

AN OVERVIEW OF THE GOVERNOR'S 2000-01 BUDGET PROPOSAL

On Monday, January 10, 2000, Governor Davis unveiled his spending plan for the 2000-01 fiscal year.

The budget is now before the Legislature to review, analyze, debate, revise, and return to the Governor. Assembly Bill 1740 (Ducheny) and Senate Bill 1344 (Peace) will serve as the budget bills for the Assembly and the Senate, respectively. Multiple "Trailer Bills" will also be introduced in both houses as vehicles for policy changes necessary to implement the final budget agreement.

The Governor's 2000-01 budget proposal reflects continued remarkable growth in the California economy and a corresponding growth in General Fund revenues that has significantly outpaced previous projections. The proposed budget uses Department of Finance projections that forecast General Fund revenues to increase by \$2.9 billion over the past and current budget years and to grow by \$3.1 billion in the budget year.

Since the development of the Governor's proposed budget, updated revenue figures point to even larger increases in General Fund revenues. The Legislative Analyst forecasts General Fund revenues to be above the Governor's proposed budget by \$1.5 billion in the current year and \$1.5 in the budget year.

The Governor's proposed expenditure plan includes on-going funds for significant education initiatives, a modest long-term care initiative, and various targeted tax cuts. Beyond these initiatives, the Governor proposes a "workload" budget, meeting statutorily required obligations and most cost-of-living increases.

ECONOMIC OUTLOOK

California's economy has gone from participating in the nation's economic growth to being a leading force behind what is becoming the longest economic expansion in the nation's history. The state's unemployment rate, 4.8 percent in November, is the lowest ever recorded on the current basis and lags behind the nation's unemployment rate (4.1 percent) by only seven-tenths of a percentage point – down from a peak of three percentage points behind the national average in 1994. In addition, California's nonfarm job growth of 3.3 percent significantly outpaced the nation's 2.2 percent increase.

The economic forecast used in the development of the proposed budget is based on the following key elements.

- Nonfarm employment in California is forecast to increase by 400,000 new jobs, or 2.9 percent in 2000 and by 367,000 new jobs, or 2.5 percent in 2001.

- California personal income will increase by 6.5 percent and top the \$1 trillion mark for the first time in 2000. Income gains are expected to slow to 5.7 percent in 2001.
- California nonresidential construction is expected to increase by 10.8 percent in 2000 and by an 11.5 percent in 2001.
- New home construction continues to be one of the few drags on California's economy. Fewer than 140,000 units were constructed in 1999, and only modest growth of 154,000 units in 2000 and 167,000 in 2001 is projected.
- California's escalating housing costs are translating into a higher inflation rate. The California consumer price index increased 3.0 percent in 1999 and is expected to increase by 3.5 percent in 2000 and 3.3 percent in 2001.

REVENUES

The Department of Finance forecasts General Fund revenues of \$68.2 billion for the budget year. This represents a 4.7 percent increase in revenues over the current year.

Table 1 displays the composition of the General Fund. Of the \$68.2 billion in forecasted General Fund revenues, approximately \$36.3 billion, or 43 percent, is generated by the Personal Income Tax (PIT). This represents an increase of \$1.9 billion, or 5.4 percent, over estimated current year General Fund revenues generated by the PIT. The State Sales tax generates approximately \$21.4 billion, or 31 percent, of the General Fund revenues. This represents an increase of \$1.2 billion, or 5.7 percent, above estimated current year General Fund revenues generated by the State Sales tax. The Bank and Corporation tax generates \$6.2 billion, or nine percent, of the General Fund. This represents an increase of \$144 million, or 2.4 percent, over current year General Fund revenues generated by the Bank and Corporation tax.

Table 1

GENERAL FUND REVENUE			
AS FORECAST BY THE DEPARTMENT OF FINANCE			
1999-00 AND 2000-01			
(Dollars in billions)			
	1999-00	2000-01	% Change
Personal Income Tax (PIT)	\$34.5	\$36.3	5.4%
Sales and Use Tax	20.2	21.4	5.7
Bank and Corporation Tax	6.1	6.2	2.4
All Other	4.4	4.3	-1.9
TOTALS	\$65.2	\$68.2	4.7%

As indicated in Table 1, other revenue sources are projected to decline slightly by \$85 million. This figure includes funds collected by the state from the national settlement with tobacco companies. California's share of the settlement for 2000-01 will be nearly \$400 million.

The Volatility of the Economic Forecast. In November of each year, the Department of Finance attempts to forecast the revenues for the year ending 19 months later. The forecast, however, cannot be made precisely. Small differences in the forecast can generate large budget changes, however. For example, if the forecast is too high by one percent, the error generates a \$680 million deficit.

The possibility of forecast error is heightened by the state's tax structure: a progressive tax structure, such as California's, relies more heavily on high-income taxpayers. Small changes in the tax situation of the state's high-income taxpayers can have a large impact on PIT revenues.

Moreover, high-income taxpayers have a greater share of their income associated with capital gains, such as appreciation of stock portfolios. Capital gains are taxable only when the gain is "realized" by the taxpayer; that is, whenever the stock share is sold for a profit. As long as the taxpayer holds a stock, an appreciated stock's gain is unrealized and untaxed. High-income taxpayers have discretion over when they sell their stocks and realize their gains. They, therefore, can time their gains to be offset by other tax liabilities. Revenue forecasters have a difficult time forecasting when a taxpayer will choose to realize their capital gains.

As a result of these and related factors, it is difficult to precisely forecast state revenues on a timely basis. The Legislative Analyst has forecast, based on more recent revenue data, that revenues in the Governor's proposed budget are underestimated by approximately \$3 billion. When the Governor issues his May Revision, the Department of Finance will revise its revenue forecast, based on revenues realized in the first quarter of 2000. The Legislature will want to consider which forecast to use when crafting its version of the budget.

Reserve. The Governor's budget proposes a General Fund reserve for economic uncertainties of \$1.2 billion, or 1.8 percent of total General Fund revenues. The proposed prudent reserve is the largest in recent memory. For example, in the current year, the Governor initially proposed a projected reserve of only \$415 million, and as enacted into law the budget act contained a projected reserve of only \$881 million (which has since grown to 2.4 billion).

In addition to the reserve for economic uncertainties, the Governor's budget proposes a \$100 million set-aside for one-time Legislative initiatives, a \$500 million set-aside for legal contingencies, and a \$592 million reserve for liquidation of encumbrances.

Targeted Tax Cuts. The Governor's budget proposes targeted tax cut initiatives that reduce General Fund revenues in 2000-01 by a total of \$167 million. Table 3 identifies the General Fund impact of each tax cut. The following is the Department of Finance's summary of the proposed tax cuts.

- A phased-in increase in the percentage of losses that businesses can carry forward to subsequent years from 50 percent to 60 percent.

- A \$500 personal income tax credit for taxpayers who are or who care for elderly or disabled individuals in their homes.
- A state sales tax exemption for qualified investment in rural areas.
- A \$1,000 credit for each new employee who is hired by a small employer (how small) to perform aerospace work.
- A personal income and bank and corporation tax credit to encourage expansion of biomass generation, effective for the 2001 and 2002 tax years.
- A personal income tax exclusion for graduate school expenses paid by an employer.
- An increase in the alternative incremental research and development credit to 90 percent of the June 30, 1999, federal credit.
- A one-time personal income and bank and corporation tax credit in 2000 for land donated for conservation purposes.
- A permanent increase in the amount of low-income housing credits that can be allocated annually from \$35 million to \$50 million.

In total, the revenue projections include General Fund offsets of \$2.3 billion from tax cuts approved in recent years, including \$294 million for the tax relief package contained in the current year's budget. Table 4 identifies the impact of each of the current year's tax cuts.

Table 3

GOVERNOR'S PROPOSED BUDGET TAX CUT INITIATIVES IMPACT ON GENERAL FUND 2000-01 AND 2001-02 (Dollars in millions)		
	2000-01	2001-02
Increase in Net Operating Loss Carryover	-\$1	-\$7
Long-term Care Credit	-47	-41
Rural Investment Exemption	-5	-5
Credit for Hiring Aerospace Employees	Minor	Minor
Biomass Credit	0	-10
Graduate Student Expenses	-10	-10
Increase in the Alternative Incremental R&D Credit	-4	-8
Tax Credit for Land Donation	-100	0
Low-income Housing Credit	0	-1
TOTAL	-\$167	-\$82

Table 4

GOVERNOR'S PROPOSED BUDGET 1999-00 TAX RELIEF PACKAGE IMPACT ON 2000-01 GENERAL FUND (Dollars in Millions)	
	2000-01
Additional 10 percent VLF offset	-\$210
Min. Franchise Tax Exemption for First Two Years for New Corporations	-58
Increase Health Insurance Deduction of Self-Employed Taxpayers	-19
Increase in Research and Development Tax Credit	-7
Permanent Extension of 50 percent Capital Gains Exclusion for Small Business Stock (no Budget Year impact)	--
TOTAL	-\$294

EXPENDITURES

The Governor's budget proposes to appropriate \$68.8 billion from the General Fund in 2000-01. Of this amount, \$28 billion is proposed for K-12 education, about 41 percent of the General Fund. Health and Human Services is proposed to receive \$18.9 billion, about 28 percent of the General Fund. Higher Education (the University of California, California State University and the community colleges) is proposed to receive \$8.8 billion, about 12.8 percent of the General Fund. Corrections, Tax Relief, General Government, and Resources are proposed to split the remaining fifth of the General Fund. Table 1 graphs the Governor's budget proposal to display the relative appropriations in these major program areas.

Table 1

2000-01 GENERAL FUND EXPENDITURES
Dollars in Billions

Appropriation of Increased Expenditures. The Governor's budget proposes to increase General Fund spending by \$2.9 billion, an increase of 4.5 percent above current year expenditures. Under the Governor's proposed budget, K-12 education (6.3 percent), Higher Education (10.4 percent), and Medi-Cal (6.6 percent) receive the greatest increases. Table 2 compares the change in appropriations by major program area.

Table 2

GOVERNOR'S PROPOSED BUDGET			
GENERAL FUND SPENDING BY MAJOR PROGRAM AREA			
1999-00 AND 2000-01			
(Dollars in Millions)			
	1999-00	2000-01	% Change
K-12 Education	\$26,366	\$28,014	6.3%
Higher Education	7,945	8,775	10.4
Health and Welfare	17,843	18,920	6.0
Youth and Adult Corrections	4,868	5,054	3.8
All Others	8,835	8,055	-8.8
TOTAL	\$65,856	\$68,819	4.5%

One-Time Expenditures. The Governor's budget proposes significant onetime investments. With the potential volatility in General Fund revenue projections, as discussed in the "Revenues" section above, it is prudent not to over commit ongoing programs when revenues may drop-off in the out years. According to the Legislative Analyst, the proposed budget contains a total of \$2.9 billion for one-time commitments. Table 3 lists the key one-time commitments in the proposed budget.

Table 3

GOVERNOR'S PROPOSED BUDGET SELECTED ONE-TIME COMMITMENTS (Dollars in Millions)	
Smog Impact Fee Rebate	\$562
Set-aside for Legal Contingencies	500
Direct Appropriations for Capital Outlay	400
Rail Projects	121
Tax Credit for Land Donations	100
Set-aside for Legislative Initiatives	100
Grants for Local Law Enforcement	100
School Bus Replacement	50
Down Payment Assistance for Teachers	50

SELECTED ISSUES: THE 2000-01 BUDGET PROPOSAL FOR: THE TEACHER SHORTAGE IN CALIFORNIA

The Governor's budget proposes approximately \$277 million to address the shortage of credentialed teachers in California and to improve the overall quality of teaching. Much of this amount is dedicated to new programs designed to attract credentialed teachers to low-performing schools, where the shortage is especially prevalent. This section summarizes the shortage problem and its effects, recommended solutions from formal organizations that have studied the problem and the Governor's budget proposals designed to address this issue.

THE TEACHER SHORTAGE AND ITS EFFECTS

This past Fall, the Assembly Select Committee on Low-Performing Schools, held hearings throughout the state to examine the shortage of credentialed teachers in California and its particular effects on low-performing schools. The Select Committee did extensive work on this issue, informing the Legislature, the Administration and the public about the extent of the problem and possible solutions. The Select Committee's exhaustive work rightfully established the teacher shortage crisis as the number one priority for state policy makers attempting to fix California's schools, and some of the reports and expert testimony it provided are included below.

As highlighted by the Select Committee and recent press reports, California is experiencing a shortage of credentialed teachers that has inhibited its efforts to improve the performance of schools. And, this shortage promises to continue for the next ten years. According to SRI International, under the most optimistic scenario, the projected supply of 282,000 fully credentialed teachers by the year 2007 falls short of the projected demand of 297,000. It estimates that approximately 225,000 new teachers will need to be hired through 2007-08 to adequately serve California's growing student population.

As a result of this shortage, 11 percent of California's teachers statewide are teaching without full credentials, according to the Commission on Teacher Credentialing (CTC). The demand for teachers is so great that schools are willing to hire these individuals and seek the appropriate emergency permit or waiver to allow them to teach while they pursue a credential. Yet, emergency permit teachers have a higher attrition rate than credentialed teachers, leading to a vicious circle in which schools that are forced to hire uncredentialed teachers are faced with a larger proportion of vacancies to fill every year. CTC estimates that between 35 and 40 percent of emergency permit teachers leave teaching after their first year and 60 percent leave within three years. This is higher than the overall attrition rate within 3 years, estimated at 50 percent by the California Teachers' Association.

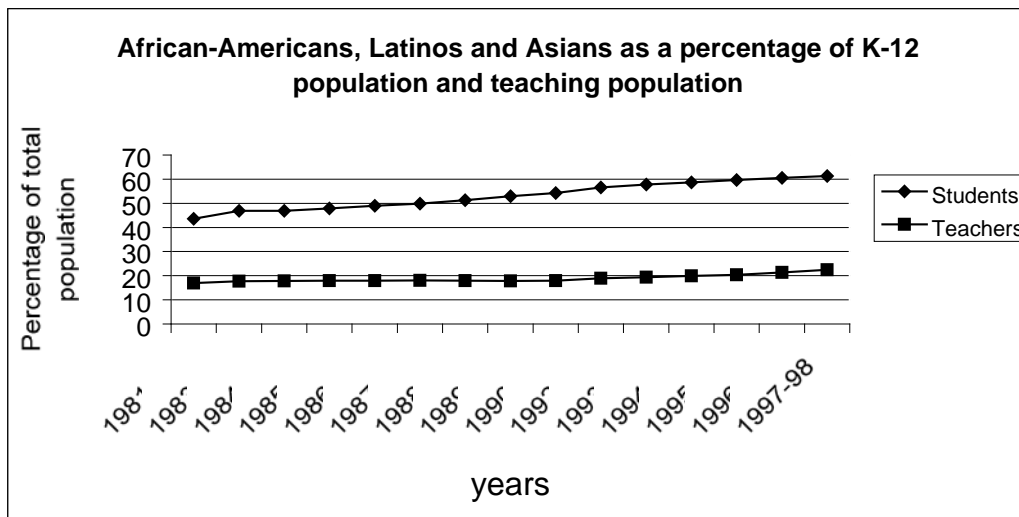
The large demand for credentialed teachers in California is due to three major factors: student enrollment growth, teacher attrition and retirement and class size reduction. Annual enrollment growth is expected to be relatively low for the next ten years, according to the LAO, beginning at 1.5 percent and declining to under one percent. However, enrollment increases still lead to an increase in demand for teachers. The California Statewide Task Force on Teacher Recruitment estimated that every increase of 150,000 students in the public K-12 population results in the need to hire an additional 17,000 teachers. Overall attrition rates are estimated at around five percent annually, however, the rate is highest among new teachers and teachers with emergency credentials. Finally, the state's embrace of class size reduction in 1996-97 exacerbated existing shortages; CTC reported that class size reduction resulted in a need for approximately 20,000 additional teachers in 1996-97. Multiple subject emergency permits increased by 31 percent from 1996-97 to 1997-98.

Shortage worse for poor schools. The shortage of credentialed teachers is often most critical in schools serving economically disadvantaged students. More importantly, the disparity in teacher qualifications between more affluent suburban schools and low-income schools is significant. According to the Center for the Future of Teaching and Learning, in 24 percent of California's public schools, there are no underqualified (lacking appropriate credentials) teachers, but in 20 percent of the state's schools the proportion of underqualified teachers on staff reaches 20 percent. The Center also reports that for schools where fewer than 25 percent of their students receive free or reduced lunches, the average percentage of teachers without appropriate credentials is 4 percent. For schools with between 50 percent and 75 percent of their students receiving free or reduced lunches, the average percentage of underqualified teachers is 10 percent. In schools where more than 75 percent of their students receive free or reduced lunches, on average 16 percent of the teachers lack appropriate credentials.

Teacher quality important element in student achievement. According to Professor Linda Darling-Hammond of Stanford University, research shows that good schools can make a difference in student learning, and a substantial portion of that difference is attributable to quality teachers. This is an especially important finding for schools serving low-income students, where students are more likely to be taught by a teacher with little or no teacher training. In addition, this finding does not bode well for the state's K-12 education system as a whole. While the state and local school districts may direct more resources to areas that are believed to improve achievement, without an adequate supply of credentialed, high-quality teachers, state and local efforts to improve achievement will be severely impaired.

African-American, Latino, Asian teachers not in proportion to K-12 population. In addition to the overall shortage of credentialed teachers, California faces a shortage of African-American, Latino and Asian teachers, while the proportion of students from these groups has grown and will continue to grow. The chart below demonstrates that, while the numbers of African-American, Latino and Asian teachers have grown over the past ten years, their numbers are still not in proportion to the K-12 population that teachers must serve.

Chart 1



RECOMMENDATIONS TO ADDRESS THE SHORTAGE

In January, 1996, the Commission on Teacher Credentialing awarded a competitively-bid consulting contract to Recruiting New Teachers, Inc. to assist the Commission on Teacher Credentialing in developing an action plan for teacher recruitment. In its March, 1997 report, "Shaping the Profession that Shapes California's Future: The California Statewide Teacher Recruitment Action Plan," Recruiting New Teachers, Inc. made the following recommendations for increasing the supply of teachers.

- 1) Expand the pool of qualified new teachers for California's highly diverse K-12 classrooms. Specifically:
 - a) Launch an aggressive public awareness and teacher recruitment campaign through public service announcements, media coverage and the distribution of effective recruitment publications; and
 - b) Develop prospective teacher assistance and referral mechanisms (e.g., a help line and referral database).

- 2) Strengthen the pipeline (entry paths) into the teaching profession. Specifically:
 - a) Improve traditional pathways into teaching and expand the number of alternative routes into teaching; and
 - b) Expand induction programs that assist new teachers.

- 3) Remove barriers to entry into the teaching profession. Specifically,
 - a) Provide more financial incentives to recruit high-caliber candidates; and
 - b) Ensure course and test availability and accessibility for potential teaching candidates.

A more recent report by the Center for the Future of Teaching and Learning calls the current teacher shortage a crisis that merits a declaration of a state of emergency. It calls for the following extraordinary steps to address the shortage of credentialed teachers.

- 1) Eliminate the hiring of unqualified teachers through a five-year phase-out.
- 2) Ensure that every child has fully qualified, effective teachers.
- 3) Improve the ability of the teaching profession to attract and keep fully qualified teachers, by improving beginning teacher salaries and expanding statewide recruitment efforts.
- 4) Strengthen accountability for all teacher education programs.
- 5) Reduce unnecessary barriers to teaching, by recruiting out-of-state and reviewing local hiring practices.
- 6) Encourage and support teachers to reach high levels of subject matter expertise and instructional skill.

GOVERNOR'S PROPOSALS

The Governor's budget proposes a total of \$277.1 million for new and existing programs designed to recruit teachers to low-performing schools and train existing teachers in reading, math and English Language Development for specific grades, including the following:

- ***Incentives to hired credentialed teachers.*** The budget proposes \$52.9 million for a monetary incentives to low-performing schools that lower their numbers of uncredentialed teachers. Participating teachers would also receive a \$2000 bonus for committing to teach at these schools.
- ***Teacher Housing Assistance Program.*** The budget proposes up to \$10,000 in forgivable loans for down payment assistance to teachers that commit to working in a low-performing school for five years.
- ***Governor's Teacher Fellowships.*** The budget proposes \$3.5 million to provide \$20,000 awards to teaching candidates who agree to work in low-performing

schools for four years. Awards are designated for candidates' living and educational expenses while in school.

- **Teacher Recruitment Centers.** The budget proposes \$9.4 million for five new teacher recruitment programs, in areas with the highest concentrations of emergency permit holders.
- **Teacher Recruitment Media Campaign.** The budget proposes \$9 million to fund an outreach and media campaign to recruit in-state and out-of-state teachers.
- **Alternative Credentialing Program.** The budget proposes \$20.8 million to expand the existing intern program by 5,400 slots, and to increase state reimbursement amount per participant by \$1,000. This program is designed for people who enter teaching as a second career.
- **APLE Program.** The budget proposes to expand the existing APLE program by 1,000 slots, from 5,500 to 6,500 and gives priority to applicants who will teach in low performing or rural schools. The APLE program is a higher education loan-forgiveness program for teaching candidates.
- **Technical Assistance for District Personnel Systems.** The budget proposes \$1 million to offer training and technical assistance to assist school districts in developing more effective personnel systems to attract qualified teachers.
- **Suspension of earnings cap for retired teachers who return to teach.** The Governor proposes to change current law to exempt retired teachers who return to the classroom from existing limits on the amount they can earn while earning retirement benefits.
- **Professional Development Institutes.** The budget proposes to dramatically expand professional development institutes administered by the University of California to provide training to existing teachers in the following areas: reading (grades pre-K-4), English language development (9-12), high school English and math (9-12), late elementary math (4-6) and high school algebra (9-12). The Governor also proposes to expand by \$20 million the Subject Matter Projects, which are also administered by UC and provide staff development to existing teachers. In addition, the budget proposes a \$15.4 million augmentation to the Beginning Teacher and Support and Assessment program, which provides ongoing support and evaluation to new teachers.

In concept, the Governor's proposals reflect some of the above recommendations by Recruiting New Teachers, Inc. and the Center for the Future of Teaching and Learning. More specifically, some of the new proposals were suggested by the Center for the Future of Teaching and Learning in their December, 1999 report, including the proposal that the state provide forgivable state loans to students that complete teacher preparation programs and teach in a hard-to-staff school for four years, and the proposal to expand recruitment centers.

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California Statewide Task Force on Teacher Recruitment and Recruiting New Teachers, Inc., "Shaping the Profession that Shapes California's Future: The California Statewide Teacher Recruitment Action Plan." March, 1997.

Center for the Future of Teaching and Learning. "The Status of the Teaching Profession, Summary Report." December, 1999.

Darling-Hammond, Linda. "Teacher Quality and Student Achievement: A Review of State Policy Evidence," Draft report of a forthcoming Center for the Study of Teaching and Policy Report. August, 1999.

Legislative Analyst's Office, Analysis of the 1999-00 Budget Bill: Report from the Legislative Analyst's Office to the Joint Legislative Budget Committee. February, 1999.

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SELECTED ISSUES: THE 2000-01 BUDGET PROPOSAL FOR: AGING WITH DIGNITY INITIATIVE

Last year, nursing home reform was among the top issues debated in the Legislature with the focus on improving the quality of care. AB 1160 introduced by Assembly member Shelley proposed establishing goals for improved direct care staffing in nursing facilities, and proposed making several other changes to reduce violations of human dignity and increase public accountability in nursing homes. Ultimately, the Assembly and Senate passed this bill with overwhelming support. In addition, the final budget passed by Legislature and signed by the Governor included \$76 million to begin implementation of certain provisions of the bill.

Despite the level of support in the Legislature for AB 1160, the Governor vetoed the bill, arguing that it would place a significant burden on the state General Fund. It was estimated that over five years the cost of implementation would exceed \$500 million (\$250 million General Fund). In addition, since Governor Davis approved the \$76 million added to his budget by the Legislature to address staffing issues, he argued that it was appropriate to evaluate the impact of those increases before making major new commitments. Finally, the Governor stated that he was "willing to continue to work with the Legislature during the annual budget process to pursue meaningful additional nursing home reforms that will result in improved quality of care for nursing home patients."

The 2000-01 budget submitted to the Legislature on January 10, 2000, demonstrates the sincerity of the Governor's stated willingness to continue to pursue meaningful reforms. Although the Governor's Aging with Dignity Initiative outlined in the following pages will be carefully analyzed and scrutinized by the Legislature and advocates for seniors, it is a very notable starting point for Legislative debate and discussion during the 2000-01 session. In total, the budget commits \$271.5 million (\$140.4 million General Fund) to help seniors remain at home and lead independent lives in the community, and to enhance the quality of care in California nursing homes. The proposal impacts the budgets of four departments: the Department of Health Services, the Department of Social Services, the Department of Aging, and the Employment Development Department.

DEPARTMENT OF HEALTH SERVICES

Of the \$271.5 million, \$91.7 million is in the budget of the Department of Health Services. The budget proposes to use these funds as follows:

Ensure Quality Care for Medi-Cal Patients in Nursing Homes. \$65.8 million will be added to provide wage and related benefit increases to those staff providing direct patient care.

Increase Unannounced Inspections of Nursing Homes. \$7.4 million (\$2.9 million

General Fund) to increase the frequency and unpredictability of nursing home inspections, and inspect homes under new federally mandated standards adopted as part of the President's Nursing Home Initiative.

Expand Intensive Review of Poor Performing Nursing Homes. \$4.1 million (\$2.5 million General Fund) to expand of successful pilot program that conducted intensive reviews of nursing homes that fail to meet quality of care standards. Facilities repeatedly failing to comply with nursing home standards will be placed in receivership or have their licenses revoked by the state.

Guaranteed Rapid Response to Nursing Home Complaints. \$3.9 million (\$2.2 million General Fund) to investigate complaints alleging immediate jeopardy to resident health and safety within 48 hours of receipt of complaint, investigate all non-emergency complaints in long term care facilities within 10 working days of receipt of the complaint, and maintain a 12 month average for all standard surveys.

Create Quality Awards for Exemplary Nursing Homes. \$10 million (\$8 million General Fund) in cash awards is proposed to reward facilities that serve high proportions of Medi-Cal patients and maintain the highest quality of patient care. Facilities will be eligible to receive awards of \$20,000 to \$50,000 each year that will be directed by facilities toward staff bonuses.

Establish a Fiscal Solvency Review Advisory Board. \$500,000 to fund the establishment of a Fiscal Solvency Review Board to recommend appropriate fiscal standards for nursing homes to prevent bankruptcies and disruptions in care.

Additionally, the Governor proposes expanding the Medi-Cal program to provide Medi-Cal coverage without a share of cost to aged, blind and disabled persons with income under 100 percent of the federal poverty level. Approximately 13,000 persons currently enrolled in Medi-Cal with a share of cost are expected to have their share of cost eliminated in the first year at a cost of \$4.8 million (\$2.4 million General Fund). The number of persons eligible will continue to grow each year as the poverty level increases.

DEPARTMENT OF SOCIAL SERVICES

Increase State Share of Wages for Public Authority Providers in the In-Home Supportive Services Program. The In-Home Supportive Services (IHSS) program provides services to eligible aged, blind, and disabled persons in order to enable them to remain independent and in their own homes, rather than in a more costly institutional setting. Services include meal preparation, laundry, and other personal care assistance. Last year, the Budget Act of 1999 included an augmentation to increase the state's financial contribution for costs associated with public authorities. The state would pay 80 percent of the nonfederal costs associated with a \$.50 hourly wage increase above the minimum wage for IHSS public authority workers. Under current law, however, this provision is operative only for the 1999-00 fiscal year.

For 2000-01, the budget proposes \$28.5 million from the General Fund to continue a state share of cost for \$.50 above the minimum wage. However, the state share of nonfederal costs would be reduced from 80 percent to 65 percent, which is the standard state share of costs in the IHSS program.

The budget also includes a General Fund increase of \$20 million to fund a state share of cost (at 65 percent of nonfederal costs) for an additional \$.35 increase in public authority wages.

Under the Governor's proposed initiative, the state would contribute to additional \$.35 increases in public authority wages in each of the next four years, but only if certain revenue levels are met. The following chart shows the revenue levels that would be needed to trigger additional increases in wages:

GOVERNOR'S AGING WITH DIGNITY INITIATIVE FOR IHSS PROPOSED INCREASES IN PUBLIC AUTHORITY WAGES 2001-02 through 2004-05		
Fiscal Year	Hourly Wage	General Fund Revenue Level Needed
2001-02	\$6.95	\$71.0 billion
2002-03	\$7.30	\$75.4 billion
2003-04	\$7.65	\$80.7 billion
2004-05	\$8.00	\$84.6 billion

DEPARTMENT OF AGING

Long-Term Care Innovation Grants. The budget proposes \$20.2 million from the General Fund on a one-time basis for the Department of Aging to provide challenge grants to expand community adult care alternatives to nursing homes.

Senior Wellness Education Campaign. The budget proposes \$1 million from the General Fund for the Department of Aging to provide education for seniors and their families regarding community based and in-home care alternatives to institutional care.

Senior Housing Information and Support Center. The budget proposes \$1 million from the General Fund for the Department of Aging to provide information to seniors and their families regarding housing options and home modification alternatives to allow seniors to live independently or with their families.

EMPLOYMENT DEVELOPMENT DEPARTMENT

Employment Training. The federal Workforce Investment Act (WIA) replaces the federal Job Training Partnership Act (JTPA), effective July 2000. The JTPA authorizes job training programs to prepare youth and unskilled adults for entry into the labor force. The budget includes \$574.5 million in federal WIA funds through the Employment Development Department to fund employment programs in 2000-01. This amount of funding is similar to the amount received under the JTPA program. As part of the Governor's Aging with Dignity Initiative, the budget proposes to earmark \$15 million in federal WIA funds to train current or prospective employees in caregiver industries, including nursing homes and the In-Home Supportive Services program.

The federal Welfare-to-Work program provides funds to states to augment their welfare-to-work efforts to move the "hardest to employ" welfare recipients into jobs. The funds must be spent on welfare recipients who have been on aid 30 or more months and who meet certain conditions such as lack of education, substance abuse problems, and poor work history. The funds may be used for: community service or work experience programs; job creation through public or private sector employment wage subsidies; contracts with public or private providers of readiness, placement, and post-employment services; job vouchers for placement, readiness, and post-employment services; and job retention or support services.

California has already received \$367.6 million in federal welfare-to-work funds. States must spend \$1 in matching funds for every \$2 in federal funds. The Governor's budget proposes \$60 million from the General Fund in the Department of Social Services to continue providing funds for this match in 2000-01. As part of the Governor's initiative, the budget proposes to target \$35 million of the matching funds for recruitment, retention, and training of workers in nursing homes and for the In-Home Supportive Services program.

SELECTED ISSUES: THE 2000-01 BUDGET PROPOSAL FOR: CALIFORNIA'S INFRASTRUCTURE

With the onset of a new century, California's investment in the infrastructure needs of today and tomorrow are vital to the economic future of the state. The economy of the state is strong. With this strength however, the need to invest in its infrastructure has never been greater.

Governor Davis' proposed budget reflects modest expenditures to address housing needs of the state and various transportation proposals, including a proposal for restructuring the way California funds its transportation projects.

