

GOVERNOR'S 1998-99 BUDGET PROPOSAL FOR: GENERAL GOVERNMENT

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development (HCD) is California's principal 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.

MAJOR PROPOSALS

The Department of Housing and Community Development's proposed budget for the 1998-99 is \$160 million, which represents a decrease of \$2.3 million from the current year's budget. The major budget proposals for HCD include:

- \$4.9 million General Fund for the Office of Migrant Services (OMS) for repairs and reconstruction of 2,102 OMS owned housing units used to house seasonal and temporary farmworkers;
- \$1 million in General Fund in fiscal year 1997-98 for the Self Help Housing Program. The Governor's 1998-99 budget proposes a continuation in \$1 million of funding for the Self Help Housing Program;
- An increased administrative cost of \$258,000 to verify that all persons living in publicly funded housing are citizens or qualified immigrants; and
- No new funding for the Farmworker Housing Grant Fund, the 1998-99 budget reflects a \$2 million continuation of last year's Legislative augmentation of \$4 million.

AFFORDABLE HOUSING

The number of low-income families is on the rise as is the demand for affordable housing. With many Californians facing new time limitations on receipt of public assistance and cut backs in social services, it is critical that the Legislature address the needs of California's working families as well as those who are transitioning from welfare to work.

In California's six largest housing markets, San Jose, Santa Ana, San Diego, the Bay Area, Long Beach, and Los Angeles, at least 63 percent of low income families pay

more than 50 percent of their income on rent. The same six areas also have six of the country's worst housing markets for low-income individuals.

Income inequity among families with children has been increasing since the 1970s. Between the late 1970s and mid 1990s, the income of the richest fifth of families with children increased by 30 percent, while that of the middle and poorest fifth dropped by 6 and 27 percent respectively. The gap between the wealthiest and middle-income families in California is the third widest in the nation.

Creating new jobs is only part of the equation for a growing and healthy economy. Affordable housing is a key ingredient to a stable workforce and sustained economic growth for California.

Many states have dedicated revenue sources to fund affordable housing. In California, only one in eleven families or 8.7 percent of those who are eligible for publicly assisted housing receive it. The national average among other states is 23 percent. California ranks 50th among all states in this category. Despite California's strengthening real estate market, only half of the homes in major metropolitan cities were affordable for those earning average incomes. Table 1 illustrates California ranks 48th in the percentage of residents who own their own home.

The final budget should provide funding for the acquisition and rehabilitation of "at risk" rental housing projects currently subsidized with federal Section 8 funds. Section 8 contracts, with more than 110,000 units of rental housing are due to expire in California in the next five years. Funding could be made available through an augmentation of the rental component of the California Housing Rehabilitation Program (CHRP-R), administered by the Department of Housing and Community Development. An augmentation of \$15 million in this program would fund the preservation of approximately 1000 housing units statewide and leverage an additional \$45 million in private and public funds.

Table 1

State Comparisons of Homeownership		
Rank	State	Percentage of residents who

		owned a home in 1996
1	Maine	76.5
2	Minnesota	75.4
3	Washington	74.3
4	Indiana	74.2
5	Kentucky	73.2
6	South Carolina	72.9
7	Utah	72.7
8	Pennsylvania	71.7
9	Vermont	70.3
10	Ohio	69.0
48	CALIFORNIA	55.0

FARMWORKER HOUSING

Farmworkers hold one of every 10 jobs in California and account for an average of 350,000 year-round equivalent workers. California's agricultural industry nets over \$7 billion dollars in income each year, yet the average farmworker earns approximately \$7,600 per year. It is critical for the health of California's economy that funding for housing programs targeting farmworkers and their families be maintained or increased.

Farmworkers are often unable to obtain safe and affordable housing due to their low annual income. Fewer than three percent of farmworkers qualify for market rate financing for new housing, however modest in scale. Costs are rising for new housing in California. In some rural areas, agricultural land worth \$18,000 an acre is being transformed into building land worth anywhere from \$56,000 to \$110,000 per acre, pushing housing costs beyond the means of the average farmworker or rural county resident.

Programs that target the development of permanent housing for agricultural workers are listed below. Investments in these programs have created thousands of jobs in rural communities and have yielded millions of dollars for local economies.

Farmworker Housing Grant Fund: The Farmworker Housing Grant Fund 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. This program usually operates in conjunction with various programs offered through the federal Farmer's Home Administration. The state's \$39 million investment in the program since 1978 has leveraged over \$160 million in combined public and private investments.

