) and (i) of Section 65863.7 of the Government Code shall be given to the homeowners or residents at the same time that notice is required pursuant to subdivision (g) of this section.

(i) For purposes of this section, "financial institution" means a state or national bank, state or federal savings and loan association or credit union, or similar organization, and mobilehome dealer as defined in Section 18002.6 of the Health and Safety Code or any other organization that, as part of its usual course of business, originates, owns, or provides loan servicing for loans secured by a mobilehome.

CHAPTER 428

An act to amend Sections 22050, 22340.1, and 22600.1 of the Financial Code, relating to finance lenders.

[Approved by Governor September 11, 1998. Filed with Secretary of State September 11, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 22050 of the Financial Code is amended to read:

22050. (a) This division does not apply to any person doing business under any law of this state or of the United States relating to banks, trust companies, savings and loan associations, industrial loan companies, credit unions, small business investment companies, California business and industrial development corporations, or licensed pawnbrokers.

(b) This division does not apply to a broker-dealer acting pursuant to a certificate, then in effect, issued pursuant to Section 25211 of the Corporations Code.

(c) This division does not apply to a college or university making a loan for the purpose of permitting a person to pursue a program or course of study leading to a degree or certificate.

(d) This division does not apply to a check cashier who holds a valid permit issued pursuant to Section 1789.37 of the Civil Code when acting under the authority of that permit.

(e) This division does not apply to any person who makes no more than one loan in a 12-month period as long as that loan is a commercial loan as defined in Section 22502.

(f) This division does not apply to any public corporation as defined in Section 67510 of the Government Code, any public entity other than the state as defined in Section 811.2 of the Government Code, or any agency of any one or more of the foregoing, when making any loan so long as the public corporation, public entity, or agency of any one or more of the foregoing complies with all applicable federal and state laws and regulations.

SEC. 2. Section 22340.1 of the Financial Code is amended to read:

22340.1. (a) A licensee that is a finance lender may sell to (1) an institutional lender, or (2) an institutional investor described in paragraph (6) of subdivision (b) of Section 22340, promissory notes evidencing the obligation to repay federally related mortgage loans, as defined in Section 3500.2 of Title 24 of the Code of Federal Regulations, purchased from and made by an institutional lender, and may make agreements for the collection of payments and performance of services with respect to those notes. For purposes of this section, "institutional lender" means any bank, trust company, savings bank or savings and loan association, credit union, industrial loan company or residential mortgage lender doing business under the authority of and in accordance with a license, certificate or charter issued by the United States or this state.

(b) In the absence of agreement to the contrary by the licensee and the institutional investor or institutional lender, all payments received from the collection of payments shall be deposited and maintained in a trust account, and shall be disbursed from the trust account only in accordance with the instructions of the owner of the promissory note.

SEC. 3. Section 22600.1 of the Financial Code is amended to read:

22600.1. (a) A licensee that is a finance lender may sell to (1) an institutional lender, or (2) an institutional investor described in

paragraph (6) of subdivision (b) of Section 22600, promissory notes evidencing the obligation to repay real estate secured business purpose loans, as defined in Section 3500.5 of Title 24 of the Code of Federal Regulations, purchased from and made by an institutional lender, and may make agreements for the collection of payments and performance of services with respect to those notes. For purposes of this section, "institutional lender" means any bank, trust company, savings bank or savings and loan association, credit union, or industrial loan company doing business under the authority of and in accordance with a license, certificate or charter issued by the United States or this state.

(b) In the absence of agreement to the contrary by the licensee and the institutional investor or institutional lender, all payments received from the collection of payments shall be deposited and maintained in a trust account, and shall be disbursed from the trust account only in accordance with the instructions of the owner of the promissory note.

CHAPTER 429

An act to amend Section 1798.16 of the Civil Code, to add Section 18030.5 to the Education Code, and to add Sections 6254.20, 6254.21, and 11015.5 to the Government Code, relating to state computer technology.

[Approved by Governor September 11, 1998. Filed with Secretary of State September 11, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1798.16 of the Civil Code is amended to read:

1798.16. (a) Whenever an agency collects personal information, the agency shall maintain the source or sources of the information, unless the source is the data subject or he or she has received a copy of the source document, including, but not limited to, the name of any source who is an individual acting in his or her own private or individual capacity. If the source is an agency, governmental entity or other organization, such as a corporation or association, this requirement can be met by maintaining the name of the agency, governmental entity, or organization, as long as the smallest reasonably identifiable unit of that agency, governmental entity, or organization is named.

(b) Whenever an agency electronically collects personal information, as defined by Section 11015.5 of the Government Code, the agency shall retain the source or sources or any intermediate form of the information, if either are created or possessed by the

agency, unless the source is the data subject that has requested that the information be discarded or the data subject has received a copy of the source document.

(c) The agency shall maintain the source or sources of the information in a readily accessible form so as to be able to provide it to the data subject when they inspect any record pursuant to Section 1798.34. This section shall not apply if the source or sources are exempt from disclosure under the provisions of this chapter.

SEC. 2. Section 18030.5 is added to the Education Code, to read:

18030.5. (a) Every public library that receives state funds pursuant to this chapter and that provides public access to the Internet shall, by a majority vote of the governing board, adopt a policy regarding access by minors to the Internet by January 1, 2000.

(b) Every public library that is required to adopt a policy pursuant to subdivision (a) shall make the policy available to members of the public at every library branch.

SEC. 3. Section 6254.20 is added to the Government Code, to read:

6254.20. Nothing in this chapter shall be construed to require the disclosure of records that relate to electronically collected personal information, as defined by Section 11015.5, received, collected, or compiled by a state agency.

SEC. 4. Section 6254.21 is added to the Government Code, to read:

6254.21. (a) No state or local agency shall post the home address or telephone number of any elected or appointed official on the Internet without first obtaining the written permission of that individual.

(b) For purposes of this section "elected or appointed official" includes, but is not limited to, all of the following:

(1) State constitutional officers.
(2) Members of the Legislature.
(3) Judges and court commissioners.
(4) District attorneys.
(5) Public defenders.
(6) Members of a city council.
(7) Members of a board of supervisors.
(8) Appointees of the Governor.
(9) Appointees of the Legislature.
(10) Mayors.
(11) City attorneys.
(12) Police chiefs and sheriffs.

SEC. 5. Section 11015.5 is added to the Government Code, to read:

11015.5. (a) Every state agency, including the California State University, that utilizes any method, device, identifier, or other data base application on the Internet to electronically collect personal information, as defined in subdivision (d), regarding any user shall

prominently display the following at at least one anticipated initial point of communication with a potential user, to be determined by each agency, and in instances when the specified information would be collected:

(1) Notice to the user of the usage or existence of the information gathering method, device, identifier, or other data base application.

(2) Notice to the user of the type of personal information that is being collected and the purpose for which the collected information will be used.

(3) Notice to the user of the length of time that the information gathering device, identifier, or other data base application will exist in the user's hard drive, if applicable.

(4) Notice to the user that he or she has the option of having his or her personal information discarded without reuse or distribution, provided that the appropriate agency official or employee is contacted after notice is given to the user.

(5) Notice to the user that any information acquired by the state agency, including the California State University, is subject to the limitations set forth in the Information Practices Act of 1977 (Title 1.8 (commencing with Section 1798) of Part 4 of Division 3 of the Civil Code).

(6) Notice to the user that state agencies shall not distribute or sell any electronically collected personal information, as defined in subdivision (d), about users to any third party without the permission of the user.

(7) Notice to the user that electronically collected personal information, as defined in subdivision (d), is exempt from requests made pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1).

(8) The title, business address, telephone number, and electronic mail address, if applicable, of the agency official who is responsible for records requests, as specified by subdivision (b) of Section 1798.17 of the Civil Code, or the agency employee designated pursuant to Section 1798.22 of that code, as determined by the agency, who is responsible for ensuring that the agency complies with requests made pursuant to this section.

(b) A state agency shall not distribute or sell any electronically collected personal information about users to any third party without prior written permission from the user, except as required to investigate possible violations of Section 502 of the Penal Code or as authorized under the Information Practices Act of 1977 (Title 1.8 (commencing with Section 1798) of Part 4 of Division 3 of the Civil Code). Nothing in this subdivision shall be construed to prohibit a state agency from distributing electronically collected personal information to another state agency or to a public law enforcement organization in any case where the security of a network operated by a state agency and exposed directly to the Internet has been, or is suspected of having been, breached.

(c) A state agency shall discard without reuse or distribution any electronically collected personal information, as defined in subdivision (d), upon request by the user.

(d) For purposes of this section:

(1) "Electronically collected personal information" means any information that is maintained by an agency that identifies or describes an individual user, including, but not limited to, his or her name, social security number, physical description, home address, home telephone number, education, financial matters, medical or employment history, password, electronic mail address, and information that reveals any network location or identity, but excludes any information manually submitted to a state agency by a user, whether electronically or in written form, and information on or relating to individuals who are users serving in a business capacity, including, but not limited to, business owners, officers, or principals of that business.

(2) "User" means an individual who communicates with a state agency or with an agency employee or official electronically.

(e) Nothing in this section shall be construed to permit an agency to act in a manner inconsistent with the standards and limitations adopted pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1) or the Information Practices Act of 1977 (Title 1.8 (commencing with Section 1798) of Part 4 of Division 3 of the Civil Code).

SEC. 6. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 430

An act to amend Section 53321.5 of the Government Code, and to amend Sections 25220, 25355, 33459.1, 33459.2, 33459.3, 33459.4, and 33459.7 of the Health and Safety Code, relating to hazardous substances.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 53321.5 of the Government Code is amended to read:

53321.5. At the time of the adoption of the resolution of intention to establish a community facilities district, the legislative body shall direct each of its officers who is or will be responsible for providing one or more of the proposed types of public facilities or services to be financed by the district, if it is established, to study the proposed district and, at or before the time of the hearing, file a report with the legislative body containing a brief description of the public facilities and services by type which will in his or her opinion be required to adequately meet the needs of the district and his or her estimate of the cost of providing those public facilities and services. If the purchase of completed public facilities or the payment of incidental expenses is proposed, the legislative body shall direct its appropriate officer to estimate the fair and reasonable cost of those facilities or incidental expenses. If removal or remedial action for the cleanup of any hazardous substance is proposed, the legislative body shall (a) direct its responsible officer to prepare or cause to be prepared, a remedial action plan based upon factors comparable to those described in subdivision (c) of Section 25356.1 of the Health and Safety Code or (b) determine, on the basis of the particular facts and circumstances, which shall be comparable to those described in subdivision (g) of Section 25356.1 of the Health and Safety Code, that the remedial action plan is not required or (c) condition financing of the removal or remedial action upon approval of a remedial action plan pursuant to Section 25356.1 of the Health and Safety Code. All of those reports shall be made a part of the record of the hearing on the resolution of intention to establish the district.

SEC. 2. Section 25220 of the Health and Safety Code is amended to read:

25220. (a) For purposes of this article, unless the context clearly requires a different meaning:

(1) "Determination" means a decision by the department as to whether land should be designated as hazardous waste property or border zone property and which is reached after an analysis and an evaluation of the information obtained by the department.

(2) "Designation" means imposition of the requirements specified in Section 25230 after a determination, a public hearing, and a decision by the director has occurred pursuant to Section 25229.

(b) Whenever there is reasonable cause for the department to believe that any land may be a hazardous waste property or border zone property, the department may, by certified mail, request any person who owns, leases, or occupies the land, or any other person who has information relating to the land, to provide any or all of the following information:

(1) A description of the present use of the land.

(2) The types and volumes of hazardous waste or extremely hazardous waste contained therein or thereon.

(3) The date or dates the hazardous waste or extremely hazardous waste was deposited into or onto the land.

(4) A map or maps of the property which they own and which contains or overlies hazardous waste or extremely hazardous waste, drawn to a scale of not more than 200 feet to the inch, which shows the area or areas where the hazardous waste or extremely hazardous waste is contained or was deposited. The provision of a map pursuant to this subdivision shall not be required if the respondent to the request asserts in writing that the respondent has no knowledge or insufficient knowledge of the existence or location of the wastes to comply with this subdivision.

(5) Any other information which relates to the disposal of hazardous waste on or within 2,000 feet of the property or the potential for the migration of those wastes.

(c) Any person who is requested to provide information pursuant to subdivision (b) shall submit the information to the department within 90 calendar days of receipt of the request.

(d) The department shall notify the planning and building department of each city, county, or regional council of governments of any recorded land use restriction imposed pursuant to Section 25202.5, 25222.1, 25229, 25230, 25355.5, or 25398.7 within the jurisdiction of the local agency. Upon receiving this notification, the planning and building department shall do both of the following:

(1) File all recorded land use restrictions in the property files of the city, county, or regional council of government.

(2) Require that any person requesting a land use which differs from those filed land use restrictions on the property apply to the department for a variance or a removal of the land use restrictions pursuant to Section 25233 or 25234.

(e) A planning and building department of a city, county, or regional council of governments may assess a property owner a reasonable fee to cover the costs of taking the actions required by subdivision (d). For purposes of this subdivision, "property owner" does not include a person who holds evidence of ownership solely to protect a security interest in the property, unless the person participates, or has a legal right to participate, in the management of the property.

(f) The department shall maintain a list of all recorded land use restrictions, including deed restrictions, recorded pursuant to Sections 25200, 25200.10, 25202.5, 25222.1, 25229, 25230, 25355.5, and 25398.7. The list shall, at a minimum, provide the street address, or, if a street address is not available, an equivalent description of location for a rural location or the latitude and longitude, of each property. The department shall update the list as new deed restrictions are recorded. The department shall make the list available to the public, upon request, and shall make the list available

on the department's Internet website. The list shall also be incorporated into the list of sites compiled pursuant to Section 65962.5 of the Government Code.

SEC. 3. Section 25355 of the Health and Safety Code is amended to read:

25355. (a) The Governor shall be responsible for the coordination of all state response actions for sites identified in Section 25356 in order to assure the maximum use of available federal funds.

(b) The director may initiate removal or remedial action pursuant to this chapter unless these actions have been taken, or are being taken properly and in a timely fashion, by any responsible party.

(c) (1) At least 30 days before initiating removal or remedial actions, the department shall make a reasonable effort to notify the persons identified by the department as potentially responsible parties and shall also publish a notification of this action in a newspaper of general circulation pursuant to the method specified in Section 6061 of the Government Code. This subdivision does not apply to actions taken pursuant to subdivision (b) of Section 25358.3 or immediate corrective actions taken pursuant to Section 25354. A responsible party may be held liable pursuant to this chapter whether or not the person was given the notice specified in this subdivision.

(2) Notwithstanding subdivision (a) of Section 25317, any person may voluntarily enter into an enforceable agreement with the department pursuant to this subdivision that allows removal or remedial actions to be conducted under the oversight of the department at sites with petroleum releases from sources other than underground storage tanks, as defined in Section 25299.24. Agreements entered into pursuant to this subdivision shall provide that the party will reimburse the department for all costs incurred including, but not limited to, oversight costs pursuant to the enforceable agreement associated with the performance of the removal or remedial actions and Chapter 6.66 (commencing with Section 25269).

(d) The department shall notify the owner of the real property of the site of a hazardous substance release within 30 days after listing a site pursuant to Section 25356, and at least 30 days before initiating a removal or remedial action pursuant to this chapter, by sending the notification by certified mail to the person to whom the real property is assessed, as shown upon the last equalized assessment roll of the county, at the address shown on the assessment roll. The requirements of this subdivision do not apply to actions taken pursuant to subdivision (b) of Section 25358.3 or to immediate corrective actions taken pursuant to Section 25354.

SEC. 4. Section 33459.1 of the Health and Safety Code is amended to read:

33459.1. (a) (1) An agency may take any actions that the agency determines are necessary and that are consistent with other state and federal laws to remedy or remove a release of hazardous substances

on, under, or from property within a project area, whether the agency owns that property or not, subject to the conditions specified in subdivision (b). Unless an administering agency has been designated under Section 25262, the agency shall request cleanup guidelines from the department or the California regional water quality control board before taking action to remedy or remove a release. The department or the California regional water quality control board shall respond to the agency's request to provide cleanup guidelines within a reasonable period of time. The agency shall thereafter submit for approval a cleanup or remedial action plan to the department or the California regional water quality control board before taking action to remedy or remove a release. The department or the California regional water quality control board shall respond to the agency's request for approval of a cleanup or remedial action plan within a reasonable period of time.

(2) The agency shall provide the department and local health and building departments, the California regional water quality control board, with notification of any cleanup activity pursuant to this section at least 30 days before the commencement of the activity. If an action taken by an agency or a responsible party to remedy or remove a release of a hazardous substance does not meet, or is not consistent with, a remedial action plan or cleanup plan approved by the department or the California regional water quality control board, the department or the California regional water quality control board that approved the cleanup or remedial action plan may require the agency to take, or cause the taking of, additional action to remedy or remove the release, as provided by applicable law. If an administering agency for the site has been designated under Section 25262, any requirement for additional action may be imposed only as provided in Sections 25263 and 25265. If methane or landfill gas is present, the agency shall obtain written approval from the California Integrated Waste Management Board prior to taking that action.

(b) Except as provided in subdivision (c), an agency may take the actions specified in subdivision (a) only under one of the following conditions:

(1) There is no responsible party for the release identified by the agency.

(2) A party determined by the agency to be responsible for the release has been notified by the agency or has received adequate notice from the department, a California regional water quality control board, the Environmental Protection Agency, or other governmental agency with relevant authority and has been given 60 days to respond and to propose a remedial action plan and schedule, and the responsible party has not agreed within an additional 60 days to implement a plan and schedule to remedy or remove the release that is acceptable to the agency and that has been found by the agency to be consistent, to the maximum extent possible, with the

priorities, guidelines, criteria, and regulations contained in the National Contingency Plan and published pursuant to Section 9605 of Title 42 of the United States Code for similar releases, situations, or events.

(3) The party determined by the agency to be responsible for the hazardous substance release entered into an agreement with the agency to prepare a remedial action plan for approval by the department, the California regional water quality control board, or the appropriate local agency and to implement the remedial action plan in accordance with an agreed schedule, but failed to prepare the remedial action plan, failed to implement the remedial action plan in accordance with the agreed schedule, or otherwise failed to carry out the remedial action in an appropriate and timely manner. Any action taken by the agency pursuant to this paragraph shall be consistent with any agreement between the agency and the responsible party and with the requirements of the state or local agency that approved or will approve the remedial action plan and is overseeing or will oversee the preparation and implementation of the remedial action plan.

(c) Subdivision (b) does not apply to either of the following agencies:

(1) An agency taking actions to investigate or conduct feasibility studies concerning a release.

(2) An agency taking the actions specified in subdivision (a) if the agency determines that conditions require immediate action.

(d) An agency may designate a local agency in lieu of the department or the California regional water quality control board to review and approve a cleanup or remedial action plan and to oversee the remediation or removal of hazardous substances from a specific hazardous substance release site in accordance with all of the following conditions:

(1) The local agency may be so designated if it is designated as the administering agency under Section 25262. In that event, the local agency, as the administering agency, shall conduct the oversight of the remedial action in accordance with Chapter 6.65 (commencing with Section 25260) and all provisions of that chapter shall apply to the remedial action.

(2) The local agency may be so designated if cleanup guidelines were requested from a California regional water quality control board, and the site is an underground storage tank site subject to Chapter 6.7 (commencing with Section 25280) of Division 20, the local agency has been certified as a certified unified program agency pursuant to Section 25404.1, the State Water Resources Control Board has entered into an agreement with the local agency for oversight of those sites pursuant to Section 25297.1, the local agency determines that the site is within the guidelines and protocols established in, and pursuant to, that agreement, and the local agency consents to the designation.

(3) A local agency may not consent to the designation by an agency unless the local agency determines that it has adequate staff resources and the requisite technical expertise and capabilities available to adequately supervise the remedial action.

(4) (A) Where a local agency has been designated pursuant to paragraph (2), the department or a California regional water quality control board may require that a local agency withdraw from the designation, after providing the agency with adequate notice, if both of the following conditions are met:

(i) The department or a California regional water quality control board determines that an agency's designation of a local agency was not consistent with paragraph (2), or makes one of the findings specified in subdivision (d) of Section 512.

(ii) The department or a California regional water quality control board determines that it has adequate staff resources and capabilities available to adequately supervise the remedial action, and assumes that responsibility.

(B) Nothing in this paragraph prevents a California regional water quality control board from taking any action pursuant to Division 7 (commencing with Section 13000) of the Water Code.

(5) Where a local agency has been designated pursuant to paragraph (2), the local agency may, after providing the agency with adequate notice, withdraw from its designation after making one of the findings specified in subdivision (d) of Section 512.

(e) To facilitate redevelopment planning, the agency may require the owner or operator of any site within a project area to provide the agency with all existing environmental information pertaining to the site, including the results of any Phase I or subsequent environmental assessment, as defined in Section 25200.14, any assessment conducted pursuant to an order from, or agreement with, any federal, state or local agency, and any other environmental assessment information, except that which is determined to be privileged. The person requested to furnish the information shall be required only to furnish that information as may be within their possession or control, including actual knowledge of information within the possession or control of any other party. If environmental assessment information is not available, the agency may require the owner of the property to conduct an assessment in accordance with standard real estate practices for conducting Phase I or Phase II environmental assessments.

(f) This section shall remain in effect only until January 1, 2004, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 2004, deletes or extends that date.