Those initiatives include:

- \$50 million (General Fund) for the California Teachers Homebuyers Assistance Program to be administered by the California Housing Finance Agency;
- \$26 million (General Fund) for the ChildCare and Development Facilities Direct Loan Program, for use by owners/operators seeking to purchase, develop, expand, or improve licensed childcare and development facilities;
- \$15 million (General Fund) to raise the cap on low-income housing tax credits from \$35 million to \$50 million;
- \$45 million from the State Highway Account of non-gas tax funds to be transferred to the Public Transportation Account for the expansion of intercity rail service;
- \$12 million (Public Transportation Account) to fund the first year of the planning and development of the high-speed water transit system in San Francisco Bay;
- \$121 million General Fund for passenger rail services; and
- Expansion of the current four year cycle of the STIP to seven years in order to program over \$3 billion in additional projects in the 2000 STIP that would otherwise be programmed in the 2002 or 2004 STIPs.

BOND MEASURES

In March 2000, five new bond measures totaling \$4.7 billion will be before the California voters. These measures will significantly address some of the infrastructure needs of the state.

Those Propositions are:

- **Proposition 12.** The Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000 (\$2.1 Billion). \$905 million to local governments for parks, youth centers, river parkways and environmental enhancement projects; \$525 million for state parks; \$670 million for coastal acquisitions and wildlife habitat, \$50 million for Lake Tahoe; and \$25 million for farmland protection.
- **Proposition 13.** The Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act (\$1.9 billion). \$630 million for water supply and infrastructure projects; \$468 million for watershed protection; \$355 million for clean water and water recycling; \$292 million for flood protection; \$155 million for water conservation; and \$70 million for safe drinking water.
- **Proposition 14.** The California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (\$350 million). This money will be used for grants to fund public library construction and renovation.
- **Proposition 15.** The Hertzberg-Polanco Laboratories Construction Bond Act of 1999. (\$220 million) These funds will be used to rehabilitate local forensic crime laboratories.
- **Proposition 16.** The Veterans' Home Bond Act of 2000 (\$50 million). These funds will be used to renovate existing veterans' homes and build additional facilities.

The current year General Fund debt ratio for the state is 3.9 percent. Assuming the passage of the five new bond measures, the debt ratio would rise to a maximum of 4.6 percent.

Should any of the proposed bonds fail to pass, the Legislature will need to consider whether it is necessary to make smaller investments of General Fund dollars to assist with the desperately needed parks deferred maintenance, library construction, water delivery systems, veterans' homes, and forensic laboratories.

HOUSING FOR POOR WORKING FAMILIES

California's economy depends on a healthy housing sector. Employers cannot expand or locate in California if their workforce cannot find decent affordable housing near their employment. While this condition affects families and individuals of all incomes, it has a profound impact on California's working poor, both rural and urban sectors.

For the past 25 years, California housing costs have risen faster than the earning power of the average resident, and housing prices are the highest in the nation. California dominates the top 25 least affordable metropolitan areas in the country. The number of low-income families is on the rise and so is the demand for affordable housing.

In the six largest housing markets, San Jose, Santa Ana, San Diego, the San Francisco Bay Area, Long Beach, and Los Angeles, at least 63 percent of low income families pay more than 50 percent of their income for rent. The same six areas also make up six of the country's worst housing markets for low-income individuals.

Home Ownership. California has a low rate of homeownership. The national homeownership rate stood at about 64.2 percent in 1990, and 11 states had homeownership rates that exceeded 70 percent. In 1997, California's homeownership rate (55.6 percent) was one of the lowest in the nation; only three states (New York, Hawaii, and Nevada) had lower rates.

Demand. To meet this growing demand, California must build at least 250,000 homes a year, according to the State Department of Housing and Community Development. Only one third of that number has been built annually over the last few years. Much higher levels of housing construction are needed to adequately meet the demand.

Other facts about housing in California include high housing costs for owners and renters, overcrowding has increased, a substantial portion of affordable rental housing developments statewide are at risk of conversion to market rate use, and the homeless need more help to obtain shelter and reintegrate themselves into society.

The legislature may wish to consider developing incentives for housing projects near employment centers and for projects with access to public transportation. These strategies will not only lessen traffic congestion, they will also provide affordable housing for California's workforce, meeting an important need of business to attract and retain a trained healthy workforce.

Farmworker Housing. Farmworkers have major housing problems resulting from low incomes and low housing stocks in rural areas which have the highest proportions of substandard housing in the State. When farmworkers do find private low cost housing, it tends to be substandard.

California's agricultural industry employs approximately 700,000 farmworkers and nets over \$7.5 billion dollars in income each year. Farmworkers have the highest poverty rate of any surveyed occupation – 38 percent of the workers are below the federal poverty threshold. The average farmworker earns an average of \$7,600 per year. Fewer than three percent of farmworkers qualify for market rate financing for new housing, however modest in scale.

The most recent study conducted on the housing needs of farmworkers by the University of California at Davis, estimated that 250,000 farmworkers and their family members had inadequate housing.

Farmworker Housing Grant Fund. The Farmworker Housing Grant Fund (FWHG) is a program that provides grants for the construction and rehabilitation of owner-occupied housing and rental housing for low-income, year round farmworkers and their families.

FHGF was established in 1977, since then it has awarded over \$40 million to build 6,835 units and leveraged over \$443 million in private, federal, or local funding. It is estimated that this program leverages an average of \$10 million in outside funds for every \$1 million dollars invested by the state. The Governor's budget proposes to continue funding this program at the current year level of \$3.5 million.

Considering the serious shortage of safe and affordable farmworker housing and the contribution farmworkers make to the agricultural economy of California, the Legislature may wish to consider augmenting the Farmworker Housing Grant Fund for additional new housing units with the projected increase in state revenues.

Office of Migrant Services. The Office of Migrant Services (OMS) operates 26 migrant centers that provide 2,102 seasonal housing units to approximately 11,000 farm workers and their families each year. The majority of these centers are located in California's Central Valley region.

The Governor's budget proposes \$7 million (General Fund) for the Office of Migrant Services to continue a multi-year program of reconstruction of state-owned housing centers for migrant workers. An additional \$890,000 is also being proposed for playground improvement at various centers.

Self-Help Housing Program. The purpose of this program is to assist low and moderate income families to build and rehabilitate their homes with their own labor. Funding for this program will provide non-profit organizations with money for Self-Help construction supervision, loan packaging, and homeownership education through the Department of Housing and Community Development.

The Governor's Budget proposes to maintain the current year's \$2 million General Fund baseline funding for this program.

TRANSPORTATION

The need to reinvest in California's transportation infrastructure is clear. Congestion in urban areas drastically affects the quality of life of affected Californians and inhibits economic growth. While the size of the state highway system grew only 3.6 percent from 1976 to 1996, the amount of vehicle miles traveled increased by 94 percent .

The role of the Legislature in directly resolving transportation infrastructure problems is much more limited than it is for other areas of government. This is because transportation infrastructure stands as a unique aspect of the state budget process in that the Legislature does not directly determine which capital projects get funded. Instead, capital improvements to the state highway system are funded through a programming document called the State Transportation Improvement Program (STIP).

Historically, the Legislature adhered to an understanding that the budget would not directly fund specific highway projects from the State Highway Account. SB 45 (Kopp) Chapter 622, Statutes of 1997 codified this tradition by prohibiting the direct funding of

specific transportation projects in the budget. This includes such projects as soundwalls, on and off-ramps, bridges, new highway construction, highway expansion, and other capital improvements.

The Legislature, however, does have the authority to appropriate funds for certain other transportation infrastructure needs. This includes the ability to fund highway maintenance projects, traffic signal and signage needs, and highway beautification projects, among others. This is evident in the Governor's budget, which proposes a total of \$763 million for highway maintenance, a \$9 million increase over revised current year funding.

State Transportation Improvement Program (STIP). The 1998 STIP programmed \$4.6 billion for new capital transportation projects throughout the State. Since the adoption of the 1998 STIP, an additional \$1.7 billion in capital projects have been added to the STIP.

The Governor proposes to expand the current four year cycle of the STIP to seven years in order to program over \$3 billion in additional projects in the 2000 STIP that would otherwise be programmed in the 2002 or 2004 STIPs. The Administration indicates that the \$3 billion is not represented in budget spending totals because the state and local projects will not be identified until the spring or summer in the STIP 2000 process.

California Constitution, Article XI. Due to the California Constitution's limit on the use of gas tax for railroad cars and engines, track improvements, buses, and operating costs, the Governor in his budget supports a Constitutional Amendment to broaden the use of gas taxes for such purposes.

Public Transportation Account (PTA) revenues are generated primarily through a sales tax on diesel fuel, and lower diesel prices has reduced PTA revenues. As a result the Governor proposes to transfer \$45 million of non-gas tax funds from the State Highway Account (SHA) to the PTA for the expansion of intercity rail, local commuter rail, and other transit programs that cannot be paid for by gas tax revenues.

Passenger Rail. In order to relieve traffic congestion in California's growing urban sectors, the Governor proposes a total of \$121 million General Fund for intercity and commuter rail projects. Those projects include:

- \$20 million General Fund for Fresno track and signal improvements;
- \$36 million General Fund for the Altamont Commuter Express (ACE);
- \$30 million General Fund for purchasing two train sets for the San Diegan Corridor;
- \$15 million General Fund for track and signal improvements on Metrolink's San Bernardino line;

- \$5 million General Fund to establish the Caltrain Coyote Valley Station; and
- \$15 million General Fund for the Vasona Light Rail Winchester Station.

OTHER MAJOR INFRASTRUCTURE ISSUES

Infrastructure Bank. The Infrastructure Bank, under the Trade and Commerce Agency, received \$50 million General Fund in 1998-1999 and \$425 million General Fund in 1999-2000. With these funds the Bank will leverage loan capacity to four times its capitalization. Awards of these loans will begin to be distributed in spring of 2000. These loans will go to local governments for projects such as public transit, environmental mitigation, public safety facilities, defense conversion, parks and recreational facilities, water treatment and disposal, flood control, and other infrastructure needs at the local level.

Hospital Seismic Retrofit. Additionally, a need has been identified through a recent legislative hearing on hospital seismic safety. This issue has major implications for the future of hospital capacity. Although the full fiscal impact of the Hospital Safety Seismic Safety Act is unknown, current estimates place the cost to hospitals of full compliance with the legislation at as much as \$24 billion. Given recent changes in the financing of health care (i.e., managed care), it may be necessary for the Legislature to consider options for providing assistance to financially vulnerable hospitals through direct financial assistance and/or through amendments to current law which (1) lengthen the compliance timeline, and (2) target hospitals in high risk areas.

GOVERNOR'S 2000-01 BUDGET PROPOSAL FOR: EDUCATION

MAJOR PROPOSALS

The major budget proposals for Education are listed below.

- ***Teacher recruitment, retention, and preparation.*** The Governor's budget proposes a total of \$277.1 million in Proposition 98 and non-Proposition 98 General Fund for a variety of new programs designed to recruit teachers to low-performing schools and to train existing teachers in reading, math and English Language Development for specific grades.
- ***Rewarding and Improving Student Achievement.*** The budget proposes \$228.6 million in Proposition 98 and non-Proposition 98 General Fund for new programs and expansions of existing programs to reward high achievement and improve student performance.
- ***Education technology.*** The Governor's budget proposes \$374 million, mostly Proposition 98, for new programs and the continuation of existing programs that increase access to education technology in the classroom.
- ***Growth and COLA.*** The budget proposes 1.26 percent enrollment growth funding of \$369 million for apportionments to school districts and county offices of education, \$784 million for a 2.84 percent COLA for apportionments, special education and child development, and \$208.9 million for growth and COLA for categorical programs. Other than growth and COLA, the proposed budget provides no additional discretionary funds, such as the deficit reduction and equalization provided funding in the current year budget and in prior years.
- ***Childcare and preschool.*** The budget proposes a total increase of \$381.6 million in Proposition 98 and federal funds for CalWORKs childcare and childcare to families transitioning from CalWORKs. It also proposes an increase of \$46.8 million to expand the state preschool program to serve a total of 100,000 students by the end of 2000-01.

OVERALL K-12 FUNDING

The Governor's budget proposes a total spending level of \$47 billion for K-12 education, including all funding sources. This represents \$2.9 billion, or a seven percent increase, over the spending level contained in the 1999 State Budget Act. The

\$2.9 billion increase consists of \$247 million in current-year spending and a \$2.65 billion increase in spending in the budget year. Of the total \$2.9 billion increase over

the 1999 Budget Act, \$2.5 billion is Proposition 98 funding (made up of a \$2.24 billion increase in budget year spending and a \$247 million increase in current year spending). Table 1 below summarizes the total revenue for K-12 in the current and budget years. And Table 2 indicates the total increase in K-12 spending over the 1999 Budget Act and its sources.

Table 1

TOTAL REVENUE FOR K-12 EDUCATION*				
(dollars in Millions)				
	1999-00	2000-01	Change	Percent Change
General Fund	\$26,056	\$27,664	\$1,608	6.2 %
Local Property Taxes	10,149	10,885	736	7.3
Federal Funds	4,400	4,708	308	7.0
Lottery Funds	745	745	0	0.0
Other Funds**	3,159	3,158	-1	.03
Total	44,509	47,160	2,651	6.0
Total per-pupil***	\$7,453	\$7,793	\$340	4.6%

* Does not include proposed K-12 related augmentations to UC and CSU.

** Includes local debt service, local miscellaneous revenue and other state funds.

*** Department of Finance estimates this figure using unduplicated ADA, including attendance in ROC/P's and adult education programs.

Note: For the year 1999-2000, the table includes the \$200 million in proposed increases to the spending level for that year, such that the difference between current and budget year spending reflects \$2.7 billion and not the \$2.9 billion increase over both years.

The Governor's budget states that this total funding level of \$47 billion amounts to a per-pupil funding level of \$7,793, which is an increase of \$340, or 4.56 percent over the per-pupil funding level of \$7,453 for 1999-2000. The budget proposes a COLA rate of 2.84 percent, based on a calculation required by law. If we assume this rate approximates inflation and we adjust the per-pupil increase based on inflation, the "real" increase in per-pupil funding amounts to a 1.7 percent increase.

Table 2

INCREASES IN K-12 SPENDING RELATIVE TO THE 1999 BUDGET ACT, BY YEAR AND CATEGORY			
	1999-2000	2000-01	Total Two Year
Proposition 98	\$247 million	\$2.24 billion	\$2.5 billion
Other funds*	0	\$410 million	\$410 million
Total	\$247 million	\$2.65 billion	\$2.9 billion

* Includes federal funds, lottery funds, local debt service, local miscellaneous revenue and other state funds.

PROPOSITION 98

Proposition 98, known as "The Classroom Instructional Improvement and Accountability Act," was passed by the voters in November, 1988. The initiative amended the State Constitution to provide for an annual minimum guaranteed level of funding for K-12 and community college districts. This minimum annual funding guarantee is based on changes in statewide average daily attendance, the inflation rate, General Fund revenues, and annual changes in per capita personal income.

Two-year increases. The budget proposes a total Proposition 98 spending level of \$40.4 billion for 2000-01, with \$35.8 billion for K-12 (89.6 percent) and \$4.1 billion for community colleges (10.4 percent). This total includes an over-appropriation above the Proposition 98 minimum funding requirement of \$257 million for 2000-01 and \$184 million for 1999-2000. The proposed Proposition 98 spending level represents a two-year total increase of \$2.5 billion over the 1999 Budget Act, \$2.2 billion of which is for K-12 education, a 6.5 percent increase over the current year's K-12 Proposition 98 level. In per-pupil terms, the Governor's budget summary cites a proposed increase of \$268 in Proposition 98 K-12 spending, for a total of \$6,313 per pupil in 2000-01, up from \$6,045 per pupil in 1999-00.

2000-01 Guarantee. For the budget year, the Proposition 98 guarantee is based on a "Test 2" calculation, under which the growth in the guarantee is linked to the annual percentage change in per capital personal income. The Governor's budget provides \$257 million above this guarantee in the budget year.

This proposed Proposition 98 spending level amounts to a \$2.24 billion increase in ongoing budget year funding, \$1.94 billion of which is designated for K-12. Of this increase, \$846 million comes from an increase in property tax revenues and \$1.4 billion from the General Fund. For the budget year the Governor's budget proposes a per-pupil Proposition 98 spending level for 2000-01 of \$6,313, up from \$6,045 in 1999-2000. Table 3 below summarizes Proposition 98 sources and expenditures as proposed in the Governor's budget for the budget year.

Table 3

PROPOSITION 98 ALLOCATION (Dollars in Millions)				
Proposition 98 Revenues	1999-2000	2000-01	Change	Percent Change
General Fund	\$26,489	\$27,884	\$1,395	5.27%
Local Revenues	11,639	12,485	846	7.27
Total	38,128	40,369	2,241	5.88
Total Proposition 98				
K-12 Education	33,827	35,772	1,945	5.75
Community Colleges	3,887	4,138	251	6.46
Other Departments	105	109	4	3.81
Loan Repayment	310	350	40	12.9
Total	\$38,128*	\$40,369	\$2,241	5.88%
Total per-pupil K-12 (in dollars) ***	\$6,045	\$6,313	\$268	4.43%

* Does not include state special schools or Indian Education Center, which are included under other departments.

** Table does not add due to rounding.

*** Department of Finance calculated per-pupil figure using ADA, excluding ADA in ROC/P's and adult education.

Current year increases. The Governor's budget proposes a total increase of \$247 million in spending in the current year over the level approved in the 1999 Budget Act. The proposed budget also revises the current year minimum Proposition 98 guarantee upward by approximately \$63 million, resulting in an over-appropriation of the guarantee by \$184.1 million. The total increase is due to an estimated increase of \$205.9 million in property tax receipts and a total increase in General Fund spending of \$40.8 million. Table 4 below summarizes the proposed adjustments and increases in current year Proposition 98 expenditures.

No settle up funds. The requirements of Proposition 98 sometimes create one-time settle up funds which must be used for K-12 education but are not ongoing. They result when there is an upward adjustment in the calculation of the guarantee in the current year, and the Legislature is required to appropriate one-time funds to meet the minimum funding requirements in the current year. This year, however, the budget contains no settle up funds. This is due to the fact that the Legislature provided more than the minimum guarantee in the 1999 Budget Act and the fact that even though the proposed budget re-calculated the minimum guarantee in the current year, it proposes enough adjustments and additional current year expenditures that the guarantee is still overappropriated by \$184.1 million.

Table 4

ADJUSTMENTS TO PROPOSITION 98 CURRENT YEAR EXPENDITURES, AS PROPOSED IN GOVERNOR'S BUDGET (Dollars in Millions)	
Proposed Expenditure/Adjustment	Amount
Local Revenues	
Increase in property tax receipts	\$205.9
General Fund	
1999 legislation enacted after the passage of the budget	23.1
Education technology grants	100.0
Childcare facilities revolving loan fund	25.0
ADA growth	133.4
Miscellaneous adjustments	3.7
Savings from 1999 childcare veto	-50.0
GF savings from property tax receipts to offset ADA growth	-194.4
Subtotal: Total General Fund adjustments	\$40.8
Total proposed increase in expenditures/adjustments	\$246.7

Proposition 98 Split Between K-12 and Community Colleges. The budget proposes a total Proposition 98 spending level of \$40.4 billion for 2000-01, with \$35.8 billion for K-12 (88.6 percent) and \$4.1 billion for community colleges (10.25 percent). This is very similar to the Proposition 98 split approved in the 1999 Budget Act.

Proposition 98 Reversion Account. The Proposition 98 Reversion Account is made up of prior-year unused revenues that were counted towards the Proposition 98 minimum funding requirement and therefore must be used for Proposition 98 purposes. The budget proposes to spend approximately \$120 million in one-time expenditures from the Proposition 98 Reversion Account.

These expenditures include:

- \$88 million for the Digital High School program;
- \$16.8 million to fund special education deficiencies;
- \$8 million for voluntary desegregation programs;
- \$4.5 million to fund a deficiency in the remedial summer school program for grades 7 through 12;
- \$1 million to Fiscal Crisis and Management Assistance Team (FCMAT) to provide professional technical assistance to school districts;
- \$800,000 to fund the 1998-99 deficiency in the Child Nutrition Program; and

- \$320,000 for continued implementation of the Student Friendly Services through Technology Project.

The proposed budget reverts the \$120 million for the above expenditures from a number of sources, mainly \$43.2 million in unused Staff Development Buy Out funds from 1998, \$27 million from After School Programs and \$15.2 million from mandates reimbursements.

GROWTH AND COLA, BUT NO NEW DISCRETIONARY FUNDS

The proposed budget provides growth funding of \$369 million for school districts and county offices of education, and assumes that ADA will increase 1.26 percent from 5,598,202 in the current year to 5,669,005 in the budget year. The proposed budget also provides \$784 million for a 2.84 percent COLA, \$59.4 million for categorical program growth and \$163 million for a 2.84 percent COLA for categorical programs. The proposed COLA calculation is an estimate for the budget year and will most likely be revised in May.

Other than growth and COLA, the proposed budget provides no additional discretionary funds, such as deficit reduction or equalization. This is in contrast to the current year's budget, which allocated \$455 million for revenue limit deficit reduction.

MAJOR PROPOSALS

New proposals: Teacher Recruitment, Retention, and Preparation

The Governor's budget proposes a number of new programs, mostly to recruit new teachers, improve teacher preparation, reward and improve student achievement and improve access to educational technology. These proposals are summarized below.

The Governor's Budget Summary cites a total spending level for these programs at \$277.1 million. However, approximately \$81.5 million of this amount is allocated to UC and CSU, and \$145.6 million is Proposition 98 funding to be administered by the State Department of Education (SDE) or the Commission on Teacher Credentialing (CTC), with another \$50 million in non-Proposition 98 General Fund being administered by the Housing and Community Development Department. Only part of the total is an increase over existing funding levels. (Note: the items listed under this section include augmentations that the Governor's Budget Summary does not include as part of the \$277.1 million. Therefore, total spending for the programs listed in this section should exceed \$277.1 million.)

Programs specifically for low-performing schools. The majority of the money earmarked in the Governor's budget for new teacher recruitment and retention programs is targeted to low-performing schools, defined by the Governor as schools in the lowest 50th percentile of performance on the statewide Standardized Testing and

Reporting Program (STAR) exam. Thus, half the schools in California would be eligible for these programs. This eligibility criteria is identical to that of the Immediate Intervention for Underperforming Schools program, which qualifies selected participating schools to obtain additional funds to evaluate their problems and devise an improvement plan. Given, however, that these programs attempt to address the shortage of credentialed teachers at poor and low-performing schools, the Legislature may wish to consider whether the lowest 50 percent criteria captures the population of schools with the most egregious problems and targets the dollars in the most cost effective manner. The Legislature may wish to more narrowly define this criteria to ensure positive impacts in the most needy schools.

- ***Incentives to hire credentialed teachers.*** The budget proposes a new program called the Teachers as a Priority program (TAP) to provide incentives to school districts to hire credentialed teachers. The program would be administered by the Commission on Teacher Credentialing (CTC) and attempts to address the problem of a high proportion of uncredentialed teachers at low-performing schools, by providing fully credentialed teachers with a \$2,000 bonus for committing to teach at these schools. Participating schools would receive \$2,000 for every fully credentialed teacher they hire that replaces an emergency permit teacher. The budget proposes \$52 million in Proposition 98 funds for incentives to hire approximately 13,000 teachers. It also includes \$896,000 and ten positions at the CTC to administer the program.
- ***Teacher Housing Assistance Program.*** The budget proposes to spend \$50 million in non-Proposition 98 General Fund for a new program to provide up to \$10,000 in forgivable loans for down payment assistance on a home for up to 5,000 fully credentialed teachers that commit to teach for five years in low-performing schools. The program is to be administered by the Department of Housing and Community Development.
- ***Incentives for National Board Certified Teachers.*** The budget proposes \$10 million in Proposition 98 funds to expand the National Board for Professional Teaching Standards Certification Incentive Program to increase the stipend for teachers that agree to teach at least four years in a low-performing school from \$10,000 to \$30,000. The budget also proposes \$5 million to continue the existing \$10,000 stipends under the current program, which was created by AB 858 (Davis), Chapter 331, Statutes of 1998.
- ***Governor's Teacher Fellowships.*** The budget proposes \$3.5 million in non-Proposition 98 funds for a new program to grant \$20,000 awards to teaching candidates who agree to work in low-performing schools for four years. The program is to be administered by the CSU and awards are designated for candidates' living and educational expenses. In the first year, the program can fund 250 candidates, with the total climbing to 1000 in four years, for a total funding level of \$14 million in four years. This program is different than the Governor's Teacher Scholars Program, which was approved last year by the Legislature in a special

session bill, AB 2x (Mazzoni), Chapter 2x, Statutes of 1999. That program was intended to be supported by private donations and provide scholarships to 400 high-achieving UC students who commit to teaching in low-performing schools for four years.

- **Teacher recruitment centers.** The budget proposes \$9.4 million in Proposition 98 funds to fund five new teacher recruitment programs, entitled the Teacher Recruitment Initiative Program (TRIP), in areas with the highest concentrations of emergency permit holders, including Los Angeles, the Central Valley, the Inland Empire and Northern California. These centers are intended to support districts participating in the Teachers as a Priority program (TAP) and to help recruit teachers to schools that have difficulty attracting qualified teachers. The Sacramento County Office of Education is to be charged with providing the grants to recruitment centers and providing technical assistance. The Governor's Budget Summary identifies the goals of the program to be lowering the current statewide average of emergency permit holders of 10 percent and recruiting more than 11,000 teachers by the fall of 2001.
- **Teacher recruitment media campaign.** The budget proposes \$9 million in non-Proposition 98 funds for an outreach and media campaign targeted to the areas of highest need, with \$7 million earmarked for in-state recruitment and \$2 million for out-of-state recruitment. The budget proposes the funds for the CSU's, with the program to be administered by CalTeach, located at CSU Sacramento.

Statewide teacher recruitment initiatives. The following proposals are not limited to low-performing schools.

- **Expand alternative credentialing internship programs.** The budget proposes \$20.8 million in Proposition 98 funds to expand existing alternative credentialing programs administered by CTC. The proposal would expand the internship program by another 5,400 slots, a 75 percent increase, as well as increase the state's reimbursement amount per participant to participating districts from \$1,500 to \$2,500 per intern. Last year, the Assembly Budget Subcommittee on Education Finance approved a similar proposal to increase the reimbursement rate by for existing slots by \$1,000 at a cost of \$7.5 million, but the proposal was rejected by the Budget Conference Committee.
- **Expansion of the APLE program.** The budget proposes an expansion of the Assumption Program of Loans for Education by an additional 1,000 slots. The Governor also proposes trailer bill language to give priority to APLE applicants who commit to teaching in low performing schools or rural areas. The Governor's budget projects the annual cost of the expansion to be \$11 million when fully implemented, although costs will not be incurred the first year of the expansion. In addition, the Governor proposes eliminating the existing Cal Grant T program because it does not target high-need areas.

- **Technical assistance for district personnel systems.** The budget proposes \$1 million in prior-year funds from the Proposition 98 reversion account to offer training and technical assistance to school districts to help them develop more effective personnel systems to effectively attract qualified teachers. The technical assistance will be provided by FCMAT.
- **Suspension of earning cap for retired teachers who return to teach.** The Governor's budget proposes a change in current law to exempt retired teachers who return to the classroom from existing limits on the amount they can earn while earning retirement benefits. The proposal is limited to teachers who retired before January 1, 1999. The cost of this proposal is unknown.

Professional development for teachers. The vast majority of the new funding proposed in the budget for professional development is in professional development institutes administered by UC and introduced by the Governor just last year. This year, the Governor proposes a 423 percent increase in the number of participants in these programs (not including the Algebra and Pre-Algebra Academies and the Subject Matter Projects expansion). The proposal involves an ambitious expansion of two existing institutes and the creation of three new ones, for a total increase in spending of \$95.5 million (\$46.5 million of which is Proposition 98). The institutes generally run one-week programs during summer and intersession and cost approximately \$2,000 per participant. Table 5 below summarized expected enrollment in these programs.

Last year, the Legislature provided \$500,000 in Goals 2000 funding for an evaluation of all the Governor's reading initiatives started last year, including the Reading Professional Development Institutes. While participation in these institutes was positive, the Legislature may wish to consider a more moderate increase in these programs until the results of this or another evaluation are available.

Table 5

PROPOSED TEACHER ENROLLMENT IN PROFESSIONAL DEVELOPMENT INSTITUTES					
Institute	1999-2000	2000-01	Change	Percent Change	
Reading Professional Development (pre K-4)	6,000	20,000	14,000	233%	
English Language Development (9-12)	5,000	10,000	5,000	100	
High School Teachers (9-12)		20,000	20,000	N/A	
Late Elementary Math (4-6)		5,000	5,000	N/A	
High School Algebra (9-12)		2,500	2,500	N/A	
Total enrollment	11,000	57,500	46,500	423%	

- **Reading Professional Development Institutes.** The budget proposes a total increase of \$28 million for the Reading Professional Development Institutes that were created last year in special session legislation, AB 2x (Mazzoni), Chapter 2x, Statutes of 1999. This increase would allow for an additional 14,000 teachers to attend, for a total of 20,000, resulting in a 233 percent increase in the number of participants. The University of California runs these institutes. Under the proposal, \$14 million of the proposed increase is non-Proposition 98 funds for UC to serve the participants, and other \$14 million is Proposition 98 funds to be used for \$1,000 stipends for participating teachers. The institutes offer 40-hour programs during the summer or intersession, with five additional days of follow-up instruction during the school year. Last year the program served teachers for grades K-3; the budget proposes to expand services to pre-K teachers. It also proposes to provide a second year of training to selected teachers who participated in the current year, so they can train fellow teachers.
- **English Language Development Institutes.** The budget proposes a \$10 million augmentation for a 100 percent increase in the number of participants trained by institutes that were created last year in AB 1116 (Ducheny), Chapter 71, Statutes of 1999, to train teachers serving English learners. \$5 million of this increase is non-Proposition 98 funding to UC, and \$5 million is Proposition 98 funding for the \$1,000 stipends to participating teachers. Last year's appropriation allowed 5,000 teachers to participate. The increase would allow for an additional 5,000 to participate, bringing the total served to 10,000. While last year's appropriation was not designated for teachers of specific grade levels, the budget proposes to earmark the additional slots for teachers who serve students in grades 9-12.
- **High School Teacher Institutes.** The budget proposes the creation of these new institutes, at a total cost of \$40 million, (\$20 million in non-Proposition 98 to UC and \$20 million in Proposition 98 for \$1,000 stipends for participants). The institutes are intended to train secondary school teachers in literacy in all subject areas and math, with an emphasis on passage of the high school exit exam. The budget earmarks \$24 million for English teachers and \$16 million for math teachers. The augmentation would allow 20,000 secondary teachers to participate.
- **Late Elementary Math Specialist Institutes.** The budget proposes the creation of these new institutes to boost elementary math skills and targets teachers for grades 4-6. The proposed augmentation is made up of \$5 million in Proposition 98 funds for \$1,000 teacher stipends and \$7.5 million in non-Proposition 98 funds to UC to develop the institutes. The institutes are to provide two-week intensive training to teachers, with the expectation that they will be able to train and support fellow teachers. The proposed augmentation would serve 5,000 elementary school teachers in grades 4-6. The budget also proposes to reduce funding for an existing math staff development program (see below).
- **High School Algebra Institutes.** The budget proposes these new institutes to train high school teachers of algebra, with a specific focus on preparing students to

succeed on the high school exit exam. Of this augmentation, \$2.5 million in non-Proposition 98 funds is to go to UC and \$2.5 million in Proposition 98 funds is for \$1,000 teacher stipends. Like the Late Elementary Math Institutes, these institutes will provide two-week training seminars to teachers. The proposal would allow up to 2,500 teachers to participate.