Through Legislative initiative, the 1997-98 budget included, for the first time in six years, an augmentation of \$4 million. As a result of this augmentation, it is estimated that over 300 farmworker housing units will be built.

The state's \$39 million investment in the program since 1978 has supported the development of 3,293 farmworker housing units. Additionally, these funds have leveraged over \$406 million in private and public funds, stimulating local economies and creating jobs.

Office of Migrant Services: The Office of Migrant Services (OMS) operates and provides 2,102 temporary and seasonal housing units to approximately 11,000 farm workers and their families annually. The majority of these units are located in California's Central Valley region.

It is estimated that there are approximately 900,000 farmworkers, employed by California agricultural producers, who require housing. Private labor camps provide some 26,000 units, most of which are for single workers. In comparison, the number of individuals who are being served by both OMS and the private sector indicates a very small portion of that population is being served. There is a serious shortage of safe, decent, and affordable housing for farmworkers and their families. The demand for housing far exceeds the existing rural housing supply. Thus, farmworkers are forced into unsanitary housing conditions which present a serious health and safety risk for farmworkers, their families and communities.

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.

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 provides non-profit organizations with money for Self-Help construction supervision, loan packaging, and homeownership education through the Department of Housing and Community Development.

This program has proven to be very successful in enabling low-income families to own their homes. The \$1 million legislative augmentation to the program in the 1997-98 budget assisted 150 families in building their own homes, created 335 new jobs, generated \$24.4 million in new business activity, and produced \$1.8 million in state and local tax revenue. Thousands of families are on the waiting lists – and the lists are getting longer. Due to limited funding many families have remained on the waiting lists for up to seven years.

Verification of Citizenship or Immigrant Status: Considering that verification regulations regarding citizenship and immigrants are still in the public review period, it is premature for the administration to propose funding for enforcement of regulations that are not yet finalized. Therefore, the Legislature may wish to consider withholding the funding for this proposal pending the outcome of public hearings and a detailed review of the perceived need for this additional administrative expenditure.

Other Initiatives: There are several housing bills and proposals being considered by the state legislature during the 1997-98 session. These bills and proposals are described below.

- **Regional Housing Needs Mandate:** State law requires every city and county to prepare a general plan to guide and assess the future growth of a community. Every general plan must contain seven mandatory elements: land use, circulation, housing, conservation, open-space, noise, and safety. A housing element contains policies that encourage the development of housing; identifying how much housing is needed, how much land needs to be zoned, where the various housing types will be located, and programs that encourage the development of lower income housing.

As part of the solution to the State's severe budget problems, the Legislature has suspended this mandate since 1992. However, California's solid economic performance over the past year has led to positive revenue growth. Therefore, the Legislature may wish to consider funding the preparation of Regional Housing Needs Plans beginning in 1998-99. If the Legislature reinstates the funding/mandate, the Council of Governments will have the necessary data to adequately plan for affordable housing within each city and county.

- **SB 256 (Lee):** The Homeless and Housing Bond Act of 1998. SB 256 would place before the voters a \$200 million bond for the purpose of funding various housing programs. Specifically, SB 256 would fund the following programs:
 - \$100 million for the Rental Housing Construction Program;
 - \$50 million for the Housing Rehabilitation Loan Fund;
 - \$20 million for the Farmworker Housing Grant Program;
 - \$15 million for the Office of Migrant Services;
 - \$10 million for the Emergency Shelter Program; and
 - \$5 million for the Rural Predevelopment Loan Program.

The measure requires the Homeless and Housing Bond Act to be submitted to the voters at the next statewide election.

- **AB 438 (Torlakson):** The housing element process is a lengthy and often contentious one for local governments and those who develop, finance and construct housing within their jurisdictions. The housing element is the only element within the general plan subject to mandatory review by a state agency.

This bill proposes to amend the housing element portion of state planning and zoning law to better assist local governmental entities, housing developers, and planners in producing the greatest number of safe, sanitary, decent affordable housing units by the most effective means possible.

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- **AB 168 (Torlakson):** According to the author, developers receive an allocation of low-income housing tax credits and then sell the credits to investors to raise up-front capital to build housing units. Investors typically pay 50 to 75 cents for each dollar of tax credit, receiving an 11-12 percent rate of return on their investment.

The state and federal low-income housing tax credits have financed over 55,000 rental housing units and have leveraged \$3 billion in additional private and public funds. The demand for state credits has increased significantly in recent years. This bill increases the state tax credit for building low-income housing from \$35 million to \$50 million per year.