SEC. 5. Section 33459.2 of the Health and Safety Code is amended to read:

33459.2. (a) Within a project area, an agency may take any actions which the agency determines are necessary and which are consistent with other state and federal laws to remedy or remove

hazardous substances from property if the agency obtains written approval from the department or a California regional water quality control board, as appropriate, prior to taking that action. In addition, if methane or landfill gas is present, the agency shall also obtain written approval from the California Integrated Waste Management Board prior to taking that action.

(b) An agency may designate a local agency in lieu of the department or the California regional water quality control board to oversee the remediation or removal of hazardous substances from a specific hazardous substance release site in accordance with all of the following conditions:

(1) The local agency may be designated in lieu of the department or the California regional water quality control board if the local agency is designated as the administering agency under Section 25262. In such a case, the local agency, as the administering agency, shall conduct the oversight of the remedial action in accordance with Chapter 6.65 (commencing with Section 25260) and all provisions of that chapter shall apply to the remedial action.

(2) The local agency may be designated in lieu of the department or the California regional water quality control board if the site is an underground storage tank site subject to Chapter 6.7 (commencing with Section 25280) of Division 20, the local agency has been certified as a certified unified program agency pursuant to Section 25404.1, the State Water Resources Control Board has entered into an agreement with the local agency for oversight of such sites pursuant to Section 25297.1, the local agency determines that the site is within the guidelines and protocols established in, and pursuant to, that agreement, and the local agency consents to the designation.

(3) A local agency may not consent to the designation by an agency unless the local agency determines that it has adequate staff resources and the requisite technical expertise and capabilities available to adequately supervise the remedial action.

(4) (A) Where a local agency has been designated pursuant to paragraph (2), the department or a California regional water quality control board may require that a local agency withdraw from the designation, after providing the agency with adequate notice, if both of the following conditions are met:

(i) The department or a California regional water quality control board determines that an agency's designation of a local agency was not consistent with paragraph (2), or makes one of the findings specified in subdivision (d) of Section 512.

(ii) The department or a California regional water quality control board determines that it has adequate staff resources and capabilities available to adequately supervise the remedial action, and assumes that responsibility.

(B) Nothing in this paragraph prevents a California regional water quality control board from taking any action pursuant to Division 7 (commencing with Section 13000) of the Water Code.

(5) Where a local agency has been designated pursuant to paragraph (2), the local agency may, after providing the agency with adequate notice, withdraw from its designation after making one of the findings specified in subdivision (d) of Section 512.

(c) This section shall become operative on January 1, 2004.

SEC. 6. Section 33459.3 of the Health and Safety Code is amended to read:

33459.3. (a) Notwithstanding any other provision of law, except as provided in Section 33459.7, an agency that undertakes and completes an action, or causes another person to undertake and complete an action, pursuant to Section 33459.1, as specified in subdivision (c), to remedy or remove a hazardous substance release on, under, or from property within a redevelopment project, in accordance with a cleanup or remedial action plan prepared by a qualified independent contractor and approved by the department or a California regional water quality control board or the local agency, as appropriate, pursuant to subdivision (b), is not liable, with respect to that release only, under Division 7 (commencing with Section 13000) of the Water Code or Chapter 6.5 (commencing with Section 25100), Chapter 6.7 (commencing with Section 25280), Chapter 6.75 (commencing with Section 25299.10), or Chapter 6.8 (commencing with Section 25300), of Division 20 of this code, or any other state or local law providing liability for remedial or removal actions for releases of hazardous substances. If the remedial action was also performed pursuant to Chapter 6.65 (commencing with Section 25260) of Division 20, and a certificate of completion is issued pursuant to subdivision (b) of Section 25264, the immunity from agency action provided by the certificate of completion, as specified in subdivision (c) of Section 25264, shall apply to the agency, in addition to the immunity conferred by this section. In the case of a remedial action performed pursuant to Chapter 6.65 (commencing with Section 25260) of Division 20, and for which the administering agency is a local agency, the limitations on the certificate of completion set forth in paragraphs (1) to (6), inclusive, of subdivision (c) of Section 25264 are limits on any immunity provided for by this section and subdivision (c) of Section 25264.

(b) Upon approval of any cleanup or remedial action plan, pursuant to applicable statutes and regulations, the director or the California regional water quality control board or the local agency, as appropriate, shall acknowledge, in writing, within 60 days of the date of approval, that upon proper completion of the remedial or removal action in accordance with the plan, the immunity provided by this section shall apply to the agency.

(c) Notwithstanding any provision of law or policy providing for certification by a person conducting a remedial or removal action that the action has been properly completed, a determination that a remedial or removal action has been properly completed pursuant to this section shall be made only upon the affirmative approval of the

director or the California regional water quality control board or the local agency, as appropriate. The department, California regional water quality control board, or local agency, as appropriate, shall, within 60 days of the date it finds that a remedial action has been completed, notify the agency in writing that the immunity provided by this section is in effect.

(d) The approval of a cleanup or remedial action plan under this section by a local agency shall also be subject to the concurrent approval of the department or a California regional water quality control board when the agency receiving the approval was formed by the same entity of which the local agency is a part.

(e) Upon proper completion of a remedial or removal action, as specified in subdivision (c), the immunity from agency action provided by the certificate of completion provided pursuant to subdivision (c) of Section 25264 and the immunity provided by this section extends to all of the following, but only for the release or releases specifically identified in the approved cleanup or remedial action plan and not for any subsequent release or any release not specifically identified in the approved cleanup or remedial action plan:

(1) Any employee or agent of the agency, including an instrumentality of the agency authorized to exercise some, or all, of the powers of an agency within, or for the benefit of, a redevelopment project and any employee or agent of the instrumentality.

(2) Any person who enters into an agreement with an agency for the redevelopment of property, if the agreement requires the person to acquire property affected by a hazardous substance release or to remove or remedy a hazardous substance release with respect to that property.

(3) Any person who acquires the property after a person has entered into an agreement with an agency for redevelopment of the property as described in paragraph (2).

(4) Any person who provided financing to a person specified in paragraph (2) or (3).

(f) Notwithstanding any other provision of law, the immunity provided by this section does not extend to any of the following:

(1) Any person who was a responsible party for the release before entering into an agreement, acquiring property, or providing financing, as specified in subdivision (e).

(2) Any person specified in subdivision (a) or (e) for any subsequent release of a hazardous substance or any release of a hazardous substance not specifically identified in the approved cleanup or remedial action plan.

(3) Any contractor who prepares the cleanup or remedial action plan, or conducts the removal or remedial action.

(4) Any person who obtains an approval, as specified in subdivision (b), or a determination, as specified in subdivision (c),

by fraud, negligent or intentional nondisclosure, or misrepresentation, and any person who knows before the approval or determination is obtained or before the person enters into an agreement, acquires the property or provides financing, as specified in subdivision (e), that the approval or determination was obtained by these means.

(g) The immunity provided by this section is in addition to any other immunity of an agency provided by law.

(h) This section does not impair any cause of action by an agency or any other party against the person, firm, or entity responsible for the hazardous substance release which is the subject of the removal or remedial action taken by the agency or other person immune from liability pursuant to this section.

(i) This section does not apply to, or limit, alter, or restrict, any action for personal injury, property damage, or wrongful death.

(j) This section does not limit liability of a person described in paragraph (3) or (4) of subdivision (e) for damages under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sec. 9601 et seq.).

(k) This section does not establish, limit, or affect the liability of an agency for any release of a hazardous substance that is not investigated or remediated pursuant to this section or Chapter 6.65 (commencing with Section 25260) of Division 20.

(*l*) The immunity provided for by this section is only conferred if both of the following apply:

(1) The action is in accordance with a cleanup or remedial action plan prepared by a qualified independent contractor and approved by the department or a California regional water quality control board or the local agency, as appropriate, pursuant to subdivision (b).

(2) The remedial or removal action is undertaken and properly completed as specified in subdivision (c).

(m) The agency shall reimburse the department, the California regional water quality control board, and the local agency for costs incurred in reviewing or approving cleanup or remedial action plans pursuant to this section.

SEC. 7. Section 33459.4 of the Health and Safety Code is amended to read:

33459.4. (a) Except as provided in Section 33459.7, if a redevelopment agency undertakes action to remedy or remove, or to require others to remedy or remove, including, compelling a responsible party through a civil action, to remedy or remove, a release of hazardous substance, any responsible party or parties shall be liable to the redevelopment agency for the costs incurred in the action. An agency may not recover the costs of goods and services that were not procured in accordance with applicable procurement procedures. The amount of the costs shall include the interest on the costs accrued from the date of expenditure and reasonable attorney's fees and shall be recoverable in a civil action. Interest shall be

calculated based on the average annual rate of return on an agency's investment of surplus funds for the fiscal year in which costs were incurred.

(b) The only defenses available to a responsible party shall be the defenses specified in subdivision (b) of Section 25323.5.

(c) An agency may recover any costs incurred to develop and to implement a cleanup or removal action plan approved pursuant to Sections 33459.1 and 33459.3, to the same extent the department is authorized to recover those costs. The scope and standard of liability for any costs recoverable pursuant to this section shall be the scope and standard of liability under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sec. 9601 et seq.) as that act would apply to the department; provided, however, that any reference to hazardous substance therein shall be deemed to refer to hazardous substance as defined in subdivision (c) of Section 33459.

(d) An action for recovery of costs of a remedy or removal undertaken by a redevelopment agency under this section shall be commenced within three years after completion of the remedy or removal.

(e) The action to recover costs provided by this section is in addition to, and is not to be construed as restricting, any other cause of action available to a redevelopment agency.

(f) Except as provided in subdivision (m) of Section 33459.3, notwithstanding any other provision of state law or policy, an agency that undertakes and completes a remedial action, or otherwise causes a remedial action to be undertaken and completed pursuant to Sections 33459.1 and 33459.3, shall not be liable based on its ownership of property after a release occurred, for any costs that any responsible party for that release incurs to investigate or remediate the release or to compensate others for the effects of that release.

SEC. 8. Section 33459.7 of the Health and Safety Code is amended to read:

33459.7. Sections 33459.3 and 33459.4 apply only to remedial or removal actions commenced by an agency before January 1, 2004. For purposes of this section, an agency that adopts a resolution to undertake a removal or remedial action shall be deemed to have commenced the removal or remedial action on the date the resolution is adopted.

SEC. 9. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative

on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 431

An act to add Sections 12023, 12024, and 12026 to the Fish and Game Code, relating to fish.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and hereby declares that the state's sport and commercial fisheries are resources of great economic and recreational importance. These resources are jeopardized by the introduction of a variety of aquatic organisms, and especially by the introduction of nonindigenous species that threaten the viability or abundance of a native species, the ecological stability of waters inhabited by those species, or the sustainability of commercial, agricultural, aquacultural, or recreational activities and the fisheries that depend on those waters. The Legislature therefore declares that the people of the state have a primary interest in regulating the placement, planting, and the attempted placement or planting of any live fish, any fresh or saltwater animal, or any aquatic plant in any waters of this state that is an aquatic nuisance species as defined in Section 6431 of the Fish and Game Code.

SEC. 2. Section 12023 is added to the Fish and Game Code, to read:

12023. (a) Notwithstanding Section 12002, any person who violates Section 6400 through the use of an aquatic nuisance species, as defined in Section 6431, is guilty of a misdemeanor, punishable by all of the following:

(1) Imprisonment in the county jail for not less than six months or more than one year, a fine of not more than fifty thousand dollars ($50,000) for each violation, or both that imprisonment and fine.

(2) Revocation of all of the defendant's licenses and permits issued pursuant to this code.

(b) A person who personally or through another violates Section 6400, through the use of an aquatic nuisance species, is liable to the owner of any privately or publicly owned property for any damages to that property caused by the violation. A person who violates Section 6400 through the use of an aquatic nuisance species shall also be liable for all monetary damages directly, indirectly, and proximately caused thereby, including, but not limited to, damages to any commercial fishery, sport fishery, or to the public communities which depend upon those fisheries for a portion of their annual

income. The Attorney General may file a civil action on behalf of the fisheries or communities that are damaged as a result of the violation. In addition, a private citizen who suffers damages as a result of the violation may file a civil action against the violator.

(c) A person who allows an aquatic nuisance species to escape from his or her property to the property of another, whether privately or publicly owned, is liable to the owner of the intruded upon property for any damages caused by the species.

(d) This section shall not apply to the placement of any live fish, any fresh or salt water animal, or any aquatic plant from the discharge or exchange of ballast water from any vessel as defined by Section 21 of the Harbors and Navigation Code.

(e) This section does not apply to the placement of an aquatic plant by a person who was unaware that he or she was in possession of the plant. This exception includes circumstances in which a plant becomes unknowingly and temporarily attached or affixed to a boat, boat trailer, or boat motor.

SEC. 3. Section 12024 is added to the Fish and Game Code, to read:

12024. (a) In addition to Section 12023, a person who violates Section 6400 through the use of an aquatic nuisance species is liable for all public and private response, treatment, and remediation efforts resulting from the violation. The cost of these efforts shall constitute a debt of that person, and shall be collectible by the federal, state, county, public agency, or private individual or individuals, incurring those costs in the same manner as in the case of an obligation under a contract, expressed or implied.

(b) Public agencies participating in a response to a violation of Section 6400 through the use of an aquatic nuisance species may designate one or more of the participating agencies to bring an action to recover costs incurred by all of the participating agencies.

(c) The costs relating to an accounting for a violation of Section 6400 through the use of an aquatic nuisance species and the collection of any funds, including, but not limited to, the administrative, legal, and public relations costs of operating a response and remediation program may also be the subject of an action to recover costs which are charged against the responsible person.

SEC. 4. Section 12026 is added to the Fish and Game Code, to read:

12026. Any person whom the department determines has provided evidence or information leading to the arrest and conviction of a person or persons found guilty of violating Section 6400 through the use of an aquatic nuisance species, is eligible to obtain a reward of up to fifty thousand dollars ($50,000) pursuant to Section 2586.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will

be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 432

An act to amend Sections 43021, 43032, and 43033 of the Health and Safety Code, relating to air resources.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 43021 of the Health and Safety Code is amended to read:

43021. (a) For purposes of this section, "motor vehicle fuel distributor" means any person who (1) refines, blends, or otherwise produces motor vehicle fuel, or (2) with an ownership interest in the fuel, transports or causes the transport of motor vehicle fuel at any point between a production or import facility and a retail outlet, or sells, offers for sale, or supplies motor vehicle fuel to motor vehicle fuel retailers.

(b) Any motor vehicle fuel distributor who conducts business within the state, annually on January 1, shall inform the state board in writing of the distributor's principal place of business, which shall be a physical address and not a post office box, and any other place of business at which company records are maintained or refining activities are conducted.

(c) The state board shall supply each complying motor vehicle fuel distributor with a certificate of compliance with this section not later than June 30. The certificate shall be effective from July 1 of the year of issuance through June 30 of the following year.

(d) All motor vehicle fuel distributors shall maintain complete records of each purchase, delivery, or supply of motor vehicle fuel for a period of not less than two years in the physical locations reported pursuant to subdivision (b) and shall not move the records to another physical location without notifying the state board of the new location. A complete record for each delivery shall consist of not less than a copy, or the information contained therein, of the bills of lading from the refinery or bulk terminal from which the fuel is

received, the delivery ticket or receipt showing the location of the fuel at the time of sale, and the invoice showing the purchaser of the fuel. All those records may be kept in physical or electronic format and are subject to inspection and duplication by the state board.

(e) Any motor vehicle fuel distributor who intentionally fails to comply with subdivision (b) or (d) is liable for a civil penalty not to exceed one thousand dollars ($1,000) for each day of noncompliance.

(f) No person shall knowingly transport motor vehicle fuel for any motor vehicle fuel distributor who is not in possession of a current certificate of compliance as described in subdivision (c). Any person who transports or provides vehicles to transport motor vehicle fuel for a noncomplying distributor is liable for a civil penalty not exceeding ten thousand dollars ($10,000) for each day as well as any penalties prescribed by Section 41963. However, any person who transports, or provides vehicles to transport, motor vehicle fuel for a distributor who is in possession of a current certificate of compliance shall not be liable for any penalties under this subdivision or Section 41963 unless that person has specific knowledge of noncompliance.

(g) Any retailer who knowingly sells or supplies motor vehicle fuel that was delivered to the retailer by, or on behalf of, a noncomplying motor vehicle fuel distributor is liable for a civil penalty not to exceed ten thousand dollars ($10,000) for each transaction.

(h) Any retailer who sells motor vehicle fuel that does not comply with regulations of the state board, after both oral and written notice to cease have been delivered to the owner, manager, or attendant on duty at the facility, and upon failure to comply with that notice, is subject to the issuance of a cease and desist order by the state board and a penalty of ten thousand dollars ($10,000) for each day of noncompliance with the cease and desist order.

(i) The state board shall annually compile and publish a complete listing of all certified wholesale petroleum distributors, and shall mail a copy to every licensed transporter of petroleum products.

(j) This section shall become operative January 1, 2003.

SEC. 2. Section 43032 of the Health and Safety Code is amended to read:

43032. Notwithstanding Section 7550.5 of the Government Code, on or before January 1, 2002, the state board shall report to the Assembly Committee on Natural Resources, the Assembly Committee on Transportation, the Senate Committee on Criminal Procedure, and the Senate Committee on Transportation all violations that are subject to this chapter, any settlements reached, and the rate of compliance with any requirements that are subject to this chapter.

SEC. 3. Section 43033 of the Health and Safety Code is amended to read:

43033. This chapter shall remain in effect only until January 1, 2003, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2003, deletes or extends that date.

CHAPTER 433

An act to amend Section 33204.2 of, and to add Section 33204.27 to, the Public Resources Code, relating to the Santa Monica Mountains Conservancy.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 33204.2 of the Public Resources Code is amended to read:

33204.2. (a) The conservancy may award grants to nonprofit organizations qualified as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (26 U.S.C. Sec. 501(c)(3)), and private educational institutions that file the statement with the Superintendent of Public Instruction required by Section 33190 of the Education Code, to carry out improvements, maintenance, acquisitions, or educational interpretation programs that directly relate to a project that the conservancy is otherwise authorized to undertake pursuant to this division.

(b) Grants awarded pursuant to this section are subject to the review and approval of the Department of General Services. The conservancy shall not award a grant under this section for a project that is not for the purposes specified in subdivision (a). No nonprofit organization may expend any portion of a grant to engage in any activity not expressly authorized pursuant to subdivision (a).

(c) The executive director shall submit a notice to the Department of Finance 30 days prior to award of a grant under this section. The notice shall specify the recipient organization, the amount to be granted, and the purposes for which the grant is awarded. The period for notice under this subdivision may be concurrent with the review of the Department of General Services under subdivision (b).

SEC. 2. Section 33204.27 is added to the Public Resources Code, to read:

33204.27. (a) The conservancy may award grants to school districts and other local agencies for any of the purposes for which it may award grants to nonprofit organizations pursuant to subdivision (a) of Section 33204.2.

(b) Grants awarded to school districts pursuant to subdivision (a) shall be subject to both of the following conditions:

(1) The grants shall not include cash grants of state funds.

(2) Grants permitting the use of facilities shall be limited to facilities that are owned by the conservancy.

CHAPTER 434

An act to amend Sections 592, 593, 594, 596, and 597 of, to add Section 591.5 to, and to repeal and add Sections 591, 599, and 600 of, the Food and Agricultural Code, relating to agricultural chemicals.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 591 of the Food and Agricultural Code is repealed.

SEC. 2. Section 591 is added to the Food and Agricultural Code, to read:

591. (a) The Legislature finds and declares all of the following:

(1) Successful farmers and ranchers adapt to changing circumstances through innovation and the incorporation of new information and practices, in order to improve their economic productivity and maintain the long-term sustainability of farmland and other natural resources.

(2) California's farmers and ranchers face increasing pressure to modify their use of water and agricultural chemicals, resulting from, among other things, implementation of the federal Food Quality Protection Act of 1996 (Public Law 104-170), the federal Central Valley Project Improvement Act (Public Law 102-575), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code), and other state and federal rules.

(3) In 1995, the University of California established, pursuant to Chapter 1059 of the Statutes of 1994, a program of pilot demonstration projects called Biologically Integrated Farming Systems (BIFS), to demonstrate and expand the use of integrated farming systems as a means of building soil fertility while attempting to modify or reduce the use of agricultural chemicals.

(4) Biologically integrated farming systems provide some pollution prevention results, including reductions in surface water and groundwater contamination, air contaminant emissions, and particulate matter; and also promote practices that decrease erosion and improve habitat for wildlife.

(5) Farmers and ranchers who are accomplished in managing biologically integrated farming systems are often willing and able to act as mentors for other farmers.

(b) It is the intent of the Legislature to expand and improve the BIFS program so that integrated farming systems can be applied to a greater number of crops and regions and to more widely disseminate information on how to implement integrated farming systems through science-based technical assistance and farmer-to-farmer information sharing.

SEC. 3. Section 591.5 is added to the Food and Agricultural Code, to read:

591.5. (a) For the purposes of this article, biologically integrated farming systems help provide soil fertility, pest control, pollution prevention, and environmental improvements through integration of some or all of the following elements:

(1) Relying on biological and cultural controls to protect crops from pest outbreaks and increase beneficial insect populations.

(2) Creating on-farm habitats and restoring riparian zones to harbor beneficial insect populations, reduce movement of pests to susceptible crops, and improve habitat for migrant birds and upland game species.

(3) Using cover crops to provide some or all of the nitrogen needed by crop plants, increase water infiltration of the soil, and decrease erosion and flooding.