- ***Algebra and Pre-Algebra Academies.*** The budget proposes these new academies specifically to train teachers who will be instructing students in the new intensive algebra academies for grades 7-8 (see below). The proposal would provide \$1.7 million in non-Proposition 98 funds to UC, which will administer the academies, and \$1.5 million in Proposition 98 funds for \$1,500 stipends for participating teachers. The budget proposes that the academies provide one-week training seminars.
- ***Subject Matter Project Expansion.*** The budget proposes \$20 million to increase funding for these professional development sites, which are administered by UC and are offered at numerous higher education institutions across the state. The proposed expansion is with non-Proposition 98 General Fund monies, and would increase the number of sites, as well as serve 15,000 additional teachers. The Governor's Budget Summary states that training will be targeted to teachers in low performing schools.
- ***Beginning Teacher Support and Assessment (BTSA) Expansion.*** The budget proposes a \$15.4 million augmentation in Proposition 98 funds for this program, which supports credentialed teachers in their first years of teaching. The augmentation is to support an increase in the number of participants in the program. The program requires a local match by school districts.
- ***Education technology staff development.*** The budget proposes \$25 million in one-time non-Proposition 98 funds for intensive staff development on the use of technology in the classroom. The budget proposes that this new program be administered by the Office of the Secretary of Education through a contract with CSU, which will provide the training. This staff development is intended to complement \$175 million in new education technology grants to school districts (see below).
- ***Reduced funding for existing math staff development program.*** The budget proposes \$18.9 million, a reduction of \$9.6 million, for two existing math staff development programs that were created two years ago. Pursuant to AB 2442 (Mazzoni), Chapter 316, Statutes of 1998 and AB 1331 (Alquist), Chapter 315, Statutes of 1998 these programs have been funded at \$28.5 million with federal Goals 2000 funds since that time. The program is a competitive grant program and has two components: 1) grants to school districts to conduct their own math staff development, and 2) grants to districts to reimburse teachers for the educational costs associated with taking higher education courses in math. The budget proposes to redirect the savings to augment the AVID tutoring program, a college mentor program for high school students and a \$3 million augmentation for the

secondary schools reading program, which was created as part of last year's budget (see below).

- **Secondary Schools Reading Program.** The budget proposes \$8 million, a \$3 million increase, in Goals 2000 funding to the Secondary School Reading Program. This program was created just last year and provides competitive grants to pay for professional development designed to improve reading instruction in grades 7-12, especially for children reading below grade level.

New Proposal: Rewarding and IMPROVING Student Achievement

The Governor's budget proposes a total of \$118 million in non-Proposition 98 funds for two new scholarship programs that would reward high achievement on the statewide and Advanced Placement (AP) exams, as follows:

- **Governor's Merit Scholarship Program.** The Budget proposes a new program to provide \$1,000 scholarships to students in grades 9, 10 and 11 that score in 1) the top 10 percent statewide for their grade level on the standards-aligned version of the statewide STAR test, or 2) the top 5 percent for their grade level at their school on the regular version of the STAR. The proposed \$112 million are non-Proposition 98 funds and is part of the State Treasurer's budget, although the budget does not specify which agency would administer the program. Scholarships earned by students would be deposited in Golden State Scholarshare Trust accounts where they would earn interest, and students could use the awards to defray educational costs at any accredited higher education institution in the country. The budget also proposes \$1 million in Proposition 98 funds for testing administration, to reimburse the current test publisher of the STAR for the cost of the additional reports needed for this program.
- **Governor's Distinguished Math and Science Scholars Awards.** The budget proposes \$6 million for a new program to provide \$2,500 scholarships to students who do all of the following: 1) qualify for the above Governor's Merit Scholarship Program (above), 2) obtain a top score (five) on the AP calculus exam, and 3) obtain a top score (five) on an AP science exam. For students that attend schools that do not offer these AP courses, they may qualify for the exam by achieving top scores on the Golden State Exams for math and the sciences. As with the above scholarship program, the proposed amount is non-Proposition 98 funds and also is in the Treasurer's budget.

The Governor's budget proposes the following augmentations to improve overall student performance.

- **Reimbursement rate increase for supplemental instruction programs.** The budget proposes \$61.9 million in Proposition 98 funds to increase the hourly reimbursement rate that districts receive for providing supplemental instruction programs, such as summer school and after school programs, as well as the new

reading academies created last year to assist students in grades K-3 with their reading. According to the Governor's Budget Summary, the augmentation will pay for a rate increase of fifty cents, to bring the rate up from approximately \$2.50 per hour per student in the current year to \$3.00 per hour. Last year, the Legislature approved a bill, SB 410 (Escutia), which would have similarly increased the rate and made program changes. However, the Governor vetoed the bill over concerns about future costs and technical problems. School districts often complain about the difficulty of finding certified teachers to teach in supplemental instruction programs. They state that the existing low funding rate creates an additional impediment because districts are not able to pay teachers at the same rate they are paid for regular classroom instruction.

- **Consolidate supplemental instructional programs.** The Governor's Budget Summary states his intent to propose legislation to consolidate existing programs, which are all funded at the same rate but have different funding limits and requirements and prove cumbersome for districts to administer. In last year's Analysis of the Governor's Budget, the Legislative Analyst made a similar recommendation to streamline supplemental instruction programs. At the time of this review, it was unclear whether the Governor would propose these statutory changes through trailer bill language or in another bill.
- **Intensive Algebra Instruction Academies.** The budget proposes \$18 million in Proposition 98 funds for a new supplemental instruction-type program to provide intensive algebra and pre-algebra instruction to students in grades 7-8. The academies would serve approximately 50,000 children in a six-week course of four hours of day. The budget also proposes approximately \$3.2 million in staff development for the teachers that will provide this instruction (see above). These new academies appear to be modeled after intensive reading academies that were introduced last year to serve children in grades K-4. An evaluation of their effectiveness is scheduled to be completed November 1, 2000. Last year's budget provided \$75 million for these reading institutes.
- **Improving access to Advanced Placement courses.** The budget proposes a total \$16.5 million to improve Advance Placement (AP) courses, including: \$8 million in Proposition 98 funding to the Office of the Secretary of Education for \$20,000 grants for up to 800 high schools for professional development, materials and start-up costs to increase the number of AP courses; \$500,000 in non-Proposition 98 funds for the Secretary of Education to provide technical assistance to school districts to ensure that all students who wish to take AP courses have access to them by Fall, 2001; \$3 million (for a total of \$7 million) in non-Proposition 98 to UC to certify on-line AP courses in math and science, so that ultimately students will have on-line access to five AP courses; and a \$5 million increase in federal Goals 2000 funding to an existing tutoring program, AVID, and targets the increase for students from low-income schools enrolled in pre-AP and AP courses.

- ***Mentoring Programs.*** The budget proposes a total \$10 million augmentation to two mentoring programs: 1) \$5 million in Proposition 98 funds to increase the number of university students serving a mentors in the existing Academic Volunteer and Mentor Services; and 2) \$5 million in Goals 2000 funding for a college mentor program that provides stipends to university students who tutor and mentor high school students in the areas of English and math.
- ***California State Summer school in Math in Science.*** The budget proposes a \$1 million increase in non-Proposition 98 funds to this program, which is jointly run by UC, CSU, private universities and private industry. The proposed augmentation provides for the addition of two campuses and doubling of the number of participants to 600 in the summer of 2001.

NEW PROPOSAL: EDUCATION TECHNOLOGY

The Governor's budget proposes more than \$200 million in one-time and ongoing funds for K-12 education technology, including the following.

- ***New Education Technology Grants.*** The Governor proposes a new competitive grant program to improve access to technology in the classroom. The budget earmarks \$75 million in budget year funds and \$100 million in current year funds for a total of \$175 million in one-time Proposition 98 funds for the new program, which will serve grades K-12. The Governor's Budget Summary states that the grants will be administered by the Office of the Secretary of Education and that first priority will be given to schools that do not currently offer AP courses, so that they may be offered on-line. The budget also proposes \$25 million in one-time funds for staff development on the use of technology (detailed above under "Professional Development.")
- ***Commission on Technology in Learning.*** The budget proposes \$285,000 in federal funds and 2.8 positions to support a new Commission on Technology in Learning. This commission was created through legislation last year, AB 598 (Soto), Chapter 830, Statutes of 1999, and is charged with developing a statewide master plan for the use of education technology in public schools, coordinating existing state education technology programs and surveying existing technology in K-12 schools.
- ***Survey of education technology in schools.*** The Governor proposes \$300,000 in federal funds to perform a survey of the use and level of technology hardware in schools and the preparedness of teachers to utilize technology in instruction.
- ***State operations support for Technology Literacy Challenge Program.*** The budget proposes \$89,000 in federal funds to continue one expiring limited-term position in the State Department of Education (SDE) to administer the Technology Literacy Challenge Program.

The budget also proposes to continue funding for the Digital High Schools Program, which provides grants to high schools to improve their education technology and its use in instruction. The budget proposes a total funding level of \$164 million for digital high schools, which is comprised of 1) \$162.6 million in Proposition 98 local assistance (\$76 million in ongoing funding and \$86.6 million in one-time funding from the Proposition 98 reversion account), 2) \$1.4 million in one-time funding from the Proposition 98 reversion account for allocation to the California Technology Assistance Project to provide assistance to local education agencies implementing the Digital High School Program and 3) \$130,000 in General Fund state operations to continue two expiring positions to administer the Digital High School Program.

IMPLEMENTATION OF LAST YEAR'S REFORMS

Public Schools Accountability Act (PSAA) of 1999. Of the reforms proposed by the Governor last year, one of the most important was the Public Schools Accountability Act (PSAA) of 1999 created by SB 1x (Alpert), Chapter 3x, Statutes of 1999. The law requires the development of a statewide Academic Performance Index (API) to measure and compare schools' aggregate student achievement. It also creates 1) an Immediate Intervention/Underperforming Schools Program, through which schools in the lowest 50th percentile in performance can apply for improvement grants and 2) a Governor's High Achieving/Improving Schools Program that provides monetary rewards to schools that are high achieving or show exceptional improvement in their performance. The Governor proposes to continue support for these programs, including augmentations in several areas to ease implementation, including the following:

- **Continuation of intervention/underperforming schools planning grants.** The Governor's budget proposes \$18.7 million in Proposition 98 funds to provide planning grants to 373 new schools that wish to participate in the program. In addition, it proposes \$3 million to fully fund implementation grants for the first cohort of 430 schools that received planning grants in 1999-2000. SB 1x (Alpert), Chapter 3x, Statutes of 1999, appropriated \$96 million for implementation and planning grants for the first cohort of participating schools.
- **SDE state operations to support PSAA.** The budget proposes to provide \$1.8 million, an increase of \$905,000, in non-Proposition 98 General Fund and 22 positions to SDE to implement the Public Schools Accountability Act. In addition, the Governor proposes budget bill language that would authorize Department of Finance to augment SDE's state operations budget by up to \$500,000 to address workload related to implementation of the PSAA. The augmentation would be subject to 30-day written notification of the Legislature by Department of Finance.
- **Public Information Campaign about PSAA.** The budget proposes to provide \$1 million in non-Proposition 98 General Fund to the State Board of Education to conduct a public information campaign to educate the public about California's

school accountability program, including the PSAA, the Academic Performance Index, and the statewide STAR test.

- **Evaluation of the PSAA.** The budget proposes \$250,000 in non-Proposition 98 General Fund to contract for an evaluation of the implementation of the PSAA. The evaluation is to be conducted by an independent consultant.
- **Alignment of Title I forms and procedures to PSAA.** The budget proposes \$400,000 in federal Goals 2000 funding to SDE in accordance with budget control language adopted in the 1999 Budget Act which requires SDE "to align the forms, processes and procedures required of local education agencies in a manner that they may be utilized for the purposes of participating in the Public School Accountability Act....so that duplication of effort is minimized at the local level."

Last year, the Assembly Budget Subcommittee #2 raised concerns about the similarity between the Title I program improvement system for low-performing schools and the new PSAA. The Subcommittee asked SDE an Department of Finance to report back on ways to avoid dueling systems that target the same schools, and it eventually adopted the above language in an attempt to align the PSAA to the federal Title I program improvement system for low-performing schools (Item #6110-136-890, provision #2). The Legislature's intent in adopting this language was to ensure that schools that participate in both programs (by choice or by requirement) are not unduly overburdened with two sets of parallel processes and paperwork designed to achieve the same effect – school improvement.

- **Additional performance indicators for API.** The budget proposes \$500,000 in non-Proposition 98 General Fund to the Office of the Secretary of Education to contract for a comprehensive study of potential factors to be used in addition to STAR data as part of the Academic Performance Index.
- **Continuation of rewards funding.** The proposed budget continues last year's level of funding for the High Achieving/Improving Schools portion of the PSAA, at \$96.2 million.

OTHER AUGMENTATIONS FOR LAST YEAR'S INITIATIVES.

- **Evaluation of Parent Involvement Program.** The budget proposes \$500,000 in federal Goals 2000 funding to pay for an evaluation of this grant program that was created last year through legislation, AB 33 (Soto), Chapter 734, Statutes of 1999.
- **Dissemination of curriculum frameworks.** The current year's budget provided \$479,000 in federal Goals 2000 funds for the costs of disseminating curriculum frameworks to school districts, according to a plan developed by the State Board of Education. The budget proposes to triple the amount for this purpose to \$1.6 million (Goals 2000, state operations) in the budget year.

School safety. The budget proposes to continue the ongoing portion of the \$100 million increase that was provided last year in block grants to grades 8-12 for school safety purposes. The current year's budget provided \$71 million in ongoing funds for this new program and \$29 million in one-time funds. A later appropriation in a clean-up bill provided \$1 million to allow county offices to participate. The proposed budget continues the ongoing portion of \$72 million.

Other initiatives from last year. The proposed budget continues funding for a number of programs that were created in the current through the budget, including teacher performance incentives (\$50 million) and the English Language Acquisition Program (\$80 million, including growth). Also, last year's budget provided \$50 million for the beginning teacher salary program. AB 1117 (Calderon), Chapter 53, Statutes of 1999 specified that incentive money received by participating districts would be rolled into districts' revenue limits. Consequently the proposed budget does not continue the \$50 million in a line item, but instead presumes to include the \$50 million (or whatever portion is utilized) as school district apportionments.

The budget proposes to continue \$25 million for K-4 classroom libraries, an initiative begun last year. The current year's budget also provided \$134 million in one-time funding for block grants that districts could use for instructional materials or staff development. Consistent with the one-time nature of the funds, this year's proposed budget does not propose to continue this appropriation.

PRESCHOOL AND CHILDCARE

The Governor's budget proposes significant increases to both preschool and childcare, including the following.

Preschool. The budget proposes an increase of \$46.8 million in Proposition 98 funds to allow room for a total of 100,000 students to attend half-day preschool programs by the end of 2000-01. This augmentation is consistent with a commitment the Governor made last year and includes \$23 million in half-year funding to complete an expansion begun last year and \$23.8 million in half-year funding for the final phase of expansion to reach 100,000 students.

State preschool programs are half-day programs that are sometimes combined with federal Head Start or state wrap-around childcare programs, so that participating children receive a full day of care at the same site. Given the extremely low unemployment rate and the high demand for full-day childcare among low-income working parents, the Legislature may wish to examine the demand for and availability of state preschool programs that are part of full-day care. The Legislature may want to 1) ensure that new preschool slots are part of full-day childcare programs and 2) make it easier for preschool providers to combine preschool growth funds with other sources to provide full-day care.

Childcare. The budget proposes a variety of significant increases to the childcare budget, as well as policy proposals. The most significant increase is a \$286.7 million increase in Stage II and III childcare to CalWORKs recipients and families transitioning off of CalWORKs, (including \$6 million for a current-year adjustment). The Governor's Budget Summary identifies the total amount proposed for Stages II and III for the budget year to be \$782 million, an amount which the Summary suggests is sufficient to serve an average monthly caseload of about 143,000 children. In addition, the above increases more than restore \$50 million in childcare funds which were vetoed by the Governor last year over a dispute about how funding should be provided for families transitioning off of CalWORKs.

- **CalWORKs childcare.** The budget proposes an increased transfer of \$185.6 million from the federal TANF block grant to the Childcare and Development Block Grant for Stage II Childcare. This funding will serve families receiving CalWORKs benefits while engaged in employment activities. The proposed budget also includes a \$150 million CalWORKs childcare reserve that can be used for Stages I and II, in the event that proposed funding levels are insufficient.
- **Childcare for families transitioning off of CalWORKs.** The proposed budget fully funds the expected current year shortfall (\$6 million from prior-year savings) and fully funds the expected cost of \$95.1 million for Stage III childcare for families who are transitioning off of CalWORKs and will no longer be eligible for Stage II childcare benefits. The budget proposes a combination of General Fund and federal childcare funds to pay for the \$95.1 million increase, including \$45.4 million in Proposition 98 funds. Last Fall, the Assembly and Senate held a joint hearing on the issue of care for families transitioning off of CalWORKs; the hearing included testimony from families whose eligibility for CalWORKs childcare will soon be running out.
- **COLA.** The budget proposes \$27.3 million for a 2.84 percent COLA for all eligible childcare programs.
- **Childcare Facilities Revolving Loan Fund.** The budget proposes a total of \$56.2 million in one-time funding to this fund, which supports the efforts of childcare providers to purchase portables and expand facilities. This fund is especially important for efforts to increase childcare availability in underserved areas. The funding is made up of \$25 million in one-time current year Proposition 98 funds and \$31.2 million in one-time prior-year childcare savings.
- **Governor's Spring review of childcare policies and resources.** The Governor's Budget Summary indicates that the Administration will conduct an overall review of the childcare system this Spring, including ways of funding care for families transitioning off welfare and care for working poor families. The administration proposes to examine current eligibility standards, family fee schedules and ways to more efficiently and equitably serve families. The review will be conducted by the state Consumer Services Agency. Last year, the Governor proposed a one-for-one

system that would provide equal funding between CalWORKS childcare and working poor childcare.

- ***New budget bill language containing SDE reporting requirements.*** The proposed budget bill contains control language that specifies a number of reporting requirements presumably designed to assist Department of Finance in developing the childcare budget and determining mid-year adjustments from the reserve. The language requires SDE to provide quarterly status reports to Department of Finance on the distribution of funding between Stages II and III and its relationship to statewide needs.
- ***New budget bill language affecting alternative payment programs (AP's).*** The budget proposes control language expressing the intent of the Legislature that administrative and support services for AP contractors be limited to no more than 20 percent of direct cost when they vend to state subsidized centers and family day care homes operating under contract with SDE. The language suggests that state subsidized centers and family homes provide case management services that are funded at the standard reimbursement rate, such that there is duplication of effort by these centers and AP's. The proposed change would attempt to capture savings by reducing state reimbursements to AP's.
- ***Cal-SAFE for teenage parents.*** The budget proposes an increase of \$31.5 million to the new California School Age Families Education Program, which consolidates existing teenage pregnancy and parenting education programs. The program was established two years ago through legislation, SB 1064 (Johnston), Chapter 1078, Statutes of 1998. The budget proposed \$15.4 million for the childcare component of the program and \$16.1 million for the K-12 education component.
- ***Childcare Center Accreditation.*** The budget proposes \$5 million in one-time prior-year Proposition 98 funds to create incentives for up to 600 state-subsidized centers to achieve and maintain accreditation. Funds are to be provided to non-profits for distribution to centers, and the state would provide awards to centers that agree to partner with low-performing schools.
- ***Quality funds.*** The budget proposes \$10 million in one-time funds for the following programs designed to promote high-quality childcare: \$6 million to implement new playground safety regulations at state-subsidized childcare centers, \$2.5 million to double the size of a program that trains CalWORKs recipients to be childcare providers and teachers, and \$1.5 million to conduct a centralized waiting list program.
- ***State operations support to SDE for childcare programs.*** The budget proposes a total state operations increase of \$375,000, four new positions and two redirected positions to SDE's Field Services Unit, to provide technical assistance to new providers and to increase compliance review cycles that address eligibility errors.

- **Child nutrition programs.** The budget proposes \$800,000 in one-time funds from the Proposition 98 Reversion Account to fund a 1998-99 deficit in the Child Nutrition Programs. It also adds \$241,000 in federal funds and three positions for related workload increases for child nutrition programs and \$84,000 in federal funds and one position to provide outreach to expand involvement in the programs.

Childcare contracts. Currently, childcare is supported with both federal and state funds, and both funding sources come with specific funding requirements that are different. This fact, coupled with the different requirements of Stages I, II, and III, means that SDE must often administer multiple contracts to the same provider. This situation appears to create an administrative burden for SDE and providers, and may be a barrier to new providers entering the system, which is especially important in underserved areas. Three years ago, as part of the CalWORKs legislation, the Legislature adopted statutory language requiring SDE to report back with recommendations on streamlining multiple contract requirements. SDE complied with the requirement and issued a report last July. The Legislature may wish to consider SDE's recommendations during its hearings this Spring.

SPECIAL EDUCATION

The Governor's budget proposes a total increase for special education of \$160.3 million in Proposition 98 funds and \$60.8 million in federal funds.

- **Growth and COLA.** The budget proposes a \$84.7 million increase in Proposition 98 funds for a COLA for special education. It also provides \$40.4 million in Proposition 98 funds for program growth.
- **Equalization.** The budget proposes a \$33.2 million increase in federal funds to increase special education resources in districts that are below the statewide average in funding per pupil. This proposal reflects the third year of implementation of the new funding formula that was created by legislation (AB 602 (Davis), Ch 854/97).
- **Low-Incidence Disabilities Adjustment.** The budget proposes an increase of \$27.6 million in federal funds to provide an adjustment to districts with higher-than-average populations of students with low-incidence disabilities.
- **Prior-year corrections.** The budget proposes an adjustment of \$36 million in Proposition 98 funds for the budget year cost of a prior-year correction and \$16.8 million from the Proposition 98 Reversion Account for current year deficiencies due to ADA increases.
- **Workability Program expansion.** The budget proposes a \$7 million augmentation in Proposition 98 funds for this program, which provides special education students with training to help them enter the workforce. Total funding for this program is proposed at \$22.9 million.

- **State operations support for special education complaint management.** The budget proposes \$728,000 in federal funds and eight positions for workload increases and to investigate special education complaints. SDE used to contract for investigation of special education complaints until the practice was disallowed by the State Personnel Board. The proposed augmentations are to backfill the loss of the contract work. The budget also proposes \$400,000 in federal funds to cover increased contract costs to provide due process services.
- **Special education mandate pending settlement.** The Governor's budget includes no funding for an existing mandate claim filed by school districts to collect for state special education mandates that go back to the early 1980's. However, the budget does propose a \$500 million reserve for pending litigation settlements.

State Special Schools. The Governor proposes a total augmentation of \$3.9 million and 20 new positions for the State Special Schools, which serve visually- and hearing-impaired students, including the following.

- **State Special School for the Deaf, Riverside.** The budget proposes \$1.9 million in one-time funds for roof replacement and bathroom remodeling; \$544,000 and six positions for workload increases and instructional improvements; and \$487,000 and two positions for school safety projects.
- **State Special School for the Deaf, Fremont.** The budget proposes \$539,000 and six positions for various instructional improvements, including accountability development.
- **State Special School for the Blind, Fremont.** The budget proposes \$226,000 and three positions for workload increases in assessment, \$146,000 and two positions and technology for a Media Resource Center and \$72,000 and one position to coordinate recreational activities for students.

TESTING

The Governor's budget proposes a total increase of \$43.5 million in Proposition 98 funds for the development and administration of California's testing system. Much of the increase is due to the expected availability in the budget year of two new tests, the High School Exit Exam and the English Language Development Exam, and their associated administration costs.

- **English Language Development Exam administration.** The budget proposes a total funding level of \$16.1 million for administration of this exam, which was created by AB 748 (Escutia), Chapter 936, Statutes of 1997 to 1) identify English learners as they enter school and 2) annually evaluate their progress in acquiring English language skills. The budget also proposes two positions to support the development and administration of the exam. The current year budget includes \$1 million for initial development costs of the test.

Last year the Assembly Subcommittee #2 proposed trailer bill language that was eventually adopted to adjust statutory deadlines for SBE's adoption of the test, in order to expedite its development. The SBE has complied with the new timelines and a contractor has been chosen to develop the test, which is expected to be available for administration in Spring, 2001. Last year the Legislature approved legislation requiring 1) districts to test English learners' English proficiency on an annual basis, primarily using the statewide English Language Development Exam and 2) the posting of aggregate scores from the test on the Internet, on an annual basis (SB 638 (Alpert), Ch 678/99).

- **High School Exit Exam administration.** The budget proposes \$15.4 million for the administration of this new exam, which was initiated just last year through special session legislation SB 2x (O'Connell), Chapter 1x, Statutes of 1999. The legislation specified that the State Board of Education is to adopt the exam by October 1, 2000, so that it can be available for administration during the 2000-01 instructional year. The budget also proposes the conversion of three limited-term positions to permanent status and the addition of one position to administer the high school exit exam program.
- **Development of High School Exit Exam and STAR.** The budget proposes \$12 million for anticipated ongoing development costs for the high school exit exam and the alignment of the STAR examination to the state standards. This proposed ongoing funding replaces one-time funding previously provided from the Proposition 98 Revision Account.

The proposed increase in funding for testing is an important element in California's move towards standards-based accountability. However, given the increase in the number of tests, the Legislature may wish to: 1) ensure that the different tests are part of one streamlined, coordinated testing system and 2) seek assurances that the tests will be aligned to standards.

OTHER AUGMENTATIONS

- **California School Information Services project (CSIS).** The budget proposes a total increase of \$9 million from the educational telecommunications fund for the California School Information Services project (CSIS). This amount constitutes a \$4 million increase over the current year funding level which includes one-time money. CSIS is a multiyear project to facilitate records transfer between schools and to develop a statewide level data base and information transfer network. Districts receive incentive payments for participating, and participation is voluntary. The budget proposes to expand participation in the program. FCMAT manages the program, and last year the Legislature approved funding for a risk assessment of the project as well as funding for project management consulting.
- **K-12 mandates.** The budget proposes \$154 million, an increase of \$45 million over the current year, in funding to reimburse districts for state-mandated programs. The

increase is spread across a number of mandates, but the largest increases are for the following mandates: school district of choice transfer; graduation requirements; collective bargaining; emergency procedures; and habitual truants.

- **Deferred maintenance.** The budget proposes to increase funding for the state deferred maintenance program by \$22.3 million, for a total of \$166 million in Proposition 98 General Fund. This total provides full funding for the statutory 0.5 percent state match.
- **English Language Acquisition Program.** The budget proposes a total funding level for this program of \$80 million in Proposition 98 funds, which is a \$25 million increase over the current year. This program was created last year by AB 1116 (Ducheny), Chapter 71, Statutes of 1999, and provides school districts with \$100 per English learner in grades 4-8 for instruction-related services. According to Department of Finance, the increase is due to expected population increases for this program.
- **After school programs.** The budget proposes \$3 million in one-time funds from the Proposition 98 Reversion Account for three grants to regional centers to provide technical assistance and training on best practices for this program. The budget also proposes \$294,000 in state operations funding for the program and \$100,000 for program evaluation.
- **Principal Apportionments System Rewrite.** The budget proposes an augmentation of \$1 million to continue implementation of this six-year project to update the automated systems that allocate state funds to school districts (apportionments). The project is scheduled to be completed by the 2002-03 fiscal year.
- **FCMAT audit appeal panel.** The budget proposes \$500,000 in Proposition 98 funds to Fiscal Crisis Management and Assistance Team (FCMAT) for additional staff and resources needed to ensure timely resolution of audit findings, pursuant to trailer bill language passed last year that established a process for dispute and resolution of findings from audits the State Controller is performing on school attendance numbers used to claim apportionments.
- **Charter School Block Grant.** The budget proposes a \$2.6 million increase in funding to the categorical portion of the charter school block grant, which was created in the budget last year pursuant to AB 544 (Lempert), Chapter 34, Statutes of 1998 that requires funding parity between charter and non-charter schools.
- **Partnership Academies.** The budget proposes an augmentation of \$1.4 million to expand this program by 50 new academies, including 25 planning grants and 25 first-year implementation grants.

- **School safety plans.** The budget proposes \$3 million for the development of school safety plans for new schools as required by legislation passed last year (SB 334 (Alpert) Ch 996/99).
- **School Construction Website.** The budget proposes \$6.4 million to design a website that will serve as a centralized source of information on school construction.
- **Preventing Environmental Hazards.** The budget provides \$5.4 million for projects that investigate and prevent environmental hazards at school sites.
- **Other SDE state operations augmentations.** The budget proposes the following substantial state operations augmentations for SDE:
 - \$217,000 and three limited-term positions for the Principal Apportionment Systems Unit;
 - \$198,000 and three positions for audit appeals;
 - \$139,000 and two positions for the Apportionment Unit;
 - \$81,000 and one position for the community day schools program;
 - A \$70,000 augmentation and the conversion of five limited-term positions to permanent status to develop curriculum frameworks and oversee instructional materials adoption;
- \$235,000 and two positions to assist schools in selecting library materials that support statewide standards; and
- \$90,000 and one positions to administer the Local Arts Education Program.

MISCELLANEOUS K-12 AUGMENTATIONS IN OTHER BUDGETS

- **Arts Education.** The budget proposes \$10 million in non-Proposition 98 (General Fund) to the Arts Council budget for arts education programs.
- **Replacement of diesel school buses.** The budget provides \$50 million to the Air Resources Board for a buy-back program to replace high-polluting diesel school buses.
- **Turning Point Academy.** The budget proposes \$10 million to create a boot-camp type academy for students who commit zero-tolerance expulsion offenses (e.g., selling drugs at school, possessing or furnishing a firearm, brandishing a knife).
- **Study of air quality in portables.** The budget provides \$1 million to the Air Resources Board for a study of environmental conditions in California's portable classrooms. The study is to be conducted jointly with the Department of Health Services.

CALIFORNIA STATE LIBRARY

The California State Library provides services to the Legislative and Executive branches of state government, to members of the public and to California's public libraries and runs local assistance literacy programs.

Table XX

REVENUE SOURCES FOR THE CALIFORNIA STATE LIBRARY				
(Dollars in Thousands)				
Fund	1999-2000	2000-01	Dollar Change	Percent Change
General Fund	\$101,393	\$101,272	-\$121	-0.12%
California State Law Library Special Account	724	758	34	4.7
California Library and Construction and Renovation Fund	208	208	0	0
Federal Trust Fund	14,982	15,048	66	0.44
Reimbursements	1,041	1,041	0	0
Total	\$118,348	\$118,327	-\$21	-0.02%

*Despite the proposed augmentations to this budget, total spending appears to go down because of adjustments made to a General Fund local assistance item.

The Governor's budget proposes the following augmentations to the California State Library's budget for 2000-01.

- **California Research Bureau.** The budget proposes an augmentation of \$500,000 and six positions to expand the research capacity of the California Research Bureau, which provides public policy research to the legislative and administrative branches.
- **California Newspaper Project.** The budget proposes a \$300,000 augmentation for this project, to begin microfilming California's newspapers for preservation.
- **Transaction Based Reimbursements.** The budget proposes a \$1.8 million increase for this program, which provides state support for the handling costs when libraries loan materials to each other. The program facilitates inter-library loans and the increase will provide for growth as well as a rate increase for reimbursements of handling costs.
- **Families for Literacy Program.** The budget proposes a \$508,000 increase for this program, which provides literacy skills to students at risk of failing in school because their parents or guardians are illiterate.
- **Workload increases.** The budget includes a \$1.3 million augmentation to address various workload needs.