TRADE AND COMMERCE AGENCY

In 1992, the Trade and Commerce Agency was created to be the state's lead agency for promoting economic development, job creation, and business retention in California. Economic Development, International Trade and Investment, Marketing and Communications, Tourism, and Contracts are its major programs. The Governor's budget proposes total expenditures of \$88 million for the 1998-99 budget year, a six percent decrease from the estimated current year expenditures. The reduction in the budget year reflects increased loan repayments paid by the department in various programs.

MAJOR PROPOSALS

Some of the major budget proposals for the Trade and Commerce Agency include:

- \$3 million General Fund augmentation to expand the Small Business Loan Guarantee Program;
- \$50 million General Fund and another \$200 million General Obligation Bond for the development of an Infrastructure Bank; and
- \$1 million for four new foreign trade offices in Singapore, South Korea, China, and Brazil, which would bring the total to 14 trade offices worldwide.

Small Business Loan Guarantee Program: In 1968, the Small Business Loan Guarantee Program was established with a \$30 million General Fund appropriation to the Business Expansion Fund, a trust account. Currently there are eight Small Business Development Financial Corporations (SBFDCs) in Santa Rosa, Sacramento, Oakland,

Salinas, Fresno, San Diego, and two in Los Angeles. All SBFDCs have the capacity to draw about \$4.5 million from the trust account to help guarantee business loans and are operated as nonprofit businesses. Typically, business owners denied by a bank due to a lack of credit or capital are forwarded to SBDFCs. In turn, with a two percent charge, an SBDFC can guarantee a loan enabling the borrower to secure the necessary loan from a bank.

The Governor's \$3 million augmentation will increase the Business Expansion Fund to about \$36 million allowing each SBDFC to increase the amount they can draw from the trust fund to about \$5.5 million.

Infrastructure Bank: In 1994, AB 1495 (Peace), Chapter 94, Statutes of 1994 and SB 101 (Bergeson), Chapter 749 Statutes of 1994 enacted the Bergeson-Peace Infrastructure and Economic Development Act. The primary objective of the California Infrastructure Bank is to create jobs and sustain economic development in California, while providing much needed infrastructure investment. Upon its establishment, many types of projects will be eligible for financial assistance such as city streets; county highways; drainage and flood control; environmental mitigation; parks; port facilities; defense conversion; telecommunications; public transit; sewage collection and disposal; solid waste collection and disposal; and water treatment.

One of the advantages of a State Infrastructure Bank is to provide significant economies of scale with the ability to produce savings in local administrative costs, issuance expenses, bond underwriting commissions, and bond counsel fees. Currently, 25 states have established similar infrastructure banks.

Similar to last year's budget, the Governor proposed funding the Infrastructure bank and the Legislature approved the proposal in the Budget Conference Committee, but due to the \$1.3 billion PERS payment, the proposal was not included in the final budget agreement.

Foreign Trade Offices: The International Trade and Investment Division (ITI) within the Trade and Commerce Agency provides export development, financing, and marketing services for California's small to medium sized-companies. One important function of this unit is the operation of foreign trade offices located worldwide. These trade offices work in conjunction with ITI offices and local partners to promote California exports to international markets and recruit foreign direct investments to California.

Each of the foreign offices has the responsibility to provide services for the immediate foreign country in which the office is located as well as a regional responsibility. Table 2 shows the ten existing trade offices and their corresponding regional responsibilities:

Table 2

California's Foreign Trade Offices		
Year Opened	Main Office Location	Regional Responsibility
January of 1987	Tokyo (Japan)	Korea
April of 1987	London	France , Switzerland, Austria, Scandinavia

January of 1989	Mexico	Central and South America
October of 1989	Frankfurt (Germany)	Italy, Spain, Portugal, Eastern Europe, Russia
February of 1990	Hong Kong	Southeast Asia, India, Australia, New Zealand
December of 1993	Israel *	Middle East
September of 1994	Taiwan	Greater China
November of 1995	South Africa	Sub- Saharan Africa
June of 1996	Indonesia *	Asia
October of 1996	Korea *	Asia

* These are "representative trade offices" where the state has entered into a contract with a foreign government to operate the office, as opposed to hiring a state employee.

With the assistance of the World Trade Commission's Foreign Office Location Study, the Governor has established 10 trade offices and proposes another \$1 million General Fund to establish four more in the budget year: Singapore, China, Jakarta, and Brazil. This will bring the total to 14 trade offices at an annual expenditure of \$5.5 million a year.