(4) Directing overall attention to soil building practices, to improve crop nutrition, reduce soilborne pests, reduce reliance on chemical pesticides and fertilizers, and to provide additional scientific research and information on pest management and soil fertility.

(5) Using pest monitoring and decision thresholds for chemical applications, to avoid uneconomic applications of pesticides and fertilizers.

(6) Improving livestock management, reducing erosion, restoring native bunch grasses and other native plants, protecting riparian zones, and improving fish and wildlife habitat.

(b) For the purposes of this act, "program" means the Biologically Integrated Farming Systems (BIFS) program.

SEC. 4. Section 592 of the Food and Agricultural Code is amended to read:

592. There is established within the University of California a program of pilot demonstration projects designed to provide extension services, training, and financial incentives for participating farmers to implement biologically integrated farming systems. In implementing the program, it is the intent of the Legislature that all of the following occur:

(a) The program should be designed to extend integrated farming systems through the proven technique of farmer-to-farmer communication, with technical support provided by farm advisers, scientists, pest control advisers, and certified crop advisers.

(b) The structure of each pilot demonstration project should be patterned, to the degree feasible, after the successful collaboration

between the University of California and the Biologically Integrated Orchard Systems (BIOS) Program coordinated by the Community Alliance with Family Farmers in Merced, Stanislaus, Colusa, Madera, San Joaquin, Solano, and Yolo Counties.

(c) Pilot demonstration projects should be selected through a competitive process that supports the goals specified in Section 591.5. The proposals for the projects selected should include a description of the project's objectives, a workplan for the project's implementation, and a component for monitoring and evaluating the project's findings and results. The proposals should demonstrate the applicant's experience in the farming systems described in subdivision (a) of Section 591.5, should contain documented financial and technical support, and should provide for a breadth of private sector cost sharing.

(d) The program should make all feasible efforts to select projects involving a variety of commodities and cropping systems located in different counties.

(e) Funding for the program should consist of a combination of federal, state, and private sector funds. The Department of Pesticide Regulation shall provide fiscal oversight and shall allocate all program funds received, less 2 percent for administrative costs, to the University of California for purposes of implementing the pilot demonstration projects. The program may allocate up to 10 percent of program funds to support research related to biologically integrated farming systems.

SEC. 5. Section 593 of the Food and Agricultural Code is amended to read:

593. (a) There is established at the University of California a program advisory review board consisting of 13 members, appointed by the President of the University of California, or his or her designee, as follows:

(1) Ten members who are knowledgeable regarding the farming systems described in subdivision (b) of Section 591, as follows:

(A) Two representatives from the University of California.

(B) Two representatives from relevant federal agencies.

(C) Three growers.

(D) Two representatives of nonprofit organizations.

(E) One licensed pest control adviser.

(2) One member from each of the following:

(A) The Department of Pesticide Regulation.

(B) The Department of Food and Agriculture.

(C) The Pest Management Advisory Committee. This member shall be a public member who is not a government employee.

(b) The members of the review board shall serve without compensation but shall be paid necessary and proper expenses incurred in the performance of official duties.

SEC. 6. Section 594 of the Food and Agricultural Code is amended to read:

594. In order to administer and implement the program, the University of California, in consultation with the program advisory review board, shall perform the following duties:

(a) Develop policies and procedures to guide the implementation of the pilot demonstration projects. These policies and procedures shall include, but shall not be limited to, a mechanism for monitoring and summarizing pesticide and fertilizer use for each project with an assessment of overall environmental impacts, including improvements in environmental quality on each project.

(b) Develop and issue requests for proposals for the pilot demonstration projects.

(c) Review and select the proposals to be funded.

(d) Annually review pilot demonstration projects and determine which projects shall be renewed.

SEC. 7. Section 596 of the Food and Agricultural Code is amended to read:

596. The contract for a pilot demonstration project shall be for a period of up to five years and shall be evaluated annually by the director of the program and the program advisory review board. The evaluation shall be based on an annual report submitted by the pilot project supervisor that documents changes in agricultural practices, agrichemical and water use, crop yields, environmental impacts, and monitoring data resulting from the pilot project. Funding for subsequent years of the contract shall be contingent upon adequate progress in those documented criteria, as determined by the director with the advice of the board, and continued grower participation in the pilot project.

SEC. 8. Section 597 of the Food and Agricultural Code is amended to read:

597. Not later than January 1, 2001, and biennially thereafter, the University of California shall report to the Pest Management Advisory Committee, appropriate policy and fiscal committees of the Legislature, and, upon request, any Members of the Legislature on the status of each of the pilot demonstration projects. The report shall include, but shall not be limited to, an analysis of the monitoring activities, summary and assessment data on pesticide, fertilizer, and water use on each pilot demonstration project, and an analysis of the success of each project in meeting the standards for integrated farming systems set forth in this article.

SEC. 9. Section 599 of the Food and Agricultural Code is repealed.

SEC. 10. Section 599 is added to the Food and Agricultural Code, to read:

599. New pilot demonstration projects may not be commenced on or after December 31, 2005. Until all funds available for the projects are encumbered, the University of California may continue to use available funds for projects that it commenced prior to December 31, 2005.

SEC. 11. Section 600 of the Food and Agricultural Code is repealed.

SEC. 12. Section 600 is added to the Food and Agricultural Code, to read:

600. No provision of this article applies to the University of California unless the Regents of the University of California, by resolution, make that provision applicable.

CHAPTER 435

An act to add Chapter 8 (commencing with Section 22000) to Division 21 of the Elections Code, to amend Section 60602 of the Government Code, to amend Sections 11823, 15963, and 24823 of, and to repeal Section 15964 of, the Public Utilities Code, to amend Sections 30733, 35056, and 74430 of, to repeal Sections 71541 and 71542 of, and to repeal and add Sections 21065, 60132, and 71540 of, the Water Code, to amend Section 15 of the Drainage District Act of 1903 (Chapter 238 of the Statutes of 1903), to amend Section 70 of the Protection District Act of 1907 (Chapter 25 of the Statutes of 1907), to amend Section 1.2 of the Orange County Water District Act (Chapter 934 of the Statutes of 1933), to amend Section 7 of the Yuba County Water Agency Act (Chapter 788 of the Statutes of 1959), to amend Section 93 of the Antelope Valley-East Kern Water Agency Act (Chapter 2146 of the Statutes of 1959), to amend Section 3.2 of the Mojave Water Agency Law (Chapter 2146 of the Statutes of 1959), to amend Section 4 of the San Gorgonio Pass Water Agency Law (Chapter 1435 of the Statutes of 1961), to amend Section 42 of the Crestline-Lake Arrowhead Water Agency Act (Chapter 40 of the 1962 First Extraordinary Session), to amend Section 222 of the Monterey Peninsula Water Management District Act (Chapter 527 of the Statutes of 1977), to amend Section 220 of the Stanislaus County Flood Control Enabling Act (Chapter 421 of the Statutes of 1981), to amend Section 406 of the Pajaro Valley Water Management Agency Act (Chapter 257 of the Statutes of 1984), to add Section 223 to the Stanislaus County Flood Control Enabling Act (Chapter 421 of the Statutes of 1981), and to repeal Sections 1.4 and 1.6 of the Orange County Water District Act (Chapter 934 of the Statutes of 1933), relating to special districts.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Chapter 8 (commencing with Section 22000) is added to Division 21 of the Elections Code, to read:

CHAPTER 8. SPECIAL DISTRICTS

22000. (a) Each district required by its authorizing act to adjust division boundaries pursuant to this section shall, by resolution, after each federal decennial census, and using that census as a basis, adjust the boundaries of any divisions so that the divisions are, as far as practicable, equal in population and in compliance with Section 1973 of Title 42 of the United States Code, as amended, to the extent those provisions are applicable. In adjusting the boundaries of the district, the board may give consideration to the following factors: (1) topography, (2) geography, (3) cohesiveness, contiguity, integrity, and compactness of territory, and (4) community of interests of the district. This section does not apply to districts in which only landowners vote for directors or whose directors are all elected at large or appointed.

(b) The resolution specified in subdivision (a) shall be adopted by a vote of not less than a majority of the directors.

(c) At the time of, or after, any annexation of territory to the district, the board of directors shall designate, by resolution, the division of which the annexed territory shall be a part.

(d) No change in division boundaries may be made within 180 days preceding the election of any director.

(e) (1) A change in division boundaries shall not affect the term of office of any director.

(2) If division boundaries are adjusted, the director of the division whose boundaries have been adjusted shall continue to be the director of the division bearing the number of his or her division as formerly comprised until the office becomes vacant by means of term expiration or otherwise, whether or not the director is a resident within the boundaries of the division as adjusted.

(f) The successor to the office in a division whose boundaries have been adjusted shall be a resident and voter of that division.

(g) A district is not required to adjust the boundaries of any divisions pursuant to this section until after the 2000 federal decennial census.

(h) Nothing in this section shall be construed to prohibit or restrict a district from adjusting the boundaries of any divisions whenever the governing body of the district determines by a two-thirds vote of the governing body that a sufficient change in population has occurred that makes it desirable in the opinion of the governing body to adjust the boundaries of any divisions, or whenever any territory is added by or excluded from the district.

SEC. 2. Section 60602 of the Government Code is amended to read:

60602. Each district shall be divided into five, seven, or nine areas. One member of the board shall be elected pursuant to this chapter from each area. The boundaries of all areas shall be adjusted pursuant

to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 3. Section 11823 of the Public Utilities Code is amended to read:

11823. The board shall by resolution or ordinance fix the boundaries of the wards for the purpose of electing directors therefrom. The board of directors shall, by resolution, adjust the boundaries of any wards pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 4. Section 15963 of the Public Utilities Code is amended to read:

15963. The board of directors shall determine the boundaries of each unit of unincorporated territory within the district pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 5. Section 15964 of the Public Utilities Code is repealed.

SEC. 6. Section 24823 of the Public Utilities Code is amended to read:

24823. The board shall by resolution or ordinance fix the boundaries of the wards for the purpose of electing directors therefrom. The board shall adjust the boundaries of the wards for the purpose of electing directors therefrom pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 7. Section 21605 of the Water Code is repealed.

SEC. 8. Section 21065 is added to the Water Code, to read:

21065. (a) Notwithstanding any other provision of law, subdivision (b) applies to districts in which directors are elected by divisions.

(b) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 9. Section 30733 of the Water Code is amended to read:

30733. If the question submitted to the voters of the district pursuant to this article provides for the election of directors by divisions and is approved by a majority of the voters voting on the question, then:

(a) The board shall promptly by resolution divide the district into five divisions as nearly equal in population as practicable and assign a number to each division.

(b) The board shall, not less than 85 days prior to the general district election next after the election approving the election of directors by division, by resolution designate which divisions shall elect directors at that election to succeed the directors whose terms then expire. The remaining divisions shall elect directors at the general district election next following that election.

(c) Notwithstanding any other provision of law, subdivision (d) applies to districts in which directors are elected by divisions.

(d) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 10. Section 35056 of the Water Code is amended to read:

35056. (a) After the establishment of a resident voting district, the provisions set forth in Article 2 (commencing with Section 35025) of this chapter are no longer applicable. The board of directors may at any time establish divisions within the district.

(b) Notwithstanding any other provision of law, subdivision (c) applies to districts in which directors are elected by divisions.

(c) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 11. Section 60132 of the Water Code is repealed.

SEC. 12. Section 60132 is added to the Water Code, to read:

60132. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 13. Section 71540 of the Water Code is repealed.

SEC. 14. Section 71540 is added to the Water Code, to read:

71540. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 15. Section 71541 of the Water Code is repealed.

SEC. 16. Section 71542 of the Water Code is repealed.

SEC. 17. Section 74430 of the Water Code is amended to read:

74430. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 18. Section 15 of the Drainage District Act of 1903 (Chapter 238 of the Statutes of 1903) is amended to read:

Sec. 15. (a) Notwithstanding any other provision of law, subdivision (b) applies to districts in which directors are elected by divisions.

(b) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 19. Section 70 of the Protection District Act of 1907 (Chapter 25 of the Statutes of 1907) is amended to read:

Sec. 70. (a) At least 30 days before the next general election of a district, the board of directors thereof shall make an order dividing the district into three or five divisions, as the case may require, as nearly equal in size as may be practicable, which shall be numbered first, second, third and so on, and one director shall be elected by each division.

(b) The board of directors shall, by resolution, adjust the boundaries of any division adjusted pursuant to Chapter 8

(commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 20. Section 1.2 of the Orange County Water District Act (Chapter 934 of the Statutes of 1933) is amended to read:

Sec. 1.2. (a) The board of directors shall, by resolution, adjust the boundaries of the first, second, third, fourth, fifth, sixth, and seventh divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

(b) The board of directors is not required to adjust the boundaries of the eighth, ninth, and tenth divisions of the district pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 21. Section 1.4 of the Orange County Water District Act (Chapter 924 of the Statutes of 1933), is repealed.

SEC. 22. Section 1.6 of the Orange County Water District Act (Chapter 934 of the Statutes of 1933) is repealed.

SEC. 23. Section 7 of the Yuba County Water Agency Act (Chapter 788 of the Statutes of 1959) is amended to read:

Sec. 7. (a) (1) The board of directors shall consist of seven members. The members of the board of supervisors of the county shall be ex officio members of the board of directors of the agency. Two members of the board of directors shall be elected by the voters in accordance with this section. Each elected director shall be a registered voter, a resident of the county, and eligible to hold elected office. One elected director shall reside north of the Yuba River and shall be elected by the voters residing north of the Yuba River. The other elected director shall reside south of the Yuba River and shall be elected by voters residing south of the Yuba River.

(2) Notwithstanding paragraph (1), the board of directors shall, by resolution, adjust the boundaries of the geographical areas from which the two directors are elected to create two divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

(b) The term of office of the two elected directors shall be four years, except that the initial terms of office shall be staggered with one director, chosen by lot, serving for a term of two years. The two elected directors shall initially be elected at the general election held on November 6, 1990, and shall take office at the first meeting of the board of directors after January 1, 1991. One elected director shall thereafter be elected at each statewide primary election held in an even-numbered year, except that if no candidate receives more than 50 percent of the votes cast for the office at that election, the two candidates receiving the highest number of votes for the office shall be on the ballot at the general election held the following November. The elected directors shall take office at the first meeting of the board of directors after the first day of January following their election.

(c) Directors shall be entitled to receive from the agency the sum of twenty dollars ($20) for each meeting attended, plus actual,

necessary and reasonable traveling expenses. The basis for compensation of the directors, and the amount thereof, may be altered only by a five-sevenths vote of the directors. The board of directors may adopt reasonable rules and regulations to carry out its powers and duties. The board of directors shall elect a chairperson and vice chairperson. The chairperson shall preside at all meetings of the board and in case of his or her absence or inability to act, the vice chairperson shall preside. In case of the absence of the chairperson and vice chairperson or their inability to act, the members present shall, by an order entered in the records, select a member to act as temporary chairperson. Any member of the board may administer oaths when necessary in the performance of his or her official duties. A majority of the members of the board shall constitute a quorum for the transaction of business, but no act of the board shall be valid or binding unless a majority of all members concur therein.

SEC. 24. Section 93 of the Antelope Valley-East Kern Water Agency Act (Chapter 2146 of the Statutes of 1959) is amended to read:

Sec. 93. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 25. Section 3.2 of the Mojave Water Agency Law (Chapter 2146 of the Statutes of 1959) is amended to read:

Sec. 3.2. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 26. Section 4 of the San Gorgonio Pass Water Agency Law (Chapter 1435 of the Statutes of 1961) is amended to read:

Sec. 4. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 27. Section 42 of the Crestline-Lake Arrowhead Water Agency Act (Chapter 40 of the 1962 First Extraordinary Session) is amended to read:

Sec. 42. The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 28. Section 222 of the Monterey Peninsula Water Management District Act (Chapter 527 of the Statutes of 1977) is amended to read:

Sec. 222. (a) After the adoption of the resolution by the board to establish resident voting divisions in the district, the board of directors shall establish the boundaries of the divisions.

(b) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 29. Section 220 of the Stanislaus County Flood Control Enabling Act (Chapter 421 of the Statutes of 1981) is amended to read:

Sec. 220. Under the provisions of this article, the local district, whether it is a landowner voter district or a resident voter district, shall be divided into five divisions.

SEC. 30. Section 223 is added to the Stanislaus County Flood Control Enabling Act (Chapter 421 of the Statutes of 1981), to read:

Sec. 223. (a) Subdivision (b) applies to local districts in which directors are elected by divisions.

(b) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 31. Section 406 of the Pajaro Valley Water Management Agency Act (Chapter 257 of the Statutes of 1984) is amended to read:

Sec. 406. (a) After the adoption of the resolution by the board to establish divisions in the agency, the board of directors shall establish the boundaries of the divisions.

(b) The board of directors shall, by resolution, adjust the boundaries of any divisions pursuant to Chapter 8 (commencing with Section 22000) of Division 21 of the Elections Code.

SEC. 32. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act. Notwithstanding Section 17580 of the Government Code, unless otherwise specified in this act, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 436

An act to amend Sections 221 and 40531 of, and to add Article 7.5 (commencing with Section 5850) to Chapter 8 of Part 1 of Division 4 of, the Food and Agricultural Code, relating to quarantine, control, and abatement methods, and making an appropriation therefor.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 221 of the Food and Agricultural Code is amended to read:

221. The "Department of Food and Agriculture Fund," which is a special fund, is continued in existence. Any money that is directed by law to be paid into the fund shall be paid into it and, unless

otherwise specifically provided, shall be expended solely for the enforcement of the law under which the money was derived. The expenditure from the fund for the enforcement of any law shall not, unless otherwise specifically provided, exceed the amount of money that is credited to the fund pursuant to the law.

Notwithstanding Section 13340 of the Government Code, all money deposited in the fund under the provisions enumerated below is hereby continuously appropriated to the department without regard to fiscal years for expenditure in carrying out the purposes for which the money was deposited and for making the refunds authorized by Section 302.

All money deposited in the fund under the provisions enumerated below is hereby exempted from Sections 13320 to 13324, inclusive, of the Government Code.

(a) Article 7 (commencing with Section 5821) and Article 7.5 (commencing with Section 5850) of Chapter 8 of Part 1 of Division 4, Chapter 1 (commencing with Section 6701) of Part 3 of Division 4, and Chapter 5 (commencing with Section 53301) of Division 18.

(b) Article 5 (commencing with Section 6001) of Chapter 9 of Part 1 of Division 4.

(c) Article 4.5 (commencing with Section 6971) and Article 5 (commencing with Section 6981) of Chapter 2 of Part 3 of Division 4.

(d) Chapter 4 (commencing with Section 14200), Chapter 5 (commencing with Section 14501), and Chapter 6 (commencing with Section 14901) of Division 7.

(e) Part 1 (commencing with Section 16301) and Part 2 (commencing with Section 17401) of Division 9.

(f) Sections 19225, 19227, 19312, and 19315.

(g) Division 10 (commencing with Section 20001).

(h) Division 11 (commencing with Section 23001).

(i) Part 4 (commencing with Section 27501) of Division 12.

(j) Division 16 (commencing with Section 40501).

(k) Chapter 9 (commencing with Section 44971) of Division 17.

(*l*) Chapter 1 (commencing with Section 52001) of Division 18.

(m) Chapter 2 (commencing with Section 52251) of Division 18.

(n) Chapter 3 (commencing with Section 52651) of Division 18.

(o) Chapter 4 (commencing with Section 52851) of Division 18.

(p) Chapter 6 (commencing with Section 55401), Chapter 7 (commencing with Section 56101), and Chapter 7.5 (commencing with Section 56701) of Division 20.

(q) Section 58582.

(r) Chapter 1 (commencing with Section 61301), Chapter 2 (commencing with Section 61801), and Chapter 3 (commencing with Section 62700) of Part 3 of Division 21.

(s) Chapter 5.5 (commencing with Section 12531) of Division 5 of the Business and Professions Code.

(t) Chapter 7 (commencing with Section 12700) of Division 5 of the Business and Professions Code.

(u) Chapter 14 (commencing with Section 13400) and Chapter 15 (commencing with Section 13700) of Division 5 of the Business and Professions Code.

SEC. 2. Article 7.5 (commencing with Section 5850) is added to Chapter 8 of Part 1 of Division 4 of the Food and Agricultural Code, to read:

Article 7.5. Quality Certification Services

5850. The Legislature finds and declares all of the following:

(a) Enhancing global business and trade is in the economic interest of the state.

(b) Domestic and foreign country quarantine and product quality requirements must be met to allow for the trade of many agricultural products.

(c) Currently, to be acceptable to other states and foreign governments, phytosanitary and product quality certification and supporting analyses, diagnostics, and other testing of that type must be performed by an impartial, third-party governmental agency.

(d) As a result of its regulatory responsibilities, the department has the technical capacity and expertise to meet current domestic and foreign government requirements for impartial, third-party governmental analytical, certification, diagnostic, inspection, quality assurance, and testing services and, as accreditation becomes acceptable to states and foreign governments, to accredit private entities to perform these kinds of services.

(e) Nonregulatory activities are services for which the entities that receive the benefits should pay the costs. However, the department is not authorized or funded to establish a program to perform nonregulatory accreditation, analytical, certification, diagnostic, inspection, quality assurance, or testing work, nor is it authorized to establish a schedule of charges to recover its costs for those services.