The Budget also proposes a \$56.8 million funding level for the Public Library Fund. This continues the \$18 million increase to this fund approved by the Legislature in the current year, and maintains a funding level which has more than tripled since 1996-97. This continued increase will allow local public libraries to purchase new, updated materials.

COMMISSION ON TEACHER CREDENTIALING

The Commission on Teacher Credentialing is charged with developing and enforcing standards for the preparation and licensing of California's teachers.

Table XX

REVENUE SOURCES FOR THE COMMISSION ON TEACHER CREDENTIALING (Dollars in Thousands)				
Total	1999-2000	2000-01	\$ change	percent change
General Fund *	\$35,079	\$111,576	\$76,497	218 percent
Teacher Credentials Fund	13,403	13,382	-21	-0.16
Test Development and Administration Account	11,160	10,167	-993	-8.9
Federal Trust Fund	4,014	3,892	-112	2.79
Reimbursements	2,928	0	-2,928	-100
Total	\$66,584	\$139,017	\$72,433	109 percent

* Note: Part of this increase is due to an increase in local assistance funding proposed as part of a new program which CTC would administer.

INCREASE IN LOCAL ASSISTANCE PROGRAMS ADMINISTERED BY CTC

The Governor's budget proposes a new program to be administered by CTC, and the expansion of an existing program, as follows.

- **Credentialed Teacher Recruitment Program.** The budget proposes \$52.9 million in Proposition 98 local assistance funding for this new program to provide incentives for low-performing schools to hire credentialed teachers. (See "Incentives to hire credentialed teachers" in the K-12 section above.)
- **Expansion of Intern Program.** The budget proposes an increase of \$20.8 million in Proposition 98 funds for this existing alternative credentialing program to expand it by 5,400 slots and to increase the funding level by \$1,000 per participants (see "Expand alternative credentialing internship programs" in the K-12 section above)
- **Examination validity studies.** The budget proposes using almost \$1 million in the Test Development and Administration Account for the costs of teacher examination

validity studies that ensure exams given to teacher credential candidates accurately test what teachers will need in the classroom. (This augmentation appears to be above a \$700,000 increase that CTC received last year in a Section 27 letter and an appropriation in AB 466 (Mazzoni), Ch 623, Statutes of 1999 for the same purpose.)

- **Toll-free number.** The budget proposes \$108,000 from the Teacher Credentials Fund for costs associated with a toll-free number to improve CTC's service to its clients seeking information on credentials. Last year the Legislature crafted budget bill language requiring a management evaluation of CTC's procedures for processing credentials and its responsiveness to its clients. This augmentation as well as some of the state operations augmentations below appear to be in response to the evaluation.

Additional state operations support for CTC: In addition to the above augmentations, the budget proposes the following new positions, to assist CTC in workload increases related to proposed new programs or program expansions and management improvements. Most of the increases are supported with non-General Fund money.

- **Support of BTSA.** The budget proposes \$165,000 from the Teachers Credentials Fund and two positions to support the Beginning Teacher Support and Assessment Program, which is jointly administered by SDE and CTC. This program also received an increase in local assistance (see K-12 section above).
- **Support of Governor's Teaching Fellowships.** The budget proposes \$79,000 from the General Fund to provide a research analyst position to maintain records of participants in the Governor's Teaching Fellowships, which is a new program introduced in this year's budget (see K-12 section above).
- **Certification, Assignment and Waivers Division.** The budget proposes \$443,000 from the Teacher Credentials Fund for 7.5 new positions to address workload increases in this division.
- **Division of Professional Practices.** The budget proposes \$157,000 from the Teacher Credentials Fund and \$8,000 from the Test Development and Administration Account to fund two positions for workload increases.
- **Office of Governmental Relations.** The Governor proposes \$99,000 from the Teacher Credentials Fund for two new positions due to workload increases in this office.
- **Executive Office.** The budget proposes \$49,000 from the Teacher Credentials Fund for one support position in the Executive Office, which supports the members of the Commission.

GOVERNOR'S 2000-01 BUDGET PROPOSAL FOR: HIGHER EDUCATION

California's higher education system is governed by the Master Plan of 1960, which promises a high quality, affordable higher education for all California citizens who can benefit from it. The Master Plan also delineates different missions for each of the three segments, the University of California (UC), the California State University (CSU) and the California Community Colleges system (CCC). The California Student Aid Commission (CSAC) and the California Post-secondary Education Commission (CPEC) also play an integral role in implementing the goals of the Master Plan, with CSAC providing and overseeing financial aid and CPEC providing policy analysis and recommendations to the Governor and the State Legislature.

The Governor's proposed budget allocates \$10.1 billion for higher education in California. Of these funds, \$8.4 billion is General Fund revenue, which represents an increase of 9.8 percent, or \$750 million, over the current year. The budget increases General Fund support for UC by 12.1 percent, or \$327.7 million, for a total UC budget of \$3.04 billion, increases General Fund support for CSU by 8.7 percent, or \$191 million, for a total CSU budget of \$2.38 billion, and increases General Fund support for CSAC by 18.4 percent, or \$71.3 million, for a total CSAC budget of \$459.9 million. The budget also increases General Fund support for Community Colleges by 6.7 percent or \$159.9 million above current year expenditures for a total General Fund budget of \$2.53 billion. Table 1 illustrates the Governor's 1998-99 budget proposal for Higher Education

Table 1

Proposed General Fund Support For Segments Of Higher Education

(Dollars in millions)

	1999-00	2000-01	Change	Percent Change
University of California	2,717	3,045	327	12.1
California State University	2,194	2,385	191	8.7
California Community Colleges	2,373	2,532	159	6.7
Student Aid Commission	388	459	71	18.4
Hastings College of the Law	14.4	14.3	-.1	-0.7
CPEC	3.6	3.8	.2	5.6

Total	7,691	8,441	750	9.8
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*This table includes only a few selected public program funds.

MAJOR PROPOSALS

The major proposals for higher education include:

- General Fund expenditures of \$8.4 billion for higher education for 2000-01, an increase of 9.8 percent over the current year;
- An agreement for a new funding partnership for UC and CSU;
- For the sixth consecutive year, no student fee increases and funding to continue the ten percent student fee rollback for students at UC and CSU and a \$2 per-unit decrease for community college students;
- Full funding for enrollment growth, of 3.65 percent at UC, 4.5 percent at CSU and 3 percent for community colleges;
- \$656.2 million for capital outlay projects for UC, CSU, Community Colleges, and the Hastings School of Law;
- \$24.3 million to continue development of the 10th UC campus in Merced; and
- \$28.3 million to provide 7,000 new financial aid awards through the Cal Grant Program.

PARTNERSHIP/COMPACT

The Governor's budget also outlines a new funding partnership for UC and CSU. The Community Colleges are not included in this partnership since they are covered under the Proposition 98 funding formula. The partnership, however, is not finalized as the Administration and the segments are still working on the accountability and outcome measures. Similar to the previous four-year compact agreed to by the segments and the previous Governor, this pact helps stabilize higher education funding in California.

Table 1 outlines the major components of the Higher Education Partnership:

Table 1

FUNDING PROVISIONS	ACCOUNTABILITY GOALS
An average annual General Fund increase of four percent.	Admission for all eligible California students.
Full funding for enrollment growth.	Increased Community College transfer.
An additional one percent funding increase for core needs such as maintenance, technology, instructional equipment and library materials.	Improved outcomes such as graduation rates and timelines to degree attainment.
Funding for other high priority initiatives.	Greater responsibility to improve K-12 schools.
Funding for capital outlay as necessary.	Increased utilization of facilities and resources.

UNIVERSITY OF CALIFORNIA

The UC system includes eight general campuses, one health science campus in San Francisco and one new campus currently under development in Merced. The University of California, founded in 1868 as a public land-grant institution, is the primary state supported academic agency for research, with exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry, and veterinary medicine. The University of California currently serves an estimated 170,566 Full Time Equivalent (FTE) graduate and undergraduate students.

Table 3 illustrates the Governor's proposed funding for the UC from selected program funds, totaling \$4.04 billion, an increase of \$343.6 million, or 13.9 percent, over the current year. The General Fund expenditure is \$3.04 billion, which represents an increase of \$327.7 million, or 12.1 percent, over the revised current budget year. The total budget, including state, federal, private donations, and other non-state funds to support the UC is \$13.8 billion.

Table 3

UNIVERSITY OF CALIFORNIA BUDGET SUMMARY (Dollars in Thousands)				
	1999-00	2000-01	Change	Percent Change
General Fund	2,717,925	3,045,665	327,740	12.1
Student Fees	622,843	644,104	21,260	3.4
UC General Funds Income	340,779	335,424	-5,355	-1.6
Lottery Education Fund	19,635	19,635	0	0
Total	3,701,182	4,044,827	343,645	13.9

* This table includes only a few selected public program funds.

MAJOR PROPOSALS

Major proposals for the University of California include:

Enrollment. The budget provides \$51.2 million for enrollment growth of 3.65 percent, thus fully funding growth pursuant to the Partnership. These funds will allow the UC to expand enrollment by 6,000 students bringing total general campus (FTE) enrollment to 170,566 in 2000-01. Of the 6,000 new enrollment slots at UC, 1,000 are to be targeted for engineering and sciences students and 450 are proposed to expand slots in the UC education and teacher training programs.

Student Fees. For the sixth consecutive year, the proposed budget does not include an increase in undergraduate student fees. The Governor's budget also provides funds to continue the ten-percent fee reduction from the Budget Acts of 1998 and 1999. With this action, students and their families will continue to pay \$3,429 for fees at the UC in 2000-01.

Compensation. The budget proposes \$111.4 million for employee compensation and benefit increases. Of this amount, \$35.2 million is provided for an average two percent salary COLA increase for staff and faculty, effective October 1, 2000. The plan also provides \$39 million for full funding of academic and staff merit salary increases to reward the best employees. In addition, as part of its plan to maintain faculty salaries at competitive levels, UC will provide \$6.7 million for another one percent parity increase for faculty, effective October 1, 2000. UC's budget plan also includes \$4.1 million as part of a multi-year plan to provide a market adjustment for cooperative extension specialists and information technology specialists.

Strengthening the Quality of Undergraduate Education. The Governor's budget proposes \$6 million as the first step in a multi-year plan to improve the quality of an undergraduate education. UC will move toward restoration of the UC's student-faculty ratio to its historic level of 17.6:1, the rates that prevailed before the budget reductions of the 1990s. UC's current student-faculty budget ratio is at 18.7:1, which is significantly worse than the ratio at comparable public and private institutions.

Core Budget Needs. As part of the new partnership agreement, the Governor's budget proposes \$8 million for ongoing building maintenance, \$8 million for instructional technology, \$5 million for instructional equipment replacement, and \$5 million for library materials.

Student Academic Outreach and Access Programs. The budget proposes to augment the UC budget by \$5.5 million to expand outreach and access programs. This augmentation comes on top of increases of more than \$40 million in outreach funding over the past two budget years. Those funds were used to expand a number of programs to address the dramatic decline in minority enrollment at UC. The budget proposes funding for K-12 school partnerships and K-12 academic preparation serving economically disadvantaged students including:

- \$3 million augmentation (for a total of \$7 million) for expansion of the AP On-Line Initiative -- a program developed to make AP courses accessible to students who attend high schools that offer few or no AP courses;
- \$1 million for a UC-CCC program to increase the rate of student transfer from the CCC to UC;
- \$1 million to expand outreach efforts for graduate and professional school students; and
- \$500,000 to allow UC to conduct research on the root causes of educational disparity within California's school system from K-12 through postsecondary education.

Other K-12 Programs. The budget proposes \$1 million to expand the California State Summer School for Math and Science, a multidisciplinary academic development program for high school pupils with demonstrated academic excellence in math and science.

In addition, the budget proposes \$1.7 million to begin the design of Intensive Algebra Professional Development Institutes for students in grades 7 and 8 -- linking one-week teacher training institutes with district-scheduled summer instructional programs for students.

UC Linkage to K-12. The Governor's budget proposes an augmentation of \$69.6 million to implement his "Teacher Professional Development Initiative", a package of

new and expanded programs intended to help with the preparation of success of K-12 teachers. While these programs are in the UC budget, most will be operated in full partnership with CSU and several private colleges and universities, along with K-12 schools and districts. These initiatives includes:

- \$20 million to expand the California Subject Matter Projects, a UC-administered network of discipline-specific professional development projects. These projects are designed to enhance the professional development of K-12 teachers in nine different subject areas: writing, math, science, history/social science, foreign language, reading and literature, international studies, the arts and physical education-health;
- \$14 million to expand the Governor's Reading Professional Development Institutes, which in its first year provided over 6,000 K-12 teachers with intensive seminars in the summer and continued professional development activities during the regular school term;
- \$2.5 million to establish the California Algebra Institutes, a program modeled after the Reading Institutes both in terms of intensive training and stipend support and focused on improving the skills of algebra teachers in grades 9 through 11;
- \$7.5 million to initiate the California Mathematics Institutes for grades 4 through 6. This program is designed to create leadership among teachers in elementary schools for improving mathematics education;
- \$5 million to double the funding for the English Language Development Professional Institutes (ELD-PI), which provides training for teachers of English language in grades 9 through 12 who do not hold cross-cultural or bilingual cross-cultural certificates;
- \$20 million to establish the High School Math and English Professional Development Institutes in grades 9 through 12 (\$8 million in mathematics and \$12 million for English). These institutes will also be modeled after the Governor's Reading Institutes, and will focus on mathematics and English for teachers in grades 9 through 12. These institutes will emphasize improved student achievement on Standardized Testing and Reporting (STAR) tests, High School Exit Exams, and academic preparation for college, including Advanced Placement (AP) courses; and
- \$600,000 to expand the New Teacher Center, currently housed at UC Santa Cruz. The Center will provide consultation and technical assistance to schools, colleges, and universities statewide.

Research. The budget proposes to augment UC research activities by \$21 million in the following areas:

- \$8 million for continued development of Internet2, a high-speed national data transmission network, to assure that faculty and students have the access they need for cooperative research initiatives within UC, with other countries, and with industry;
- \$5 million to support collaborative research between California and Mexico focusing on issues such as trade and economic development, the environment, food and agriculture, and health;
- \$5 million to support research efforts in engineering and computer science, including support for graduate student research;
- \$1 million to expand the Alcohol and Substance Abuse Research Program, a program conducting research into identifying the genes that control the brain responses to alcohol in order to develop new drugs to more effectively treat alcoholism; and
- \$2 million to support a university-wide, multi-disciplinary peer-reviewed grants program to support research on the state's natural resources.

The budget also proposes \$75 million in one-time funds to create the California Institutes for Science and Innovation. These capital outlay funds are for the construction of three facilities to house centers of strategic innovation that would combine research with training for scientists. The institutes are expected to raise \$150 million in funding from the private sector and/or the federal government to match this state contribution.

California Digital Library. The budget proposes \$2.5 million to continue development of the California Digital Library (CDL). This project combines technology and broad-based acquisition of information resources allowing UC students and faculty to access information available only in digital form.

Teaching Hospital. The Governor's budget proposes \$25 million in one-time funds for UC teaching hospitals to help purchase medical equipment that will be used for teaching, patient care and research purposes.

Cooperative (Agriculture) Extension. The budget proposes \$1 million to augment the Cooperative (Agriculture) Extension program. This program provides California farmers and growers with the latest in science-based information, problem-solving advice, and access to new technologies and products.

Santa Clara Off-Campus Center. The budget proposes \$1.1 million to begin planning for a UC Santa Cruz off-campus center in Santa Clara. This project is designed to help accommodate projected enrollment demand, increase access to UC graduate professional degree programs for working professionals, increase collaborative research with industry, and expand outreach programs with K-12 schools and students.

Merced Campus. The budget proposes \$9.9 million in ongoing funds for the development of the 10th University of California campus in Merced. The tenth campus, now scheduled to open in 2004, one year earlier than anticipated. The Governor established a "Red Team" to help speed up development of this campus. The Governor's budget proposal also provides \$14.3 million in capital outlay bonds funds to begin the construction process for the tenth campus.

Capital Outlay. The Governor's budget proposes to invest \$212.7 million (including the \$14.3 million for Merced) for UC capital outlay expenditures. This amount includes \$113.6 million for the completion of 18 previously approved projects at nine campuses and one off-campus site, and \$84.8 million to address 18 new projects at the nine existing campuses and two off-campus locations.

CALIFORNIA STATE UNIVERSITY

The California State University (CSU) system is comprised of 22 campuses, including 21 university campuses and the California Maritime Academy. While each campus in the system has its own unique geographic and curricular character, all campuses, as multipurpose institutions, offer undergraduate and graduate instruction for professional and occupational goals, as well as broad liberal education programs. A limited number of doctoral degrees are offered jointly with the University of California and with select private universities.

The California State University currently serves 291,980 Full Time Equivalent graduate and undergraduate students. Table 4 illustrates the Governor's proposed funding for the CSU from selected funds, totaling \$3.23 billion, an increase of \$216 million, or 7.2 percent over the current budget year. This amount includes a General Fund increase of \$191 million, or 8.7 percent, over the current budget year.

Table 4

CALIFORNIA STATE UNIVERSITY				
BUDGET SUMMARY				
(Dollars in Thousands)				
	1999-00	2000-01	Change	Percent Change
General Fund	\$2,194,060	\$2,385,092	\$191,032	8.7
Student Fees	624,228	642,455	18,227	2.9
Lottery Education Fund	29,800	36,700	6,900	23.2
Reimbursements	139,789	139,689	-100	-.01
Total	\$2,987,877	\$3,203,936	\$216,059	7.2

*This table includes only a few selected public program funds.

Major Proposals

The major proposals for the California State University include:

Enrollment. The budget proposes funding for full enrollment growth at 4.5 percent, thus making CSU more accessible for California students. These funds will allow the CSU to expand enrollment by 12,577 students bringing total budgeted for general campus (FTE) enrollment to 291,980 in 2000-01.

Student Fees. For the sixth consecutive year, the proposed budget does not include an increase in undergraduate student fees. Furthermore, the Governor's budget provides funds to continue the ten percent fee reduction provided in the 1998 and 1999 Budget Acts. Students and their families will continue to pay \$1,428 for fees at the CSU in 2000-01.

Compensation. The budget proposes \$94.3 million to fund an average five percent compensation increase for all CSU employees. The actual distribution of these funds will be determined by collective bargaining between CSU and appropriate representative groups. The budget also includes \$12.9 million to cover faculty salary increases from 1999-00 and \$9 million for increased employee health and dental benefits.

CSU Linkage to K-12. The budget proposes \$37.5 million to invest in various teacher training, recruitment and support programs at CSU; including:

- \$9 million to expand teacher recruitment efforts through the California Center for Teaching Careers (CalTeach) for a total budget of \$11 million. Of these funds, \$7 million is to conduct a teacher recruitment campaign in California focusing on regional television advertising campaigns to promote the teaching profession. The remaining \$2 million is for a public information campaign in states outside of California which have similar teacher certification standards and a surplus of qualified teachers;
- \$3.5 million to establish the Governor's Teaching Fellowships, which will provide \$20,000 in graduate fellowships to 1,000 teaching candidates who commit to teach in low-performing schools for four years. Fellowship awards will be based on the candidate's commitment to teach in a low-performing school and the individual's potential as a qualified teacher candidate; and
- \$25 million in one-time funds to create a Technology Training program for K-12 Teachers. The program is to provide intensive staff development on the use of technology in the classroom. The Office of the Secretary of Education and Child Development will administer this program.

New and Developing Campuses. The Governor's budget proposes \$2.3 million to continue with the development of the CSU Monterey campus, which opened in 1995, and \$380,000 to assist with the development of the Coachella Valley off-campus center, which is affiliated with the CSU San Bernardino campus.

The budget does not provide any new funds for the continued development of the conversion of the Camarillo State Hospital into a 23rd CSU campus "CSU Channel Islands. However, the Governor indicated that he would support a \$10 million augmentation once the segment addressed financial problems with the CSU off-campus center in Stockton – which is also a converted hospital facility. The Channel Islands campus, which plans to open doors in the fall of 2002, is expected to help accommodate enrollment growth at CSU by eventually serving up to 12,000 students.

Maintenance. The proposed budget contains \$2.8 million to increase the budget for ongoing maintenance, thus helping address the deferred maintenance backlog at CSU campuses.

Technology. The budget proposes an augmentation of \$15 million to invest in CSU's Integrated Technology Strategy (ITS) program. Coupled with an \$8 million augmentation from the 1999 Budget Act, total funding for this program is now \$25 million.

Libraries. The budget proposes \$3 million to augment funding for Library facilities at CSU. These funds will be used for books, regular and electronic journals and technology.

Capital Outlay. The budget proposes to invest \$153.3 million for CSU capital outlay expenditures. This amount includes \$82.1 million for CSU to complete 18 previously approved projects at 11 campuses, \$60.7 million for 7 new projects at 6 campuses, and \$10.5 million for minor projects.

CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) provides a general education program at 107 Community Colleges through 71 local districts, which serve approximately 1.5 million students. By law, Community Colleges must admit any Californian seeking admission who has graduated from high school and may admit those who have not graduated but who are 18 years of age or older and can benefit from instruction. This policy of "open access" establishes the Community College mission to provide all Californians with the opportunity for advanced education and training. The *Master Plan* envisioned this goal could be achieved through a tripartite mission: lower-division instruction for students preparing to transfer to the University of California or the California State University; occupational training for those seeking entry or re-entry to the labor force; and basic skills instruction in language and computation for adults functioning below the collegiate level.

The Governor's budget proposes approximately \$5.72 billion for the California Community Colleges (CCC) from selected funds, or a 6.5 percent increase over the \$348.3 billion provided in 1999-00. The Governor's proposed budget allocates roughly 10.36 percent of Proposition 98 funds to the Community Colleges. Table 5 below illustrates funding for the Community Colleges, which includes a General Fund increase of \$161.5 million, or 6.6 percent, over revised current year funds.

Table 5

Community College Budget Summary

(Dollars in millions)				
	1999-00	2000-01	Amount Change	Percent Change
General Fund	2,451.8	2,613.3	161.5	6.6
Lottery	121.0	121.0	0.0	0.0
Local Property Taxes	1,580.3	1,694.4	114.1	7.2
Student Fees	152.7	157.2	4.5	2.9
Other State Funds	8.6	7.0	-1.6	-18.6
Federal Funds	171.0	182.3	11.3	6.6
Local Misc.	883.2	941.3	58.1	6.6
Debt Service	4.6	5.0	0.4	8.7
Total	5,373.2	5,721.5	348.3	6.5

*This table includes only a few selected public program funds.

Major Proposals

Major proposals for the California Community Colleges include:

Growth. The budget proposes \$105.7 million, for a three percent growth in enrollment and categorical programs -- exceeding the estimated 1.68 percent change in adult population, the current statutory growth index. However, this amount is less than the four percent growth requested by the Board of Governors. These funds will allow the Community Colleges to accommodate additional 29,721 full-time equivalent (FTE) students. Total enrollment for Community Colleges will now exceed one million full time equivalent students (1,020,424 FTE) – an all-time record number of students.

Cost of Living Adjustment. The budget proposes \$103.1 million to fund the COLA at 2.84 percent for general apportionment and categorical programs. This amount is equal to the COLA granted to the K-12 system.

Partnership for Excellence Program. The budget proposes \$25 million to expand the Partnership for Excellence Program (PFE). This program, established in 1998-99 with \$100 million, would now have a base budget of \$170 million. PFE was designed to provide incentives to meet student outcome goals and enhance student success. In exchange for receiving a commitment of new state funds, local community college districts agree to make progress toward specific system outcome measures and to report to the state the data to demonstrate such progress. Funding for this program is granted to campuses on a per FTES basis. The Governor's Budget further specifies that before any additional funds are granted for PFE, the Community Colleges shall work to enhance their goals and outcomes criteria.

Student Fees. For the sixth consecutive year, the proposed budget does not include an increase in student fees. Furthermore, the Governor's budget provides funds to continue the \$2 per unit decrease in student fees enacted pursuant to the Budgets Acts of 1998 and 1999. Community College students will continue to pay \$11 per unit.

Student Academic Outreach and Access programs. The budget proposes \$1 million to expand the successful Puentes project to 35 new sites on Community College campuses and \$6 million to provide extended outreach and support services to 10,000 new students through the Extended Opportunity Programs and Services (EOPS). The budget also contains \$5.1 million in new funding for Disabled Student Programs and Services.

Telecommunications and Technology Infrastructure. The budget proposes \$6.3 for telecommunication and technology infrastructure expansion. Of this amount, \$4 million is to be used to complete the technology upgrade started last year. The remaining \$2.3 million is for the development and implementation of a system-wide audio bridging and telephone conferencing capability to facilitate interaction of faculty, students, and staff in distance learning, support services, and shared governance activities.

Maintenance. The budget proposes \$10 million to increase the base budget for scheduled maintenance and special repairs for the Community Colleges.

Capital Outlay. The budget proposes \$290.2 million for capital projects. These funds will allow the Community Colleges to fund 68 previously approved projects at 42 statewide campuses and 15 new projects at 8 campuses across the state.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission (CSAC) is responsible for making higher education affordable and accessible to students in California. CSAC attempts to accomplish this mission by administering 11 student aid and loan programs, including the Cal Grant program, which is the primary state source of financial aid. In addition, the Commission administers the Federal Guaranteed Student Loan Program.

The Governor's budget proposes to increase General Fund support for CSAC by \$71.3 million, or 18.4 percent for a total budget of \$459.8 million. The major increase in funding is for an augmentation to the Cal Grant program of \$28.3 million thus making 7,000 new awards available. In addition, the budget provides \$40 million to fund the additional number of California Cal Grant awards approved from the last four budget years.

Table 6 illustrates the Governor's 2000-01 budget proposal for the Student Aid Commission.

Table 6

California Student Aid Commission Budget Summary

(Dollars in Thousands)				
	1999-00	2000-01	Amount Change	Percent Change
General Fund	\$ 388,534	\$ 459,879	\$ 71,345	18.4
Federal Trust Fund	3,924	3,924	0	0.0
State Guaranteed Loan Reserve	404,454	404,664	210	0.1
Reimbursements	6,922	6,939	17	0.2
Total	\$ 803,834	\$ 875,406	\$ 71,572	8.9

Major Proposals

Major proposals for the California Student Aid Commission include:

Cal Grant Program. The Cal Grant program has four types of awards: Cal Grants A, B, C and T. The Cal Grant A Program helps low and middle income students who demonstrate financial need to pay their college tuition and fees. The Cal Grant B Program award provides a living allowance and sometimes tuition and fees for very low income, disadvantaged students. The Cal Grant B Program differs from the Cal Grant A program by placing less reliance on grade point average and more emphasis on financial need for determining which students receive an award. Currently CSAC provides roughly 51,000 grants annually to A and B recipients (split evenly). The Cal Grant C Program provides tuition and fee grants, and funds for supplies to students training for vocational careers for approximately 3,700 students annually -- primarily community college students. The Cal Grant T program provides one year grants to students in teacher training programs. The budget proposes to eliminate this program, which was created in 1998 with \$10 million to grant 3,000 awards, and shift the funds to the APLE program. (See discussion below.)

The budget proposes \$28.3 million to increase the number of new awards by 7,000 (3,500 for new A awards and 3,500 for new B awards). The budget also provides funds, \$40 million, to phase-in the 1996-97, 1997-98, 1998-99 and 1999-00 increases in both the number of Cal Grant awards and the maximum award level for students attending private institutions. Lastly, the budget proposes \$2.2 million to increase the maximum Cal Grant awards for students attending private colleges and universities.

The number of new Cal Grants has increased by 98.8 percent or 30,834 new awards since 1995-96. However, the state is still falling short of meeting the statutory goal of providing Cal Grants equal to 25 percent of high school graduates in California. Proposed 2000-01 funding levels only provide Cal Grant awards to roughly 20 percent of the state's high school graduates – thus forcing students to take additional loans and increase their debt (see chart below).

SOARING DEBT FOR CALIFORNIA'S STUDENTS

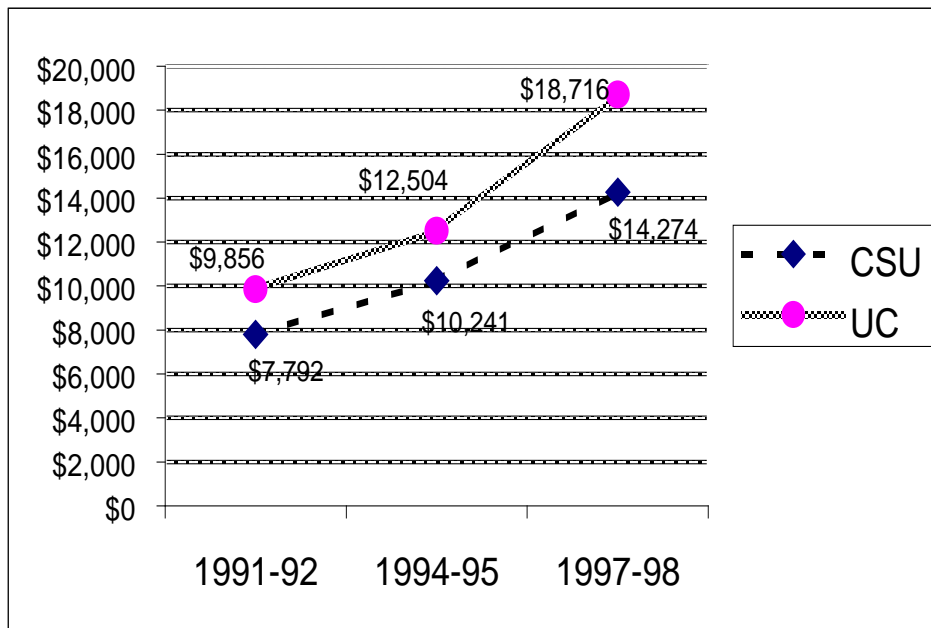
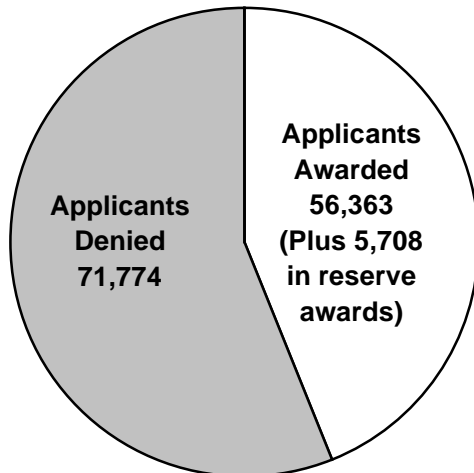


Chart 1 displays the dramatic increase in student debt. Over the past 7 years, student debt for California students has nearly doubled. This chart outlines student debt for students at UC and CSU. Over this time period, student debt at UC increased by \$8,860 and at CSU by \$6,482

The Student Aid Commission, through their Budget Change Proposal (BCP), requested \$83.7 million to reach 90 percent of the 25 percent statutory level – to 23 percent of the goal. This would provide aid to an additional 9,751 needy students and increase award maximums for all new recipients. The Legislature would need to augment the Governor's proposed CSAC budget by \$53.2 million to fully fund the BCP. If the Legislature wished to fully fund the program at 100 percent of the statutory goal, the CSAC budget would need roughly \$73 million above the Governor's proposed budget.

Chart 2

1999-00 UNMET CAL GRANT NEED

In the 1999-00 academic year, 133,845 qualified applicants applied for a Cal Grant; 56,363 were granted awards (plus 5,708 in reserve awards) and 71,774 were denied. In other words, 53 percent of needy, qualified applicants were turned away and forced to take additional student loans, increasing their future debt.