According to the Trade and Commerce Agency, Canada remains the country's largest trading partner and California's second largest trading partner. Most recent statistics indicate that California exports to Canadian markets topped \$11 billion in 1996—a 14.7 percent growth over 1995. Moreover, since 1988, California exports to Canada have increased 177 percent, which translates to about 155,000 jobs in California.

Similarly, according to the Trade and Commerce Agency, in 1995 California exports to the Philippines increased 40 percent to a total of \$1.8 billion, making the Philippines California's 15th largest export market. The U.S. Department of Commerce reports that by the year 2000, the Philippine economy with restored political and microeconomic stability is on the verge of becoming the next "Tiger" of Asia.

DEPARTMENT OF GENERAL SERVICES

The Department of General Services is responsible for providing support services to state agencies and departments, and performs management and oversight activities related to these support services. It provides these services through two programs: statewide support and property management services. The Governor's budget proposes total expenditures of \$567 million for the 1998-99 fiscal year, a 0.6 percent increase over current year expenditures.

MAJOR PROPOSALS

Some of the major budget proposals for the Department of General Services include:

- An increase of \$7 million from the Service Revolving Fund to fund the debt service at the new Elihu Harris State Office Building in Oakland;

- An increase of \$6.6 million to the State Emergency Telephone Number Account to meet wireless "911" workload;
- A one-time increase of \$2.7 million to the Service Revolving Fund to perform deferred maintenance projects at various state buildings; and
- A \$500,000 base funding to continue to make alterations to state owned buildings in compliance with the Americans with Disabilities Act (ADA).

DEPARTMENT OF INSURANCE

The principal objective of the Department of Insurance is to protect insurance policy holders in the state. It conducts examinations of insurance companies to ensure that operations are consistent with the requirements of the Insurance code. The Governor's budget proposes total expenditures of \$127 million for the 1998-99 budget year, a three percent increase over current year expenditures.

MAJOR PROPOSALS

Some of the major budget proposals for the Department of Insurance include:

- A \$3.4 million increase in Insurance Funds to expand the department's efforts in detecting and preventing fraudulent activities related to automobile and worker's compensation insurance claims;
- An increase of 47 positions to expand the department's consumer services programs in accordance with SB 18 (Rosental) Chapter 894, Statutes of 1997 which appropriated \$10 million to fund these activities over a three-year period; and
- A \$1.7 million increase in Insurance Funds to enhance the department's abilities to fulfill its regulated responsibilities in responding to licensing inquiries and conducting field examinations of insurers.

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 Governor's budget proposes total expenditures of \$384 million for the 1998-99 budget year, a two percent increase from current year expenditures.

MAJOR PROPOSALS

Some of the major budget proposals for the Franchise Tax Board include:

- A \$12.8 million General Fund augmentation for the Accounts Receivable Collection System to automate manual processes, which is estimated to generate additional annual revenues of \$35 million;

- A \$3.2 million General Fund augmentation to coordinate and program Year 2000 changes necessary for "century sensitive" automated systems; and
- Eliminating the state's Business Tax Reporting program that could lead to about a \$5 to \$10 million loss in annual revenues and an unfunded mandate for many cities.

MILITARY DEPARTMENT

The Military Department is responsible for the leadership, command, and management of the Air National Guard and the California Army. 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 \$56 million for the 1998-99 budget year, a two percent decrease over current year expenditures. The two percent decrease in the budget year is primarily due to a decline in federal fund support.

MAJOR PROPOSALS

Some of the major proposals for the Military Department include:

- A \$2 million augmentation from the General Fund for a comprehensive repair and modernization program at California Army National Guard armories;
- A \$925,000 General Fund augmentation for the Los Alamitos Armed Forces Reserve Center to fund routine maintenance and repair of airfields and to serve as a primary disaster command center for emergency situations in Southern California; and
- An augmentation of \$2 million in federal funds and \$200,000 General Fund to establish the California National Guard Youth Challenge program to instill at-risk youth, ages 16-18 years old, with the values, skills, education, and self-discipline necessary to succeed as responsible citizens. Rather than create a new youth program, the Legislature may wish to consider augmenting similar existing programs aimed at assisting young adults.

OFFICE OF EMERGENCY SERVICES

The Office of Emergency Services (OES) coordinates emergency activities during disasters and recovery efforts. It provides assistance and support to state and local agencies in planning and preparing for the use of federal, state, local and private sector resources. The Governor's budget proposes total expenditures of \$355 million for the 1998-99 budget year, a decrease of 38 percent over estimated current year expenditures. The 88 percent decrease in OES's budget reflects 323 expiring limited term positions within the Disaster Assistance Branch.