5851. It is the intent of the Legislature, in enacting this article, to enhance the state's business and trade opportunities by authorizing the department to do all of the following:

(a) Perform nonregulatory services such as export market phytosanitary and product quality analyses, certification, diagnostics, inspections, quality assurance, and testing relating to nursery stock, plants, seed, or plant pests and diseases.

(b) Accredit and monitor or audit private entities as necessary.

(c) Establish charges sufficient to recover its costs for nonregulatory services such as export market phytosanitary and product quality activities.

5852. (a) The department may provide upon request, nonregulatory accreditation, analytical, certification, diagnostic,

inspection, quality assurance, testing, and other nonregulatory services relating to nursery stock, plants, seed, or other plant pests and diseases on a charge-for-service basis or may accredit private persons or business entities to perform those services.

(b) To ensure that the activities performed by private persons or business entities are valid and reliable, the department shall adopt regulations to establish accreditation criteria to govern its accreditation, monitoring or auditing, and revocation of accreditation activities. Any regulations adopted by the department pursuant to this subdivision shall be consistent with applicable federal law. The department may adopt by reference any pertinent federal laws or regulations pertaining to the accreditation of persons or business entities for the performance of work required to certify compliance with the quarantine, quality, and other import requirements established by other states or foreign countries. No private, nongovernmental entities that perform diagnostic or field inspections for the issuance of federal phytosanitary certificates shall be accredited until federal rules are adopted that permit and regulate those activities.

(c) In order to retain accreditation, those persons or business entities providing services described in subdivision (a) shall agree to be monitored or assessed and evaluated on a periodic basis by means of proficiency testing or sample checking.

(d) It is unlawful for any person or business entity that is not accredited by the department to make any representation regarding accreditation by the department. Any person or business entity that makes that representation, without valid departmental accreditation, may be enjoined from doing so by any court of competent jurisdiction upon suit by the department.

(e) To assure validity and reliability, the department may specify, by order, the location or locations where the services described in subdivision (a) will be provided.

(f) The department may establish, by regulation, a schedule of charges to cover the department's costs for specific services it provides. Charges for the accreditation and monitoring of laboratories located outside the state shall include the expenses for all required travel and per diem and may include application, basic, initial, renewal, and other charges that the department deems necessary to cover its costs for accreditation and monitoring or auditing for compliance. Funds collected through cost recovery charges are dedicated to, and may only be used for, carrying out the activities and functions specified in this article.

(g) Notwithstanding any other provision of this code regarding the provision of the services described in subdivision (a), orders issued by the department and regulations establishing charges adopted by the secretary pursuant to this section shall not be subject to review, approval, or disapproval by the Office of Administrative Law.

(h) Nothing in this section shall be construed to interfere with or supersede any existing inspection, quality assurance, or certification program conducted by an agricultural trade or commodity organization, and this section shall not be construed to require those programs to be certified or accredited by the department.

SEC. 3. Section 40531 of the Food and Agricultural Code is amended to read:

40531. The department may investigate and certify to other states and countries, shippers, or other financially interested parties the analysis, classification, grade, quality, or condition of any fruit, vegetable, or other agricultural product, either raw or processed, under regulations that the department may adopt, including the payment of reasonable service charges, the frequency of payment of the service charges, the procedure for payment, the procedure for refunds, and the penalties for late payment. The department may accredit persons or business entities to conduct the investigation or certification, or both the investigation and certification.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 437

An act to amend Section 13281 of the Water Code, relating to water.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 13281 of the Water Code is amended to read:

13281. (a) In making a determination pursuant to Section 13280, except as specified in subdivision (b), the regional board shall consider all relevant evidence related to the discharge, including, but not limited to, those factors set forth in Section 13241, information provided pursuant to Section 117435 of the Health and Safety Code, possible adverse impacts if the discharge is permitted, failure rates

of any existing individual disposal systems whether due to inadequate design, construction, maintenance, or unsuitable hydrogeologic conditions, evidence of any existing, prior, or potential contamination, existing and planned land use, dwelling density, historical population growth, and any other criteria as may be established pursuant to guidelines, regulations, or policies adopted by the state board.

(b) (1) To the extent that resources are available for that purpose, the regional board shall prohibit the discharge of waste from existing or new individual disposal systems on parcels of less than one-half acre that overlie the Mission Creek Aquifer or the Desert Hot Springs Aquifer in Riverside County, if a sewer system is available.

(2) For parcels of one-half acre or greater that overlie the aquifers described in paragraph (1), the maximum number of equivalent dwelling units with individual disposal systems shall be two per acre. For the purpose of this paragraph, the term "equivalent dwelling unit" means a single family dwelling as defined in Section 221.0 of the 1997 edition of the Uniform Plumbing Code of the International Association of Plumbing and Mechanical Officials.

(3) For the purposes of this subdivision, a sewer system is available if a sewer system, or a building connected to a sewer system, is within 200 feet of the existing or proposed dwelling unit, in accordance with Section 713.4 of the 1997 edition of the Uniform Plumbing Code of the International Association of Plumbing and Mechanical Officials.

(4) To the extent that resources are available for the purposes of this subdivision, the regional board shall achieve compliance with this subdivision on or before January 1, 2004.

SEC. 2. The Legislature finds and declares that subdivision (b) of Section 13281, which is applicable only to prescribed parcels that overlie the Mission Creek Aquifer or the Desert Hot Springs Aquifer in Riverside County, is necessary because of the need to protect the high quality of groundwater in those aquifers which are the sole source of drinking water for the communities served by the Mission Springs Water District. It is therefore, declared that a general law within the meaning of Section 16 of Article IV of the California Constitution cannot be made applicable, and that the enactment of this special law is necessary for the conservation, development, control, and use of groundwater for the public good.

CHAPTER 438

An act to amend Sections 33459, 33459.1, 33459.2, 33459.3, 33459.4, and 33459.7 of, and to add Section 33459.01 to, the Health and Safety Code, relating to hazardous substances.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 33459 of the Health and Safety Code is amended to read:

33459. For purposes of this article, the following terms shall have the following meaning:

(a) "Department" means the Department of Toxic Substances Control.

(b) "Director" means the Director of Toxic Substances Control.

(c) "Hazardous substance" means any hazardous substance as defined in subdivision (g) of Section 25281, and any reference to hazardous substance in the definitions referenced in this section shall be deemed to refer to hazardous substance, as defined in this subdivision.

(d) "Local agency" means a single local agency that is one of the following:

(1) A local agency authorized pursuant to Section 25283 to implement Chapter 6.7 (commencing with Section 25280) of, and Chapter 6.75 (commencing with Section 25299.10) of, Division 20.

(2) A local health officer or designated local public officer authorized pursuant to Section 25187.7.

(3) A local officer who is authorized pursuant to Section 512 to supervise a remedial action.

(e) "Qualified independent contractor" means an independent contractor who is any of the following:

(1) An engineering geologist who is certified pursuant to Section 7842 of the Business and Professions Code.

(2) A geologist who is registered pursuant to Section 7850 of the Business and Professions Code.

(3) A civil engineer who is registered pursuant to Section 6762 of the Business and Professions Code.

(f) "Release" means any release, as defined in Section 25320.

(g) "Remedy" or "remove" means any action to assess, evaluate, investigate, monitor, remove, correct, clean up, or abate a release of a hazardous substance or to develop plans for those actions. "Remedy" includes any action set forth in Section 25322 and "remove" includes any action set forth in Section 25323.

(h) "Responsible party" means any person described in subdivision (a) of Section 25323.5 of this code or subdivision (a) of Section 13304 of the Water Code.

SEC. 1.5. Section 33459.01 is added to the Health and Safety Code, to read:

33459.01. This article shall be known, and may be cited as, the "Polanco Redevelopment Act."

SEC. 2. Section 33459.1 of the Health and Safety Code is amended to read:

33459.1. (a) (1) An agency may take any actions that the agency determines are necessary and that are consistent with other state and federal laws to remedy or remove a release of hazardous substances on, under, or from property within a project area, whether the agency owns that property or not, subject to the conditions specified in subdivision (b). Unless an administering agency has been designated under Section 25262, the agency shall request cleanup guidelines from the department or the California regional water quality control board before taking action to remedy or remove a release. The department or the California regional water quality control board shall respond to the agency's request to provide cleanup guidelines within a reasonable period of time. The agency shall thereafter submit for approval a cleanup or remedial action plan to the department or the California regional water quality control board before taking action to remedy or remove a release. The department or the California regional water quality control board shall respond to the agency's request for approval of a cleanup or remedial action plan within a reasonable period of time.

(2) The agency shall provide the department and local health and building departments, the California regional water quality control board, with notification of any cleanup activity pursuant to this section at least 30 days before the commencement of the activity. If an action taken by an agency or a responsible party to remedy or remove a release of a hazardous substance does not meet, or is not consistent with, a remedial action plan or cleanup plan approved by the department or the California regional water quality control board, the department or the California regional water quality control board that approved the cleanup or remedial action plan may require the agency to take, or cause the taking of, additional action to remedy or remove the release, as provided by applicable law. If an administering agency for the site has been designated under Section 25262, any requirement for additional action may be imposed only as provided in Sections 25263 and 25265. If methane or landfill gas is present, the agency shall obtain written approval from the California Integrated Waste Management Board prior to taking that action.

(b) Except as provided in subdivision (c), an agency may take the actions specified in subdivision (a) only under one of the following conditions:

(1) There is no responsible party for the release identified by the agency.

(2) A party determined by the agency to be a responsible party for the release has been notified by the agency or has received adequate notice from the department, a California regional water quality control board, the Environmental Protection Agency, or other governmental agency with relevant authority and has been given 60

days to respond and to propose a remedial action plan and schedule, and the responsible party has not agreed within an additional 60 days to implement a plan and schedule to remedy or remove the release that is acceptable to the agency and that has been found by the agency to be consistent, to the maximum extent possible, with the priorities, guidelines, criteria, and regulations contained in the National Contingency Plan and published pursuant to Section 9605 of Title 42 of the United States Code for similar releases, situations, or events.

(3) The party determined by the agency to be the responsible party for the hazardous substance release entered into an agreement with the agency to prepare a remedial action plan for approval by the department, the California regional water quality control board, or the appropriate local agency and to implement the remedial action plan in accordance with an agreed schedule, but failed to prepare the remedial action plan, failed to implement the remedial action plan in accordance with the agreed schedule, or otherwise failed to carry out the remedial action in an appropriate and timely manner. Any action taken by the agency pursuant to this paragraph shall be consistent with any agreement between the agency and the responsible party and with the requirements of the state or local agency that approved or will approve the remedial action plan and is overseeing or will oversee the preparation and implementation of the remedial action plan.

(c) Subdivision (b) does not apply to either of the following agencies:

(1) An agency taking actions to investigate or conduct feasibility studies concerning a release.

(2) An agency taking the actions specified in subdivision (a) if the agency determines that conditions require immediate action.

(d) An agency may designate a local agency in lieu of the department or the California regional water quality control board to review and approve a cleanup or remedial action plan and to oversee the remediation or removal of hazardous substances from a specific hazardous substance release site in accordance with the following conditions:

(1) The local agency may be so designated if it is designated as the administering agency under Section 25262. In that event, the local agency, as the administering agency, shall conduct the oversight of the remedial action in accordance with Chapter 6.65 (commencing with Section 25260) and all provisions of that chapter shall apply to the remedial action.

(2) The local agency may be so designated if cleanup guidelines were requested from a California regional water quality control board, and the site is an underground storage tank site subject to Chapter 6.7 (commencing with Section 25280) of Division 20, the local agency has been certified as a certified unified program agency pursuant to Section 25404.1, the State Water Resources Control Board

has entered into an agreement with the local agency for oversight of those sites pursuant to Section 25297.1, the local agency determines that the site is within the guidelines and protocols established in, and pursuant to, that agreement, and the local agency consents to the designation.

(3) A local agency may not consent to the designation by an agency unless the local agency determines that it has adequate staff resources and the requisite technical expertise and capabilities available to adequately supervise the remedial action.

(4) (A) Where a local agency has been designated pursuant to paragraph (2), the department or a California regional water quality control board may require that a local agency withdraw from the designation, after providing the agency with adequate notice, if both of the following conditions are met:

(i) The department or a California regional water quality control board determines that an agency's designation of a local agency was not consistent with paragraph (2), or makes one of the findings specified in subdivision (d) of Section 512.

(ii) The department or a California regional water quality control board determines that it has adequate staff resources and capabilities available to adequately supervise the remedial action, and assumes that responsibility.

(B) Nothing in this paragraph prevents a California regional water quality control board from taking any action pursuant to Division 7 (commencing with Section 13000) of the Water Code.

(5) Where a local agency has been designated pursuant to paragraph (2), the local agency may, after providing the agency with adequate notice, withdraw from its designation after making one of the findings specified in subdivision (d) of Section 512.

(e) To facilitate redevelopment planning, the agency may require the owner or operator of any site within a project area to provide the agency with all existing environmental information pertaining to the site, including the results of any Phase I or subsequent environmental assessment, as defined in Section 25200.14, any assessment conducted pursuant to an order from, or agreement with, any federal, state or local agency, and any other environmental assessment information, except that which is determined to be privileged. The person requested to furnish the information shall be required only to furnish that information as may be within their possession or control, including actual knowledge of information within the possession or control of any other party. If environmental assessment information is not available, the agency may require the owner of the property to conduct an assessment in accordance with standard real estate practices for conducting Phase I or Phase II environmental assessments.

(f) This section shall remain in effect only until January 1, 2004, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 2004, deletes or extends that date.

SEC. 3. Section 33459.2 of the Health and Safety Code is amended to read:

33459.2. (a) Within a project area, an agency may take any actions which the agency determines are necessary and which are consistent with other state and federal laws to remedy or remove hazardous substances from property if the agency obtains written approval from the department or a California regional water quality control board, as appropriate, prior to taking that action. In addition, if methane or landfill gas is present, the agency shall also obtain written approval from the California Integrated Waste Management Board prior to taking that action.

(b) An agency may designate a local agency in lieu of the department or the California regional water quality control board to oversee the remediation or removal of hazardous substances from a specific hazardous substance release site in accordance with all of the following conditions:

(1) The local agency may be designated in lieu of the department or the California regional water quality control board if the local agency is designated as the administering agency under Section 25262. In such a case, the local agency, as the administering agency, shall conduct the oversight of the remedial action in accordance with Chapter 6.65 (commencing with Section 25260) and all provisions of that chapter shall apply to the remedial action.

(2) The local agency may be designated in lieu of the department or the California regional water quality control board if the site is an underground storage tank site subject to Chapter 6.7 (commencing with Section 25280) of Division 20, the local agency has been certified as a certified unified program agency pursuant to Section 25404.1, the State Water Resources Control Board has entered into an agreement with the local agency for oversight of those sites pursuant to Section 25297.1, the local agency determines that the site is within the guidelines and protocols established in, and pursuant to, that agreement, and the local agency consents to the designation.

(3) A local agency may not consent to the designation by an agency unless the local agency determines that it has adequate staff resources and the requisite technical expertise and capabilities available to adequately supervise the remedial action.

(4) (A) Where a local agency has been designated pursuant to paragraph (2), the department or a California regional water quality control board may require that a local agency withdraw from the designation, after providing the agency with adequate notice, if both of the following conditions are met:

(i) The department or a California regional water quality control board determines that an agency's designation of a local agency was not consistent with paragraph (2), or makes one of the findings specified in subdivision (d) of Section 512.

(ii) The department or a California regional water quality control board determines that it has adequate staff resources and capabilities

available to adequately supervise the remedial action, and assumes that responsibility.

(B) Nothing in this paragraph prevents a California regional water quality control board from taking any action pursuant to Division 7 (commencing with Section 13000) of the Water Code.

(5) Where a local agency has been designated pursuant to paragraph (2), the local agency may, after providing the agency with adequate notice, withdraw from its designation after making one of the findings specified in subdivision (d) of Section 512.

(c) This section shall become operative on January 1, 2004.

SEC. 4. Section 33459.3 of the Health and Safety Code is amended to read:

33459.3. (a) Notwithstanding any other provision of law, except as provided in Section 33459.7, an agency that undertakes and completes an action, or causes another person to undertake and complete an action pursuant to Section 33459.1, as specified in subdivision (c), to remedy or remove a hazardous substance release on, under, or from property within a redevelopment project, in accordance with a cleanup or remedial action plan prepared by a qualified independent contractor and approved by the department or a California regional water quality control board or the local agency, as appropriate, pursuant to subdivision (b), is not liable, with respect to that release only, under Division 7 (commencing with Section 13000) of the Water Code or Chapter 6.5 (commencing with Section 25100), Chapter 6.7 (commencing with Section 25280), Chapter 6.75 (commencing with Section 25299.10), or Chapter 6.8 (commencing with Section 25300), of Division 20 of this code, or any other state or local law providing liability for remedial or removal actions for releases of hazardous substances. If the remedial action was also performed pursuant to Chapter 6.65 (commencing with Section 25260) of Division 20, and a certificate of completion is issued pursuant to subdivision (b) of Section 25264, the immunity from agency action provided by the certificate of completion, as specified in subdivision (c) of Section 25264, shall apply to the agency, in addition to the immunity conferred by this section. In the case of a remedial action performed pursuant to Chapter 6.65 (commencing with Section 25260) of Division 20, and for which the administering agency is a local agency, the limitations on the certificate of completion set forth in paragraphs (1) to (6), inclusive, of subdivision (c) of Section 25264 are limits on any immunity provided for by this section and subdivision (c) of Section 25264.

(b) Upon approval of any cleanup or remedial action plan, pursuant to applicable statutes and regulations, the director or the California regional water quality control board or the local agency, as appropriate, shall acknowledge, in writing, within 60 days of the date of approval, that upon proper completion of the remedial or removal action in accordance with the plan, the immunity provided by this section shall apply to the agency.

(c) Notwithstanding any provision of law or policy providing for certification by a person conducting a remedial or removal action that the action has been properly completed, a determination that a remedial or removal action has been properly completed pursuant to this section shall be made only upon the affirmative approval of the director or the California regional water quality control board or the local agency, as appropriate. The department, California regional water quality control board, or local agency, as appropriate, shall, within 60 days of the date it finds that a remedial action has been completed, notify the agency in writing that the immunity provided by this section is in effect.

(d) The approval of a cleanup or remedial action plan under this section by a local agency shall also be subject to the concurrent approval of the department or a California regional water quality control board when the agency receiving the approval was formed by the same entity of which the local agency is a part.

(e) Upon proper completion of a remedial or removal action, as specified in subdivision (c), the immunity from agency action provided by the certificate of completion provided pursuant to subdivision (c) of Section 25264 and the immunity provided by this section extends to all of the following, but only for the release or releases specifically identified in the approved cleanup or remedial action plan and not for any subsequent release or any release not specifically identified in the approved cleanup or remedial action plan:

(1) Any employee or agent of the agency, including an instrumentality of the agency authorized to exercise some, or all, of the powers of an agency within, or for the benefit of, a redevelopment project and any employee or agent of the instrumentality.

(2) Any person who enters into an agreement with an agency for the redevelopment of property, if the agreement requires the person to acquire property affected by a hazardous substance release or to remove or remedy a hazardous substance release with respect to that property.

(3) Any person who acquires the property after a person has entered into an agreement with an agency for redevelopment of the property as described in paragraph (2).

(4) Any person who provided financing to a person specified in paragraph (2) or (3).

(f) Notwithstanding any other provision of law, the immunity provided by this section does not extend to any of the following:

(1) Any person who was a responsible party for the release before entering into an agreement, acquiring property, or providing financing, as specified in subdivision (e).

(2) Any person specified in subdivision (a) or (e) for any subsequent release of a hazardous substance or any release of a

hazardous substance not specifically identified in the approved cleanup or remedial action plan.

(3) Any contractor who prepares the cleanup or remedial action plan, or conducts the removal or remedial action.

(4) Any person who obtains an approval, as specified in subdivision (b), or a determination, as specified in subdivision (c), by fraud, negligent or intentional nondisclosure, or misrepresentation, and any person who knows before the approval or determination is obtained or before the person enters into an agreement, acquires the property or provides financing, as specified in subdivision (e), that the approval or determination was obtained by these means.

(g) The immunity provided by this section is in addition to any other immunity of an agency provided by law.

(h) This section does not impair any cause of action by an agency or any other party against the person, firm, or entity responsible for the hazardous substance release which is the subject of the removal or remedial action taken by the agency or other person immune from liability pursuant to this section.

(i) This section does not apply to, or limit, alter, or restrict, any action for personal injury, property damage, or wrongful death.

(j) This section does not limit liability of a person described in paragraph (3) or (4) of subdivision (e) for damages under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sec. 9601 et seq.).

(k) This section does not establish, limit, or affect the liability of an agency for any release of a hazardous substance that is not investigated or remediated pursuant to this section or Chapter 6.65 (commencing with Section 25260) of Division 20.

(*l*) The immunity provided for by this section is only conferred if both of the following apply:

(1) The action is in accordance with a cleanup or remedial action plan prepared by a qualified independent contractor and approved by the department or a California regional water quality control board or the local agency, as appropriate, pursuant to subdivision (b).

(2) The remedial or removal action is undertaken and properly completed, as specified in subdivision (c).

(m) The agency shall reimburse the department, the California regional water quality control board, and the local agency for costs incurred in reviewing or approving cleanup or remedial action plans pursuant to this section.

