

## Governor's 2001-02 Budget Proposal For: **GENERAL GOVERNMENT**

### OFFICE OF EMERGENCY SERVICES

The Office of Emergency Services (OES) coordinates emergency activities to save lives, reduce property loss, and speed recovery from the effects of a major disaster. OES provides leadership, assistance and support to state and local agencies in planning the most effective use of available resources in the event of a catastrophic emergency. The Governor's proposed budget includes \$716.3 million (\$99 million General Fund, \$611.1 million federal funds, \$6.2 million other funds) and 508 personnel years for OES for 2001-02.

#### MAJOR PROPOSALS

- ◆ **Fire Water Tenders.** \$2.1 million is proposed for the purchase and maintenance of 12 specially designed water trucks to aid in fire fighting by the OES Fire Branch.
- ◆ **Urban Heavy Rescue Units.** \$7.1 million is proposed for the purchase and maintenance of 18 Urban Heavy Rescue Units to provide emergency response in the event of a major earthquake. The Urban Heavy Rescue Act of 1988 requires that such rescue vehicles be available on the scene of a major earthquake within one hour. Currently, the state does not have any heavy rescue vehicles of this type.
- ◆ **Fire Hose Replacement.** \$2.1 million is proposed to replace 100,000 feet of outdated aluminum piping with flexible 5" hose and the purchase of 20 hose trailers.
- ◆ **Urban Search and Rescue mobilization exercises.** \$269,000 is proposed for two annual training exercises by the state's eight Urban Search and Rescue Task Forces. These would provide that each task force participates in readiness training every four years.
- ◆ **California Integrated Seismic Network.** \$6.8 million is proposed to expand the state's Tri-Net Seismic Network of earthquake monitoring equipment into a statewide system known as the California Integrated Seismic Network that would serve both northern and southern California.
- ◆ **State Domestic Preparedness Equipment Program.** OES is requesting the authority to receive \$9.1 million in federal funds for allocation to local agencies in the form of grants to provide equipment and terrorism response training.

### DEPARTMENT OF INSURANCE

The Office of the Insurance Commissioner has the responsibility to enforce insurance law as found in the California Insurance Code. The Department conducts examinations of insurance companies to ensure that their operations are consistent with the requirements of the Insurance Code and that they are financially viable. The Department also investigates complaints and responds to consumer

complaints; reviews and approves insurance rates; and administers the conservation and liquidation of insolvent insurance companies.

The Governor's proposed budget includes \$162.9 million for the department, and increase of \$3.4 million over the current year.

## MAJOR PROPOSALS

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- ◆ **Employment Misrepresentation Task Force.** \$1.8 million (special funds) to implement the Employment Misrepresentation Task Force. This program is a cooperative effort with local district attorneys to investigate and prosecute employers who commit workers' compensation insurance fraud. This program is directed toward employers who misrepresent facts in order to obtain workers' compensation insurance at less than the proper rate.
- ◆ **Insurance Company Investigations.** \$1.5 million (special funds) to continue funding the investigation of alleged misconduct by insurance companies to ensure compliance with existing statutes and regulations.

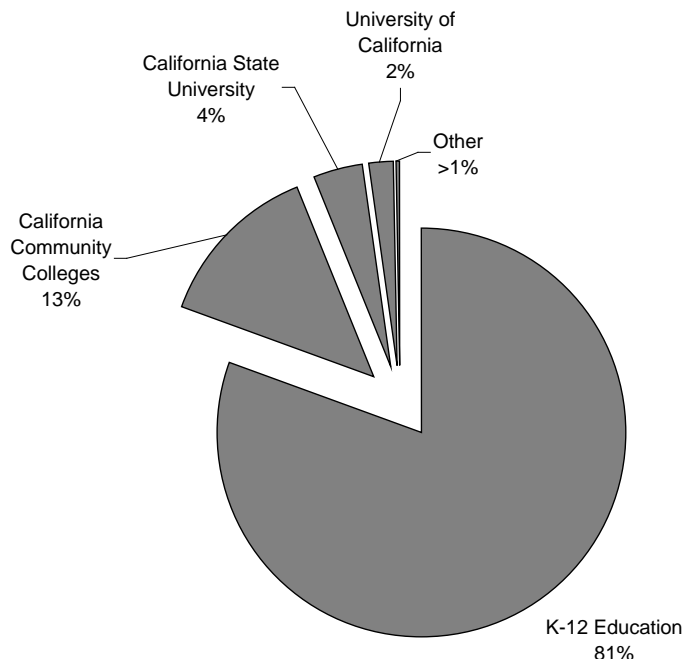
## CALIFORNIA STATE LOTTERY COMMISSION

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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 15 years from the start of sales in October 1985 through June 30, 2000, the California State Lottery has raised over \$11.6 billion dollars for public education, \$1.02 billion for the 2001-02 proposed budget.