Assumption Program of Loans for Education (APLE). The budget proposes to increase the amount of awards granted through the Assumption Program of Loans for Education (APLE) from 5,500 to 6,500. The APLE program is a state-only loan forgiveness program, which provides loan assumption payments toward outstanding student loans for individuals entering the teaching profession. To receive the maximum award amount, individuals must teach at least four years in designated subject shortage areas or in under-served communities. The maximum loan assumption is \$11,000, with \$2,000 paid after the first year of teaching and \$3,000 a year after the second, third and fourth years of teaching. The Administration has proposed streamlining the criteria for these awards and will outline their plan later this spring.

The California Work-Study Program. The budget proposes \$2.6 million to augment the California Work-Study Program and double the total budget to \$5.2 million. This program prepares undergraduate students for the workforce by placing them in jobs that relate to their course of study or career goals. The program requires participating colleges or universities in the program to provide matching funds to help pay the wages of each student employed. With this increase, the program will be able to double the number of participating institutions from 20 to 40 and fund an additional 1,600 students. Of the \$5.2 million for this program, \$2 million is set aside for the Work-Study "Teaching Intern" program, which was created in 1998 pursuant to AB 2528 (Ducheny) Chapter

546, Statutes of 1998. This new program provides work-study grants for students who tutor and mentor K-12 students.

California Student Opportunity and Access Program (Cal-Soap). The budget proposes \$5 million to expand the Cal-SOAP student academic outreach program, which provides tutoring, mentoring and academic programs for disadvantaged K-12 students. Currently, Cal-SOAP has 9 sites statewide to administer this program. With these new funds, the program plans to open 5 new sites statewide.

GOVERNOR'S 2000-01 BUDGET PROPOSAL FOR: SOCIAL SERVICES

CALWORKS

The federal welfare reform law eliminated the Aid to Families with Dependent Children (AFDC) entitlement program and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. In response to the new federal law, California established the California Work Opportunity and Responsibility to Kids (CalWORKs) program through AB 1542 (Ducheny), Chapter 270, Statutes of 1997. The CalWORKs program was implemented on January 1, 1998.

California's federal welfare block grant amount is \$3.7 billion each year through federal fiscal year 2002 and is based on federal fiscal year 1994 expenditures, when welfare caseload and expenditures were higher than is currently projected. Although California's annual federal TANF allocation is \$3.7 billion, the budget proposes to carry-over approximately \$459 million in TANF funds from 1999-00, for total federal TANF expenditures of approximately \$4.2 billion in 2000-01.

The federal TANF maintenance-of-effort (MOE) provision requires states to spend at least 80 percent of their federal fiscal year 1994 state and county expenditure levels. The MOE level is reduced to 75 percent if the state meets certain work participation requirements. Until this year, the state had provided state and county expenditures of \$2.9 billion to meet the minimum federal MOE requirement at 80 percent. For 2000-01, the federal MOE requirement is reduced to 75 percent, rather than 80 percent, due to compliance with the federally-mandated work participation requirements. The budget proposes to fund the CalWORKs program with state and county expenditures of \$2.7 billion, which represents the minimum 75 percent level. This results in \$181.8 million in General Fund savings, which the budget proposes for expenditures in other General Fund programs.

The Governor's proposed budget fully funds the CalWORKs program at \$6.9 billion in 2000-01. The budget proposes total expenditures of \$5.7 billion for CalWORKs through the Department of Social Services in 2000-01, with the remaining funds budgeted through other departments. Table 1 summarizes the major budget proposals associated with CalWORKs.

Table 1

GOVERNOR'S CALWORKS BUDGET PROPOSAL 2000-01 (Dollars in millions)	
	(all funds)
Welfare Grants	\$3,426
Basic Employment Services	\$503
Substance Abuse Services	\$55
Mental Health Services	\$54
County Fiscal Incentives	\$252
Child Care	\$1,315
County Administration	\$360
TANF Funds for County Probation Programs	\$201
Dept. of Social Services Administration	\$26
OTHER MOE EXPENDITURES IN DEPT. OF SOCIAL SERVICES	\$353
OTHER MOE EXPENDITURES IN OTHER DEPARTMENTS	\$156
Counties' Share of CalWORKs Expenditures	\$197
TOTAL	\$6.9 billion

CASELOADS

Welfare caseloads are projected to decrease for the sixth straight year in 2000-01. The caseload is estimated to be 1,685,000 persons, or approximately 589,000 families, in 1999-00 and is projected to decrease to 1,582,000 persons or approximately 557,000 families in 2000-01. This represents a decrease of approximately 5.4 percent in the number of families. The decreasing caseloads are a significant change from the much higher growth rates experienced during the recession in the early 1990's. Part of the recent decrease may be due to the improvement in the state's economy and the implementation of CalWORKs. The proposed budget includes a savings of \$162.8 million in assistance payments due to the caseload decrease in 2000-01, compared to estimated current year expenditures.

GRANT LEVELS

In 1995-96, Governor Wilson proposed a 7.7 percent reduction in welfare grants and an additional 15 percent reduction for recipients after they had been on aid for six months. This proposal was rejected by the Legislature, although the 1995-96 budget trailer bill included a one-year temporary 4.9 percent statewide and an additional permanent 4.9 percent regional grant reduction. The 4.9 percent grant cuts were not implemented due

to federal maintenance-of-effort (MOE) restrictions. The 1991-92 budget trailer bill had suspended the statutory grant COLA through the end of 1995-96.

In 1996-97, Governor Wilson again proposed new grant cuts including:

- making a temporary 5.8 percent grant reduction enacted in 1992-93 permanent;
- making permanent the 4.9 percent statewide grant reduction;
- suspending the COLA; and
- reducing grants by an additional 4.5 percent.

The Budget Act of 1996-97 included once again a *temporary* 4.9 percent statewide grant reduction and the additional 4.9 percent *permanent* regional grant reduction in low-cost counties which had previously been authorized. Due to the federal MOE requirement, the state could not implement these reductions without a federal waiver or law change which did not occur. The welfare COLA was suspended again and the 5.8 percent grant reduction was made permanent. The 4.5 percent grant reduction was rejected by the Legislature.

In the 1997-98 budget, Governor Wilson proposed to implement the 4.9 percent regional grant reduction, implement and make the 4.9 percent statewide grant reduction permanent, reduce grants by 15 percent after six months of aid as part of the Governor's welfare proposal, and suspend the welfare COLA. The Budget Act of 1997-98 included the 4.9 percent regional grant reduction, continued the 4.9 percent statewide grant reduction only through October 1998, and suspended the welfare COLA through October 1998. The passage of the federal welfare reform law eliminated the previous MOE requirement and allowed the state to implement these reductions. The Legislature rejected the 15 percent grant reduction proposal.

In 1998-99, Governor Wilson's final budget proposal included the 4.9 percent regional grant reduction. The Governor again proposed to make permanent the 4.9 percent statewide grant reduction and to eliminate the welfare COLA. The Budget Act of 1998-99 restored the 4.9 percent statewide grant reduction pursuant to statute and included the statutory welfare COLA. However, the implementation of the COLA payment is linked to the implementation of various tax provisions during the next few years.

The Budget Act of 1999 included \$102.6 million for the statutory CalWORKs COLA, at 2.36 percent, consistent with Governor Davis' January budget proposal.

Governor Davis' proposed budget for 2000-01 includes \$112.1 million for a 3.61 percent statutory welfare COLA, effective October 1, 2000. A grant for a family of three living in a high-cost county would increase from \$626 to \$649 per month. The corresponding grant in low-cost counties would increase from \$596 to \$618.

Table 2 shows the California Necessities Index (CNI) which measures the effect of inflation on purchasing power, the actual grant for a family of three, the grant amount if an inflation adjustment had been adopted, and the cumulative loss of purchasing power since 1989. As the table shows, welfare recipients have experienced a loss of purchasing power of approximately one-third over this period.

Table 2

CALIFORNIA WELFARE GRANTS 1989-2001				
YEAR	INFLATION PERCENT	ACTUAL GRANT OF FAMILY OF THREE	GRANT WITH FULL COLA	CUMULATIVE LOSS OF PURCHASING POWER SINCE 1989
1989-90	4.6	\$694	\$694	0.0%
1990-91	4.6	\$694	\$726	4.4%
1991-92	5.5	\$663	\$766	13.4%
1992-93	1.8	\$624	\$780	20.0%
1993-94	2.4	\$607	\$798	24.0%
1994-95	1.7	\$594	\$812	26.8%
1995-96	1.5	\$594	\$824	27.9%
1996-97	0.5	\$594	\$828	28.3%
1997-98R1	2.6	\$565	\$850	33.5%
1997-98R2	2.6	\$538	\$850	36.7%
1998-99R1	2.84	\$611	\$874	30.1%
1998-99R2	2.84	\$582	\$874	33.4%
1999-00R1	2.36	\$626	\$895	30.0%
1999-00R2	2.36	\$596	\$895	33.4%
2000-01R1	3.61	\$649	\$927	30.0%
2000-01R2	3.61	\$618	\$927	33.3%

*R1 Grant level in the 17 high-cost counties.

*R2 Grant level in the 41 low and moderate cost counties.

Chart 1 shows welfare grants for a family of three compared to the poverty level since 1994-95. As the chart shows, welfare grants for 2000-01 would be approximately one-half of the poverty level.

*R1 Grant Level in the 17 high-cost countries.

*R2 Grant Level in the 41 low and moderate cost countries.

The main features of the CalWORKs program include:

Time limits. CalWORKs limits current recipients to 24 months of aid and new applicants to 18 months of aid. Counties may extend the 18-month limit by a maximum of six months. Adult recipients are required to begin community service employment at the end of these time limits if the counties certify that unsubsidized employment is unavailable. Adults may not receive aid after five cumulative years on aid. The child's portion of the grant is continued, and may be in the form of cash or vouchers.

Work Requirements. Under CalWORKs, single adult parents are required to participate in work activities for 32 hours per week. Two-parent families must participate in work activities for 35 hours per week. Those exempted from the work requirements include persons who are teen parents attending school, disabled, elderly caretakers, caretakers of disabled persons, or a parent with a child six months of age or under (counties may change to 3-12 months of age).

Job Training/Employment Services. Recipients are required to enter into a welfare-to-work plan after an assessment. The plan must include the activities and services that will move the recipient into employment. The budget would appropriate \$503 million for basic job training and employment services in 2000-01.

The budget also includes \$60 million from the General Fund which would be used to match federal welfare-to-work funds administered by the Employment Development Department (*see Employment Development Department section*). California has already received \$367.6 million in federal welfare-to-work funds. States must spend \$1 in matching funds for every \$2 in federal funds. While most of the federal welfare-to-work funds must be administered through local Private Industry Councils, the state match may be administered at the state's discretion while meeting the basic requirements for eligibility and allowable services. The budget proposes to allocate the matching funds to county welfare departments. (see page) The budget also proposes to target \$35 million of the matching funds for recruitment, retention, and training of workers in nursing homes and for the In-Home Supportive Services program.

Child Care. AB 1542 (Granlund) established a new three-stage child care delivery system for families in the CalWORKs program. Stage one begins upon entry into job search services and can last for up to six months. Stage two begins when the recipient's schedule for training or work stabilizes or when a recipient is transitioning off of aid and child care is available through a local stage two program. Stage three begins when an individual is receiving diversion services, is in long-term training, or is regularly employed at a wage that does not exceed 75 percent of the state median income.

The Governor's budget proposes total expenditures of \$1.3 billion for child care services. The budget assumes this amount will meet anticipated need in 2000-01. The Governor's budget also includes a child care reserve of \$150.4 million for either stage one or two, depending on the need during the budget year. Chart 2 shows the proposed distribution of CalWORKs child care funds among the different stages:

Chart 2

CALWORKS CHILD CARE BUDGET PROPOSAL 2000-01 (in millions)		
Stage One	Stage Two	Stage Three
\$424.2	\$624.5	\$115.7
Stage One/Two Reserve: \$150.4		TOTAL: \$1,315

Substance Abuse/Mental Health Treatment Services. Counties are required to specify any necessary substance abuse and mental health treatment services in the county plans. The budget proposes \$54.8 million for substance abuse services. The budget also includes \$54.1 million for mental health services. Because General Fund expenditures for mental health services in the CalWORKs program are being proposed to meet the TANF MOE requirement, these General Fund expenditures are not used to match and draw down additional federal Medicaid funds for mental health services.

Fraud. CalWORKs recipients are ineligible for benefits for any fraudulent misrepresentation or failure to disclose information for six months for the first offense, twelve months for the second offense, and permanently for the third offense. Also, recipients are permanently ineligible for benefits if the recipient is found by a court or pursuant to an administrative fair hearing to have misrepresented their place of residence, submitted documents for nonexistent children or fraudulently received benefits in excess of \$10,000. Under the new CalWORKs law, counties receive 25 percent of the state share of savings, including federal TANF funds, resulting from the detection of fraud. The budget proposes grant savings of \$51.4 million (TANF and General Fund) due to the detection of fraud.

County Allocations. The CalWORKs program consolidates employment services, child care and county administration funding into a single block grant allocation to counties and establishes a county maintenance of effort level. The proposed budget includes a block grant to counties of approximately \$1.3 billion in 2000-01.

Although counties are required to submit individualized plans stating how they will implement CalWORKs, the budget for CalWORKs employment services and child care is based on a statewide model. The model uses assumptions based primarily in the former Greater Avenues for Independence (GAIN) program. Thus, the allocation of funds among counties is based largely on historical budget allocations rather than caseloads. Counties receive employment service and child care funds based largely on the share of funds that they received under the former GAIN program. As a result, funding on a per-case basis remains inequitable among the counties. For example, the

38 largest counties had allocations per aided adult ranging from \$2,000 to \$7,000 in 1998-99.

The Budget Act of 1999, included budget trailer bill language which required the department to revise the funding allocation methodology to counties for CalWORKS employment services, beginning in the 2000-01 fiscal year. The trailer bill also required the Welfare Reform Steering Committee to review the effectiveness of the new methodology and recommend modifications. The Administration indicates that a revised allocation methodology is anticipated during the May Revision.

County Fiscal Incentives. Half of any federal penalties that the state receives for failure to meet federally required outcomes will be shared by those counties that failed to meet the requirements. Each county may keep 75 percent of any state savings resulting from reduced grants due to: (1) recipients who become employed for at least six months, (2) increased earnings due to employment, or (3) successfully diverting applicants from the program. The remaining 25 percent of state savings may be allocated to counties that did not generate the savings but meet certain performance standards.

The budget includes \$251.6 million for fiscal incentive payments to counties in 2000-01. The Budget Act of 1999 included \$510.6 million for incentive payments. The proposed budget estimates that based on current measures for program savings, counties would earn incentive payments that exceed the 1998-99 appropriation of \$578.1 million by \$330 million and also exceed the current year appropriation. According to the Administration, of the \$1.1 billion that has been appropriated for 1998-99 and 1999-00, only \$5.3 million had been spent by the counties as of September 30, 1999.

The budget proposes Budget Bill language to prohibit any new incentive payments until the counties' prior claims have been paid. In addition, the Health and Human Services Agency plans to recommend budget trailer bill language to revise the current statute regarding incentive payments, prior to the May Revision.

Federal Bonus Awards. The budget includes \$20 million in one-time federal TANF funds which were awarded to California for being one of the top five states with the largest reduction in the ratio of out-of-wedlock births to total births. The budget proposes to transfer these funds to the Department of Health Services for continuation of the Community Challenge Grant Program for teen pregnancy prevention.

In addition, the Administration indicates that California expects to receive a TANF High Performance Bonus award of \$45.5 million for success in moving welfare recipients to work and sustaining their participation in the workforce. These funds and a proposed use for them will be included in the May Revision.

FOOD STAMPS

The Food Stamp program provides monthly coupon benefits to assist low income households in purchasing food to maintain adequate nutritional levels. The federal government funds the total costs of the benefits, while the state and county share the costs for administration. Currently the average benefit per person in California is about \$70 per month.

Federal welfare reform law made all non-citizens ineligible for the Federal Food Stamp program. This law denied eligibility to approximately 120,000 adults, children, and seniors for food stamps in California. The Federal Balanced Budget Act of 1997 did nothing to restore eligibility to this population.

The Budget Act of 1997-98 included funding for a new state-only program to provide food stamps for noncitizen minors under the age of 18 and seniors 65 and older. Subsequent federal legislation restored eligibility for the population covered by this state-only program (minors and seniors).

The Budget Act of 1998-99 included funding to provide food stamp benefits for noncitizens ages 18 through 64. Legal noncitizens who entered the United States on or after August 22, 1996 are eligible for the program if he or she is sponsored and the sponsor has either died, is disabled, or is abusive.

The proposed budget includes \$51.6 million for the California Food Assistance Program (CFAP) which provides state-only food stamp benefits for legal non-citizens ages 18 through 64 who are ineligible for the federal food stamp program.

Of the funds proposed for the CFAP, \$1.9 million would be used to expand eligibility for the CFAP for certain other legal immigrants who entered the U.S. on or after August 22, 1996, pursuant to statute. However, eligibility for this segment of the CFAP population (approximately 3,152 recipients), currently sunsets September 30, 2000.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PROGRAM

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. The SSI portion is funded by the federal government as a cash benefit for eligible persons. The state contributes the SSP portion of the grant as a supplement to the SSI grant.

The SSI/SSP caseload is projected to be approximately 1.1 million, which is a 3.1 percent increase over the current year projected caseload. Disabled persons make up two-thirds of the caseload, individuals over 65 years of age make up 30 percent, and blind persons are two percent of the caseload. The budget proposes \$2.6 billion in

General Fund support for the program in 2000-01, which represents a 5.5 percent increase over current-year General Fund expenditures.

The Governor's proposed budget includes \$55.1 million from the General Fund to provide a 3.61 percent statutory state COLA for SSI/SSP grants for 2000-01, and also includes a pass through of the federal COLA. The state COLA is based on the California Necessities Index (CNI, 3.61 percent) and is applied to the entire SSI/SSP grant. The federal COLA is based on the Consumer Price Index (CPI, 3.2 percent) and is applied to the SSI portion of the grant only. (If the CNI is equal to or greater than the CPI, recipients will receive both a state and federal COLA above their grant. If the CNI reaches a certain level below the CPI, it is possible that recipients receiving both a state and federal COLA could experience a *decrease* in their SSP payment.)

Currently, a single aged or disabled adult receives \$692 a month. The grant would be increased to \$717 on January 1, 2001, due to the state and federal COLAs.

Federal welfare reform law denied federal SSI to non-citizen legal residents, with the exception to those serving in the armed forces, veterans, refugees, and asylees within their first five years, and those who have worked in the United States for over 10 years. Following strong lobbying efforts by California and other impacted states, the Federal Balanced Budget Act of 1997 restored benefits for most, but not all of this population. The largest segment of the population not restored eligibility were seniors.

The proposed budget includes \$21.6 million for the Cash Assistance Program for Immigrants (CAPI) which provides state-only SSI/SSP benefits to legal non-citizens who lost eligibility for the SSI/SSP program. Non-citizens who entered the United States on or after August 22, 1996 are eligible for the program if he or she is sponsored and the sponsor has either died, is disabled, or is abusive.

As a result of revised federal standards in 1999 regarding determination of disability and blindness for individuals age 65 or older, a higher number of aged non-citizens qualify for SSI/SSP, thereby reducing costs for the CAPI program. The proposed budget includes General Fund savings of \$72.9 million in the CAPI program due to this shift in caseload from CAPI to SSI/SSP in 2000-01.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides services to eligible aged, blind, and disabled persons in order to enable them to remain independent and in their own homes, rather than in a more costly institutional setting. Services include meal preparation, laundry, and other personal care assistance.

The budget proposes total funding of approximately \$1.8 billion, of which \$667 million is from the General Fund, \$1.1 billion from federal funds, and \$29 million from county funds for support of the IHSS program in 2000-01. This represents a 13.8 percent General Fund increase over current year expenditures. The caseload for the program

is estimated to be 242,000 in 2000-01, which is an increase of 5.2 percent over the estimated current year caseload.

The Budget Act of 1999 included an augmentation of \$33.6 million (General Fund) to increase the state's financial contribution for costs associated with public authorities. Until then, the state had paid 65 percent of the nonfederal costs of wages up to the minimum wage level in the individual provider mode of service delivery. Specifically, last year's budget included trailer bill language which required the state to partially cover up to a \$.50 hourly wage increase above the minimum wage for IHSS public authority workers. The state would pay 80 percent of the nonfederal costs associated with this increase, while participating counties would pay 20 percent of the nonfederal costs. This provision is operative for one year only.

As part of the Governor's Aging with Dignity Initiative, the budget proposes \$28.5 million from the General Fund to continue a state share-of-cost for 50 cents above the minimum wage (to \$6.25 per hour). However, the state share of nonfederal costs would be reduced from 80 percent to 65 percent, which is the standard state share of costs in the IHSS program.

The proposed budget also includes a General Fund increase of \$20 million to fund a state share of cost (at 65 percent of nonfederal costs) for increases in public authority wages up to an additional 35 cents (to \$6.60 per hour).

Under the Governor's proposed initiative, the state would contribute an additional 35 cent increase in public authority wages in each of the next four years (up to \$8.00 per hour), but only if certain revenue levels are met. Specifically, an additional 35-cent increment would be implemented only when General Fund revenues reach the following levels for that year:

- 2001-02: \$71 billion
- 2002-03: \$75.4 billion
- 2003-04: \$80.7 billion
- 2004-05: \$84.6 billion

COMMUNITY CARE LICENSING

The Community Care Licensing Division (CCLD) within the Department of Social Services develops and enforces regulations designed to protect the health and safety of individuals in 24-hour residential care facilities and day care. Licensed facilities include day care, foster family homes and group homes, adult residential facilities, and residential facilities for the elderly.

The budget proposes expenditures of \$96.6 million (\$33.5 million General Fund) for the CCLD in 2000-01. This represents a two percent increase in total expenditures over estimated current year expenditures. The proposed budget includes an increase of \$2.6 million and 46.2 positions to address increased workload for licensing activities.

The budget also proposes a one-time General Fund augmentation of \$5 million to establish a new Child Care Center Safety Initiative. This would provide licensed child care providers and centers with training and information concerning emergency preparedness and how to address trauma, stress, and grief associated with disasters.

CHILDREN'S PROGRAMS

FOSTER CARE

The Foster Care (FC) Program provides out-of-home care on behalf of children meeting the following criteria: removal from the physical custody of a parent or guardian as a result of a judicial determination that remaining in the home would be contrary to the child's welfare and adjudication as a dependent or ward of the court; residing with a non-related legal guardian; voluntarily placed by a parent or guardian; relinquished for the purposes of adoption; or placed pursuant to the Indian Child Welfare Act.

The Foster Care program provides grants for eligible children if they are living with a foster care provider under a court order or a voluntary agreement between the child's parent and a county welfare or probation department. The caseload for 2000-01 is estimated to be 91,452. The total FC forecast calls for an increase of 2.2 percent for Fiscal Year 2000-01.

The budget proposes 1.5 billion in total funds (\$389 million General Funds, \$487 federal funds, \$601 million in county funds) for the program in 2000-01. Program expenditures will decrease by \$33.6 million General Fund in Foster Care due to slower caseload growth and lower average grants.

Table 3 – describes the different types of foster care placements.

Table 3

Foster Care Placements	
Placement Type	Description
Foster Family Homes	<ul style="list-style-type: none"> ➤ A residential facility that serves no more than six foster children ➤ Provides 24-hour care and supervision in a licensee's home ➤ Foster care grant may be supplemented for care of children with special needs
Foster Family Agency Homes	<ul style="list-style-type: none"> ➤ Homes operating under nonprofit foster family agencies which provide professional support ➤ These placements are required by law to serve as an alternative to group home placement
Group Homes	<ul style="list-style-type: none"> ➤ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children ➤ Generally, serve children with higher emotional or behavioral problems who require a more restrictive environment

Foster Care January 2000 Rate Increase. Current law requires rate increases be funded for those children placed in Foster Family Home (FFH), Foster Family Agency (FFA) and Group Home (GH) placements. The proposed budget includes an increase of \$4.4 million (General Fund) or 2.36 percent to fund the rate increase.

COLA. The budget proposes an increase of \$4.3 million General Fund to provide foster family agencies a statutory cost-of-living adjustment.

Wrap-Around Services Pilot. This program is a statewide five-year pilot which provides eligible children with family-based service alternatives to group home care. The program permits flexible use of state foster care funds, and, in limited circumstances, Adoption Assistance Program (AAP) funds, to pay for service allocation slots that provide the individualized, intensive wrap-around service packages necessary to keep these children in family settings. The Governor's budget proposes \$10.5 million (General Fund) to fund additional counties participating in the program.

ADOPTION ASSISTANCE PROGRAM

AB 1524 (Granlund) Chapter 1083, Statutes of 1996, was enacted in order to maximize adoption opportunities for children in public foster care and reduce the foster care population. The Adoption Assistance Program provides ongoing subsidies to encourage and promote the placement in adoptive homes of children who, because of their ethnic background, race, color, language, disabilities, age, or because they are a sibling group that should be placed in the same home, have become difficult to place in unsubsidized adoptive homes. The Governor's budget proposes a \$21.1 million (General Fund) increase for the Adoptions Assistance Program.

CHILDREN'S SERVICES

The Child Welfare Services (CWS) program provides various services to abused and neglected children, children in foster care, and their families. The average monthly caseload is estimated to be 188,468 for Fiscal Year 2000-01. The budget proposes a total of \$1.7 billion (\$522 million General Fund, \$972 million federal funds, \$136 million county funds) to support the CWS program. This represents an increase of approximately \$53 million in General Fund expenditures from the current year.

The Governor's budget proposes providing \$68.4 million (\$40 million General Fund) in emergency funding for additional county CWS workers to respond to cases of abused and neglected children.

CWS Monitoring. To enhance oversight of county CWS operations, the Governor's budget proposes \$849,000 (\$212,000 General Fund) and 12.0 positions. These positions will develop and provide training regarding CWS regulations, policies and systems; monitor probation children in foster care; provide increased technical

assistance to counties to help eliminate deficiencies; and develop strategies to prevent and reduce child abuse and neglect.

DEPARTMENT OF CHILD SUPPORT SERVICES

Last year, the Legislature and Administration made extensive reforms in California's child support program. These reforms included:

State Level Administration. Effective January 1, 2000, the state created a new Department of Child Support Services (DCSS). The child support program had previously been administered through the Department of Social Services. The DCSS is the designated state agency to administer the federal Title IV-D state plan for securing child and spousal support, medical support, and determining paternity. The DCSS's functions include:

- Expanding current state responsibilities to establish statewide policy and creating greater uniformity in the administration of child support;
- Establishing a single statewide automation system;
- Directly overseeing and supervising the child support functions of local agencies; and
- Enhancing customer service.

The budget proposes \$963.3 million (\$358.8 million General Fund) and 229.7 positions to support the new DCSS in 2000-01. This represents an increase of 134.7 new positions for the child support program in order to meet the workload associated with the required new activities.

Local Level Administration. Currently, the child support program is administered at the local level by the 58 District Attorneys. Beginning January 2001, counties will transition these programs to a new local child support agency. County transition activities must be completed by January 2003.

Performance Standards. Performance standards must be adopted by January 11, 2001. The state will implement a three-phase compliance process by July 1, 2001 or six months after the local agency has transitioned from the district attorney's office, whichever is later. Failure to meet the performance standards may result in a state takeover of the local program.

Expanded Role for Franchise Tax Board (FTB). State statute designates the FTB as the agent of the DCSS for the procurement, development, implementation, maintenance and operation of the California Child Support Automation System. In addition, FTB will change its collection of delinquent child support payments in the following ways:

- FTB will enforce and collect on cases that are 60 days delinquent and more than \$100, rather than collect on cases that are 90 days delinquent;
- FTB will stop collecting on delinquent income taxes until the child support delinquency is paid in full; and
- FTB may collect delinquent taxes if it does not jeopardize the collection of delinquent child support.

Federal Penalties. California faces substantial federal penalties for failing to implement a single statewide automation system for the collection and distribution of child support. In the current year, the state will provide \$95.5 million to backfill the loss of federal funds associated with the penalty. The budget includes \$103.9 million from the General Fund in the current year and \$101.6 million in 2000-01 to offset the penalty. The Governor proposes that the state, rather than counties, provide funding to backfill the federal penalties as long as counties continue to comply with various requirements associated with automation efforts.

Federal and State Incentives. In the prior child support program, counties received incentive payments equal to 13.6 percent of the amount of child support collections they distributed. The incentive was funded by state funds (7.6%) and federal funds (6%). Counties used these incentive funds to pay for their individual nonfederal share of administering the child support program. Counties pay 100 percent of the nonfederal costs of administering the program. Any excess incentive funds had to be reinvested in the child support program.

Under the new program, counties will continue to earn incentives based on 13.6 percent of distributed child support collections. However, the amount of federal incentive funds received by the state is no longer a fixed percentage. Instead, each state will receive federal incentive funds based on the state's performance in meeting certain standards. If the state receives a decreased amount of federal incentive funds, additional state funds would be used to fund the incentive program at the 13.6 percent level. If the state receives increased federal incentive funds, the state contribution would decrease. The budget proposes an increase of \$39 million from the General Fund due to the anticipation of decreased federal incentive funds in 2000-01.

The state will continue to pass the federal incentive funds directly to the counties. However, the state will now retain the state incentive payments to fund the county share of the costs to administer the program. In addition, the state will now define reasonable costs for child support administration.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) provides employment and job training services and administers federal funds provided under the Job Training Partnership Act (JTPA) and the Wagner-Peyser Act. The EDD also administers the Unemployment Insurance (UI) and Disability Insurance (DI) programs. The budget proposes expenditures of \$6.3 billion (\$25.5 million General Fund) for the EDD in 2000-01. This represents an increase of approximately .4 percent over current-year expenditures.

The federal Workforce Investment Act (WIA) replaces the federal Job Training Partnership Act (JTPA) in 2000. The JTPA authorizes job training programs to prepare youth and unskilled adults for entry into the labor force. The Federal law now requires states to implement the provisions of the WIA by July 2000. Currently, the JTPA funds are administered through the state's Employment Development Department.

The proposed budget includes \$574.5 million in federal WIA funds to fund employment programs in 2000-01. This amount of funding is similar to the amount received under the JTPA program. As part of the Governor's Aging with Dignity Initiative, the budget proposes to earmark \$15 million in federal WIA funds to train current or prospective employees in caregiver industries, including nursing homes and the In-Home Supportive Services program .

The WIA requires states to establish a state-level workforce investment board to develop the state plan and oversee the programs. The budget proposes \$3.6 million to support the newly created California Workforce Investment Board.

The federal Welfare-to-Work program established by AB 382 (Ducheny), Chapter 6, Statutes of 1998, provides funds to states to augment their welfare-to-work efforts to move the "hardest to employ" welfare recipients into jobs. The funds must be spent on welfare recipients who have been on aid 30 or more months and who meet certain conditions such as lack of education, substance abuse problems, and poor work history. The funds may be used for: community service or work experience programs; job creation through public or private sector employment wage subsidies; contracts with public or private providers of readiness, placement, and post-employment services; job vouchers for placement, readiness, and post-employment services; and job retention or support services.

California has already received \$367.6 million in federal welfare-to-work funds. States must spend \$1 in matching funds for every \$2 in federal funds. The proposed budget includes \$60 million from the General Fund in the Department of Social Services to continue providing funds for this match in 2000-01.(see page)

The proposed budget also includes an increase of \$1.9 million to increase detection of underground economic activity in industries where employers are known to avoid state payroll taxes.