SEC. 5. Section 33459.4 of the Health and Safety Code is amended to read:

33459.4. (a) Except as provided in Section 33459.7, if a redevelopment agency undertakes action to remedy or remove, or to require others to remedy or remove, including compelling a responsible party through a civil action, to remedy or remove a release of hazardous substance, any responsible party or parties shall

be liable to the redevelopment agency for the costs incurred in the action. An agency may not recover the costs of goods and services that were not procured in accordance with applicable procurement procedures. The amount of the costs shall include the interest on the costs accrued from the date of expenditure and reasonable attorney's fees and shall be recoverable in a civil action. Interest shall be calculated based on the average annual rate of return on an agency's investment of surplus funds for the fiscal year in which costs were incurred.

(b) The only defenses available to a responsible party shall be the defenses specified in subdivision (b) of Section 25323.5.

(c) An agency may recover any costs incurred to develop and to implement a cleanup or remedial action plan approved pursuant to Sections 33459.1 and 33459.3, to the same extent the department is authorized to recover those costs. The scope and standard of liability for cost recovery pursuant to this section shall be the scope and standard of liability under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sec. 9601 et seq.) as that act would apply to the department; provided, however, that any reference to hazardous substance therein shall be deemed to refer to hazardous substance as defined in subdivision (c) of Section 33459.

(d) An action for recovery of costs of a remedy or removal undertaken by a redevelopment agency under this section shall be commenced within three years after completion of the remedy or removal.

(e) The action to recover costs provided by this section is in addition to, and is not to be construed as restricting, any other cause of action available to a redevelopment agency.

(f) Except as provided in subdivision (m) of Section 33459.3, notwithstanding any other provision of state law or policy, an agency that undertakes and completes a remedial action, or otherwise causes a remedial action to be undertaken and completed pursuant to Sections 33459.1 and 33459.3, shall not be liable based on its ownership of property after a release occurred, for any costs that any responsible party for that release incurs to investigate or remediate the release or to compensate others for the effects of that release.

SEC. 6. Section 33459.7 of the Health and Safety Code is amended to read:

33459.7. Sections 33459.3 and 33459.4 apply only to remedial or removal actions commenced by an agency before January 1, 2004. For purposes of this section, an agency that adopts a resolution to undertake a removal or remedial action shall be deemed to have commenced the removal or remedial action on the date the resolution is adopted.

SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service

charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 439

An act relating to parks and recreation, and making an appropriation therefor.

[Approved by Governor September 12, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares the following:

(a) The Gabrielino/Tongva Springs is designated as California State Historical Landmark No. 522.

(b) A Native American village (Kuruvungna) was located at the site of the Gabrielino/Tongva Springs, and the springs are considered sacred to native peoples.

(c) These ancient springs and surrounding grove are deserving of continued care and are a state priority for preservation as an irreplaceable inheritance for future generations.

(d) The springs are owned by the Los Angeles Unified School District and operated under a lease by University High School with the Gabrielino/Tongva Springs Foundation.

(e) The springs are the potential site of a cultural center.

SEC. 2. (a) A task force shall be created by the University High School administration in consultation with the Gabrielino/Tongva Springs Foundation and the Los Angeles Unified School District.

(b) (1) The task force shall include interested parties, including, but not limited to, the Gabrielino/Tongva Springs Foundation, schoolsite representatives, faculty and students, academic specialists, architectural planners, residents of adjacent neighborhoods, elected officials, and the Los Angeles Unified School District.

(2) The purpose of the task force shall be to explore plans for the preservation of the site to enhance environmental, cultural, and educational opportunities, including future establishment of a cultural center, and to prepare a report with findings and recommendations for an action plan to preserve the site of the Gabrielino/Tongva Springs.

(3) Based upon the task force's findings, the school, foundation, and district shall seek future appropriations for development of the center.

(c) Members of the task force may not receive compensation for duties associated with their service on the task force.

(d) The principal of University High School may enter into contracts for consulting services to carry out the purposes specified in subdivision (b).

SEC. 3. The sum of fifty thousand dollars ($50,000) is hereby appropriated from the Public Resources Account in the Cigarette and Tobacco Products Surtax Fund to the Department of Parks and Recreation to be expended for a local assistance grant to University High School to plan and implement elements of the action plan to achieve the preservation of the Gabrielino/Tongva Springs, and property adjacent thereto, in the City of Los Angeles in order to enhance environmental, cultural, and educational opportunities.

CHAPTER 440

An act to amend Sections 3209.5, 4600, 4600.3, 4600.5, and 4601 of the Labor Code, relating to workers' compensation.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 3209.5 of the Labor Code is amended to read:

3209.5. Medical, surgical, and hospital treatment, including nursing, medicines, medical and surgical supplies, crutches, and apparatus, includes but is not limited to services and supplies by physical therapists, chiropractic practitioners, and acupuncturists, as licensed by California state law and within the scope of their practice as defined by law.

SEC. 2. Section 4600 of the Labor Code is amended to read:

4600. Medical, surgical, chiropractic, acupuncture, and hospital treatment, including nursing, medicines, medical and surgical supplies, crutches, and apparatus, including orthotic and prosthetic devices and services, that is reasonably required to cure or relieve from the effects of the injury shall be provided by the employer. In the case of his or her neglect or refusal seasonably to do so, the employer is liable for the reasonable expense incurred by or on behalf of the employee in providing treatment. After 30 days from the date the injury is reported, the employee may be treated by a physician of his or her own choice or at a facility of his or her own choice within a reasonable geographic area. However, if an employee has notified

his or her employer in writing prior to the date of injury that he or she has a personal physician, the employee shall have the right to be treated by that physician from the date of injury. If an employee requests a change of physician pursuant to Section 4601, the request may be made at any time after the injury, and the alternative physician, chiropractor, or acupuncturist shall be provided within five days of the request as required by Section 4601. For the purpose of this section, "personal physician" means the employee's regular physician and surgeon, licensed pursuant to Chapter 5 (commencing with Section 2000) of Division 2 of the Business and Professions Code, who has previously directed the medical treatment of the employee, and who retains the employee's medical records, including his or her medical history.

Where at the request of the employer, the employer's insurer, the administrative director, the appeals board, or a workers' compensation judge, the employee submits to examination by a physician, he or she shall be entitled to receive in addition to all other benefits herein provided all reasonable expenses of transportation, meals, and lodging incident to reporting for the examination, together with one day of temporary disability indemnity for each day of wages lost in submitting to the examination. Regardless of the date of injury, "reasonable expenses of transportation" includes mileage fees from the employee's home to the place of the examination and back at the rate of twenty-one cents ($0.21) a mile or the mileage rate adopted by the Director of the Department of Personnel Administration pursuant to Section 19820 of the Government Code, whichever is higher, plus any bridge tolls. The mileage and tolls shall be paid to the employee at the time he or she is given notification of the time and place of the examination.

Where at the request of the employer, the employer's insurer, the administrative director, the appeals board, a workers' compensation judge, an employee submits to examination by a physician and the employee does not proficiently speak or understand the English language, he or she shall be entitled to the services of a qualified interpreter in accordance with conditions and a fee schedule prescribed by the administrative director. These services shall be provided by the employer. For purposes of this section, "qualified interpreter" means a language interpreter certified, or deemed certified, pursuant to Article 8 (commencing with Section 11435.05) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of, or Section 68566 of, the Government Code.

SEC. 2.5. Section 4600 of the Labor Code is amended to read:

4600. Medical, surgical, chiropractic, acupuncture, and hospital treatment, including nursing, medicines, medical and surgical supplies, crutches, and apparatus, including orthotic and prosthetic devices and services, that is reasonably required to cure or relieve from the effects of the injury shall be provided by the employer. In the case of his or her neglect or refusal reasonably to do so, the

employer is liable for the reasonable expense incurred by or on behalf of the employee in providing treatment. After 30 days from the date the injury is reported, the employee may be treated by a physician of his or her own choice or at a facility of his or her own choice within a reasonable geographic area. However, if an employee has notified his or her employer in writing prior to the date of injury that he or she has a personal physician, the employee shall have the right to be treated by that physician from the date of injury. If an employee requests a change of physician pursuant to Section 4601, the request may be made at any time after the injury, and the alternative physician, chiropractor, or acupuncturist shall be provided within five days of the request as required by Section 4601. For the purpose of this section, "personal physician" means the employee's regular physician and surgeon, licensed pursuant to Chapter 5 (commencing with Section 2000) of Division 2 of the Business and Professions Code, who has previously directed the medical treatment of the employee, and who retains the employee's medical records, including his or her medical history.

Where at the request of the employer, the employer's insurer, the administrative director, the appeals board, or a workers' compensation judge, the employee submits to examination by a physician, he or she shall be entitled to receive in addition to all other benefits herein provided all reasonable expenses of transportation, meals, and lodging incident to reporting for the examination, together with one day of temporary disability indemnity for each day of wages lost in submitting to the examination. Regardless of the date of injury, "reasonable expenses of transportation" includes mileage fees from the employee's home to the place of the examination and back at the rate of twenty-one cents ($0.21) a mile or the mileage rate adopted by the Director of the Department of Personnel Administration pursuant to Section 19820 of the Government Code, whichever is higher, plus any bridge tolls. The mileage and tolls shall be paid to the employee at the time he or she is given notification of the time and place of the examination.

Where, at the request of the employer, the employer's insurer, the administrative director, the appeals board, or a workers' compensation judge, an employee submits to examination by a physician, or an examination by a treating physician, and the employee does not proficiently speak or understand the English language, he or she shall be entitled to the services of a qualified interpreter in accordance with conditions and a fee schedule prescribed by the administrative director. These services shall be provided by the employer. For purposes of this section, "qualified interpreter" means a language interpreter certified, or deemed certified, pursuant to Article 8 (commencing with Section 11435.05) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of, or Section 68566 of, the Government Code.

SEC. 3. Section 4600.3 of the Labor Code is amended to read:

4600.3. (a) (1) Notwithstanding Section 4600, when a self-insured employer, group of self-insured employers, or the insurer of an employer contracts with at least two health care organizations certified pursuant to Section 4600.5 for health care services required by this article to be provided to injured employees, those employees who are subject to the contract shall receive medical services in the manner prescribed in the contract, providing that the employee may choose to be treated by a personal physician, personal chiropractor, or personal acupuncturist that he or she has designated prior to the injury, in which case the employee shall not be treated by the health care organization. Every employee shall be given an affirmative choice at the time of employment and at least annually thereafter to designate or change the designation of a health care organization or a personal physician, personal chiropractor, or personal acupuncturist. The choice shall be memorialized in writing and maintained in the employee's personnel records. The employee who has designated a personal physician, personal chiropractor, or personal acupuncturist may change their designated caregiver at any time prior to the injury. Any employee who fails to choose between health care organizations or to designate a personal physician, personal chiropractor, or personal acupuncturist shall be treated by the health care organization selected by the employer.

(2) Each contract described in paragraph (1) shall comply with the certification standards provided in Section 4600.5, and shall provide all medical, surgical, chiropractic, acupuncture, and hospital treatment, including nursing, medicines, medical and surgical supplies, crutches, and apparatus, including artificial members, that is reasonably required to cure or relieve the effects of the injury, as required by this division, without any payment by the employee of deductibles, copayments, or any share of the premium. However, an employee may receive immediate emergency medical treatment that is compensable from a medical service or health care provider who is not a member of the health care organization.

(3) The employee shall be allowed to choose from at least two health care organizations, of which at least one must be compensated on a fee-for-service basis. If one or more of the health care organizations offered by the employer is the workers' compensation insurer that covers the employee or is an entity that controls or is controlled by that insurer, as defined by Section 1215 of the Insurance Code, the employee shall be allowed to choose from at least one additional health care organization, that is not the workers' compensation insurer that covers the employee, or entities that control or are controlled by that insurer, of which at least one must be compensated on a fee-for-service basis.

(4) Insurers of employers, a group of self-insured employers, or self-insured employers who contract with a health care organization for medical services shall give notice to employees of eligible medical service providers and any other information regarding the contract

and manner of receiving medical services as the administrative director may prescribe. Employees shall be duly notified that if they choose to receive care from the health care organization they must receive treatment for all occupational injuries and illnesses as prescribed by this section.

(b) Notwithstanding subdivision (a), no employer which is required to bargain with an exclusive or certified bargaining agent which represents employees of the employer in accordance with state or federal employer-employee relations law shall contract with a health care organization for purposes of Section 4600.5 with regard to employees whom the bargaining agent is recognized or certified to represent for collective bargaining purposes pursuant to state or federal employer-employee relations law unless authorized to do so by mutual agreement between the bargaining agent and the employer. If the collective bargaining agreement is subject to the National Labor Relations Act, the employer may contract with a health care organization for purposes of Section 4600.5 at any time when the employer and bargaining agent have bargained to impasse to the extent required by federal law.

(c) (1) When an employee is not receiving or is not eligible to receive health care coverage for nonoccupational injuries or illnesses provided by the employer, if 90 days from the date the injury is reported the employee who has been receiving treatment from a health care organization or his or her physician, chiropractor, acupuncturist, or other agent notifies his or her employer in writing that he or she desires to stop treatment by the health care organization, he or she shall have the right to be treated by a physician, chiropractor, or acupuncturist or at a facility of his or her own choosing within a reasonable geographic area.

(2) When an employee is receiving or is eligible to receive health care coverage for nonoccupational injuries or illnesses provided by the employer, and has agreed to receive care for occupational injuries and illnesses from a health care organization provided by the employer, the employee may be treated for occupational injuries and diseases by a physician, chiropractor, or acupuncturist of his or her own choice or at a facility of his or her own choice within a reasonable geographic area if the employee or his or her physician, chiropractor, acupuncturist, or other agent notifies his or her employer in writing only after 180 days from the date the injury was reported, or upon the date of contract renewal or open enrollment of the health care organization, whichever occurs first, but in no case until 90 days from the date the injury was reported.

(3) If the employee is receiving or is eligible to receive health care coverage for nonoccupational injuries or illnesses provided by the employer, and his or her physician, chiropractor, or acupuncturist for nonoccupational illnesses or injuries is participating in at least one of the health care organizations offered to the employee, and he or she has chosen treatment by one of these health care organizations for

occupational injuries or illnesses, the employee may be treated by a physician, chiropractor, or acupuncturist of his or her own choice or at a facility of his or her own choice within a reasonable geographic area if the employee or his or her physician, chiropractor, acupuncturist, or other agent notifies his or her employer in writing only after 365 days from the date the injury was reported, or upon the date of contract renewal or open enrollment, whichever occurs first, but in no case until 90 days from the date the injury was reported.

(4) For purposes of this subdivision, an employer shall be deemed to provide health care coverage for nonoccupational injuries and illnesses if the employer pays more than one-half the costs of the coverage, or if the plan is established pursuant to collective bargaining.

(d) An employee and employer may agree to other forms of therapy pursuant to Section 3209.7.

(e) An employee enrolled in a health care organization shall have the right to no less than one change of physician on request, and shall be given a choice of physicians affiliated with the health care organization. The health care organization shall provide the employee a choice of participating physicians within five days of receiving a request. In addition, the employee shall have the right to a second opinion from a participating physician on a matter pertaining to diagnosis from a participating physician.

(f) Nothing in this section or Section 4600.5 shall be construed to prohibit a self-insured employer, a group of self-insured employers, or insurer from engaging in any activities permitted by Section 4600.

(g) Notwithstanding subdivision (c), in the event that the employer, group of employers, or the employer's workers' compensation insurer no longer contracts with the health care organization that has been treating an injured employee, the employee may continue treatment provided or arranged by the health care organization. If the employee does not choose to continue treatment by the health care organization, the employer may control the employee's treatment for 30 days from the date the injury was reported. After that period, the employee may be treated by a physician of his or her own choice or at a facility of his or her own choice within a reasonable geographic area.

SEC. 4. Section 4600.5 of the Labor Code is amended to read:

4600.5. (a) Any health care service plan licensed pursuant to the Knox-Keene Health Care Service Plan Act, a disability insurer licensed by the Department of Insurance, or any entity, including, but not limited to, workers' compensation insurers and third-party administrators authorized by the administrative director under subdivision (e), may make written application to the administrative director to become certified as a health care organization to provide health care to injured employees for injuries and diseases compensable under this article.

(b) Each application for certification shall be accompanied by a reasonable fee prescribed by the administrative director, sufficient to cover the actual cost of processing the application. A certificate is valid for the period that the director may prescribe unless sooner revoked or suspended.

(c) If the health care organization is a health care service plan licensed pursuant to the Knox-Keene Health Care Service Plan Act, the administrative director shall certify the plan to provide health care pursuant to Section 4600.3 if the director finds that the plan is in good standing with the Department of Corporations and meets the following additional requirements:

(1) Proposes to provide all medical and health care services that may be required by this article.

(2) Provides a program involving cooperative efforts by the employees, the employer, and the health plan to promote workplace health and safety, consultative and other services, and early return to work for injured employees.

(3) Proposes a timely and accurate method to meet the requirements set forth by the administrative director for all carriers of workers' compensation coverage to report necessary information regarding medical and health care service cost and utilization, rates of return to work, average time in medical treatment, and other measures as determined by the administrative director to enable the director to determine the effectiveness of the plan.

(4) Agrees to provide the administrative director with information, reports, and records prepared and submitted to the Department of Corporations in compliance with the Knox-Keene Health Care Service Plan Act, relating to financial solvency, provider accessibility, peer review, utilization review, and quality assurance, upon request, if the administrative director determines the information is necessary to verify that the plan is providing medical treatment to injured employees in compliance with the requirements of this code.

Disclosure of peer review proceedings and records to the administrative director shall not alter the status of the proceedings or records as privileged and confidential communications pursuant to Sections 1370 and 1370.1 of the Health and Safety Code.

(5) Demonstrates the capability to provide occupational medicine and related disciplines.

(6) Complies with any other requirement the administrative director determines is necessary to provide medical services to injured employees consistent with the intent of this article, including, but not limited to, a written patient grievance policy.

(d) If the health care organization is a disability insurer licensed by the Department of Insurance, and is in compliance with subdivision (d) of Sections 10133 and 10133.5 of the Insurance Code, the administrative director shall certify the organization to provide health care pursuant to Section 4600.3 if the director finds that the

plan is in good standing with the Department of Insurance and meets the following additional requirements:

(1) Proposes to provide all medical and health care services that may be required by this article.

(2) Provides a program involving cooperative efforts by the employees, the employer, and the health plan to promote workplace health and safety, consultative and other services, and early return to work for injured employees.

(3) Proposes a timely and accurate method to meet the requirements set forth by the administrative director for all carriers of workers' compensation coverage to report necessary information regarding medical and health care service cost and utilization, rates of return to work, average time in medical treatment, and other measures as determined by the administrative director to enable the director to determine the effectiveness of the plan.

(4) Agrees to provide the administrative director with information, reports, and records prepared and submitted to the Department of Insurance in compliance with the Insurance Code relating to financial solvency, provider accessibility, peer review, utilization review, and quality assurance, upon request, if the administrative director determines the information is necessary to verify that the plan is providing medical treatment to injured employees consistent with the intent of this article.

Disclosure of peer review proceedings and records to the administrative director shall not alter the status of the proceedings or records as privileged and confidential communications pursuant to subdivision (d) of Section 10133 of the Insurance Code.

(5) Demonstrates the capability to provide occupational medicine and related disciplines.

(6) Complies with any other requirement the administrative director determines is necessary to provide medical services to injured employees consistent with the intent of this article, including, but not limited to, a written patient grievance policy.

(e) If the health care organization is a workers' compensation insurer, third-party administrator, or any other entity that the administrative director determines meets the requirements of Section 4600.6, the administrative director shall certify the organization to provide health care pursuant to Section 4600.3 if the director finds that it meets the following additional requirements:

(1) Proposes to provide all medical and health care services that may be required by this article.

(2) Provides a program involving cooperative efforts by the employees, the employer, and the health plan to promote workplace health and safety, consultative and other services, and early return to work for injured employees.

(3) Proposes a timely and accurate method to meet the requirements set forth by the administrative director for all carriers of workers' compensation coverage to report necessary information

regarding medical and health care service cost and utilization, rates of return to work, average time in medical treatment, and other measures as determined by the administrative director to enable the director to determine the effectiveness of the plan.

(4) Agrees to provide the administrative director with information, reports, and records relating to provider accessibility, peer review, utilization review, quality assurance, advertising, disclosure, medical and financial audits, and grievance systems, upon request, if the administrative director determines the information is necessary to verify that the plan is providing medical treatment to injured employees consistent with the intent of this article.

Disclosure of peer review proceedings and records to the administrative director shall not alter the status of the proceedings or records as privileged and confidential communications pursuant to subdivision (d) of Section 10133 of the Insurance Code.

(5) Demonstrates the capability to provide occupational medicine and related disciplines.

(6) Complies with any other requirement the administrative director determines is necessary to provide medical services to injured employees consistent with the intent of this article, including, but not limited to, a written patient grievance policy.

(7) Complies with the following requirements:

(A) An organization certified by the administrative director under this subdivision may not provide or undertake to arrange for the provision of health care to employees, or to pay for or to reimburse any part of the cost of that health care in return for a prepaid or periodic charge paid by or on behalf of those employees.

(B) Every organization certified under this subdivision shall operate on a fee-for-service basis. As used in this section, fee for service refers to the situation where the amount of reimbursement paid by the employer to the organization or providers of health care is determined by the amount and type of health care rendered by the organization or provider of health care.

(C) An organization certified under this subdivision is prohibited from assuming risk.

(f) (1) A workers' compensation health care provider organization authorized by the Department of Corporations on December 31, 1997, shall be eligible for certification as a health care organization under subdivision (e).