MAJOR PROPOSALS

Some of the major budget proposals for the Office of Emergency Services include:

- An increase of \$452,000 from the General Fund for annual costs related to the relocation of headquarters staff;
- An increase of \$267,000 from the General Fund for the first year of a three-year program to purchase fire, rescue and communications equipment for OES; and
- A one-time increase of \$250,000 from the General Fund to repair facilities at Camp San Luis Obispo.

In recognition of the importance of flood preparedness, the Legislature appropriated about \$5.4 million General Fund to the Department of Water Resources (DWR) during the 1997-98 session. The funds appropriated are for activities associated with planning and advanced deployment of personnel, materials, and facilities to respond to high water events resulting from El Niño.

Despite this, however, there is no funding match in the Governor's budget to prepare and respond to El Niño. Considering that El Niño is anticipated to inflict heavy property damages to California in 1998, the Legislature may wish to consider augmenting the OES's disaster assistance program, the division in charge of providing aid to local agencies, for repair and restoration of public real property in stricken areas.

DEPARTMENT OF FOOD AND AGRICULTURE

The Department of Food and Agriculture (DFA) promotes and protects the states agriculture industry, develops California's agricultural policies, and assures accurate weights and measures in commerce.

MAJOR PROPOSALS

Some of the major budget proposals for the Department of Food and Agriculture include:

- The Governor's 1998-99 budget proposal for the Department of Food and Agriculture is \$198 million, an increase of \$4.2 million over the 1997-98 budget;
- The Governor's budget includes \$991,000 for the Food Safety Program including an additional \$164,000 to provide training and public education of proper handling of food, and for disseminating timely and accurate information to reduce the risk of emerging pathogens.

In California, hundreds of citizens in recent years have reported illnesses from outbreaks of salmonella on cantaloupes and tomatoes, hepatitis virus on strawberries, and E. coli in fresh fruit juice and salads.

The Department of Food and Agriculture should provide a comprehensive report to the Legislature on the status and effectiveness of the Food Safety Program. Since the handling of food products by agricultural workers is a serious health and safety concern, the Legislature may also wish to require the Department of Food and Agriculture to provide the Legislature with a comprehensive report on the current sanitary working conditions of the agricultural workplace.

SECRETARY OF STATE

The Secretary of State (SOS) is the chief election officer and has statutory responsibility for examining and filing financial statements and corporate-related documents for the public record. Other statutory responsibilities administered by the Secretary of State are: Limited Partnerships, Elections, Political Reform, Uniform Commercial Code, Notary Public, Archives, and Information Technology. The Governor's budget proposes total expenditures of \$69 million for the 1998-99 budget year, a decrease of eleven percent from estimated current year expenditures. The decrease in the budget year is primarily due to past deficiencies incurred by the state in reimbursing local counties for their costs in providing absentee ballots to voters.

MAJOR PROPOSALS

Some of the major budget proposals for the Secretary of State include:

- An increase of \$2.3 from the General Fund to replace candidate database and vote reporting system; and
- An increase of \$2.5 million from the General Fund for the 1998 printing of the California Ballot Pamphlet.

According to the SOS, voter participation has steadily declined from about 90 percent of all registered voters in the 1960s to approximately 65 percent in 1996—the lowest voter turnout this century. Because the Governor's budget does not include any new funding for voter outreach, and considering that California has about 16 million registered voters with only one position dedicated for voter outreach, the Legislature may wish to consider expanding voter outreach programs to help register Californians.

TAX RELIEF

California homeowners and renters are provided assistance through a variety of tax relief programs. Additional relief is provided to low-income senior citizens and disabled persons. The Governor's budget proposes total expenditures of \$465 million for the 1998-99 budget year, a 0.8 percent increase over the estimated current year expenditures. The slight increase in the budget year is primarily due to reimbursement of local agencies for costs incurred in complying with certain state-mandated local programs.

MAJOR PROPOSAL

The major budget proposal for the Tax Relief program is:

- For the fifth year in a row, the Governor's budget proposes to eliminate the Renter's Tax Credit program, for a General Fund savings of \$539 million for the 1998-99 budget year.

The renter's tax credit provides a refundable tax credit to Californians who rent their principal place of residence. The credit is applied first to income taxes due, with any balance paid directly to the renter as a refund. Persons with no income tax liability must file a return to receive the tax relief payment.