DEPARTMENT OF AGING

The California Department of Aging (CDA) administers the federal Older Americans Act and the State Older Californians Act. The CDA works with local Area Agencies on Aging (AAAs) to provide various services to the elderly and functionally impaired adults at the community level. The budget proposes total expenditures of \$167.1 million, of which \$59.1 million is from the General Fund, for support of the CDA in 2000-01.

As part of the Governor's Aging with Dignity Initiative, the budget proposes the following new programs for the CDA:

AGING WITH DIGNITY INITIATIVE DEPARTMENT OF AGING BUDGET PROPOSAL 2000-01		
Program	Description	Augmentation
Senior Housing Information and Support Center	Provides information to seniors and their families regarding housing options and home modification alternatives to allow seniors to live independently or with their families.	\$1 million (General Fund)
Senior Wellness Education Campaign	Provides education for seniors and their families regarding community-based and in-home care alternatives to institutional care.	\$1 million (General Fund)
Long-Term Care Innovation Grants	Provides challenge grants to expand community adult care alternatives to nursing homes.	\$20.2 million (General Fund, one-time only)

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

The Department of Alcohol and Drug Programs (DADP) funds prevention, treatment and recovery programs for approximately 500,000 Californians with some form of alcohol and/or other drug abuse problem. The Governor's budget proposes \$448 million in total spending for the Department of Alcohol and Drug Programs (DADP), an increase of 9.2 percent over the current year estimated expenditures.

The proposed budget includes an increase of \$2.5 million General Fund to backfill expiring federal funds to maintain current service levels to pregnant and parenting women in perinatal treatment programs.

The budget also proposes an increase of \$49.6 million in 2000-01 in federal funds to provide increased substance abuse prevention and treatment services for youth and pregnant/parenting women.

DEPARTMENT OF MENTAL HEALTH

The Governor's budget proposes total expenditures of \$1.7 billion to support the programs and services of the Department of Mental Health (DMH). This represents an increase of 9.6 percent over estimated current year expenditures. The DMH is responsible for the delivery of mental health treatment services through a state-county partnership as well as the involuntary treatment of the mentally disabled. The DMH operates four state hospitals for the mentally disabled and acute psychiatric units at the California Medical Facility in Vacaville. The department estimates the population in these facilities to reach 4,236 by the end of June 2000 and to increase to 4,421 by the end of June 2001.

The Governor's budget proposes total expenditures of \$1.7 billion to support the programs and services of the Department of Mental Health (DMH). This represents an increase of 9.6 percent over estimated current year expenditures.

The Budget Act of 1999 included \$10 million General Fund on a one-time basis for local grants to counties to provide integrated mental health services to populations such as homeless individuals, parolees, and probationers. The Governor's Budget includes an additional one-time augmentation of \$20 million General Fund to expand the program to current and new counties, through a competitive grant process.

The Governor's budget proposes an increase of \$739,000 from the Restitution Fund to implement the Crime Victims with Disabilities Initiative. This initiative would provide funding to improve services for disabled children and adults who experience violence and crime. Funds would be used to provide education and direct county-level services.

The budget also includes the following proposals for the Department of Mental Health:

- An increase of \$42.9 million in reimbursements for the Early Periodic Screening, Diagnosis and Treatment Program;
- An increase of \$4.7 million General Fund for the Mental Health Managed Care program;
- A net increase of \$59.4 million General Fund to reflect adjustments in the state hospital population;
- An increase of \$1.4 million General Fund to oversee and monitor county Mental Health Plan compliance with federal and state mental health requirements in areas including service access and quality of care; and

- A one-time increase of \$12.3 million General Fund for special repair projects at the state hospitals, including repairs associated with the Americans with Disabilities Act compliance.

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

The Department of Community Services and Development (DCSD) administers the Low-Income Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG). In addition, the DCSD plans, coordinates, and evaluates programs that provide services to the poor and advises the Governor on the needs of the poor.

The LIHEAP provides cash grants and weatherization services, which assist low-income persons in meeting their energy needs. The CSBG provides funds to community action agencies for programs intended to assist low-income households.

The budget proposes total expenditures of \$133.6 million for the DCSD in 2000-01. This represents a decrease of .6 percent from estimated current year expenditures. Of the proposed expenditures, \$121.4 million are federal funds, \$8 million is from the General Fund, and \$4.2 million are from reimbursements.

The proposed budget also includes \$7 million from the General Fund to continue funding to provide naturalization assistance services to legal immigrants.

MENTORING PROGRAMS

The Mentoring programs are designed to help youth-at-risk by matching them with mentors, who are persons other than the child's parent, to develop a formal, ongoing, one-to-one relationship with the child. The goal of the Initiative is to reduce juvenile crime, teen pregnancy, gang association, and the school dropout rate.

The budget proposes the following for the California Mentor Initiative in 2000-01:

- \$2 million (\$1 million General Fund) for the Department of Community Services and Development (DCSD);
- \$15 million in Proposition 98 funding for the Office of Child Development and Education (OCDE);
- \$ 5 million in federal funds to the Department of Education for college mentors;
- \$1.1 million in federal funds for the Department of Alcohol and Drug Programs;
- \$1.2 million General Fund for the California Youth Authority; and
- \$300,000 in federal funds to the Office of Criminal Justice Planning.

GOVERNOR'S 2000-01 BUDGET PROPOSAL FOR: HEALTH

DEPARTMENT OF HEALTH SERVICES

The Department of Health Services (DHS) proposed budget for 2000-01 is about \$25.8 billion (all funds). This represents an increase of \$758 million, or three percent, over estimated current year expenditures. The budget proposes \$9.36 billion from the General Fund, which is \$539 million (or six percent) above estimated current year expenditures. Most of the DHS budget, approximately 90 percent, supports the Medi-Cal program, and the remainder supports public health activities including disease control and prevention, environmental hazard control, and health care services.

MEDI-CAL PROGRAM

The Medi-Cal program provides comprehensive health coverage, including inpatient/outpatient care, skilled nursing care, and dental care to welfare recipients and other low-income families. The state and federal governments jointly fund the program, with each contributing roughly 50 percent. (Note that California's federal matching rate for 2000-01 is expected to decline due to an increase in the state's per capita income). For 2000-01, the Medi-Cal caseload is projected to be about 5.1 million eligible persons.

The budget proposes Medi-Cal expenditures of \$22.9 billion (local assistance) in 2000-01, which represents an increase of \$648 million, or 2.9 percent, over estimated current year expenditures. The General Fund local assistance portion (\$8.7 billion) is proposed to increase by about \$541 million, or 6.6 percent. Table 1 below shows how these funds are distributed.

Table 1

2000-01 ESTIMATED MEDI-CAL EXPENDITURES				
(Local Assistance Dollars in Thousands)				
	General Fund	Federal Funds	Other Funds	Total
Eligibility	\$450,951	\$798,617	--	\$1,249,568
Payment Systems	73,576	148,599	--	222,175
Benefits	8,224,843	11,754,262	\$1,537,976	21,517,081
TOTAL	\$8,749,370	\$12,701,478	\$1,537,976	\$22,988,824

MAJOR PROPOSALS

The major proposals for the Medi-Cal Program include:

- ***Aging With Dignity Initiative.*** The Department of Health Services budget includes \$91.8 million (\$48.7 million General Fund) to implement various quality improvements in long term care. (See Selected Issue for details)
- ***No-Cost Medi-Cal for Low Income Seniors and Disabled Individuals.*** The budget includes \$4.8 million (\$2.4 million General Fund) to provide no-cost Medi-Cal to approximately 13,000 medically needy, aged, and disabled beneficiaries who earn up to 100 percent of the federal poverty level, or \$687 per month for a single person.
- ***Expand Medi-Cal to the Working Disabled.*** Pursuant to Chapter 820 of the Statutes of 1999, the budget includes \$4.8 million (\$2.4 million General Fund) to provide Medi-Cal eligibility for working disabled persons with incomes up to 250 percent of the federal poverty level.
- ***Reduced Administration Fee in the Disproportionate Share Hospital Program.*** The budget includes up to \$30 million to reduce the administrative fee in the Disproportionate Share Hospital Program.
- ***Expanded Medi-Cal Fraud Prevention Efforts.*** The budget includes \$26.2 million (\$10 million General Fund) and 255 positions to expand fraud prevention activities.
- ***Full Year Funding of Prenatal and Long Term Care for Undocumented Persons.*** The budget includes \$85.1 million (General Fund) to fully fund prenatal care in 2000-01 and \$17.1 million for long term care services.

MEDI-CAL

Aging with Dignity. Last year, nursing home reform was among the top issues debated in the Legislature. The focus of the debates was on improving the quality of care in nursing facilities, specifically increasing the level of staffing and enhancing enforcement when there are reported or suspected violations of human dignity.

In response to the senior community and the Legislature, the Governor has proposed the Aging with Dignity Initiative, which includes some of the key policy proposals advanced by the Assembly Budget Committee and others. Specifically, the Governor's proposal would increase monitoring and oversight, increase unannounced inspections, provide quality awards to recognize outstanding service to Medi-Cal beneficiaries in nursing homes, and provide a wage increase for nursing home staff.

No-Cost Medi-Cal for Low Income Seniors and Disabled Individuals. The Medi-Cal

program will be expanded to provide Medi-Cal coverage without a share of cost to aged, blind and disabled persons with incomes under 100 percent of the federal poverty level (\$687 per month for a single person). Approximately 13,000 persons currently enrolled in Medi-Cal with a share of cost are expected to have their share of cost eliminated in the first year at a cost of \$4.8 million (\$2.4 million General Fund). The number of persons eligible will continue to grow each year as the poverty level increases.

Medi-Cal Benefits for the Working Disabled. This new benefit enables people with disabilities to enter or re-enter the work force without losing their health care. The benefit implements an option authorized by Section 4733 of the federal Balanced Budget Act of 1997, which allows states to establish a Medi-Cal Buy-In program for people defined as disabled by federal Social Security whose countable earned income is less than 250 percent of the federal poverty level. Under the program, the state Department of Health Services is required to establish sliding scale premiums between \$20 and \$250 according to income levels. To date, only two other states, Oregon and Minnesota have implemented the option.

Due to the high cost of medications and other needed treatment for persons with disabilities, there is often a disincentive to working. AB 155 (Migden), Chapter 820 Statutes of 1999 created this new benefit to remove the disincentive by paying a portion of the premiums required for medical care, thereby allowing qualified working disabled persons to keep a larger portion of their earned income.

Disproportionate Share Hospital Administrative Fee Reduction. Last year, the Legislature reduced the state administrative fee in the DSH program by \$30 million, thus providing relief to local governments and public hospitals. This is the third consecutive year that the DSH administrative fee has been reduced by the Legislature bringing the fee from approximately \$230 million in 1996-97 to \$85 million in 1999-00. The proposed reduction of up to \$30 million could reduce the administrative fee to as little as \$55 million in 2000-01.

Expanded Medi-Cal Fraud Prevention Efforts. Last year, the Legislature approved two major fraud initiatives advanced by the Governor: one targeted at providers in the Medi-Cal program, and the other focused on preventing fraudulent billing in the Family Planning, Access, Care, and Treatment program.

The Governor's 2000-01 budget builds on these by proposing a comprehensive fraud prevention program that expands upon all of the existing activities currently under way. Specifically, the budget includes \$26.2 million (\$10 million General Fund) and 255 positions to expand fraud prevention activities.

PUBLIC HEALTH PROGRAMS

The budget proposes total public health funding of about \$2.43 billion (all funds) for 2000-01, an increase of \$71.3 million, or three percent, from estimated current year

expenditures. These funds support a range of public health programs, including disease control and prevention, environmental hazard control, and health services programs.

MAJOR PROPOSALS

The major proposals for the Public Health Programs include:

- **Increased Funding for the AIDS Drug Assistance Program (ADAP).** The budget includes an increase of \$9.1 million (\$2.2 million General Fund) for the AIDS Drug Assistance Program, bringing total program funding to \$149.4 million.
- **Continued Decline in Proposition 99 Revenues.** For 2000-01, the budget projects total Proposition 99 tobacco tax revenues of about \$394 million, a 1.7 percent decline from estimated current year revenues. This decline reflects the impact of the new Proposition 10 tobacco tax initiative, as well as an estimate of the effect of price increases initiated by the tobacco industry.
- **Increased Funding for the Breast Cancer Early Detection Program (BCEDP).** The budget includes \$27.4 million for the BCEDP, an increase of \$8.6 million over the current year adjusted funding level. This increase is driven by the increasing demand for breast cancer screening services among low-income women.
- **A Permanent Elimination of the State Subsidy for County Medical Services Program (CMSP).** Recognizing the substantial reserves available to the County Medical Services Program in the local County Medical Services Program Account, the budget proposes to permanently eliminate \$20.2 million General Fund for the CMSP.

PUBLIC HEALTH

AIDS Drug Assistance Program (ADAP). This program provides AIDS drugs to HIV-infected persons with (1) incomes below 400 percent of the federal poverty level, (2) valid prescriptions from a California licensed physician, and (3) no coverage under Medi-Cal or other insurance. Persons with incomes between 400 percent of poverty and \$50,000 may also receive drugs through the ADAP at a share of cost. The ADAP is supported by the state (General Fund) and the federal government (Ryan White Care Act).

Studies have shown that early treatment with HIV/AIDS drugs prolongs life, reduces the need for more costly treatments, and maximizes the HIV-infected persons vitality and productivity. In recognition of these findings, the National Institutes of Health recently released treatment guidelines encouraging the use of combination drug therapy.

Proposition 99. This proposition created a 25-cent surtax on cigarettes and other tobacco products, established six accounts within the Cigarette and tobacco Products Surtax fund, and specified percentages of revenues to be allocated to each account.

For 2000-01, the budget projects tobacco tax revenues of about \$394 million, a decrease of 1.7 percent from estimated current year revenues, and proposes to allocate revenues among the accounts within the fund in accordance with the percentages specified in the Proposition.

Despite the continued decline in Proposition 99 revenues, the Governor's budget proposes to fund most programs at the 1999-00 level. Some significant augmentations are proposed in caseload driven programs such as the Child Health and Disability Prevention (CHDP) program, the California Healthcare for Indigents Program, and the Anti-Smoking Media Campaign. Augmentations were possible due to lower than anticipated costs in some programs, such as the Breast Cancer Early Detection program, as well as the use of previously restricted reserves.

Table 2

PROPOSED CHANGES IN PROP 99-FUNDED DHS PROGRAMS (Dollars in millions)	
Programs	Change from 1999-00
Breast Cancer Early Detection Program	\$-2.6
Clinic Grants—Expanded Access to Primary Care (EAPC)	0
Comprehensive Perinatal Outreach	0
Child Health and Disability Prevention (CHDP) Screens	+4.7
Children's Hospitals	0
Managed Care Counties	0
County Medical Services Program (CMSP) Expansion	0
California Healthcare for Indigents Program (CHIP)	+22.3
Rural Health Services/CMSP	+2.5
Media Campaign	+23.2
Competitive Grants	+20.6
Committee and Evaluation	-.1
Local Lead Agencies	0
State administration	-1.9
Total Change	+68.7

Breast Cancer Early Detection Program (BCEDP). Established by the Breast Cancer Act of 1993, this program provides breast cancer screening and diagnostic services to low income women. It has been funded by the Breast Cancer Fund—also established by the Breast Cancer Act of 1993. However, this fund cannot remain solvent, and continue to support the rapidly increasing demand for BCEDP services. The budget, therefore, proposes to continue to fund the program using the Cigarette and Tobacco Products Surtax Fund (Proposition 99—Unallocated Account). The budget assumes that nearly 209,000 women will seek BCEDP services in 2000-01. The reduction in proposition 99 funding reflects a higher level of resources in the Breast Cancer Fund than previously anticipated.

County Medical Services Program. This program provides health care to medically indigent adults in the smaller rural counties. It is operated by the counties, and is funded primarily with county funds. The state has traditionally contributed \$20.2 million from the General Fund. However, due to the substantial reserves in the local County Medical Services Program, the state budget proposes to permanently eliminate the \$20.2 million General Fund share.

The administration proposed to eliminate the subsidy in the 1999-00 budget. However, the Legislature extended the subsidy for an additional year to allow additional time to review local fiscal reserves.

MANAGED RISK MEDICAL INSURANCE BOARD

The budget proposes total expenditures of approximately \$422.3 million for the Managed Risk Medical Insurance Board (MRMIB) for 2000-01, an increase of \$102 million, or 32 percent. Most of this increase is related to caseload growth in the Healthy Families program.

MRMIB administers several programs that provide health insurance to individuals and groups who traditionally have had difficulty obtaining health coverage in the private insurance market. Specific groups served by these programs include individuals who have been denied coverage due to pre-existing conditions, low-income families (primarily women and infants) who do not qualify for Medi-Cal, and small businesses.

MAJOR PROPOSALS

The major proposals for Managed Risk Medical Insurance Board include:

- **Healthy Families Program.** The budget includes a total of \$224.5 million (\$79.6 million General Fund) for the Healthy Families program, an amount sufficient to enroll a projected 370,000 children by June 30, 2000. This reflects anticipated caseload growth for the eligible population under expansions enacted last year. In addition, the administration proposes to increase the outreach budget for the program by \$10 million bringing the total to \$31 million.
- **Access for Infants and Mothers Program.** The budget includes a total of \$44.9 million to serve an average of 315 new women per month, after application of Medi-Cal income deductions. This funding level is a reduction of \$6.7 million below revised 1999-00 expenditures. The reduction is the result of shifting approximately 1,300 women per year into the Medi-Cal program by eliminating an overlap in health care coverage between the two programs. By shifting these women into the Medi-Cal program the state will maximize the use of federal funds.

HEALTHY FAMILIES PROGRAM

The Healthy Families program provides comprehensive health coverage, including health, dental and vision benefits, for children in families with low to moderate incomes who are not eligible for Medi-Cal without a share of cost due to income limitations. The state and federal governments share the costs of the program, with the federal government covering approximately 66 percent.

Under the program, families of enrolled children may choose among the health plans in their region, and must pay monthly premiums ranging between \$7 and \$27. The family contribution is based upon the family income and the number of children in the program.

Last year, the Governor and the Legislature agreed to make significant expansions in the Healthy Families program. Specifically,

- Eligibility was expanded from 200 to 250 percent of the federal poverty level,
- Medi-Cal income deductions were applied to determine income eligibility,
- Eligibility was expanded to cover children from birth to age one in families with incomes between 200 percent and 250 percent of the federal poverty level; and
- Eligibility was expanded to cover legal immigrant children entering the state after August 1996.

Limited Enrollment for Legal Immigrant Children. Under the Budget Act of 1999, the Healthy Families program is only authorized to enroll legal immigrant children applying in the 1999-00 budget year. Accordingly, the Governor's 2000-01 budget does not include funding to provide health care coverage to legal immigrant children applying after June 30, 2000.

ACCESS FOR INFANTS AND MOTHERS (AIM) PROGRAM

The AIM program provides health insurance coverage to women who have no coverage for their pregnancy and who have incomes between 201 percent and 300 percent of the federal poverty level. The program covers women during pregnancy and 60 days postpartum, and covers their infants up to two years of age. The budget includes a total of \$44.9 million for this program, an amount sufficient to cover an estimated 315 new women per month.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides a range of services and supports for individuals (of all ages) with disabilities. The department is responsible under the Lanterman Act for ensuring that persons with disabilities receive the support they need

to lead more independent, normal lives. Services are administered through 21 contracted regional centers and five state-operated developmental centers. While some regional center services, such as case management and diagnosis, are provided directly, most services are purchased from community providers. The department will serve an estimated 167,000 clients in 2000-01.

The budget proposes \$2.4 billion for 2000-01, an increase of 8.9 percent over estimated current year projections. Of this amount, \$996 million is from the General Fund, which is \$76.5 million or 8.3 percent over the General Fund estimate for the current year.

MAJOR PROPOSALS

The major proposals for the Department of Developmental Services include:

Regional Centers

- ***New Funding for Affordable Housing Projects.*** \$1 million to increase the availability of affordable housing for up to 50 developmentally disabled persons in the San Jose area.
- ***Improved California Developmental Disabilities Information System.*** \$707,000 to implement a statewide fiscal accounting and program monitoring system to replace two systems currently operating in regional centers.
- ***Increased Rates for Shift Nursing.*** \$1.2 million to increase rates paid to shift nurses serving developmentally disabled adults, bringing these rates up to parity with the rates paid for similar services to children through the Medi-Cal program.
- ***Funding for Rate Methodology Development.*** \$1.1 million to contract with consultants and manage the contracts to implement new rate setting methodologies for residential, day, in-home respite, and supported living services programs.

In addition, the budget includes funding to support ongoing issues.

- ***Backfill for Loss of Federal Funding.*** The budget includes \$49 million to replace lost federal reimbursement due to delays in rectifying Medicaid Home and Community Based Services programs.
- ***Salary Increase for Community Care Facilities.*** The budget includes \$24.7 for full-year costs of the Community Care Facility salary increase implemented in 1999-00.
- ***SSI/SSP Rate Pass Through.*** The budget includes \$4.4 to pass through SSI/SSP rate increase to Community Care Facility providers.

- **Increase for Population Adjustments.** The budget includes \$145 million (\$84.1 million General Fund) for increased population and purchase of service costs.

Developmental Centers

- **Southern California Facility for Clients with Severe Behaviors.** The budget includes \$13.2 million (\$5.2 million General Fund) to acquire and operate one or more facilities in southern California for 80 clients with severe behavior problems.
- **New Northern California Facility.** The budget includes an increase of \$3.7 million for full-year implementation of the new Sierra Vista facility in northern California for clients with severe behavior problems.
- **Increase for Staffing Levels in Developmental Centers.** The budget includes \$15.8 million (\$1.4 million General Fund) and 43 positions for the third year of the four-year plan to increase staffing levels in the developmental centers.
- **Salary Savings Relief.** The budget includes \$13 million to reduce the salary savings requirement in the Department of Developmental Services from three percent to zero percent in the developmental centers to allow vacant positions to be filled, thus ensuring the provision of services to clients.

GOVERNOR'S 2000-01 BUDGET PROPOSAL FOR: RESOURCES AND ENVIRONMENTAL PROTECTION

Californians depend on our commitment to clean water, air free from pollution and stewardship of our parks, public lands and coasts. Adequate funding is necessary to implement and enforce our laws to protect the health of our citizens, develop and maintain existing parks, acquire lands to keep pace with the needs of our growing population, and protect critical habitat.

The Governor's budget proposes expenditures of \$3.5 billion total for natural resources and \$1 billion for environmental protection.

RESOURCE BONDS

There are few proposed one-time expenditure of funds for open space acquisition or the developments of parks and recreation facilities in anticipation of passage of the park bond.

On the March 2000 ballot the Legislature has placed two important infrastructure initiatives. Proposition 12 - The Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond (\$2.1 billion) and The Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000 (\$1.97 billion).

The Parks Bond includes:

- \$905 million to local governments for parks, youth centers, and environmental enhancement project;
- \$525 million to restore and improve state parks, and cultural and natural resources; and
- \$670 million for coastal acquisitions, acquisition and restoration of wildlife habitat, Lake Tahoe (\$50.0 million) and farmland protection (\$25.0 million).

The Water Bond includes:

- \$70 million for safe drinking water;
- \$630 million for water supply, reliability, and infrastructure projects;
- \$468 million for watershed protection;
- \$355 million for clean water and water recycling programs;

- \$292 million for flood protection; and
- \$155 million for water conservation.

RESOURCES AGENCY

The Resources Agency is responsible for stewardship, conservation management and enhancement of California’s natural resources including land, fish, wildlife, timber and minerals. There are 21 departments, commissions and conservancies within the Agency. The Governor’s budget proposes \$58.1 million in (\$4.9 million General Fund) for the Office of Secretary of Resources.

The Governor’s budget proposes a \$11.3 million effort to develop baseline information on North Coast Watershed Assessment. The Resources Agency will coordinate this multi-year and multi-agency proposal.

MAJOR PROPOSALS

The major proposals for the Resources Agency include:

- \$100 million (General Fund), a one-time personal income and bank and corporation tax credit administered through the Secretary of Resources to encourage private owners of unique properties to enter into partnerships with the state;
- \$51.5 million (Proposition 204) for the Bay-Delta Ecosystem Restoration Account; and
- \$362,000 (special funds) and three positions to coordinate natural and cultural issues.

Table 1

RESOURCES AGENCY EXPENDITURES (SELECTED DEPARTMENTS AND COMMISSIONS) (Dollars in millions) (All Fund Sources)			
Department	Revised 1999-2000	Proposed 2000-2001	Percent Change
Agency Secretary	\$11.9	\$58.1	388.2*
Parks & Recreation	\$460.0	\$231.0	-49.7
Fish & Game	\$221.7	\$228.3	2.9
Water Resources	\$451.0	\$520.8	5.4
Energy Commission	\$262.4	\$237.2	9.6

Coastal Commission	\$13.3	\$16.0	20.5
Forestry & Fire Protection	\$623.9	\$533.7	-14.4

*Reflects \$51.5 million for the CalFed ecosystem restoration project

DEPARTMENT OF PARKS AND RECREATION

The California Park System, the second largest in the nation, includes 264 parks on more than 1.3 million acres. Parks include beaches, wildlife areas, open spaces, off-highway vehicle areas, and historic sites. More than 70 million citizens annually use the 3,000 miles of trails, 18,000 campsites, 811 miles of lake, reservoir and river frontage, and 280 miles of coastline that are part of the system. California parks are a tourist destination, a regular part of the school curriculum, and a recreational haven for California residents.

The Governor's budget proposes expenditures of \$208 million (\$79 million General Fund) for state operations and \$22 million for local assistance, a decrease of \$150 million for state operations and \$22.2 million for local assistance from the current year. The 1999-00 budget contained one time funds \$157 million for deferred maintenance.

The major responsibility of the department is acquiring, designing, developing, operating and maintaining units within the system. However, the department also:

- Serves as the second largest provider of education programs in the state, with more than one million school children annually participating in department-sponsored programs;
- Integrates equestrian, hiking, and bicycling recreational needs through the non-motorized trail program;
- Manages, restores and preserves the diverse bioregions that are the natural resources in the state's system;
- Preserves the state's diverse cultural resources including the California missions, the Governor's Mansion, Sutter's Fort and the State Railroad Museum, and maintains an extensive collection of historic items including a large collection of Native American artifacts;
- Provides interpretive museums, exhibits, publications and activities for visitors of all ages and abilities ranging from traditional campfire programs to interactive computer displays;

- Employs at-risk youth in restoration projects at a number of state park units; and
- Operates the largest volunteer network in the state with more than 11,000 volunteers providing over 885,000 hours of service supplementing the department's workforce.

The department maintains thousands of structures, which include buildings, pipelines and fencing. Due to prior year budget cuts, deferred maintenance on parks had reached a critical juncture. Last year the budget contained one-time monies of \$157 million for deferred maintenance for State Parks. To continue this commitment, the 2000-01 budget proposes \$3 million for ongoing maintenance.

MAJOR PROPOSALS

The major proposals for the Department of Parks and Recreation include:

- \$3 million (General Fund) and 36.0 positions for ongoing maintenance to support the repair and rehabilitation of park facilities;
- \$1.7 million (\$1.3 General Fund) and 5.8 positions to recruit and train new rangers and lifeguards due to a projected shortfall in the next five to seven years;
- \$22.3 million (special funds) in grants for local recreational opportunities that include Off-Highway Vehicle Program, \$13.5 million; Habitat Conservation Fund Program, \$2.4 million; Recreational Trails Program, \$4.0 million; and Federal Grant Programs, \$2.4 million;
- \$653,000 (General Fund) and 11.1 positions to operate new or expanded park units at the California State Mining and Mineral Museum, Henry V. Coe State Park, and Anza-Borrego Desert State Park;
- \$3.3 million (General Fund) to begin two new infrastructure projects, continue three existing projects, and launch two projects as part of the Tahoe Environmental Improvement Program;
- \$13.1 million from the Off-Highway Vehicle Trust Fund for acquisition of state vehicular recreation areas in Alameda County, Lake County and San Luis Obispo County; and
- \$2.8 million (special funds) to acquire habitat areas and continue the General Plan at Anza-Borrego Desert State Park.

DEPARTMENT OF FISH AND GAME

The Department of Fish and Game manages 800,000 acres of wildlife habitat, including 98 wildlife areas and 99 ecological preserves, holds conservation easements on another 102,000 acres, and regulates sport taking of fish and game. The Governor's budget proposes expenditures of \$228.3 million (\$37.2 million General Fund) an increase of 2.9 percent over current year.

MAJOR PROPOSALS

The major proposals for the Department of Fish and Game include:

- \$18.1 million (\$5.5 million General Fund) and 64.7 positions to continue and expand restoration planning, implementation and monitoring for the Central Valley fish and wildlife in coordination with the CALFED. This is part of the state's contribution to the CALFED programs;
- \$2.7 million (\$2.2 million General Fund) for staff support and local assistance grants for the Natural Community Conservation Plan (NCCP) Program;
- \$2.1 million (\$1.6 million General Fund) and 20.0 positions to administer a federal grants program for salmon and steelhead habitat restoration and watershed protection and restoration;
- \$1.9 million (General Fund) and 22.0 positions to integrate and expand existing watershed assessments on the North Coast. This is a portion of the multi-department initiative lead by the Resources Agency;
- \$771,000 (General Fund) and 7.7 positions to continue the recovery program for the endangered Sierra Nevada Bighorn Sheep;
- \$571,000 to continue support, on a two-year basis, for the Cantara Restoration and Monitoring Program; and
- \$316,000 (General Fund) and 3.0 positions to protect aquatic species from short-term water transfers per the Water Rights Protection and Expedited Short-Term Transfer Act of 1999.

DEPARTMENT OF BOATING AND WATERWAYS

The Department of Boating and Waterways manages boating safety and provides funding to maintain safe boating facilities. The Governor's budget proposes \$56.8 million only slightly less funding than the current year.

Last year, AB 64 (Ducheny), Chapter 798, Statutes of 1999, created the Public Beach Restoration Fund a program to control beach sand erosion. This program mitigates coastal erosion through beach enhancement and restoration. The Department provides

advice to local, state and federal governments on the need to protect and maintain critical areas from erosion. The Governor's budget proposes \$50,000 to evaluate the effectiveness of submerged offshore structures to assist in retaining sand on California's beaches.

Additional proposals in the budget include \$9.3 million (special funds) for capital outlay, \$400,000 to provide grants to local agencies to remove abandoned vessels and \$80,000 to provide boating safety outreach programs to the public.

DEPARTMENT OF WATER RESOURCES

The Department of Water Resources manages the State's agricultural, environmental, industrial and municipal waters including operation of the State Water Project. The department also provides flood control forecasting and assistance to local agencies, and coordinates the state involvement in the CALFED Bay-Delta process.

The Governor's budget proposes \$502 million (\$170 million General Fund) for the department, an increase over current year spending of \$69 million.

MAJOR PROPOSALS

The major proposals for the Department of Water Resources includes:

- \$44 million (General Fund) to fund the local assistance for flood control subvention. This is consistent with AB 2784 (Strom-Martin) Chapter 326, Statutes of 1998 which required the repayments of subventions for completed local projects;
- \$10 million (General Fund) for allocation to public water agencies located in the delta export service area to implement water management and water transfer programs to mitigate water shortages and water quality impacts. These are state matching funds for the CALFED program;
- \$20 million (General Fund) for the integrated Storage Investigations Program. This commitment was made during the 1999-00 budget negotiations and will continue to study potential sites for increased off-stream water storage;
- \$116.1 million (special funds) is proposed for CALFED for ecosystem restoration projects, fish population monitoring, water shortage assistance, and water quality activities;
- \$1 million (General Fund) and 10 positions for updating the Bulletin 118, California Ground Water. The Legislature in the 1999-00 budget requested funding for the updating of Bulletin 118 that assess the status of ground water aquifers. This funding represents a continuation of the three-year project;

- \$382,000 (special funds) and two positions for a gauging station for the North Coast Watershed Assessment Program being directed by the Agency. This is another portion of the \$11.3 million that is shared with various departments within the Resources Agency to develop baseline information on watershed conditions; and
- \$133,000 (General Fund) for Water Management along the California-Mexico Border.