(2) An entity that had, on December 31, 1997, submitted an application with the Commissioner of Corporations under Part 3.2 (commencing with Section 5150) shall be considered an applicant for certification under subdivision (e) and shall be entitled to priority in consideration of its application. The Commissioner of Corporations shall provide complete files for all pending applications to the administrative director on or before January 31, 1998.

(g) The provisions of this section shall not affect the confidentiality or admission in evidence of a claimant's medical treatment records.

(h) Charges for services arranged for or provided by health care service plans certified by this section and that are paid on a per-enrollee-periodic-charge basis shall not be subject to the schedules adopted by the administrative director pursuant to Section 5307.1.

(i) Nothing in this section shall be construed to expand or constrict any requirements imposed by law on a health care service plan or insurer when operating as other than a health care organization pursuant to this section.

(j) In consultation with interested parties, including the Department of Corporations and the Department of Insurance, the administrative director shall adopt rules necessary to carry out this section.

(k) The administrative director shall refuse to certify or may revoke or suspend the certification of any health care organization under this section if the director finds that:

(1) The plan for providing medical treatment fails to meet the requirements of this section.

(2) A health care service plan licensed by the Department of Corporations, a workers' compensation health care provider organization authorized by the Department of Corporations, or a carrier licensed by the Department of Insurance is not in good standing with its licensing agency.

(3) Services under the plan are not being provided in accordance with the terms of a certified plan.

(*l*) (1) When an injured employee requests chiropractic treatment for work-related injuries, the health care organization shall provide the injured worker with access to the services of a chiropractor pursuant to guidelines for chiropractic care established by paragraph (2). Within five working days of the employee's request to see a chiropractor, the health care organization and any person or entity who directs the kind or manner of health care services for the plan shall refer an injured employee to an affiliated chiropractor for work-related injuries that are within the guidelines for chiropractic care established by paragraph (2). Chiropractic care rendered in accordance with guidelines for chiropractic care established pursuant to paragraph (2) shall be provided by duly licensed chiropractors affiliated with the plan.

(2) The health care organization shall establish guidelines for chiropractic care in consultation with affiliated chiropractors who are participants in the health care organization's utilization review process for chiropractic care, which may include qualified medical evaluators knowledgeable in the treatment of chiropractic conditions. The guidelines for chiropractic care shall, at a minimum, explicitly require the referral of any injured employee who so

requests to an affiliated chiropractor for the evaluation or treatment, or both, of neuromusculoskeletal conditions.

(3) Whenever a dispute concerning the appropriateness or necessity of chiropractic care for work-related injuries arises, the dispute shall be resolved by the health care organization's utilization review process for chiropractic care in accordance with the health care organization's guidelines for chiropractic care established by paragraph (2).

Chiropractic utilization review for work-related injuries shall be conducted in accordance with the health care organization's approved quality assurance standards and utilization review process for chiropractic care. Chiropractors affiliated with the plan shall have access to the health care organization's provider appeals process and, in the case of chiropractic care for work-related injuries, the review shall include review by a chiropractor affiliated with the health care organization, as determined by the health care organization.

(4) The health care organization shall inform employees of the procedures for processing and resolving grievances, including those related to chiropractic care, including the location and telephone number where grievances may be submitted.

(5) All guidelines for chiropractic care and utilization review shall be consistent with the standards of this code that require care to cure or relieve the effects of the industrial injury.

(m) Individually identifiable medical information on patients submitted to the division shall not be subject to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

(n) (1) When an injured employee requests acupuncture treatment for work-related injuries, the health care organization shall provide the injured worker with access to the services of an acupuncturist pursuant to guidelines for acupuncture care established by paragraph (2). Within five working days of the employee's request to see an acupuncturist, the health care organization and any person or entity who directs the kind or manner of health care services for the plan shall refer an injured employee to an affiliated acupuncturist for work-related injuries that are within the guidelines for acupuncture care established by paragraph (2). Acupuncture care rendered in accordance with guidelines for acupuncture care established pursuant to paragraph (2) shall be provided by duly licensed acupuncturists affiliated with the plan.

(2) The health care organization shall establish guidelines for acupuncture care in consultation with affiliated acupuncturists who are participants in the health care organization's utilization review process for acupuncture care, which may include qualified medical evaluators. The guidelines for acupuncture care shall, at a minimum, explicitly require the referral of any injured employee who so requests to an affiliated acupuncturist for the evaluation or treatment, or both, of neuromusculoskeletal conditions.

(3) Whenever a dispute concerning the appropriateness or necessity of acupuncture care for work-related injuries arises, the dispute shall be resolved by the health care organization's utilization review process for acupuncture care in accordance with the health care organization's guidelines for acupuncture care established by paragraph (2).

Acupuncture utilization review for work-related injuries shall be conducted in accordance with the health care organization's approved quality assurance standards and utilization review process for acupuncture care. Acupuncturists affiliated with the plan shall have access to the health care organization's provider appeals process and, in the case of acupuncture care for work-related injuries, the review shall include review by an acupuncturist affiliated with the health care organization, as determined by the health care organization.

(4) The health care organization shall inform employees of the procedures for processing and resolving grievances, including those related to acupuncture care, including the location and telephone number where grievances may be submitted.

(5) All guidelines for acupuncture care and utilization review shall be consistent with the standards of this code that require care to cure or relieve the effects of the industrial injury.

SEC. 5. Section 4601 of the Labor Code is amended to read:

4601. (a) If the employee so requests, the employer shall tender the employee one change of physician. The employee at any time may request that the employer tender this one-time change of physician. Upon request of the employee for a change of physician, the maximum amount of time permitted by law for the employer or insurance carrier to provide the employee an alternative physician or, if requested by the employee, a chiropractor, or an acupuncturist shall be five working days from the date of the request. Notwithstanding the 30-day time period specified in Section 4600, a request for a change of physician pursuant to this section may be made at any time. The employee is entitled, in any serious case, upon request, to the services of a consulting physician, chiropractor, or acupuncturist of his or her choice at the expense of the employer. The treatment shall be at the expense of the employer.

(b) If an employee requesting a change of physician pursuant to subdivision (a) has notified his or her employer in writing prior to the date of injury that he or she has a personal chiropractor, the alternative physician tendered by the employer to the employee, if the employee so requests, shall be the employee's personal chiropractor. For the purpose of this article, "personal chiropractor" means the employee's regular chiropractor licensed pursuant to Chapter 2 (commencing with Section 1000) of Division 2 of the Business and Professions Code, who has previously directed treatment of the employee, and who retains the employee's

chiropractic treatment records, including his or her chiropractic history.

(c) If an employee requesting a change of physician pursuant to subdivision (a) has notified his or her employer in writing prior to the date of injury that he or she has a personal acupuncturist, the alternative physician tendered by the employer to the employee, if the employee so requests, shall be the employee's personal acupuncturist. For the purpose of this article, "personal acupuncturist" means the employee's regular acupuncturist licensed pursuant to Chapter 12 (commencing with Section 4935) of Division 2 of the Business and Professions Code, who has previously directed treatment of the employee, and who retains the employee's acupuncture treatment records, including his or her acupuncture history.

SEC. 6. Section 2.5 of this bill incorporates amendments to Section 4600 of the Labor Code proposed by both this bill and AB 236. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 1999, (2) each bill amends Section 4600 of the Labor Code, and (3) this bill is enacted after AB 236, in which case Section 2 of this bill shall not become operative.

CHAPTER 441

An act to amend Section 25658 of the Business and Professions Code, relating to crimes against the person.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 25658 of the Business and Professions Code is amended to read:

25658. (a) Except as otherwise provided in subdivision (c), every person who sells, furnishes, gives, or causes to be sold, furnished, or given away, any alcoholic beverage to any person under the age of 21 years is guilty of a misdemeanor.

(b) Any person under the age of 21 years who purchases any alcoholic beverage, or any person under the age of 21 years who consumes any alcoholic beverage in any on-sale premises, is guilty of a misdemeanor.

(c) Any person who violates subdivision (a) by purchasing an alcoholic beverage for a person under the age of 21 years and the person under the age of 21 years thereafter consumes the alcohol and thereby proximately causes great bodily injury or death to himself, herself, or any other person, is guilty of a misdemeanor.

(d) Any on-sale licensee who knowingly permits a person under the age of 21 years to consume any alcoholic beverage in the on-sale premises, whether or not the licensee has knowledge that the person is under the age of 21 years, is guilty of a misdemeanor.

(e) (1) Except as otherwise provided in paragraph (2) or (3), any person who violates this section shall be punished by a fine of two hundred fifty dollars ($250), no part of which shall be suspended, or the person shall be required to perform not less than 24 hours or more than 32 hours of community service during hours when the person is not employed and is not attending school, or a combination of fine and community service as determined by the court.

(2) Any person who violates subdivision (a) by furnishing an alcoholic beverage, or causing an alcoholic beverage to be furnished, to a minor shall be punished by a fine of one thousand dollars ($1,000), no part of which shall be suspended, and the person shall be required to perform not less than 24 hours of community service during hours when the person is not employed and is not attending school.

(3) Any person who violates subdivision (c) shall be punished by imprisonment in a county jail for a minimum term of six months not to exceed one year, by a fine not exceeding one thousand dollars ($1,000), or by both imprisonment and fine.

(f) Persons under the age of 21 years may be used by peace officers in the enforcement of this section to apprehend licensees, or employees or agents of licensees, who sell alcoholic beverages to minors. Notwithstanding subdivision (b), any person under the age of 21 years who purchases or attempts to purchase any alcoholic beverage while under the direction of a peace officer is immune from prosecution for that purchase or attempt to purchase an alcoholic beverage. Guidelines with respect to the use of persons under the age of 21 years as decoys shall be adopted and published by the department in accordance with the rulemaking portion of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). Law enforcement-initiated minor decoy programs in operation prior to the effective date of regulatory guidelines adopted by the department shall be authorized as long as the minor decoy displays to the seller of alcoholic beverages the appearance of a person under the age of 21 years. This subdivision shall not be construed to prevent the department from taking disciplinary action against a licensee who sells alcoholic beverages to a minor decoy prior to the department's final adoption of regulatory guidelines.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government

Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 442

An act to amend Section 450 of the Labor Code, relating to employment applications.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 450 of the Labor Code is amended to read:

450. (a) No employer, or agent or officer thereof, or other person, may compel or coerce any employee, or applicant for employment, to patronize his or her employer, or any other person, in the purchase of any thing of value.

(b) For purposes of this section, to compel or coerce the purchase of any thing of value includes, but is not limited to, instances where an employer requires the payment of a fee or consideration of any type from an applicant for employment for any of the following purposes:

(1) For an individual to apply for employment orally or in writing.

(2) For an individual to receive, obtain, complete, or submit an application for employment.

(3) For an employer to provide, accept, or process an application for employment.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 443

An act to amend Section 1777.1 of the Labor Code, and to amend Section 4107 of, and to add Section 6109 to, the Public Contract Code, relating to public works.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 1777.1 of the Labor Code is amended to read:

1777.1. (a) Whenever a contractor or subcontractor performing a public works project pursuant to this chapter is found by the Labor Commissioner to be in violation of this chapter with intent to defraud, except Section 1777.5, the contractor or subcontractor or a firm, corporation, partnership, or association in which the contractor or subcontractor has a substantial interest shall be ineligible for a period of not less than one year or more than three years to do either of the following:

(1) Bid on or be awarded a contract for a public works project.

(2) Perform work as a subcontractor on a public works project.

(b) Whenever a contractor or subcontractor performing a public works project pursuant to this chapter is found by the Labor Commissioner to be in willful violation of this chapter, except Section 1777.5, the contractor or subcontractor or a firm, corporation, partnership, or association in which the contractor or subcontractor has a substantial interest shall be ineligible for a period up to three years for each second and subsequent violation occurring within three years of a separate and previous willful violation of this chapter to do either of the following:

(1) Bid on or be awarded a contract for a public works project.

(2) Perform work as a subcontractor on a public works project.

(c) A willful violation occurs when the contractor or subcontractor knew or reasonably should have known of his or her obligations under the public works law and deliberately fails or refuses to comply with its provisions.

Not less than semiannually, the Labor Commissioner shall publish and distribute to awarding bodies a list of contractors who are ineligible to bid on or be awarded a public works contract, or to perform work as a subcontractor on a public works project pursuant to this chapter. The list shall contain the name of the contractor, the Contractor's State License Board license number of the contractor, and the effective period of debarment of the contractor.

(d) The Labor Commissioner shall adopt rules and regulations for the administration and enforcement of this section, the definition of terms, and appropriate penalties.

SEC. 2. Section 4107 of the Public Contract Code is amended to read:

4107. A prime contractor whose bid is accepted may not:

(a) Substitute a person as subcontractor in place of the subcontractor listed in the original bid, except that the awarding authority, or its duly authorized officer, may, except as otherwise provided in Section 4107.5, consent to the substitution of another person as a subcontractor in any of the following situations:

(1) When the subcontractor listed in the bid after having had a reasonable opportunity to do so fails or refuses to execute a written contract, when that written contract, based upon the general terms, conditions, plans and specifications for the project involved or the terms of that subcontractor's written bid, is presented to the subcontractor by the prime contractor.

(2) When the listed subcontractor becomes bankrupt or insolvent.

(3) When the listed subcontractor fails or refuses to perform his or her subcontract.

(4) When the listed subcontractor fails or refuses to meet the bond requirements of the prime contractor as set forth in Section 4108.

(5) When the prime contractor demonstrates to the awarding authority, or its duly authorized officer, subject to the further provisions set forth in Section 4107.5, that the name of the subcontractor was listed as the result of an inadvertent clerical error.

(6) When the listed subcontractor is not licensed pursuant to the Contractors License Law.

(7) When the awarding authority, or its duly authorized officer, determines that the work performed by the listed subcontractor is substantially unsatisfactory and not in substantial accordance with the plans and specifications, or that the subcontractor is substantially delaying or disrupting the progress of the work.

(8) When the listed subcontractor is ineligible to work on a public works project pursuant to Section 1777.1 or 1777.7 of the Labor Code.

Prior to approval of the prime contractor's request for the substitution the awarding authority, or its duly authorized officer, shall give notice in writing to the listed subcontractor of the prime contractor's request to substitute and of the reasons for the request. The notice shall be served by certified or registered mail to the last known address of the subcontractor. The listed subcontractor who has been so notified shall have five working days within which to submit written objections to the substitution to the awarding authority. Failure to file these written objections shall constitute the listed subcontractor's consent to the substitution.

If written objections are filed, the awarding authority shall give notice in writing of at least five working days to the listed

subcontractor of a hearing by the awarding authority on the prime contractor's request for substitution.

(b) Permit a subcontract to be voluntarily assigned or transferred or allow it to be performed by anyone other than the original subcontractor listed in the original bid, without the consent of the awarding authority, or its duly authorized officer.

(c) Other than in the performance of "change orders" causing changes or deviations from the original contract, sublet or subcontract any portion of the work in excess of one-half of 1 percent of the prime contractor's total bid as to which his or her original bid did not designate a subcontractor.

SEC. 3. Section 6109 is added to the Public Contract Code, to read:

6109. (a) A public entity, as defined in Section 1100, may not permit a contractor or subcontractor who is ineligible to bid or work on, or be awarded, a public works project pursuant to Section 1777.1 or 1777.7 of the Labor Code to bid on, be awarded, or perform work as a subcontractor on, a public works project. Every public works project shall contain a provision prohibiting a contractor from performing work on a public works project with a subcontractor who is ineligible to perform work on the public works project pursuant to Section 1777.1 or 1777.7 of the Labor Code.

(b) Any contract on a public works project entered into between a contractor and a debarred subcontractor is void as a matter of law. A debarred subcontractor may not receive any public money for performing work as a subcontractor on a public works contract, and any public money that may have been paid to a debarred subcontractor by a contractor on the project shall be returned to the awarding body. The contractor shall be responsible for the payment of wages to workers of a debarred subcontractor who has been allowed to work on the project.

CHAPTER 444

An act to add Section 8655.5 to the Government Code, relating to emergencies, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares as follows:

(1) Contra Costa County has the highest concentration of petrochemical industrial facilities per capita in the state and these facilities contribute a substantial percentage of the business revenues

and high wage jobs in the county. As a result of historical patterns of development, many petrochemical industrial facilities are located near densely populated areas of the county.

(2) In the event of threatened or actual hazardous materials releases from petrochemical industrial or other facilities, or other emergencies or natural disasters, prompt notification of the incident and information regarding an appropriate response are critical factors in protecting the health and safety of people and the environment.

(3) Following an oleum release from a chemical facility in July 1993, representatives of the county, other public agencies, industry, and community groups supported the development of a community warning program incorporating a community warning system to enhance the county's ability to notify the community and disseminate information about these emergencies. A program incorporating a community warning system capable of automatic simultaneous notification to the health, police, and fire departments, and other emergency responders, as well as television, radio, and cable media, and siren alerting, together with a public education program regarding the appropriate response to hazardous materials releases and other emergencies, was deemed to be in the best interests of the citizens of Contra Costa County. Because the cost of such a community warning system exceeded any available public funding, private funding and assistance were solicited for the development and installation of a community warning system.

(4) The Contra Costa CAER Group is a nonprofit public benefit corporation whose board of directors includes representatives of the county, the community, and industrial facilities. The group was formed in 1988 to promote improved coordination of emergency response between public emergency response agencies and private industry. The Contra Costa CAER Group obtained the private funding and assistance needed for the development and implementation of the community warning system.

(b) It is the intent of the Legislature that this immunity shall not apply to the manufacturer or supplier of goods for a community warning system or to any firm or entity creating a spill, discharge, or presence of hazardous materials or otherwise causing an event giving rise to the use or failure to use the community warning program or community warning system or any part thereof.

SEC. 2. Section 8655.5 is added to the Government Code, to read:

8655.5. (a) As used in this section, the following terms have the following meaning:

(1) "Community warning program" means any broadcast or notification program conducted by or at the direction of a public agency of a county of the ninth class that is intended to facilitate the agency's ability to warn residents of an actual or a threatened hazardous materials release or other emergency or natural disaster, and to coordinate the dissemination of information through various

media and other warning devices of any nature, including, but not limited to, sirens, television, radio, 911 service, and public address systems.

(2) "Community warning system" means any combination of equipment, hardware, and software used in a community warning program by a county of the ninth class.

(3) "Donor organization" means a California nonprofit public benefit corporation, and its officers, directors, employees, members, and contributors, that has donated in whole or in part a community warning system to a county of the ninth class.

(b) A donor organization is immune from suit and claims of liability for any injury arising out of the design, development, installation, maintenance, operation, and use of a community warning program or community warning system. This section shall be cumulative with, and does not affect in any way, any immunity from suit and claims of liability, privileges, defenses, or exemptions otherwise enjoyed by any person or entity. This immunity shall not apply to the management, operation, or maintenance of a community warning system by a donor organization after a donor organization donates a community warning system to a county of the ninth class. For purposes of this section, operation or maintenance of a stationary terminal for communications and operations in accordance with the direction of, or under contract with, a county of the ninth class shall not constitute the management, operation, or maintenance of a community warning system.

(c) (1) Except as expressly provided in subdivision (b), this section does not negate or impair any duty or cause of action, whether civil or criminal, against a donor organization.

(2) Without limiting the generality of paragraph (1), this section is not intended to, nor shall it be construed to, (A) relieve the manufacturer, designer, developer, installer, or supplier of equipment or software for a community warning system from any obligation or liability under any applicable statute or rule of law, or (B) relieve any donor organization from any liability for the intentional wrongful use of a community warning system or any part thereof.

(3) Notwithstanding any other provision of this section or of any law relating to indemnity, joint and several liability, or several liability, no claim for contribution or indemnity arises against a donor organization based on the design, development, installation, maintenance, operation, or use of a community warning system for which the donor organization is otherwise immune under the section.

(4) Notwithstanding any other provision of this section or of any law relating to indemnity, joint and several liability, or several liability, no person who is otherwise liable for damages shall be entitled to seek or assert any allocation of any percentage of fault or liability for the purpose of the reduction of damages for personal

injury, property damage, or wrongful death, based on the participation of a donor organization or a county of the ninth class or its officials or employees in the design, development, installation, maintenance, operation, or use of a community warning system.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

To assist in making the community warning system in the County of Contra Costa operational as soon as possible as a means of warning citizens of potentially life threatening toxic air emissions, it is necessary that this act take effect immediately.

CHAPTER 445

An act to amend Section 17510.2 of the Business and Professions Code, and to amend Sections 12580, 12581, 12587, and 12599 of, and to add Sections 12581.2, 12599.1, and 12599.2 to, the Government Code, relating to charitable fundraising.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 17510.2 of the Business and Professions Code is amended to read:

17510.2. (a) As used in this article, "solicitation for charitable purposes," means any request, plea, entreaty, demand, or invitation, or attempt thereof, to give money or property, in connection with which any of the following applies:

(1) Any appeal is made for charitable purposes.

(2) The name of any charity, philanthropic or charitable organization is used or referred to in any such appeal as an inducement for making any such gift.

(3) Any statement is made to the effect that the gift or any part thereof will go to or be used for any charitable purpose or organization.

(4) The name of any organization of law enforcement personnel, firefighters, or other persons who protect the public safety is used or referred to as an inducement for transferring any money or property, unless the only expressed or implied purpose of the solicitation is for the sole benefit of the actual active membership of the organization.