The renter's credit program was suspended for three years, beginning in 1993, as one of many spending reductions enacted to address the state's budgetary problems. Due to the Governor's decision to repay the \$1.3 billion PERS loan, the Legislature was not able to reinstate the program in last year's budget. Should the program be suspended another year or permanently eliminated, single and married renters will no longer be entitled to receive \$60 and \$120, respectively.

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 Act.

MAJOR PROPOSALS

- An increase of \$1.25 million General Fund and 21 positions for the Employment unit to investigate complaints of employment discrimination in California;
- A \$1.25 million augmentation and 21 positions to review and investigate employment complaints. For fiscal year 1997-98 the Administration had proposed an augmentation of \$2.5 million General Fund and an addition of 42 positions. However, due to the Governor's decision to repay the PERS loan in one lump sum, the Legislature only approved \$1.25 million and 21 positions. The FY 1998-99 request is for the remainder of the original 1997-98 request for 42 positions and \$2.4 million General Fund; and
- \$490,000 in federal funds and seven positions for the Housing Unit to investigate complaints of housing discrimination in California.

In recent years, DFEH's ability to meet its statutory mandate to investigate and close a case within the mandated one year time frame has been severely impacted by an increased number of discrimination complaints, staff reductions, expanded jurisdiction, and enhanced public awareness of harassment and discrimination. During each of the last nine fiscal years, the number of complaints filed with DFEH has steadily increased as table 3 below shows:

Table 3

DFEH COMPLAINTS 1988-1996									
Type of Complaints	FY 88/89	FY 89/90	FY 90/91	FY 91/92	FY 92/93	FY 93/94	FY 94/95	FY 95/96	FY 96/97
Employment	7,598	8,314	10,585	12,343	13,203	15,571	16,045	16,991	18,631
Housing	836	760	828	690	476	403	924	943	803
Civil Rights	98	124	151	140	111	137	177	167	144
Totals	8,532	9,198	11,564	13,173	13,790	16,111	17,146	18,101	19,578

DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs has a threefold overall objective:

- (1) provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under State and federal laws; afford California veterans the opportunity of becoming homeowners through the medium of long-term low-interest loans available to them under the Cal-Vet farm and home loan program; and
- (2) provide support for California veterans homes where eligible veterans may live in a retirement community and where complete nursing care and hospitalization are provided.

MAJOR PROPOSALS

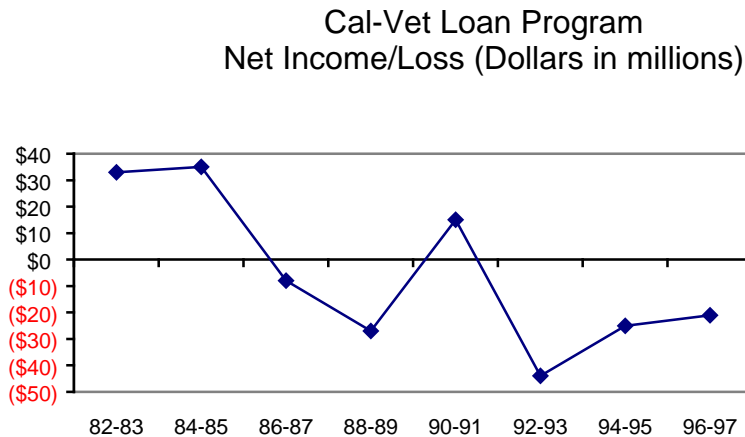
- A one time augmentation of \$4.9 million General Fund to implement a Veterans Home Information System (VHIS) at the Yountville Home; and
- \$1.1 million General Fund for the reopening of 58 intermediate care beds and 84 skilled nursing beds at the Holderman Hospital.

CAL-VET LOAN PROGRAM

Since 1921, the Cal-Vet Loan Program has provided long-term home and farm loans at low interest rates to more than 400,000 California Veterans. Since the early 1980s, however, the number of new loans issued by the Cal-Vet Program have greatly

decreased. This is due in part to veterans obtaining more attractive financing elsewhere. Preliminary financial statements indicate that program expenses have exceeded revenues in the 1996-97 fiscal year. Financial statements of the Cal-Vet Board have not recently undergone Legislative review. The program under the direction of the Cal-Vet Board, has recorded losses for eight of the past eleven years, as shown in Chart 1.

Chart 1



The Cal-Vet Board should provide the Legislature with a full scale report on the effectiveness and viability of the Cal-Vet loan program.