ENERGY RESOURCES, CONSERVATION AND DEVELOPMENT COMMISSION

The Energy Commission is responsible for encouraging efficient energy uses to assure a reliable energy supply. The Governor's budget proposes \$237.2 million for the commission, a decrease of \$25.2 million from the current year.

Energy is regulated by state agencies such as the Public Utilities Commission, the California Energy Commission and the Electricity Oversight Board, and by the Independent System Operator and the Power Exchange, the two new state-chartered market agencies as a result of the recent restructuring of the electric industry.

The Governor's budget proposes a total of \$31.9 million for alternative fuels program expenditures including clean fuels and hydrogen infrastructure development and vehicle efficiency incentives.

The Governor's budget proposes to repay the Petroleum Violation Escrow Account (PVEA) \$28.6 million in interest owed from the General Fund.

MAJOR PROPOSALS

The major proposals for the Energy Resources Conservation and Development Commission include:

- \$6 million (PVEA) to establish a clean fuels infrastructure for public agencies;
- \$5 million (PVEA) to establish the Vehicle Efficiency Incentive Program to provide incentives for the lease or purchase of hybrid electric and fuel cell vehicles;
- \$1 million (PVEA) and 1.0 limited-term position to develop a hydrogen fuel infrastructure consistent with the Fuel Cell Vehicle Partnership; and
- \$500,000 (PVEA) to study issues affecting hydrogen fueling infrastructure.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The Department of Forestry and Fire Protection provides fire protection services for range lands, timberlands, and lands owned by the state or private agencies. The Office of the Fire Marshal is responsible for protecting life and property from fire through the development of fire prevention regulations.

The Governor's budget proposes total expenditures of \$533.7 million (\$379.5 million General Fund), a decrease of \$90.1 million, 14.4 percent less than current year expenditures.

Due to this year's unusually long and severe wild fire season, the department anticipates a significant budget deficiency by March 1. As a result, the department seeks \$62 million for the Fire Emergency Fund and \$1.2 million for the current year budget.

MAJOR PROPOSALS

The major proposals for the Department of Forestry and Fire Protection include:

- \$35.0 million (General Fund) increase for the Fire Emergency Fund over the current year allocation for a total of \$55 million, the average of the last 10-year deficiencies;
- \$2.2 million (special funds) for improvements to the departments command-and-control system; and
- \$62.4 million (General Fund) for capital outlay for facilities necessary for public protection from wild fires.

DEPARTMENT OF CONSERVATION

The Department of Conservation is responsible for providing stewardship of the state's earth resources. The Governor's budget proposes \$506.7 million for the department, an increase of \$35.3 million.

One of the department's primary roles is to encourage and manage the California Beverage Container Recycling Program. The goal of recycling is to reach 80 percent for each beverage container and type to reduce the amount of waste that goes to landfills. SB 332 (Sher), Chapter 815 and AB 1244 (Olberg and Machado) Chapter 817, Statutes of 1999 substantially increased the type of beverage containers included in this program. The Governor's budget reflects \$3.2 million for current year implementation and proposes \$5.6 million to continue the program in 2000-01.

MAJOR PROPOSALS

The major proposals for the Department of Conservation include:

- \$5.6 (California Beverage Container and Recycling Fund) for the expanded beverage container recycling program;
- \$2.6 million (General Fund) and 21.0 positions for geologic support of the North Coast Watershed Assessment Team. This is another portion of the \$11.3 million that is shared with various departments within the Resources Agency to develop baseline information on watershed conditions;
- \$2.2 million (special funds) for competitive grants for resource conservation districts to address local priority watershed needs;
- \$93,000 (special funds) for Williamson Act technical assistance and enforcement;
- \$2.2 million (General Fund) and 2.0 positions to support Resource Conservation Districts in the protection and restoration of at-risk watersheds; and
- \$106,000 (General Fund) and 1.0 position for legal support for the Farmland Security Zone program, required pursuant to SB 649 (Costa) Chapter 1019 of 1999.

CALIFORNIA CONSERVATION CORPS

The California Conservation Corps (CCC) assists federal, state and local agencies, and non-profit entities in conserving and improving California's natural resources while providing employment, training, and education opportunities for young men and women. The Governor's budget proposes \$80.2 million for the CCC, an increase of \$773,000.

The Governor's budget also proposes that the California Conservation Corps withdraw from the Performance Based Budgeting pilot program. However, the CCC would continue to utilize the performance based management system.

MAJOR PROPOSALS

The major proposals for the California Conservation Corps include:

- \$800,000 (General Fund) to implement a statewide CCC vehicle replacement plan;
- A continuation of \$8 million (PVEA) and \$807,000 (Collins-Dugan California Conservation Corps Reimbursement Account) for rehabilitation and weatherization of low-income residential homes statewide.

COASTAL COMMISSION

The Coastal Commission manages California's resources within the coastal zone. Commission staffing was reduced by 40 percent in the mid-1980's negatively impacting the Commission's ability to fulfill its statutory duties. Current year funding restores many of these negative impacts. The Governor's budget proposes a total of \$16.0 million for the commission, an increase of 20 percent over current year funding.

MAJOR PROPOSALS

The major proposals for the Coastal Commission include:

- \$1.3 million (General Fund) to restore the commission's baseline budget; and
- \$811,000 (General Fund) and 9.0 permanent positions to enforce the Coastal Act permit requirements. The additional positions will strengthen the Commission's enforcement and reduce the existing backlog of cases.

CALIFORNIA TAHOE CONSERVANCY

The California Tahoe Conservancy acquires, preserves, and manages lands in the Lake Tahoe Region to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat. In addition, programs that benefit Lake Tahoe are funded in the Tahoe Regional Planning Council and the Department of Parks and Recreation.

The Governor's budget proposes \$7.1 million for state operations and \$11.2 million for capital outlay.

MAJOR PROPOSALS

The major proposals for the California Tahoe Conservancy include:

- \$8 million (\$2.3 million General Fund) for capital outlay projects; and
- \$1 million (General Fund) and 1.0 limited-term position for the Tahoe Re-Green program to address problems of dead and dying trees on Conservancy property.

WILDLIFE CONSERVATION BOARD

The Wildlife Conservation Board acquires, preserves, protects, develops, enhances and restores wetlands, riparian habitat, wildlife habitat, and lands supporting California's endangered plants, animals and natural communities.

The Governor's budget proposes a total of \$71.4 million for the board's capital outlay projects. This includes \$25 million (General Fund) for wetlands acquisition and restoration. Additionally the budget proposes \$5 million (General Fund) for acquisitions and enhancements to further the Natural Community Conservation Planning Program.

SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY

The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy was created by the Legislature in 1999. Its purpose is to acquire and manage public lands and to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat protection. Because this is the first year, the Governor's budget proposes \$243,000 from the California Environmental License Plate Fund to provide for an executive officer and support staff. The Conservancy will develop a master plan for the river systems in the coming year.

STATE COASTAL CONSERVANCY

The State Coastal Conservancy assists in the preservation of sensitive or unique coastal property, works to increase public access to coastal areas, resolves coastal land disputes, and provides grants for various activities along California's 1,100-mile coastline. The Governor's budget proposes \$5.3 million for support and \$41.1 million for capital outlay for the conservancy, a decrease of 63 percent from current year spending.

The Governor's budget does not continue the \$10 million in challenge grant funds from the 1999-00 budget year and all the funds will be expended in current year. These funds provided grants to local and private entities but required a match to the State's share of project fund "dollar-for-dollar".

Another reason for the sharp decrease in capital outlay is the lack of funding of acquisition dollars for the Natural Community Conservation Planning Program. The 1999-00 budget funded this program at \$5 million; the proposed budget has no funding in the conservancy's budget for this purpose.

MAJOR PROPOSALS

The major proposals for the State Coastal Conservancy include:

- \$13.5 million (General Fund) for wetlands restoration at Hamilton Airfield in the San Francisco Bay Area;

- \$5 million (General Fund and bond funds) for acquisition and wetlands enhancements of 41 coastal wetlands in five Southern California counties as a continuation of the Southern California Wetlands Recovery Program;
- \$4 million (General Fund) to acquire and restore approximately 1,000 acres in the Elkhorn Slough area located in Monterey County;
- \$4 million (General Fund) for the restoration of 300 acres in the Carmel River Lagoon to implement the enhancement plan; and
- \$3.8 million (special funds) to encourage local agencies to accept existing offers to dedicate public accessways to the shoreline.

ENVIRONMENTAL PROTECTION AGENCY

The California Environmental Protection Agency (CalEPA) administers state and federal clean air, clean water, hazardous waste, and solid waste programs to safeguard our environment and public health. The Governor's budget proposes \$7.6 million for the Office of the Secretary, a decrease of 13.8 percent. Changes in the funding for CalEPA departments and boards are indicated in Table 2 below.

In 1999 the Governor requested the Secretary of Environmental Protection review the delivery of service, structure of the organization and funding mechanisms. This report will not be available until later this year so any resulting changes have not been incorporated in the budget proposal. The May Revision of the budget will reflect any proposed changes in organization or funding.

Of particular interest last year during the budget was the clean-up of brown field sites in urban areas including funding for both community involvement and actual site remediation (Orphan Share Trust Fund).

Additionally, the Governor's budget directs CalEPA to coordinate several agency wide and multi-agency initiatives. These include:

- \$2.5 million to assess environmental impacts in the border region and support Mexican and binational efforts to improve the border environment and public health. This program will involve both Californian and Mexican officials through the Border Environmental Cooperation Commission; and
- \$5.2 million agency wide to assess and address health risks unique to children.

MAJOR PROPOSAL

The major proposals for the Environmental Protection Agency include:

- \$121,000 (General Fund) and 1.0 position to provide direction on policy issues affecting the California Mexico Border. The Governor's budget proposes that CalEPA coordinate a \$2.5 million multimedia effort to assess environmental impacts in the border region and support Mexican and binational efforts to improve the border environment and public health;
- \$182,000 (General Fund) and 1.0 position to address environmental justice issues, as required by SB115 (Solis), Chapter 690, Statutes of 1999; and
- \$130,000 (General Fund) and 1.0 to establish the Children's Environmental Health Center created pursuant SB 25 (Escutia) Chapter 731, Statutes of 731.

Table 2

**CALEPA BUDGET
ENVIRONMENTAL PROTECTION EXPENDITURES
(Dollars in millions)**

	Revised 1999-00	Proposed 2000-01	Percent Difference
CalEPA, Office of the Secretary	\$8.8	\$7.6	13.8
Air Resources Board	141.1	187.1	32.6
Toxic Substances Control	136.2	149.6	9.8
OEHHA	13.9	17.0	22.7
Integrated Waste Mgt. Board	126.6	98.5	-22.2
Pesticide Regulation	55.3	59.2	7.0
Water Resources Control Bd.	517.2	542.5	4.8
Total	\$999.1	\$1061.5	68.5%

AIR RESOURCES BOARD

The Air Resources Board (ARB) has the primary responsibility for protecting air quality through regulatory and investment programs. The ARB is responsible for ensuring that federal and state health-based air quality standards are achieved through controls for both mobile and stationary source pollution. The Governor's budget proposes \$187.1 million for the board, an increase of \$46 million over current year spending.

There is no proposed funding for the Carl Moyer Memorial Air Attainment Program. A report is due later this year on the efficiency of this program.

In the current year the ARB adopted a "Phase 3" gasoline regulation to implement the Governor's Executive Order banning the use of MTBE in California by December 31, 2002.

MAJOR PROPOSALS

The major proposals for the Air Resources Board include:

- \$50 million (General Fund) for school bus grants to implement the older diesel school bus replacement program. This program will replace approximately 245 pre-1977 school buses;
- \$5.2 million (\$5 million General Fund) and 2.0 positions to participate in the California Fuel Cell Partnership. This is an industry/government program to bring fuel cell vehicles to California beginning in 2000. The funds would be used to offset the incremental cost of 15 hydrogen-powered fuel cell buses that will be demonstrated by transit agencies in California;
- \$900,000 (General Fund) and 1.0 position to coordinate and conduct a study of indoor air quality in California's portable classrooms;
- \$1 million (\$505,000 General Fund) to implement SB 25 (Escutia), Chapter 731, Statutes of 1999 related to Children's Health. This will allow the ARB to review ambient air quality standards, expand the air monitoring network, and establish requirements related to the identification and control of Toxic Air Contaminants (TAC);
- \$674,000 (General Fund) to reduce public exposure to air pollution in the Mexican border region by reducing air emissions from heavy-duty trucks and buses. This is a component of the California Mexico Border Pollution program; and
- \$1.6 million (\$834,000 General Fund) to conduct a focused investigation of the toxic substances dioxin and asbestos. This will include ambient monitoring for dioxins at eight locations statewide, and asbestos monitoring at various locations throughout the state.

INTEGRATED WASTE MANAGEMENT BOARD

The Integrated Waste Management Board (CIWMB) has the responsibility for addressing the state's solid waste management needs and assisting local governments in reducing solid waste. The Governor's budget proposes \$98.5 million for the board, a decrease of 22 percent from current year expenditures.

MAJOR PROPOSALS

The proposals for the Integrated Waste Management Board include:

- \$1.2 million (special funds) and 10.0 positions to locate, inspect evaluate and undertake enforcement activities at closed, illegal and abandoned sites. These positions would also be responsible for enforcement requiring responsible parties to remediate sites when necessary;
- \$421,000 (special funds) and 4.0 positions to address the declining Rigid Plastic Packaging Container recycling rate. The California Rigid Plastic Packaging Container Recycling Law requires that industry-wide recycling is greater than 25 percent. Recycling rates although once 25 percent are steadily declining. Two positions will be dedicated to developing a certification database and implementing a certification program; two positions will provide market development and compliance assistance;
- \$112,000 (General Fund) to increase education, coordination and technical support on solid waste issues in the California Mexico border region. This provides funding for waste management education and public outreach for Baja California teachers, maquiladora managers and municipal recycling coordinators. This is part of the overall coordinated effort by CalEPA;
- \$261,000 (special funds) and two positions to implement a statewide Sustainable Building Plan also known as green building. This is an aggressive effort to establish a grant program and provide education, training and guidelines for designing and constructing more cost effective, environmentally friendly, and resource and energy efficient buildings; and
- \$146,000 (special funds) and 1.8 positions to implement AB 1055 (Villaraigosa), Chapter 712, Statutes of 1999 the Playground Safety and Recycling Program. The goal of the program is to upgrade and repair public playgrounds through the use of recycled content materials and playground equipment. Department of Education grant money, totaling \$2 million, will fund the program through an interagency agreement with the Board.

STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board (SWRCB) is responsible for protecting water quality and maintaining water allocations. The Governor's budget proposes \$542.5 million for the SWRCB, an increase of \$25.2 million or four percent.

MAJOR PROPOSALS

The major proposals for the State Water Resources Control Board include:

- \$9.7 million (General Fund) and 37.9 positions to enhance water quality monitoring and assessment, identify impacts on the beneficial uses of water in addition to implementation of prevention and remediation measures for impaired water bodies. This augmentation has two components: \$2.9 million to expand efforts to develop and implement Total Maximum Daily Load's (TMDL's) and \$6.7 million for comprehensive water quality monitoring;
- \$906,000 (General Fund) and 8.0 positions to strengthen the Water Quality Enforcement Program. This augmentation focuses efforts on enforcement of waste discharge requirements for municipal and industrial point source dischargers;
- \$864,000 (General Fund) and 3.0 positions to work with a binational group to address water quality issues near the California-Mexico Border. Specifically this augmentation will address water quality issues in the Tijuana, New, and Alamo Rivers. This is another component of the CalEPA effort to work with Mexico on environmental issues;
- \$972,000 (General Fund) and 5.3 positions to work with growers in the San Joaquin Valley to reduce groundwater salinity caused by agricultural drainage. This program is to safeguard water resources, public health and environmental impacts associated with agricultural drainage;
- \$1.1 million (General Fund) and 5.0 positions for the Salinas Valley Groundwater Protection Program needed to protect water quality. This is the beginning of a two-year review of the Salinas Valley groundwater problems resulting from seawater intrusion;
- \$295,000 (General Fund) and 2.0 positions to address the backlog of water rights permit applications; and
- \$53 million (Underground Storage Tank Cleanup Fund) to reimburse claimants for investigations and cleanup of unauthorized releases from underground storage tanks.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control is responsible for protecting the public health and the environment by regulating hazardous waste management activities, performing cleanup activities at sites contaminated with hazardous substances, encouraging pollution prevention, and providing regulatory assistance. The Governor's budget proposes \$149.6 million (\$49.1 million General Fund) for the department, an increase of 13.4 million over the current year.

MAJOR PROPOSALS

The major proposals for the Department of Toxic Substances Control include:

- \$1 million (General Fund) to conduct enforcement actions at military installations to comply with cleanup orders or agreements issued by state regulatory agencies. This is a result of the reduced funding from the Department of Defense. These funds will assure that cleanup on these specific sites meets CalEPA standards;
- \$689,000 (General Fund) and \$143,000 (Hazardous Waste Control Account) in order to increase coordination, consultation, and assistance with Mexican officials to jointly enforce hazardous waste laws and increase pollution prevention activities at the border. This is part of the CalEPA California-Mexico Border Initiative;
- \$214,000 (special funds) and 1.9 positions to perform lifecycle analysis. This program will ensure holistic, systematic assessments of multimedia impacts and environmental trade-offs are considered when making regulatory decisions or promoting safer alternatives;
- \$2.8 million (special funds) to assign priority to both criminal and regulatory enforcement of the Hazardous Waste Control Law specifically to address issues raised by the Governor, the Legislature and the General Public; and
- \$2.8 million (special funds) in reimbursement authority for oversight of removal and remediation actions at schools sites. This is part of the initiative related to impacts on Children's Health.

DEPARTMENT OF PESTICIDE REGULATION

The Department of Pesticide Regulation (DPR) is responsible for regulating pesticide sale and use, including maintaining safety in the work place. The Governor's budget proposes expenditures of \$59.2 million, an increase of seven percent over the current year.

The budget proposes \$675,000 for the development of allowable residue limits for new reduced-risk pesticides and to evaluate new federal dietary risk assessment guidelines. The budget also proposes \$359,000 to evaluate an alternative pesticide for the eradication of fruit flies in urban areas. Another portion of the Children's Health Initiative (SB 25(Escutia), Chapter 731, Statutes of 1999) is \$608,000 to design and implement Integrated Pest Management programs in school districts. The programs are intended to reduce children's exposure to pesticides at their school.

OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

The Office of Environmental Health Hazard Assessment (OEHHA) conducts science-based evaluations of the human and ecological risks posed by hazardous substances.

OEHHA employs scientists, toxicologists, physicians and others evaluate risk from exposure to chemicals in air, water, food, fish and shellfish, consumer products, hazardous, and municipal waste and sediments. This information is provided to both the Legislature and other state and local agencies.

The Governor's budget proposes \$17 million for OEHHA, an increase of 22 percent over current year spending.

MAJOR PROPOSALS

The major proposals for the Office of Environmental Health Hazard Assessments include:

- \$803,000 (General Fund) to perform a life-cycle analysis of the health and environmental risks from the production and disposal of non-MTBE gasoline;
- \$670,000 (General Fund) as part of the increased enforcement of Proposition 65. This augmentation will provide guidance to the business community in complying with specific regulations;and
- \$100,000 (General Fund) to provide risk assessments, education and training on environmental and public hazards in the California Mexico region. This is a portion of the program being coordinated by CalEPA.

DEPARTMENT OF FOOD AND AGRICULTURE

The Department of Food and Agriculture promotes and protects the state's agriculture industry through marketing and industry inspections. The department also develops California's agriculture policies, assures accurate weights and measures in commerce, and provides financial oversight to county, district and citrus fairs. The Governor's budget proposes \$223.4 million for the department, an increase of \$5.9 million, or 2.7 percent, over current year spending.

MAJOR PROPOSALS

The major proposals for the Department of Food and Agriculture include:

- \$1.8 million (\$705,000 General Fund) for the Integrated Food Safety Program. This program is designed to meet increased workload associated with new inspections related to mandated enforcement and compliance of mild and dairy food standards; and
- \$4.2 million (General Fund) and 2.3 positions to implement a comprehensive strategy to reduce the growing threat to California from invasive pests.

GOVERNOR'S 2000-01 BUDGET PROPOSAL FOR: GENERAL GOVERNMENT

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations (DIR) has the responsibility to protect the workforce, improve the working conditions, and advance opportunities for profitable employment in California. The Department enforces workers' compensation laws, adjudicates workers' compensation claims, administers programs to prevent industrial injuries and deaths, promulgates regulations, and enforces laws relating to wages, hours, and conditions of employment.

The Governor's budget proposes total expenditures of \$254.7 million for the 1999-00 budget year, a 4.5 percent increase over the estimated current year expenditures.

MAJOR PROPOSALS

The major budget proposals for the Department of Industrial Relations include:

- \$2.1 million (General Fund) to establish the Permanent Amusement Ride Safety Inspection Program for regulation and inspection of permanent amusement rides, AB 850 (Torlakson), Chapter 585, Statutes of 1999;
- \$2.4 million (General Fund) for enforcement of occupational safety standards AB 1127 (Steinberg), Chapter 615, Statutes of 1999;
- \$4.3 million (General Fund) for the Targeted Industries Partnership Program (TIPP) and the Joint Enforcement Strike Force (JESF); and
- \$3 million (reimbursements) to establish the Garment Manufacturers Inspection Program for investigation of wage claims in the garment industry. AB 633 (Steinberg), Chapter 554, Statutes of 1999.

MILITARY DEPARTMENT

The Military Department is responsible for the leadership, command and management of the Air National Guard and the California Army. The purpose of the California National Guard is to provide military service supporting this State and the nation. The primary objective of the department is to provide mission ready forces to the Federal Government, emergency public safety support to civil authorities, and support to the community as approved by proper authority.

The Governor's budget proposes total expenditures of \$76.8 million for the 2000-01 budget year, a 20 percent increase over current year expenditures. The Military

Department receives an additional \$449.6 million in federal funds which are not deposited in the state treasury.

MAJOR PROPOSALS

The major proposals for the Military Department include:

- \$1.3 million (General Fund) for active duty personnel to provide military funeral honors to California veterans of all the Armed Services;
- \$1.5 million (General Fund) for the California Cadet Corps;
- \$9.2 million (General Fund) to establish a boot camp at Camp San Luis Obispo for juvenile offenders; and
- \$1.3 million (General Fund) to establish the Oakland Military Institute in conjunction with the Oakland Unified School District and the City of Oakland.

DEPARTMENT OF VETERAN AFFAIRS

The Department of Veterans Affairs (DVA) provides services to California Veterans and their dependents, and to eligible members of the California National Guard. The principle activities of the DVA include: (1) providing home and farm loans to qualifying veterans, using proceeds from the sale of general obligation and revenue bonds; (2) assisting eligible veterans and their dependents to obtain federal and state benefits by providing claims representation, subventions to county veterans service officers, and direct educational assistance to qualifying dependents; and (3) operating veterans' homes in Yountville, Barstow, and Chula Vista (opens spring 2000) with several levels of medical rehabilitation services, as well as residential services.

The Governor's budget proposes \$340.8 million, reflecting a 2.3 percent increase over current year expenditures.

MAJOR PROPOSALS

The major proposals for the Department of Veterans Affairs include:

Yountville:

- \$2.8 million (General Fund) for the recruitment and retraining of staff;
- \$1.1 million (General Fund) and 21.6 personnel years for additional patient care;
- \$976,000 (General Fund) and 21.8 personnel years for additional medical staff;

- \$1.2 million (General Fund) to provide environmental maintenance and infrastructure repairs;
- \$773,000 (General Fund) for repairs to the Veterans Home Cemetery; and
- \$1.6 million (General Fund) for special repairs of the Veterans Home Memorial Chapel.

Barstow:

- \$1.7 million (General Fund) for recruitment and retention of patient care staff;
- \$432,000 (General Fund) for an on-site clinical laboratory;
- \$332,000 (General Fund) for nursing staff training; and
- \$238,000 to establish a nursing quality assurance team.

Chula Vista:

(The Chula Vista Facility is scheduled to open in Spring of 2000)

- \$271,000 General Fund for service demands and Medicare billing requirements.

SECRETARY OF STATE

The Secretary of State (SOS), a constitutionally established office, serves as the chief election officer and is responsible for the administration and enforcement of election laws. The SOS also administers and enforces laws regarding security agreements, and the filing of corporate and limited partnership documents. In addition the SOS appoints notaries public, enforces notary laws, and is responsible for the procurement and preservation of various documents of historical significance.

The Governor's budget proposes a total of \$77.5 million to fund the SOS for the 2000-2001 fiscal year, an 8.4 percent increase over revised current year expenditures.

MAJOR PROPOSALS

The major proposals for the Secretary of State include:

- \$6.6 million (Business Fees Fund) and \$2 million (Business Reinvestment Fund) for the Business Programs Automation project;
- \$200,000 (General Fund) for reapportionment mapping;
- \$147,000 (General Fund) to administer the Domestic Partnership Program, AB 26 (Migden) Chapter 588, Statutes of 1999; and

- \$923,000 (Business Fee Fund) to provide expedited re-clearances and filing of corporate pursuant to Documents SB 408 (Alpert), Chapter 999, Statutes of 1999.

TRADE AND COMMERCE AGENCY

Created in 1992, the Trade and Commerce Agency promotes economic growth by coordinating and facilitating business development and job-retention efforts. In that light, the Agency also oversees the state's international trade programs through foreign investment, export cultivation, and strategic planning and research projects.

The Governor's initiatives for the Trade and Commerce Agency represent the administration's priorities in the new computer economy of California and the need to expand resources for small business development.

For fiscal year 2000-2001, the Governor's budget proposes \$318.9 million for the Trade and Commerce Agency, a \$150.2 million increase over current year expenditures or a 47 percent increase.

MAJOR PROPOSALS

The major proposals for the Trade and Commerce Agency include:

- \$3 million (General Fund) for the Small Business Loan Guarantee Program. This program provides guarantees on loans made by financial institutions to small businesses that would not receive loans without the guarantee;
- \$926,000 (General Fund) for the Office of Military Base Retention and the Defense Retention Grant Program;
- \$5 million (Petroleum Underground Storage Tank Financing Account) for grants to comply with new environmental requirements pursuant to SB 989 (Sher), Chapter 812, Statutes of 1999;
- \$3.35 million (General Fund) for space commerce and aeronautics. These funds will be distributed as grants for projects intended to ensure retention and expansion of space commerce in California;
- \$5 million (General Fund) for the "Next Generation Internet Centers." This appropriation will match federal and CommerceNet funds to establish two CommerceNet Application Centers in San Jose/Silicon Valley and the Los Angeles region;
- \$2 million (General Fund) for the E-Commerce in Rural Economic Regions Demonstration Project. This program will fund six to eight grants for projects aimed

at improving access for small and medium-sized companies to e-commerce opportunities in rural communities;

- \$2.2 million (General Fund) for the California Technology Investment Partnership Program. These funds will be distributed as grants to small and medium-sized technology based companies to accelerate the development and commercialization of new products and services;
- \$1.2 million (General Fund) for the Manufacturing Technology Program; and
- \$10 million (General Fund) for the California Agriculture Biomass-to-Energy Incentives Grant Program. This program will award grants to Air Quality Management Districts for biomass conversion facilities utilizing biomass generated by others in order to increase the usage of agricultural wastes that would otherwise be burned.

CALIFORNIA ARTS COUNCIL

The California Arts Council was created in 1975 to encourage artistic awareness and expression among the residents of California. The Council has eleven members, nine of whom are appointed by the Governor, one appointed by the Speaker of the Assembly and one by the President pro Tempore of the Senate.

The Governor's budget proposes \$53.8 million for the Council, a \$2.3 million increase over current year expenditures.

MAJOR PROPOSALS

The major proposals for the Council include:

- \$10 million (General Fund) for the Arts in Education Program;
- \$10 million (General Fund) for the Disney Center Park in downtown Los Angeles; and
- \$2 million (General Fund) for the Simon Weisenthal Center.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development (HCD) is California's principle housing agency. HCD's duties and responsibilities are focused on two main areas: (1) Administering state and federal housing finance, housing, rehabilitation, and economic development programs with an emphasis on meeting the needs of low-income and other disadvantaged groups; and (2) Analyzing, enforcing, and participating

in the development of building codes and ensuring manufactured home construction standards meet federal and state statutory requirements.

The Governor's budget proposes \$267.9 million for the Department of Housing and Community Development, an increase of \$55.5 million from the revised current year spending.

MAJOR PROPOSALS

The major proposals for the Department of Housing and Community Development include:

- \$15 million in additional tax credits to be allocated for low income housing development. This raises the annual \$35 million cap for low income housing tax credits to \$50 million annually;
- \$11 million (General Fund) and one position for the new multi-family housing program established by SB 1121(Alarcon), Chapter 637, Statutes of 1999;
- \$50 million (General Fund) for the California Teachers Homebuyers Assistance Program to be administered by the California Housing Finance Agency;
- \$26 million (General Fund) for the Child Care and Development Facilities Direct Loan Program. These funds will be used for owners/operators seeking to purchase, develop, expand, or improve licensed childcare and development facilities.
- \$7 million (General Fund) for the Office of Migrant Services (OMS) for reconstruction of existing State-owned migrant farm worker housing centers and \$890,000 General Fund for the upgrade of playgrounds at these centers pursuant to AB 1055 (Villaraigosa), Chapter 712, Statutes of 1999;
- \$340,000 (Mobilehome/Manufactured Home Revolving Fund) to complete the reduction of backlogs in the issuance of titles for manufactured homes;
- \$773,000 General Fund increase to the Emergency Housing Assistance Fund for use by military armories during cold weather for the homeless; and
- Maintenance of 1999-00 base funding for the Farmworker Housing Grant Fund (\$3.5 million General Fund), the Self-Help Housing Program (\$1.2 million General Fund), and federally subsidized housing preservation (\$1.5 million General Fund).

THE 2000-01 GOVERNOR'S BUDGET FOR: JUDICIARY/TRIAL COURT FUNDING

JUDICIAL BRANCH

As described in the Governor's Budget, "Article VI of the Constitution creates the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the state at the appellate level." The Judicial Branch budget includes support for the Supreme Court, the Courts of Appeal, and the Judicial Council. The budget proposes \$333.9 million (\$279.9 million General Fund) for the Judicial Branch.

MAJOR PROVISIONS

The major provisions for the Judicial Branch include:

- \$10 million to continue the Equal Access Fund enacted last year. Equal Access Fund proceeds are disbursed through the State Bar to nonprofit legal assistance organizations throughout the state to provide legal assistance to low income individuals involved in civil matters who are without representation.
- \$1 million to fund additional staff and infrastructure for the Habeas Corpus Resource Center, thereby assisting in reducing the number of unrepresented capital case defendants.
- \$4.2 million to address workload in the Courts of Appeal and related program needs associated with appellate adjudication, case processing, administrative support, technological staff support and special repairs.