(b) As used in this article, "sales solicitation for charitable purposes" means the sale of, offer to sell, or attempt to sell any advertisement, advertising space, book, card, chance, coupon device, magazine subscription, membership, merchandise, ticket of

admission or any other thing or service in connection with which any of the following applies:

(1) Any appeal is made for charitable purposes.

(2) The name of any charity, philanthropic or charitable organization is used or referred to in any such appeal as an inducement for making any such sale.

(3) Any statement is made to the effect that the whole or any part of the proceeds from the sale will go to or be used for any charitable purpose or organization.

(4) The name of any organization of law enforcement personnel, firefighters, or other persons who protect the public safety is used or referred to as an inducement for transferring any money or property, unless the only expressed or implied purpose of the sales solicitation is for the sole benefit of the actual active membership of the organization.

(c) A solicitation for charitable purposes, or a sale, offer or attempt to sell for charitable purposes, shall include the making or disseminating or causing to be made or disseminated before the public in this state, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatsoever any such solicitation.

(d) For purposes of this article, "charity" shall include any person who, or any nonprofit community organization, fraternal, benevolent, educational, philanthropic, or service organization, or governmental employee organization which, solicits or obtains contributions solicited from the public for charitable purposes or holds any assets for charitable purposes.

SEC. 2. Section 12580 of the Government Code is amended to read:

12580. This article may be cited as the Supervision of Trustees and Fundraisers for Charitable Purposes Act.

SEC. 3. Section 12581 of the Government Code is amended to read:

12581. This article applies to all charitable corporations and trustees holding property for charitable purposes, commercial fundraisers for charitable purposes, fundraising counsel for charitable purposes, and commercial coventurers, over which the state or the Attorney General has enforcement or supervisory powers. The provisions of this article shall not apply to any committee as defined in Section 82013 which is required to and does file any statement pursuant to the provisions of Article 2 (commencing with Section 84200) of Chapter 4 of Title 9.

SEC. 4. Section 12581.2 is added to the Government Code, to read:

12581.2. As used in this article, "solicitation" or "soliciting" for charitable purposes means any request, plea, entreaty, demand, or invitation, or attempt thereof, to give money or property, in connection with which any of the following applies:

(a) Any appeal is made for charitable purposes.

(b) The name of any charity, philanthropic or charitable organization, is used or referred to in any such appeal as an inducement for making any such gift.

(c) Any statement is made to the effect that the gift or any part thereof will go to or be used for any charitable purpose or organization.

(d) The name of any organization of law enforcement personnel, firefighters or other persons who protect the public safety is used or referred to as an inducement for transferring any money or property, unless the only expressed or implied purpose of the solicitation is for the sole benefit of the actual active membership of the organization.

SEC. 5. Section 12587 of the Government Code is amended to read:

12587. The Attorney General may make additional rules and regulations necessary for the administration of this article, provided that any assessment of an annual registration or renewal fee from charitable trustees and corporations, commercial fundraisers, fundraising counsel, and commercial coventurers subject to this article, authorized by statute or regulation, shall be used by the Department of Justice solely to operate and maintain the Attorney General's Registry of Charitable Trusts and provide public access via the Internet to reports filed with the Attorney General.

SEC. 6. Section 12599 of the Government Code is amended to read:

12599. (a) "Commercial fundraiser for charitable purposes" is defined as any individual, corporation, or other legal entity who for compensation does any of the following:

(1) Solicits funds, assets, or property in this state for charitable purposes.

(2) As a result of a solicitation of funds, assets, or property in this state for charitable purposes, receives or controls the funds, assets, or property solicited for charitable purposes.

(3) Employs, procures, or engages any compensated person to solicit, receive, or control funds, assets, or property for charitable purposes.

A commercial fundraiser for charitable purposes shall include any person, association of persons, corporation, or other entity that obtains a majority of its inventory for sale by the purchase, receipt, or control for resale to the general public, of salvageable personal property solicited by an organization qualified to solicit donations pursuant to Section 148.3 of the Welfare and Institutions Code.

A commercial fundraiser for charitable purposes shall not include a "trustee" as defined in Section 12582 or 12583, a "charitable corporation" as defined in Section 12582.1, or any employee thereof. A commercial fundraiser for charitable purposes shall not include an individual who is employed by or under the control of a commercial fundraiser for charitable purposes registered with the Attorney

General. A commercial fundraiser for charitable purposes shall not include any federally insured financial institution which holds as a depository funds received as a result of a solicitation for charitable purposes.

As used in this section, "charitable purposes" includes any solicitation in which the name of any organization of law enforcement personnel, firefighters, or other persons who protect the public safety is used or referred to as an inducement for transferring any funds, assets, or property, unless the only expressed or implied purpose of the solicitation is for the sole benefit of the actual active membership of the organization.

(b) A commercial fundraiser for charitable purposes shall, prior to soliciting any funds, assets, or property, including salvageable personal property, in California for charitable purposes, or prior to receiving and controlling any funds, assets, or property, including salvageable personal property, as a result of a solicitation in this state for charitable purposes, register with the Attorney General's Registry of Charitable Trusts on a registration form provided by the Attorney General. Renewals of registration shall be filed with the Registry of Charitable Trusts by January 15 of each calendar year in which the commercial fundraiser for charitable purposes does business and shall be effective for one year. A registration or renewal fee of two hundred dollars ($200) shall be required for registration of a commercial fundraiser for charitable purposes, and shall be payable by certified or cashier's check to the Attorney General's Registry of Charitable Trusts at the time of registration or renewal. The Attorney General may adjust the annual registration or renewal fee as needed pursuant to this section. The Attorney General's Registry of Charitable Trusts may grant extensions of time to file annual registration as required, pursuant to subdivision (b) of Section 12586.

(c) A commercial fundraiser for charitable purposes shall file with the Attorney General's Registry of Charitable Trusts, and with the sheriff of each county in which the fundraiser intends to solicit funds or the sheriff's designee, an annual financial report on a form provided by the Attorney General, accounting for all funds collected pursuant to any solicitation for charitable purposes during the preceding calendar year. The annual financial report shall be filed with the Attorney General's Registry of Charitable Trusts, and with the sheriff of each county in which a fundraiser intends to solicit funds or the sheriff's designee, no later than 30 days after the close of the preceding calendar year. Nothing in this section shall be construed as requiring the sheriff of any county, or the sheriff's designee, to maintain on file any annual financial report required pursuant to this subdivision.

(d) The contents of the forms for annual registration and annual financial reporting by commercial fundraisers for charitable purposes shall be established by the Attorney General in a manner consistent with the procedures set forth in subdivisions (a) and (b)

of Section 12586. The annual financial report shall require a detailed, itemized accounting of funds, assets, or property, solicited for charitable purposes on behalf of each charitable organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code or for each charitable purpose during the accounting period, and shall include, among other data, the following information for funds, assets, or property, solicited by the commercial fundraiser for charitable purposes:

(1) Total revenue.

(2) The fee or commission charged by the commercial fundraiser for charitable purposes.

(3) Salaries paid by the commercial fundraiser for charitable purposes to its officers and employees.

(4) Fundraising expenses.

(5) Distributions to the identified charitable organization or purpose.

(6) The names and addresses of any director, officer, or employee of the commercial fundraiser for charitable purposes who is a director, officer, or employee of any charitable organization listed in the annual financial report.

(e) A commercial fundraiser for charitable purposes that obtains a majority of its inventory for sale by the purchase, receipt, or control for resale to the general public, of salvageable personal property solicited by an organization qualified to solicit donations pursuant to Section 148.3 of the Welfare and Institutions Code shall file with the Attorney General's Registry of Charitable Trusts, and not with the sheriff of any county, an annual financial report on a form provided by the Attorney General that is separate and distinct from forms filed by other commercial fundraisers for charitable purposes pursuant to subdivisions (c) and (d).

(f) It shall be unlawful for any commercial fundraiser for charitable purposes to solicit funds in this state for charitable purposes unless the commercial fundraiser for charitable purposes has complied with the registration or annual renewal and financial reporting requirements of this article. Failure to comply with these registration or annual renewal and financial reporting requirements shall be grounds for injunction against solicitation in this state for charitable purposes and other civil remedies provided by law.

(g) A commercial fundraiser for charitable purposes is a constructive trustee for charitable purposes as to all funds collected pursuant to solicitation for charitable purposes and shall account to the Attorney General for all funds. A commercial fundraiser for charitable purposes is subject to the Attorney General's supervision and enforcement over charitable funds and assets to the same extent as a trustee for charitable purposes under this article.

(h) It shall be unlawful for a commercial fundraiser for charitable purposes to not disclose the percentage of total fundraising expenses of the fundraiser upon receiving a written or oral request from a

person solicited for a contribution for a charitable purpose. "Percentage of total fundraising expenses," as used in this section, means the ratio of the total expenses of the fundraiser to the total revenue received by the fundraiser for the charitable purpose for which funds are being solicited, as reported on the most recent financial report filed with the Attorney General's Registry of Charitable Trusts. A commercial fundraiser shall disclose this information in writing within five working days from receipt of a request by mail or fax. A commercial fundraiser shall orally disclose this information immediately upon a request made in person or in a telephone conversation and shall follow this response with a written disclosure within five working days. Failure to comply with the requirements of this subdivision shall be grounds for an injunction against solicitation in this state for charitable purposes and other civil remedies provided by law.

(i) If the Attorney General issues a report to the public containing information obtained from registration forms or financial report forms filed by commercial fundraisers for charitable purposes, there shall be a separate section concerning commercial fundraisers for charitable purposes that obtain a majority of their inventory for sale by the purchase, receipt, or control for resale to the general public, of salvageable personal property solicited by an organization qualified to solicit donations pursuant to Section 148.3 of the Welfare and Institutions Code. The report shall include an explanation of the distinctions between these thrift store operations and other types of commercial fundraising.

(j) If any provision of this section or the application thereof to any person or circumstances is held invalid, that invalidity shall not affect other provisions or application of this section which can be given effect without the invalid provision or application, and to this end the provisions of this section are severable.

SEC. 7. Section 12599.1 is added to the Government Code, to read:

12599.1. (a) "Fundraising counsel for charitable purposes" is defined as any person who is described by all of the following:

(1) For compensation plans, manages, advises, counsels, consults, or prepares material for, or with respect to, the solicitation in this state of funds, assets or property for charitable purposes.

(2) Does not solicit funds, assets, or property for charitable purposes.

(3) Does not receive or control funds, assets, or property solicited for charitable purposes in this state.

(4) Does not employ, procure, or engage any compensated person to solicit, receive, or control funds, assets, or property for charitable purposes.

(b) "Fundraising counsel for charitable purposes" does not include any of the following:

(1) An attorney, investment counselor, or banker who in the conduct of that person's profession advises a client when actually engaged in the giving of legal, investment, or financial advice.

(2) A trustee as defined in Section 12582 or 12583.

(3) A charitable corporation as defined in Section 12582.1, or any employee thereof.

(4) A person employed by or under the control of a fundraising counsel for charitable purposes, as defined in subdivision (a).

(5) A person, corporation, or other legal entity, engaged as an independent contractor directly by a trustee or a charitable corporation, that prints, reproduces, or distributes written materials prepared by a trustee, a charitable corporation, or any employee thereof, or that performs artistic or graphic services with respect to written materials prepared by a trustee, a charitable corporation, or any employee thereof, provided that the independent contractor does not perform any of the activities described in paragraph (1) of subdivision (a).

(6) A person whose total annual gross compensation for performing any activity described in paragraph (1) of subdivision (a) does not exceed twenty-five thousand dollars ($25,000).

(c) A fundraising counsel for charitable purposes shall, prior to managing, advising, counseling, consulting, or preparing material for, or with respect to, the solicitation in this state of funds, assets, or property for charitable purposes, register with the Attorney General's Registry of Charitable Trusts on a registration form provided by the Attorney General. Renewals of registration shall be filed with the Registry of Charitable Trusts by January 15 of each calendar year in which the fundraising counsel for charitable purposes does business and shall be effective for one year.

A registration or renewal fee of two hundred dollars ($200) shall be required for registration of a fundraising counsel for charitable purposes, and shall be payable by certified or cashier's check to the Attorney General's Registry of Charitable Trusts at the time of registration and renewal. The Attorney General may adjust the annual registration or renewal fee as needed pursuant to this section. The Attorney General's Registry of Charitable Trusts may grant extensions of time to file annual registration as required, pursuant to subdivision (b) of Section 12586.

(d) A fundraising counsel for charitable purposes shall file annually with the Attorney General's Registry of Charitable Trusts on a form provided by the Attorney General, a report listing each person, corporation, or other legal entity for whom the fundraising counsel has performed any services described in paragraph (1) of subdivision (a), and a statement certifying that the fundraising counsel had a written contract with each listed person, corporation, or other legal entity that contained the following provisions:

(1) The legal name and address of the person, corporation, or other legal entity as registered with the Attorney General pursuant

to this article, or if the person, corporation, or other legal entity is not registered with the Attorney General, the legal name and address of the person, corporation, or other legal entity as registered with the Secretary of State.

(2) A statement of the respective obligations of the fundraising counsel and the person, corporation, or other legal entity.

(3) A clear statement of the fees and any other form of compensation, including commissions or property, that will be paid to the fundraising counsel.

(4) The effective and termination dates of the contract and the date services will commence with respect to solicitation in this state of funds, assets, or property for charitable purposes.

(5) A statement that the person, corporation, or other legal entity exercises control and approval over the content and volume or any solicitation for charitable purposes.

(6) A statement that the fundraising counsel will not at any time solicit funds, assets, or property for charitable purposes, receive or control funds, assets, or property solicited for charitable purposes, or employ, procure, or engage any compensated person to solicit, receive, or control funds, assets, or property for charitable purposes.

(7) The signature of an authorized officer or director of the person, corporation, or other legal entity and the signature of the authorized contracting officer of the fundraising counsel.

(e) It shall be unlawful for any fundraising counsel for charitable purposes to manage, advise, counsel, consult, or prepare material for, or with respect to, the solicitation in this state of funds, assets, or property for charitable purposes unless the fundraising counsel for charitable purposes has complied with the registration or annual renewal and financial reporting requirements of this article.

(f) A fundraising counsel for charitable purposes is subject to the Attorney General's supervision and enforcement to the same extent as a trustee for charitable purposes under this article.

(g) If any provision of this section or the application thereof to any person or circumstances is held invalid, that invalidity shall not affect other provisions or application of this section which can be given effect without the invalid provision or application, and to this end the provisions of this section are severable.

SEC. 8. Section 12599.2 is added to the Government Code, to read:

12599.2. (a) "Commercial coventurer" is defined as any person who, for profit, is regularly and primarily engaged in trade or commerce other than in connection with the raising of funds, assets, or property for charitable organizations or charitable purposes, and who represents to the public that the purchase or use of any goods, services, entertainment, or any other thing of value will benefit a charitable organization or will be used for a charitable purpose.

(b) A commercial coventurer is a trustee as defined in Section 12582. Notwithstanding the requirements of Sections 12585 and

12586, a commercial coventurer is not required to register or file periodic reports with the Attorney General provided that the commercial coventurer:

(1) Has a written contract with a trustee or charitable corporation subject to this article, signed by two officers of the trustee or charitable corporation, prior to representing to the public that the purchase or use of any goods, services, entertainment, or any other thing of value will benefit the trustee or charitable corporation or will be used for a charitable purpose.

(2) Within 90 days after commencement of those representations, and at the end of each successive 90-day period during which the representations are made, transfers to that trustee or charitable corporation subject to this article all funds, assets, or property received as a result of the representations.

(3) Provides in conjunction with each transfer required by paragraph (2) a written accounting to the trustee or charitable corporation subject to this article of all funds, assets, or property received sufficient to enable the trustee or charitable corporation (A) to determine that representations made to the public on its behalf have been adhered to accurately and completely, and (B) to prepare its periodic report filed with the Attorney General pursuant to Section 12586.

(c) A commercial coventurer that does not meet the requirements of paragraphs (1), (2), and (3) of subdivision (b) shall register and report to the Attorney General on forms required by the Attorney General. An annual registration or renewal fee of two hundred dollars ($200) shall be required for registration or renewal of registration of a commercial coventurer, and shall be payable by certified or cashier's check to the Attorney General's Registry of Charitable Trusts at the time of registration or renewal. The Attorney General may adjust the annual registration or renewal fee as needed pursuant to this section.

CHAPTER 446

An act to add Sections 17512 and 17513 to the Business and Professions Code, relating to telephonic marketing.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 17512 is added to the Business and Professions Code, to read:

17512. (a) It shall be unlawful for any person to request or receive payment of any fee or consideration from a person for goods

or services represented to recover or otherwise assist in the return of money or any other item of value paid for by, or promised to, that person in a previous telemarketing transaction, until seven business days after that money or other item is delivered to that person.

(b) This section shall not apply to an attorney licensed to practice law in this state and specifically retained for the recovery of money or any other item of value.

(c) Notwithstanding Section 17511.9, any person who violates subdivision (a) shall be guilty of a misdemeanor, and shall be punished by imprisonment in a county jail for up to one year.

SEC. 2. Section 17513 is added to the Business and Professions Code, to read:

17513. (a) It shall be unlawful for any telephonic seller to procure, either directly or through an agent, the services of any third-party delivery, courier, or other pickup service, for the purpose of obtaining a purchaser's payment for goods sold by the telephonic seller, unless the goods are delivered before or at the same time the purchaser's payment is obtained.

(b) Notwithstanding Section 17511.9, any person who violates subdivision (a) shall be guilty of a misdemeanor, and shall be punished by imprisonment in a county jail for up to one year.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 447

An act to amend Section 13961 of the Government Code, relating to victims of crime.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 13961 of the Government Code is amended to read:

13961. (a) A victim or derivative victim may file an application for assistance with the board.

(b) The board shall supply and make available an application form for this purpose. The form shall be in one part, in laymen's terms, and shall be accompanied by information including, but not limited to, all of the following:

(1) The eligibility of applicants, the types of claims covered, and the maximum amount payable for these claims.

(2) Information explaining the procedure to be used to evaluate an applicant's claims.

(3) Other information pertinent to the applicant as deemed necessary by the board.

(4) Information about the existence and location of local victim centers.

(c) (1) The period prescribed for the filing of an application for assistance shall be one year after the date of the crime or one year after the victim attains 18 years of age, whichever is later.

(2) The board may for good cause grant an extension of the time period in paragraph (1) not to exceed three years after the date of the crime or after the victim attains 18 years of age, whichever is later.

(3) The board may grant an extension of the time period in paragraph (1) or (2) if either (A), (B), or (C) is true:

(A) The application is filed within one year from the date of the filing of an indictment, information, or complaint alleging the facts that gave rise to the application; and the prosecuting attorney recommends that the board find that the applicant cooperated with law enforcement and the prosecuting attorney in the apprehension and prosecution of the person charged with the crime, and the board so finds.

(B) A victim is called to testify in a criminal proceeding adjudicating the facts that gave rise to the application; the application is filed within one year of the completion of the victim's testimony; and the prosecuting attorney recommends that the board find that the applicant cooperated with law enforcement and the prosecuting attorney in the apprehension and prosecution of the person charged with the crime, and the board so finds.

(C) The application is filed within one year of the time that a formal written decision is made by the prosecuting attorney not to prosecute, and the prosecuting attorney recommends that the board find that the applicant cooperated with law enforcement and the prosecuting attorney in the investigation and consideration of the crime for prosecution, and the board so finds.

(d) The application for assistance shall be verified under penalty of perjury by the victim or derivative victim. If the victim or derivative victim is a minor or is incompetent, the application shall be verified under penalty of perjury or on information and belief by the parent with legal custody or the legal guardian of the victim or derivative victim for whom the application is made.

(e) The application shall contain all of the following:

(1) A description of the date, nature, and circumstances of the crime or public offense.

(2) A complete financial statement, including, but not limited to, the cost of medical care or burial expense and the loss of wages that the victim or the loss of support that the derivative victim has incurred or will incur and the extent to which the applicant has been or will be indemnified for these expenses from any source.

(3) When appropriate, a statement indicating the extent of any disability resulting from the injury incurred.

(4) An authorization permitting the board or a local victim center, or both, to verify the contents of the application.

(5) Any other information as the board may require.

CHAPTER 448

An act to amend Sections 27 and 123.6 of the Labor Code, relating to workers' compensation.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 27 of the Labor Code is amended to read:

27. Whenever the term "workers' compensation judge" or "workers' compensation referee" is used in this code in connection with the workers' compensation law, the term shall mean "workers' compensation administrative law judge."

SEC. 2. Section 123.6 of the Labor Code, as amended by Chapter 95 of the Statutes of 1998, is amended to read:

123.6. (a) All workers' compensation administrative law judges employed by the administrative director shall subscribe to the Code of Judicial Ethics adopted by the Supreme Court pursuant to subdivision (m) of Section 18 of Article VI of the California Constitution for the conduct of judges and shall not otherwise, directly or indirectly, engage in conduct contrary to that code.

The administrative director shall adopt regulations to enforce this section. To the extent possible, the rules shall be consistent with the procedures established by the Commission on Judicial Performance for regulating the activities of state judges, and, to the extent possible, with the gift, honoraria, and travel restrictions on legislators contained in the Political Reform Act of 1974 (Title 9 (commencing with Section 81000) of the Government Code).

(b) Honoraria or travel allowed by the administrative director or otherwise not prohibited by this section in connection with any public or private conference, convention, meeting, social event, or

like gathering, the cost of which is significantly paid for by attorneys who practice before the board, may not be accepted unless the administrative director has provided prior approval in writing to the workers' compensation referee allowing him or her to accept those payments.