TRIAL COURT FUNDING

The 2000-01 Governor's Budget funds the third year implementation of the Lockyer-Isenberg Trial Court Funding Act of 1997, AB 233 (Escutia and Pringle), Chapter 850, Statutes of 1997. The measure significantly reduces the level of county support required for superior and municipal courts by shifting much of the funding responsibility to the State. The proposed budget provides a total of \$1.984 billion (\$1.050 billion General Fund) for Trial Court Funding. This is an increase of approximately \$139 million (roughly \$100 million General Fund) over the 1999-00 authorized spending level.

MAJOR PROVISIONS

The major provision for Trial Court Funding include:

- \$20 million to fund negotiated salary increases for 19,000 trial court employees statewide.

- \$16.8 million to fund various jury reforms including the continued implementation of one-day/one-trial jury service and an increase in juror compensation from \$5 to \$12 per day.
- \$4.8 million to address interpreter workload growth in the trial courts as well as provide an increase in the rate of compensation for certified court interpreters from the current \$243 per day to \$265 per day.

OFFICE OF EMERGENCY SERVICES

In time of major emergency or disaster in California, the Office of Emergency Services (OES) coordinates emergency activities to save lives, reduce property loss, and expedite recovery. During an emergency, OES functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act and applicable federal statutes, and it acts as the conduit for federal assistance through natural disaster grants and federal agency support. The Governor's budget proposes \$689.7 million (\$81.8 million General Fund, \$602 million federal funds, \$5.9 million other funds) and 530 personnel years for OES for 2000-01.

MAJOR PROPOSALS

The major proposals for the Office of Emergency Services are listed below.

- **Mutual Aid Response.** The Mutual Aid Response program provides emergency mutual aid services for the benefit of jurisdictions whose resources and services are overextended in a disaster situation. The Governor's budget proposes an increase of \$2.3 million General Fund for this program to replace radio dispatch equipment.
- The Governor's Budget also provides for an increase of \$1.8 million (General Fund) to allow for the purchase of additional fire engines for mutual aid response services and to replace older engines.
- **Local Assistance.** The Governor's budget proposes \$633.9 million (\$51.2 million general fund, \$582.7 million federal funds) for payment of disaster response and recovery costs incurred by local governments, during various past disasters.

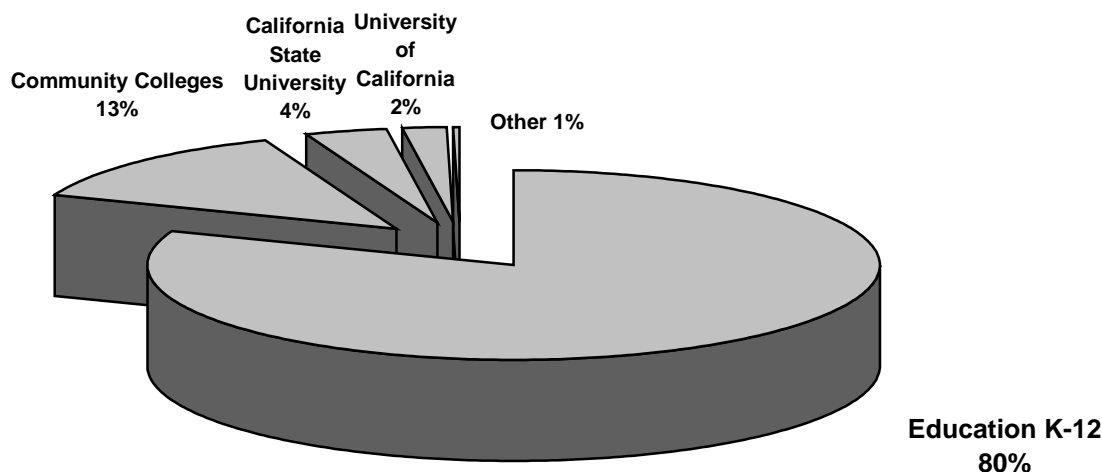
CALIFORNIA STATE LOTTERY COMMISSION

The California State Lottery Act of 1984 established a statewide lottery, and a commission to administer the program with the intention of creating additional funds for the state's public schools. The California State Lottery Commission is composed of five members, appointed by the Governor and approved by the State Senate. Distribution of lottery revenue as mandated by the Act is as follows: 50 percent to prizes, 34 percent to public education, and 16 percent to administrative costs. The 34 percent reserved

for public schools are allocated on a per-capita basis to the areas of K-12, community colleges, California State University, and University of California. In the 14 years from the start of sales in October 1985 through June 30, 1999, the California State Lottery has raised over \$10.6 billion dollars for public education.

This year, proposition 20 has been placed on the 2000 California Primary election ballot. The intent of the proposition is to provide 50 percent of any increase beginning with 1998-99 fiscal year be allocated for purchase of instructional materials. The fiscal impact this would have on current spending would be that millions of dollars that go to public education would be earmarked for instructional materials. This proposition would change the way money is allocated from the state lottery.

2000-01 LOTTERY EDUCATION FUND DISTRIBUTION



STATE BOARD OF EQUALIZATION

The State Board of Equalization (Board) administers eighteen tax programs for support of state and local government activities, including Sales and Use Taxes; Motor Vehicle Fuel License Tax; Diesel and Use Fuel Tax; Alcoholic Beverage Tax; Cigarette Tax; Cigarette and Tobacco Products Surtax; Insurance Tax; Energy Resources Surcharge; Emergency Telephone Users Surcharge; Hazardous Substances Tax; Integrated Waste Management Fee; Underground Storage Tank Fees; Oil Spill Prevention Fees; Occupational Lead Poisoning Fees; Childhood Lead Poisoning Prevention Fees; Tire Recycling Fees; Private Railroad Car Tax; and Timber Yield Tax. The Board also assesses utility property for local property tax purposes, and provides guidance to local governments in the administration of property tax.

The five-member Board is established by the State Constitution. Four members are elected to represent equalization districts, and the State Controller serves as an ex officio, voting member. The Board administers programs generating taxes exceeding \$39.5 billion.

The Governor's proposed budget for the board provides \$305.6 million for 2000-01, an increase of \$10.1 million, over the 1999-00 budget year.

MAJOR PROPOSALS

The major proposals for the Franchise Tax Board include:

- \$5.1 million (\$3.8 million General Fund, \$389,000 Special Funds, and \$760,000 Reimbursements) to accommodate ongoing increased mainframe processing costs and increased equipment lease costs;
- A one-time augmentation of \$917,000 to replace obsolete personal computer hardware and software; and
- \$312,000 and 6.6 personnel years to permanently continue tax enforcement compliance activities at California Highway Patrol truck inspection facilities.

CALIFORNIA SCIENCE CENTER

The California Science Center is an educational, scientific, and technological center administered by a nine-member board of directors appointed by the Governor. It is located in Exposition Park, a 160-acre tract just south of the central part of Los Angeles, which is owned by the State in the name of the Science Center. The Center is currently endeavoring to change the way children learn about science, mathematics and technology.

The Governor's proposed budget for 2000-01 appropriates \$19 million for the California Science Center, an increase of \$3.2 million over last year's expenditures.

MAJOR PROPOSALS

The major proposals for the California Science Center include:

- \$1.1 million (General Fund) augmentation to meet increased maintenance, utility, and personnel workload; and
- \$938,000 increase for the California African American Museum for facilities maintenance, \$307,000 (General Fund) and 4.0 positions for curatorial services, and \$275,000 (General Fund) for the ongoing future exhibits.

DEPARTMENT OF CONSUMER AFFAIRS

The primary function of the Department of Consumer Affairs includes oversight of professional and occupational practices on behalf of the state's consumers. This responsibility is divided between the department, which directly administers nine bureaus and programs, and 32 independent committees, boards, and commissions. Each entity licenses and regulates various professions and occupations. The Department of Consumer Affairs is directed by statute to facilitate a free-enterprise market economy by educating consumers, fostering competition, guarding against fraudulent practices, and promoting consumer representation throughout all levels of government.

The Governor's budget proposes total expenditures of \$335.1 million and 2,975 personnel years to support the operations of the Department's various programs, boards, and bureaus, a decrease of \$24 million from fiscal year 1999-00.

MAJOR PROPOSALS

The major issues and budget proposals for the Department of Consumer Affairs are listed below.

Smog Check Consumer Assistance Programs. The Smog Check program was created to reduce state automobile emissions to federal levels, as mandated by the Clean Air Act Amendments passed by the U.S. Congress in 1990. The program, through targeting the small number of "gross polluting" vehicles, has met the standards regulated by the Environmental Protection Agency. Yet, the program has been criticized greatly for the level of inconvenience suffered by consumers. Last year, legislative action was taken to improve customer service, and offer assistance to low-income individuals. The legislation, AB 2789 (Thompson), proposed vast reforms to the Smog Check program that were ultimately vetoed by the governor. However, approximately \$159 million dollars were earmarked for the Smog Check program with the understanding that the Bureau of Automotive Repairs, who oversees the program, adopt the following measures:

- Repair assistance for low-income automobile owners and a method of verification of eligibility for program participants;
- Improve customer service and education through cooperation with the Department of Motor Vehicles; and
- Regularly report the progress made on programs, in particular, the Voluntary Accelerated Vehicle Retirement Program.

The Repair Assistance and Vehicle Retirement Programs will be restructured as a result of the significant loss of revenue from the Smog Impact Fee that is no longer collected. The Governor's budget proposes \$22 million to support a program funded with the revenue collected from a smog abatement fee. This revised program will be proposed in the Spring.

- **Enhanced Public Access.** The Governor's budget proposes \$766,000 (185,000 General Fund; \$581,000 special funds) and eight personnel years to establish a pilot project to increase consumer assistance in department field offices in Southern California.
- **Consumer Information Center (CIC).** The Governor's budget proposes \$1 million General Fund for the CIC to provide toll-free consumer assistance telephone service designed to assist California consumers on a variety of consumer issues.
- **Medical Board of California.** The Governor's budget proposes an increase of \$1.6 million and 13.3 personnel years to fund an increase in enforcement and investigative workload. The budget also proposes a reduction of \$1.1 million and 9.7 personnel years to reflect the elimination of the written exam and conversion to computer-based testing.

DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing's (DFEH) statutory mandate is to protect the rights of the people of California to be free from discrimination in employment, housing and public accommodation as well as hate violence pursuant to the California Fair Employment and Housing Act, the Unruh Civil Rights Act, and the Ralph Dills Act.

The DFEH evolved from the Department of Industrial Relations' Division of Fair Employment Practices, which was established by the Legislature in 1959. In 1980, DFEH became an independent department. The DFEH is housed within the State and Consumer Services Agency, and is organized into three internal functions: enforcement, legal, and administrative services.

The Governor proposes a total expenditure of \$22 million and 309 personnel years for the Department, an augmentation of \$2.7 million over Budget year 1990-00.

MAJOR PROPOSALS

The major proposals for the Department of Fair Employment and Housing include:

- \$1 million to establish a pilot Mediation Unit to offer employees and employers assistance in resolving employment complaint cases outside of the existing investigation and litigation process;

- \$113,000 General Fund and two personnel years to establish a Public Information and Technical Assistance Unit to enhance public awareness of the rights and remedies available under California's civil rights laws; and
- \$965,000 and 14.3 personnel years for additional litigation staff attorneys and increased administrative costs.

FRANCHISE TAX BOARD

The Franchise Tax Board (FTB) administers the Personal Income Tax (PIT) and the Bank and Corporation Tax laws, which contribute a significant portion to the General Fund. The mission of the Franchise Tax Board is to collect the proper amount of tax revenue and operate its programs at the least cost. The Franchise Tax Board also collects delinquent debts on behalf of other governmental agencies. The Governor's budget proposes expenditures of \$411.2 million, or \$5 million over the current year level. General Fund expenditures are slated to rise by a net \$972,000 (0.3%) to \$370.5 million.

MAJOR PROPOSALS

The major proposals for the Franchise Tax Board include:

- \$9.8 million for the third year of the Integrated Non-filer Compliance Project, which is designed to improve non-filer identification and filing compliance. This program is expected to generate \$19 million in additional revenues in 1999-00 and to generate \$36 million annually once the program is fully implemented;
- \$10.5 million reduction to reflect removal of the remaining development costs from the budget for the Accounts Receivable Collection System (ARCS) project;
- \$1 million augmentation and a one two-year limited-term position to obtain business license information for non-filer identification and filing compliance; and
- \$5.5 million and 34 personnel years to continue the expansion of delinquent child support collections. Also, the Governor's budget proposes an augmentation of \$14 million and 74.0 positions to develop the statewide child support automation system.

BOARD OF CONTROL

The primary objectives of the Board of Control are to: (1) Compensate victims of violent crime and eligible family members for certain crime-related financial losses; (2) Consider and settle all civil claims against the State; (3) Provide equitable travel allowances to certain State government officials; (4) Respond to bid protests against the State

alleging improper or unfair acts of state agencies in the procurement of supplies and equipment; (5) Provide for reimbursement of counties' expenditures for special elections, called for by the Governor to fill vacant seats in the Legislature and Congress.

MAJOR PROPOSALS

The major proposals for the Board of Control include:

- \$1.2 million (Restitution Fund) to fund personnel and operating expense increases and to increase staffing at the local level for claims processing and restitution liaison services; and
- \$686,000 (General Fund) to reimburse counties for special election costs.

THE 2000-01 GOVERNOR'S BUDGET FOR: CRIMINAL JUSTICE

DEPARTMENT OF CORRECTIONS

The mission of the California Department of Corrections (CDC) is to provide for the control, care and treatment of men and women who have been convicted of serious crimes. The CDC addresses its mission and mandate through four major program areas: Institutions, Health Care Services, Community Correctional Programs (primarily Parole Services) and Administrative Services. The CDC system includes:

- 33 institutions, including health care facilities providing medical, dental and mental health services to inmates;
- 11 reception centers for processing individuals into the system who have been sentenced to state prison;
- 12 community correctional facilities (facilities operated by non-CDC entities that house low level inmates);
- 38 fire and conservation camps (allowing CDC to provide inmate firefighters and other labor forces to the appropriate state agencies as circumstances require);
- the Richard A. McGee Correctional Training Center (where correctional officer cadets as well as other CDC personnel receive training);
- 130 parole offices and four outpatient psychiatric service clinics; and
- An additional prison under construction at Delano, pursuant to AB 1535 (Florez), Chapter 54, Statutes of 1999.

The Governor's budget proposes \$4.4 billion for the Department of Corrections for 2000-01. This represents an increase of approximately \$128.2 million (2.9 percent) over the 1999-00 authorized expenditures.

According to the department, the total inmate population as of November 1, 1999, reached 161,805 inmates. 150,479 (93 percent) were men, and 11,326 (seven percent) were women. The department expects the inmate population to reach 164,288 on June 30, 2000, and climb to 166,521 by June 30, 2001, — an increase of 2,233 or 1.4 percent. These projections reflect a slowing of previously anticipated population growth.

The department's parole projections also reflect slowing growth. The 2000-01 budget for parole services assumes a total parole population of 116,908 on June 30, 2000,

increasing to 119,602 by June 30, 2001. This 2.3 percent increase is a notable drop from the prior one year growth of 3.9 percent.

MAJOR PROPOSALS

The major proposals for the Department of Corrections include:

- \$10.4 million to provide increased supervision of parolees with two serious or violent felony convictions. The Administration proposes using the funding to deploy 105 new parole agents, thereby lowering the parolee to parole agent ratio from 70:1 to 40:1;
- \$2 million to fund 23 new parole agents that will be dedicated to intensified efforts to apprehend serious and violent parolees who have failed to maintain the required contact with their parole agents;
- \$1.9 million to fund 22 new parole agents that will be dedicated to providing increased supervision of mentally ill parolees and assisting this group to secure community-based services that will facilitate their reintegration into society; and
- \$12.3 million to fund the implementation of a 1,500 bed expansion of the department's substance abuse treatment efforts. This increase includes resources to provide aftercare treatment for half of the graduates of the treatment programs upon parole.

DEPARTMENT OF THE YOUTH AUTHORITY

The Department of the Youth Authority is responsible for the protection of society from the criminal and delinquent behavior of young people (generally ages 12 to 24, average age 19). The department operates training and treatment programs that seek to educate, correct, and rehabilitate youthful offenders rather than punish them. The department operates 11 institutions, including two reception centers/clinics, and six conservation camps. In addition, the department supervises parolees through 16 offices located throughout the state.

The department projects an institution population of 7,430 by June 30, 2000. The department's estimate for June 30, 2001 is 7,420, a net decrease of 10. The department expects that the parole population will reach 5,135 by June 2000, increasing by 20, to 5,155, on June 2001. Spending authority proposed for 1999-00 amounts to almost \$411 million reflecting a nominal decrease of just over one percent relative to 1999-00.

MAJOR PROPOSALS

The major proposals for the Department of the Youth Authority include:

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- \$2.1 million to fund the extension of the current Basic Academy from five to ten weeks. The department notes that the enhanced academy will focus on counseling, population management and field experience; and
- \$1.5 million to fund video equipment in selected housing units for the purpose of enhancing security as well as radio system upgrades so that safety-compromising radio transmission problems can be avoided.

DEPARTMENT OF JUSTICE

Under the direction of the Attorney General, the Department of Justice enforces state laws, provides legal services to state and local agencies, and provides support services to local law enforcement agencies. The department accomplishes its mission through many diverse programs ranging from its Legal Divisions and Crime Prevention programs to the Division of Law Enforcement, O.J. Hawkins Data Center and Criminal Justice Information Systems component and Division of Gambling Control.

The 2000-01 Department of Justice budget proposes expenditure of \$532.6 million. This represents an increase of just over 1.5 percent relative to the 1999-00 authorized spending level.

MAJOR PROPOSALS

The major proposals for the Department of Justice include:

- \$5.5 million to increase funding for the DNA Data Bank with the express intent of eliminating the existing backlog of DNA specimens and enhancing research efforts, laboratory equipment, and staff training;
- \$823,000 to fund enforcement of various environmental mandates including Proposition 65, and The Safe Drinking Water and Toxics Enforcement Act of 1986; and
- \$2.9 million to fund several firearm measures including: efforts to halt sales of illegal firearms at gun shows throughout the state; SB 23 (Perata) Chapter 129, Statutes of 1999 which expands the application of assault weapon criteria to include firearms with certain generic characteristics and mandates specific registration requirements for weapons legally owned prior to enactment of this legislation; and SB 15 (Polanco) Chapter 248, Statutes of 1999 which requires certification of independent laboratories that test handguns for safety standard compliance.

OFFICE OF CRIMINAL JUSTICE PLANNING

The goal of the Office of Criminal Justice Planning (OCJP) is to improve the criminal justice system in California by providing financial and technical assistance to local

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governments, state agencies, and the private sector. Services provided by OCJP include but are not limited to: development of state-of-the-art approaches for crime prevention and victim services programs; administration of grant funding to local agencies and organizations; development and distribution of information on crime prevention and victim services; and coordination of information exchanges between criminal justice agencies and community organizations.

The budget proposes \$317.8 million for 2000-01. This is a 19.3 percent increase relative to the 1999-00 authorized spending level for this department. This notable net increase is for the most part attributable to the \$100 million increase for Technology Grants for Local Law Enforcement (see below).

MAJOR PROPOSALS

The major proposals for the Office of Criminal Justice Planning include:

- \$100 million to fund one-time competitive grants to local law enforcement agencies. \$75 million will be provided to local law enforcement for high technology equipment purchases. \$25 million will be provided to local law enforcement for school safety, juvenile crime, and anti-gang efforts; and
- \$405,000 to fund positions necessary to address legal, legislative and grant management workload.

GOVERNOR'S 2000-2001 BUDGET PROPOSAL FOR: TRANSPORTATION

The Governor's budget proposes expenditures on roads, highways, mass transit, vehicle licensing and registration, and public safety of \$9.4 billion, an increase of 5.3 percent over revised current year spending. Transportation funding includes the Department of Transportation, California Transportation Commission, California Highway Patrol, Department of Motor Vehicles, Special Transportation Programs, High Speed Rail Authority, and Office of Traffic Safety as shown in Table 1. Transportation programs are funded with state and federal fuel taxes, sales and use taxes on diesel fuel, bond proceeds, motor vehicle and driver licensing fees, truck and trailer fees, and local sales taxes.

Table 1

Transportation Expenditures (Dollars in millions)			
Agency	Revised 1999-00 Expenditures	Proposed 2000-01 Expenditures	Percent Change
Caltrans	\$7,043	\$7,507	6.2
California Highway Patrol	917	930	1.4
Department of Motor Vehicles	616	637	3.3
California Transportation Commission	203	203	0
Special Transportation Programs	100	101	1
Office of Traffic Safety	42	42	0
High Speed Rail Authority	3	1	-66.7
TOTAL TRANSPORTATION SPENDING	\$8,924	\$9,421	5.3

MAJOR PROPOSALS

The major proposals for Transportation include:

- \$763 million for road maintenance, an increase of \$9 million, or nine percent, over current year expenditures. This investment aims to protect the highway system by increasing safety-related maintenance activities and by preserving roads and related infrastructure;
- \$45 million from the State Highway Account of non-gas tax funds to be transferred to the Public Transportation Account for expansion of intercity rail service;
- \$12 million from the Public Transportation Account to fund the first year of the planning and development of the high-speed water transit system in the San Francisco Bay;
- \$121 million General Fund for passenger rail services;
- Expansion of the current four year cycle of the State Transportation Improvement Program (STIP) to seven years in order to program over \$3 billion in additional projects in the 2000 STIP that would otherwise be programmed in the 2002 or 2004 STIPs;
- \$665 million (\$562 million General Fund and \$103 million High Polluter Repair or Removal Account) for Smog Impact Fee refund, due to a recent District Court of Appeals ruling that the \$300 fee to out of state cars was unconstitutional. The administration proposes urgency legislation to appropriate the funds; and
- \$1.7 million for additional motorcycle officers in the Golden Gate and Southern Divisions for congestion relief.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system of more than 50,000 miles of highway and freeway lanes. Caltrans also provides rail passenger services under a contract with Amtrak and provides support to over 100 local airports. The Governor's budget proposes \$7.5 billion for 2000-01, an increase of \$500 million, or 6.5 percent, over revised current-year spending.

Highway Maintenance. The Governor's budget proposes \$763 million for maintenance of the State Highway System (SHS), a significant increase of \$9 million, or nine percent, over revised current year funding.

The budget also includes \$1.2 million above current year levels for maintenance and operations of traffic-management technologies and systems, including freeway ramp meters, traffic loop detectors, transportation management centers, and high-occupancy vehicle (carpool) lane system management.

Expanding the State Transportation Improvement Program (STIP). The STIP is a four-year planning document that is adopted every other year by the California Transportation Commission (CTC). The 1998 STIP was a transitional six-year program, beginning in 2000 all STIPs under current statute would be four years.

The 1998 STIP programmed over \$4 billion for new capital transportation projects throughout the state. The Governor proposes to expand the current four year cycle of the STIP to seven years in order to program over \$3 billion in additional projects in the 2000 STIP that would otherwise be programmed in the 2002 or 2004 STIPs. The administration indicates that the \$3 billion is not represented in budget spending totals because the state and local projects will not be identified until the spring or summer in the STIP 2000 process.

Of available funds to program, 75 percent are allocated to regional projects. Local transportation agencies nominate regional projects to the CTC. The remaining 25 percent of available funds are allocated to interregional projects. Of the additional \$3 billion to be programmed \$750 million is the State's share for interregional projects.

Use-it-or-lose-it. To ensure on-time delivery of existing and future programmed STIP projects, the Governor proposes to force locals to spend \$300 million in local gas tax by June 30, 2000 or to have funds will programmed by the state for projects within those same areas. The Administration also proposes to encourage locals to use \$800 million in federal funds for local Congestion Management and Air Quality (CMAQ) and Regional Surface Transportation Projects (RSTP), or to have the state take over programming of those funds and allocate them for projects in those regions.

Passenger Rail Service. Through a contract with Amtrak, Caltrans administers intercity passenger rail services on three routes. The routes include: the San Diegan, which runs between San Diego, Los Angeles, Santa Barbara, and San Luis Obispo; the San Joaquin, which currently runs between Bakersfield, Stockton, and Oakland; and the Capitol, which runs between Roseville, Sacramento, Oakland, and San Jose.

The budget proposes a total of \$121 million General Fund for intercity and commuter rail projects; including:

- \$20 million General Fund for Fresno track and signal improvements;
- \$36 million General Fund for the Altamont Commuter Express (ACE);
- \$30 million General Fund for purchasing two train sets for the San Diegan Corridor;

- \$15 million General Fund for track and signal improvements on Metrolink's San Bernardino line;
- \$5 million General Fund to establish the Caltrain Coyote Valley Station; and
- \$15 million General Fund for the Vasona Light Rail Winchester Station.

Public Transportation Account (PTA). PTA revenues are generated primarily through a sales tax on diesel fuel, and lower diesel prices have reduced PTA revenues. This factor, along with significant PTA revenues being allocated to seismic retrofit and rail service projects, has resulted in the impending insolvency of the account. As a result, the Governor proposes to transfer \$45 million non-gas revenues from the State Highway Account to the PTA. The Administration expects this shift to postpone the funds anticipated deficit until after 2007-08.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles' (DMV) responsibilities include protecting the public interest in vehicle ownership by registering vehicles and promoting public safety on roads and highways by issuing driver licenses. In addition, the DMV licenses and regulates vehicle-related businesses and provides revenue collection services for state and local agencies.

The Governor's budget proposes \$637 million for the DMV, an increase of \$21 million, or 3.3 percent, above the revised current year spending.

MAJOR PROPOSALS

The major proposals for the Department of Motor Vehicles include:

- \$665 million (\$562 million General Fund and \$103 million High Polluter Repair or Removal Account) for the Smog Impact Fee refund, due to a recent District Court of Appeals ruling that the \$300 fee to out of state cars was unconstitutional. The administration proposes urgency legislation to appropriate the funds;
- \$5.1 million for the second year costs of replacing the department's accounting system;
- \$4.7 million for furniture and cabling projects;
- \$2.6 million to have the department transition from out-sourced janitorial services to in-house services;

- \$4.2 million and 92.6 personnel years for maintaining staffing levels; and
- \$14.1 million to make permanent the requirement of submitting proof of insurance and sanctions against violators.

CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) is responsible for ensuring the safe, lawful, and efficient transportation of persons and goods along the state's highway system, and providing protective services and security for state employees and property.

The Governor's budget proposes \$930 million for the CHP, an increase of 1.4 percent, over revised current year funding.

MAJOR PROPOSALS

The major proposals for the CHP include:

- \$1.7 million for additional motorcycle officers in the Golden Gate and Southern Divisions for congestion relief;
- \$250,000 for motorcycle safety education;
- \$1.7 million for the farm labor vehicle inspection and safety program; and
- \$1.7 million for enforcement in organized automobile fraud activity.

GOVERNOR'S 2000-2001 BUDGET PROPOSAL FOR: INFORMATION TECHNOLOGY

The Department of Information Technology was established in 1995 to provide oversight of information technology investments. In addition, the Health and Welfare Agency Data Center and the Stephen P. Teale Data center provide state agencies with information technology services.

MAJOR PROPOSALS

Some of the major proposals in Information Technology include:

- \$8 million for the University of California to Expand Internet networks to campuses;
- \$2.1 million to the Trade and Commerce agency for expanding e-commerce to small businesses in rural communities;
- \$5 million to the Trade and Commerce Agency to help high-tech industries research and expand their industries in California; and
- \$2.1 million to the Department of General Services for organizing a "one-stop shop" Internet portal for consumers on services and resources available in state government.

DEPARTMENT OF INFORMATION TECHNOLOGY

The Department of Information Technology (DOIT) was created by SB 1 (Alquist), Chapter 508, Statutes of 1995, and has the responsibility for the strategic direction and oversight of the State's information technology investments. The budget proposes \$9.7 million for DOIT, a decrease of \$18.4 million from revised current year spending. The decrease is due to spending increases in Budget Years 1998-99 and 1999-2000 for Year 2000 preparedness of California State Agencies. Although the department continues to monitor for any potential Y2K problems, the additional funding provided during the last two budget years is no longer necessary.

Year 2000: The Year 2000 problem resulted from computer systems using only two digits to specify years, impeding systems' ability to recognize twenty-first century years. Left unresolved, state government would have been unable to adequately accomplish even its most basic tasks, such as determining eligibility for public benefits.

Since October 1997, state agencies were instructed to fix Year 2000 problems of "Mission Critical" systems. The DOIT's Year 2000 Project provided oversight of state agencies' progress in solving Year 2000 problems.

The California Y2K Program Management Office (PMO) reports that no major issues occurred in the state's "Mission Critical" systems with the rollover to the year 2000. Although the date has passed the office continues to monitor all systems.

The Governor budget indicates the DOIT will present a proposal in the spring of a new model to meet the information technology needs of the state. The new model will provide changes to application development, project management, information technology management and procurement, contract management, vendor management, data center issues, and security.

HEALTH AND WELFARE AGENCY DATA CENTER

The Health and Human Services Agency Data Center (HHSDC) provides information technology services to various departments of the Health and Human Services Agency, as well as to other state agencies and various local jurisdictions. The Governor's budget proposes \$293 million for the HHSDC, which represents an increase of 5.4 percent over estimated current year expenditures. The major budget proposals for the HHSDC are listed below:

Statewide Automated Welfare System (SAWS). The SAWS automates welfare eligibility processes and administrative functions for various programs, including CalWORKs, through four separate consortia systems. The proposed budget includes: (1) \$22.3 million for maintenance and operations activities and \$7.6 million for welfare-reform related system changes and upgrades for Interim SAWS, (2) \$37.7 million for the development and implementation of the Welfare Client Data System, (3) \$18.7 million for maintenance and operations activities for the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) system, and (4) \$12 million for continuing development and implementation activities for the Consortium IV counties.

Child Welfare Services/Case Management System (CWS/CMS). The CWS/CMS automates tracking and reporting information in the Child Welfare Services program. The budget proposes \$77.4 million to fund maintenance and operations costs and for re-procurement of a maintenance and operations vendor.

Child Support Automation. Current law designates the Franchise Tax Board as the agent of the newly created Department of Child Support Services (DCSS) for the procurement, development, implementation, maintenance, and operation for the California Child Support Automation System. The DCSS is responsible for county interim automation systems, with project management activities remaining with the HHSDC. The proposed budget includes \$12.1 million (General Fund) for administrative costs for county business related enhancements and transition activities.

Statewide Fingerprint Imaging System (SFIS). The SFIS is a database system designed to detect and reduce incidences of multiple case fraud in the CalWORKs and

Food Stamps program. The budget includes \$10.6 million for SFIS implementation in 2000-01.

Electronic Benefit Transfer (EBT). The EBT system will deliver public benefits to recipients through electronic funds transfer, automated teller machines, and point-of-sale terminals. The proposed budget includes \$7.3 million for EBT development and implementation in 2000-01.

Case Management, Information, and Payrolling System (CMIPS). The CMIPS provides various eligibility determination, case management, payroll services, and service level calculations in the In-Home Supportive Services program. The proposed budget includes \$1.4 million for ongoing contract re-procurement activities.

STEPHEN P. TEALE DATA CENTER

The Stephen P. Teale Data Center provides information technology services to over 200 state agencies. The Governor's budget proposes \$89 million for the Teale Data Center, a decrease of \$3.8 million.

MAJOR PROPOSALS

The major proposals for the Teale Data Center include:

- \$4 million decrease to adjust baseline expenditure authority for previously approved project costs with actual costs;
- \$2 million to acquire additional central processing unit capacity; and
- \$508,000 for additional access to storage capacity due to additional workload.