CHAPTER 449

An act to add Section 637.7 to the Penal Code, relating to privacy.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that the right to privacy is fundamental in a free and civilized society and that the increasing use of electronic surveillance devices is eroding personal liberty. The Legislature declares that electronic tracking of a person's location without that person's knowledge violates that person's reasonable expectation of privacy.

SEC. 2. Section 637.7 is added to the Penal Code, to read:

637.7. (a) No person or entity in this state shall use an electronic tracking device to determine the location or movement of a person.

(b) This section shall not apply when the registered owner, lessor, or lessee of a vehicle has consented to the use of the electronic tracking device with respect to that vehicle.

(c) This section shall not apply to the lawful use of an electronic tracking device by a law enforcement agency.

(d) As used in this section, "electronic tracking device" means any device attached to a vehicle or other movable thing that reveals its location or movement by the transmission of electronic signals.

(e) A violation of this section is a misdemeanor.

(f) A violation of this section by a person, business, firm, company, association, partnership, or corporation licensed under Division 3 (commencing with Section 5000) of the Business and Professions Code shall constitute grounds for revocation of the license issued to that person, business, firm, company, association, partnership, or corporation, pursuant to the provisions that provide for the revocation of the license as set forth in Division 3 (commencing with Section 5000) of the Business and Professions Code.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government

Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 450

An act to amend Section 597 of the Penal Code, relating to cruelty to animals.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 597 of the Penal Code is amended to read:

597. (a) Except as provided in subdivision (c) of this section or Section 599c, every person who maliciously and intentionally maims, mutilates, tortures, or wounds a living animal, or maliciously and intentionally kills an animal, is guilty of an offense punishable by imprisonment in the state prison, or by a fine of not more than twenty thousand dollars ($20,000), or by both the fine and imprisonment, or, alternatively, by imprisonment in a county jail for not more than one year, or by a fine of not more than twenty thousand dollars ($20,000), or by both the fine and imprisonment.

(b) Except as otherwise provided in subdivision (a) or (c), every person who overdrives, overloads, drives when overloaded, overworks, tortures, torments, deprives of necessary sustenance, drink, or shelter, cruelly beats, mutilates, or cruelly kills any animal, or causes or procures any animal to be so overdriven, overloaded, driven when overloaded, overworked, tortured, tormented, deprived of necessary sustenance, drink, shelter, or to be cruelly beaten, mutilated, or cruelly killed; and whoever, having the charge or custody of any animal, either as owner or otherwise, subjects any animal to needless suffering, or inflicts unnecessary cruelty upon the animal, or in any manner abuses any animal, or fails to provide the animal with proper food, drink, or shelter or protection from the weather, or who drives, rides, or otherwise uses the animal when unfit for labor, is, for every such offense, guilty of a crime punishable as a misdemeanor or as a felony or alternatively punishable as a misdemeanor or a felony and by a fine of not more than twenty thousand dollars ($20,000).

(c) Every person who maliciously and intentionally maims, mutilates, or tortures any mammal, bird, reptile, amphibian, or fish as described in subdivision (d), is guilty of an offense punishable by

imprisonment in the state prison, or by a fine of not more than twenty thousand dollars ($20,000), or by both the fine and imprisonment, or, alternatively, by imprisonment in the county jail for not more than one year, by a fine of not more than twenty thousand dollars ($20,000), or by both the fine and imprisonment.

(d) Subdivision (c) applies to any mammal, bird, reptile, amphibian, or fish which is a creature described as follows:

(1) Endangered species or threatened species as described in Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code.

(2) Fully protected birds described in Section 3511 of the Fish and Game Code.

(3) Fully protected mammals described in Chapter 8 (commencing with Section 4700) of Part 3 of Division 4 of the Fish and Game Code.

(4) Fully protected reptiles and amphibians described in Chapter 2 (commencing with Section 5050) of Division 5 of the Fish and Game Code.

(5) Fully protected fish as described in Section 5515 of the Fish and Game Code.

This subdivision does not supersede or affect any provisions of law relating to taking of the described species, including, but not limited to, Section 12008 of the Fish and Game Code.

(e) For the purposes of subdivision (c), each act of malicious and intentional maiming, mutilating, or torturing a separate specimen of a creature described in subdivision (d) is a separate offense. If any person is charged with a violation of subdivision (c), the proceedings shall be subject to Section 12157 of the Fish and Game Code.

(f) (1) Upon the conviction of a person charged with a violation of this section by causing or permitting an act of cruelty, as defined in Section 599b, all animals lawfully seized and impounded with respect to the violation by a peace officer, officer of a humane society, or officer of a pound or animal regulation department of a public agency shall be adjudged by the court to be forfeited and shall thereupon be awarded to the impounding officer for proper disposition. A person convicted of a violation of this section by causing or permitting an act of cruelty, as defined in Section 599b, shall be liable to the impounding officer for all costs of impoundment from the time of seizure to the time of proper disposition.

(2) Mandatory seizure or impoundment shall not apply to animals in properly conducted scientific experiments or investigations performed under the authority of the faculty of a regularly incorporated medical college or university of this state.

(g) Notwithstanding any other provision of law, if a defendant is granted probation for a conviction under this section, the court shall order the defendant to pay for, and successfully complete, counseling, as determined by the court, designed to evaluate and treat behavior or conduct disorders. If the court finds that the

defendant is financially unable to pay for that counseling, the court may develop a sliding fee schedule based upon the defendant's ability to pay. An indigent defendant may negotiate a deferred payment schedule, but shall pay a nominal fee if the defendant has the ability to pay the nominal fee. County mental health departments or Medi-Cal shall be responsible for the costs of counseling required by this section only for those persons who meet the medical necessity criteria for mental health managed care pursuant to Section 1830.205 of Title 7 of the California Code of Regulations or the targeted population criteria specified in Section 5600.3 of the Welfare and Institutions Code. The counseling specified in this subdivision shall be in addition to any other terms and conditions of probation, including any term of imprisonment and any fine. This provision specifies a mandatory additional term of probation and is not to be utilized as an alternative in lieu of imprisonment in the state prison or county jail when such a sentence is otherwise appropriate. If the court does not order custody as a condition of probation for a conviction under this section, the court shall specify on the court record the reason or reasons for not ordering custody. This subdivision shall not apply to cases involving police dogs or horses as described in Section 600.

SEC. 2. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars ($1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

CHAPTER 451

An act to amend Section 13966.01 of the Government Code, to add Section 1202.41 to the Penal Code, and to amend Sections 730.6 and 730.7 of the Welfare and Institutions Code, relating to restitution, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 13, 1998. Filed with Secretary of State September 14, 1998.]

The people of the State of California do enact as follows:

SECTION 1. Section 13966.01 of the Government Code is amended to read:

13966.01. (a) The State of California shall be subrogated to the rights of the victim to whom cash payments are granted to the extent of the cash payments granted. The subrogation rights shall be against the perpetrator of the crime or any person liable for the pecuniary loss, including a carrier held liable in accordance with the provision of a policy of insurance issued pursuant to Section 11580.2 of the Insurance Code.

(b) The state shall also be entitled to a lien on the judgment, award, or settlement in the amount of the cash payments on any recovery made by or on behalf of the victim. The state may recover this amount in a separate action, or may intervene in an action brought by or on behalf of the victim. If a claim is filed within one year of the date of recovery, the state shall pay 25 percent of the amount of the recovery that is subject to a lien on the judgment, award, or settlement, to the victim responsible for recovery thereof from the perpetrator of the crime, provided that the total amount of the lien is recovered. The remaining 75 percent of the amount, and any amount not claimed within one year pursuant to this section, shall be deposited in the Restitution Fund.

(c) The board may compromise or settle and release any lien pursuant to this article if it is found that the action is in the best interest of the state or the collection would cause undue hardship upon the victim. Repayment obligations to the Restitution Fund shall be enforceable as a summary judgment.

(d) No judgment, award, or settlement in any action or claim by a victim, where the state has an interest, shall be satisfied without first giving the board notice and a reasonable opportunity to perfect and satisfy the lien. The notice shall be given to the board in Sacramento except in cases where the board specifies that the notice shall be given otherwise. The notice shall include the complete terms of the award, settlement or judgment and the name and address of any carrier directly or indirectly providing for the satisfaction.

(e) If the victim, or his or her guardian, personal representative, estate, or survivors, brings an action or asserts a claim for damages against the person or persons liable for the injury or death giving rise to an award by the board under this article, notice of the institution of legal proceedings, notice of all hearings, conferences, and proceedings, and notice of settlement shall be given to the board in Sacramento except in cases where the board specifies that notice shall be given to the Attorney General. Notice of the institution of legal proceedings shall be given to the board within 30 days of filing the action. All notices shall be given by the attorney employed to bring the action for damages or by the victim, his or her guardian,

personal representative, estate, or survivors, if no attorney is employed.

Notice shall include all of the following:

(1) Names of all parties to the claim or action.

(2) The address of all parties to the claim or action except for those persons represented by attorneys and in that case the name of the party and the name and address of the attorney.

(3) The nature of the claim asserted or action brought.

(4) In the case of actions before courts or administrative agencies, the full title of the case including the identity of the court or agency, the names of the parties, and the case or docket number.

When the victim or his or her attorney has reason to believe that a person from whom damages are sought is receiving a defense provided in whole or in part by a carrier, or is insured by a carrier for the injury caused to the victim, notice shall include a statement of that fact and the name and address of the carrier. Upon request of the board, a person obligated to provide notice shall provide the board with a copy of the current written claim or complaint.

(f) The state shall pay the county probation department or other county agency responsible for collection of funds owed to the Restitution Fund under Section 13967, as operative on or before September 28, 1994, Section 1202.4 of the Penal Code, Section 1203.04, as operative on or before August 2, 1995, of the Penal Code, or Section 730.6 of the Welfare and Institutions Code, 10 percent of the funds so owed and collected by the county agency and deposited in the Restitution Fund. This payment shall be made only when the funds are deposited in the Restitution Fund within 45 days of the end of the month in which the funds are collected. Receiving 10 percent of the moneys collected as being owed to the Restitution Fund shall be considered an incentive for collection efforts and shall be used for furthering these collection efforts. The 10 percent rebates shall be used to augment the budgets for the county agencies responsible for collection of funds owed to the Restitution Fund, as provided in Section 13967, as operative on or before September 28, 1994, Section 1202.4 of the Penal Code, Section 1203.04, as operative on or before August 2, 1995, of the Penal Code, or Section 730.6 of the Welfare and Institutions Code. The 10 percent rebates shall not be used to supplant county funding.

SEC. 2. Section 1202.41 is added to the Penal Code, to read:

1202.41. (a) There is created within the State Board of Control a four-year pilot program for the purpose of collaborating with judges to amend restitution orders imposed pursuant to Section 1202.4 of this code and Section 730.6 of the Welfare and Institutions Code to the extent that the victim has received assistance pursuant to Article 1 (commencing with Section 13959) of Chapter 5 of Part 4 of Division 3 of Title 2 of the Government Code.

(b) The program shall commence 30 days after the effective date of this section and shall include restitution orders imposed by courts

in the regional judicial assignments as determined by the Judicial Council, and Court Operation Services encompassing the Counties of Sacramento, San Diego, and Alameda. The State Board of Control, with the assistance of the Judicial Council, shall collaborate with judges in each of the three participating regional judicial assignments. If an inmate or ward does not waive his or her right to attend a restitution hearing for the amendment of a restitution order, the State Board of Control shall determine if the cost of holding the hearing is justified. If the State Board of Control determines that the cost of holding the hearing is not justified, the amendment of the restitution order affecting that inmate or ward shall not be pursued at that time.

(c) The State Board of Control shall prepare a preliminary report to the Legislature on the outcome of the pilot program no later than one year and 180 days after the effective date of the four-year pilot program. The board shall prepare a final report on the outcome of the pilot program no later than 2 years and 180 days after the conclusion of the four-year pilot program.

SEC. 3. Section 730.6 of the Welfare and Institutions Code is amended to read:

730.6. (a) (1) It is the intent of the Legislature that a victim of conduct for which a minor is found to be a person described in Section 602 who incurs any economic loss as a result of the minor's conduct shall receive restitution directly from that minor.

(2) Upon a minor being found to be a person described in Section 602, the court shall consider levying a fine in accordance with Section 730.5. In addition, the court shall order the minor to pay, in addition to any other penalty provided or imposed under the law, both of the following:

(A) A restitution fine in accordance with subdivision (b).

(B) Restitution to the victim or victims, if any, in accordance with subdivision (h).

(b) In every case where a minor is found to be a person described in Section 602, the court shall impose a separate and additional restitution fine. The restitution fine shall be set at the discretion of the court and commensurate with the seriousness of the offense as follows:

(1) If the minor is found to be a person described in Section 602 by reason of the commission of one or more felony offenses, the restitution fine shall not be less than one hundred dollars ($100) and not more than one thousand dollars ($1,000). A separate hearing for the fine shall not be required.

(2) If the minor is found to be a person described in Section 602 by reason of the commission of one or more misdemeanor offenses, the restitution fine shall not exceed one hundred dollars ($100). A separate hearing for the fine shall not be required.

(c) The restitution fine shall be in addition to any other disposition or fine imposed and shall be imposed regardless of the minor's

inability to pay. This fine shall be deposited in the Restitution Fund, the proceeds of which shall be distributed pursuant to Section 13967 of the Government Code.

(d) (1) In setting the amount of the fine pursuant to subparagraph (A) of paragraph (2) of subdivision (a), the court shall consider any relevant factors including, but not limited to, the minor's ability to pay, the seriousness and gravity of the offense and the circumstances of its commission, any economic gain derived by the minor as a result of the offense, and the extent to which others suffered losses as a result of the offense. The losses may include pecuniary losses to the victim or his or her dependents as well as intangible losses such as psychological harm caused by the offense.

(2) The consideration of a minor's ability to pay may include his or her future earning capacity. A minor shall bear the burden of demonstrating a lack of his or her ability to pay.

(e) Express findings of the court as to the factors bearing on the amount of the fine shall not be required.

(f) Except as provided in subdivision (g), under no circumstances shall the court fail to impose the separate and additional restitution fine required by subparagraph (A) of paragraph (2) of subdivision (a). This fine shall not be subject to penalty assessments pursuant to Section 1464 of the Penal Code.

(g) In a case in which the minor is a person described in Section 602 by reason of having committed a felony offense, if the court finds that there are compelling and extraordinary reasons, the court may waive imposition of the restitution fine required by subparagraph (A) of paragraph (2) of subdivision (a). When a waiver is granted, the court shall state on the record all reasons supporting the waiver.

(h) Restitution ordered pursuant to subparagraph (B) of paragraph (2) of subdivision (a) shall be imposed in the amount of the losses, as determined. The court shall order full restitution unless it finds compelling and extraordinary reasons for not doing so, and states them on the record. A minor's inability to pay shall not be considered a compelling or extraordinary reason not to impose a restitution order, nor shall inability to pay be a consideration in determining the amount of the restitution order. A restitution order pursuant to subparagraph (B) of paragraph (2) of subdivision (a), to the extent possible, shall be of a dollar amount sufficient to fully reimburse the victim or victims for all determined economic losses incurred as the result of the minor's conduct for which the minor was found to be a person described in Section 602, including all of the following:

(1) Full or partial payment for the value of stolen or damaged property. The value of stolen or damaged property shall be the replacement cost of like property, or the actual cost of repairing the property when repair is possible.

(2) Medical expenses.

(3) Wages or profits lost due to injury incurred by the victim, and if the victim is a minor, wages or profits lost by the minor's parent, parents, guardian, or guardians, while caring for the injured minor.

(4) Wages or profits lost by the victim, and if the victim is a minor, wages or profits lost by the minor's parent, parents, guardian, or guardians, due to time spent as a witness or in assisting the police or prosecution.

A minor shall have the right to a hearing before a judge to dispute the determination of the amount of restitution. The court may modify the amount on its own motion or on the motion of the district attorney, the victim or victims, or the minor. If a motion is made for modification of a restitution order, the victim shall be notified of that motion at least 10 days prior to the hearing on the motion.

(i) A restitution order imposed pursuant to subparagraph (B) of paragraph (2) of subdivision (a) shall identify the losses to which it pertains, and shall be enforceable as a civil judgment pursuant to subdivision (r). The making of a restitution order pursuant to this subdivision shall not affect the right of a victim to recovery from the Restitution Fund in the manner provided elsewhere, except to the extent that restitution is actually collected pursuant to the order. Restitution collected pursuant to this subdivision shall be credited to any other judgments for the same losses obtained against the minor or the minor's parent or guardian arising out of the offense for which the minor was found to be a person described in Section 602. Restitution payments made pursuant to this subdivision shall be made to the Restitution Fund to the extent that the victim, as defined in subdivision (j), has received assistance pursuant to Article 1 (commencing with Section 13959) of Chapter 5 of Part 4 of Division 3 of Title 2 of the Government Code.

(j) For purposes of this section, "victim" shall include the immediate surviving family of the actual victim.

(k) Nothing in this section shall prevent a court from ordering restitution to any corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision, agency, or instrumentality, or any other legal or commercial entity when that entity is a direct victim of an offense.

(*l*) Upon a minor being found to be a person described in Section 602, the court shall require as a condition of probation the payment of restitution fines and orders imposed under this section. Any portion of a restitution order that remains unsatisfied after a minor is no longer on probation shall continue to be enforceable by a victim pursuant to subdivision (r) until the obligation is satisfied in full.

(m) Probation shall not be revoked for failure of a person to make restitution pursuant to this section as a condition of probation unless the court determines that the person has willfully failed to pay or failed to make sufficient bona fide efforts to legally acquire the resources to pay.

(n) If the court finds and states on the record compelling and extraordinary reasons why restitution should not be required as provided in paragraph (2) of subdivision (a), the court shall order, as a condition of probation, that the minor perform specified community service.

(o) The court may avoid ordering community service as a condition of probation only if it finds and states on the record compelling and extraordinary reasons not to order community service in addition to the finding that restitution pursuant to paragraph (2) of subdivision (a) should not be required.

(p) When a minor is committed to the Department of the Youth Authority, the court shall order restitution to be paid to the victim or victims, if any. Payment of restitution to the victim or victims pursuant to this subdivision shall take priority in time over payment of any other restitution fine imposed pursuant to this section.

(q) At its discretion, the board of supervisors of any county may impose a fee to cover the actual administrative cost of collecting the restitution fine, not to exceed 10 percent of the amount ordered to be paid, to be added to the restitution fine and included in the order of the court, the proceeds of which shall be deposited in the general fund of the county.

(r) If the judgment is for a restitution fine ordered pursuant to subparagraph (A) of paragraph (2) of subdivision (a), or a restitution order imposed pursuant to subparagraph (B) of paragraph (2) of subdivision (a), the judgment may be enforced in the manner provided in Section 1214 of the Penal Code.

SEC. 4. Section 730.7 of the Welfare and Institutions Code is amended to read:

730.7. (a) In a case in which a minor is ordered to make restitution to the victim or victims, or the minor is ordered to pay fines and penalty assessments under any provision of this code, a parent or guardian who has joint or sole legal and physical custody and control of the minor shall be rebuttably presumed to be jointly and severally liable with the minor in accordance with Sections 1714.1 and 1714.3 of the Civil Code for the amount of restitution, fines, and penalty assessments so ordered, up to the limits provided in those sections, subject to the court's consideration of the parent's or guardian's inability to pay. When considering the parent's or guardian's inability to pay, the court may consider future earning capacity, present income, the number of persons dependent on that income, and the necessary obligations of the family, including, but not limited to, rent or mortgage payments, food, children's school tuition, children's clothing, medical bills, and health insurance. The parent or guardian shall have the burden of showing an inability to pay. The parent or guardian shall also have the burden of showing by a preponderance of the evidence that the parent or guardian was either not given notice of potential liability for payment of restitution, fines, and penalty assessments prior to the petition being

sustained by an admission or adjudication, or that he or she was not present during the proceedings wherein the petition was sustained either by admission or adjudication and any hearing thereafter related to restitution, fines, or penalty assessments.

(b) In cases in which the court orders restitution to the victim or victims of the offense, each victim in whose favor the restitution order has been made shall be notified within 60 days after restitution has been ordered of the following:

(1) The name and address of the minor ordered to make restitution.

(2) The amount and any terms or conditions of restitution.

(3) The offense or offenses that were sustained.

(4) The name and address of the parent or guardian of the minor.

(5) The rebuttable presumption that the parent or guardian is jointly and severally liable with the minor for the amount of restitution so ordered in accordance with Sections 1714.1 and 1714.3 of the Civil Code, up to the limits provided in those sections, and that the parent or guardian has the burden of showing by a preponderance of the evidence that the parent or guardian was either not given notice of potential liability for payment of restitution prior to the petition being sustained by an admission or adjudication, or that he or she was not present during the proceedings wherein the petition was sustained by an admission or adjudication and any hearings thereafter related to restitution.

(6) Whether the notice and presence requirements of paragraph (5) were met.

(7) The victim's rights to a certified copy of the order reflecting the information specified in this subdivision.

(c) The victim has a right, upon request, to a certified copy of the order reflecting the information specified in subdivision (b).

(d) This section does not apply to foster parents.

(e) Nothing in this section shall be construed to make an insurer liable for a loss caused by the willful act of the insured or the dependents of the insured pursuant to Section 533 of the Insurance Code.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to determine an effective means to amend restitution orders and to hold offenders accountable for all of the losses incurred by their victims, at the earliest possible time, it is necessary that this act take effect immediately.