In March 2000 by legislative initiative (AB 1453 (Cardenas), Chapter 800, Statutes of 1998), Proposition 20 was placed on the 2000 California Primary election ballot and approved by the voters. 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 on current spending is that millions of dollars that go to public education are earmarked for instructional materials. This proposition has changed the way money is allocated from the state lottery.

### 2001-2002 Distribution of State Lottery Education Fund Revenues



## STATE BOARD OF EQUALIZATION

The State Board of Equalization (Board) administers 21 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 the property tax. The board also is an appellate body for contested decisions by the Franchise Tax Board, which administers the personal income tax and the bank and corporation 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 \$42.4 billion.

The Governor's proposed budget for the board provides \$315 million for 2001-02, an increase of \$12 million (4 percent) over estimated spending in the current year.

## MAJOR PROPOSALS

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- ◆ **Motor Vehicle Fuel Account.** \$1.1 million from the Motor Vehicle Fuel Account and 9.5 positions are proposed to implement AB 2114 (Longville), Chapter 1053, Statutes of 2000. Effective January 1, 2002, Chapter 1053 moves the point at which the gasoline tax is imposed from the distributor level to the terminal rack level, the point where gasoline is loaded into ground transportation. This change conforms to federal law, creates more uniform and simplified reporting requirements for taxpayers, and is expected improve tax enforcement.
- ◆ **Integrated Corporate Database.** \$3.9 million (\$585,000 General Fund) is proposed to begin integrating the various special tax programs into the Integrated Corporate Database.
- ◆ **Processing of Returns.** In the Spring of 2001, the Administration will consider funding for the start-up project costs for a project to automate the current labor intensive, sequential processing of returns. The board plans to identify a vendor to implement the project through the alternative procurement process, and pay for services with a benefits-funded contract.

## SECRETARY OF STATE

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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 proposed budget includes a total of \$78.4 million (\$36.7 million General Fund) for the Secretary of State, a decrease of \$7.1 million over the revised current year budget.

## MAJOR PROPOSALS

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- Proposition 34. \$581,000 (General Fund) is proposed to implement the provisions of Proposition 34, recently approved by the voters.
- Business Programs Automation Projects (BPA). \$7,275,000 in Business Fees Fund is proposed to support Phase II of the Business Programs Automation Projects (BPA).
- Corporate Filings. \$700,000 in Business Fees Fund, \$266,000 in Reimbursements, and 12.5 positions are proposed to respond to additional workload requirements in the Corporate Filings Section of the Business Programs Division.

## STATE TREASURER

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The State Treasurer provides banking services for state government with goals to minimize interest and service costs and to maximize yield on investments. The Treasurer is responsible for the custody of all monies and securities belonging to or held in trust by the state; investment of temporarily idle state monies; administration of the sale of state bonds, their redemption and interest payments; and payment of warrants drawn by the State Controller and other agencies.

### MAJOR PROPOSALS

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- ◆ **Time Deposit Program.** The Time Deposit Program (TDP) gives the Treasurer the authority to make money available for investments or deposit into financial institutions. The Treasurer has worked through the Pooled Money Investment Board to increase state deposits in community banks throughout California, and to increase the number of community banks receiving state deposits. The state deposits provide lenders funds to boost their small business and home mortgage lending in California communities. According to the State Treasurer's Office (STO), since July 1, 1997, the state deposits have increased 600 percent, or by over \$3 billion. The number of participating financial institutions has increased from 27 to 85. On June 30, 2000, there was over \$3.6 billion in Time Deposits and over \$6.7 billion held as collateral to protect those deposits. The number of participants is expected to increase as the current level of deposits approaches STO's TDP limit of \$4.5 billion. Since the larger financial institutions already have large time deposits in place, it is expected that large numbers of smaller banks will be authorized for smaller time deposits to expand the program from \$3.6 billion to \$4.5 billion. As a result, the number of participating institutions is expected to increase substantially. Likewise, the STO expects the number of daily and monthly transactions and contacts to increase substantially.
  - ◆ \$82,000 thousand (\$12,000 General Fund and \$70,000 reimbursements) and one redirected position (0.9 personnel year), under Investment Services, to address the increased workload due to increased participation in the Time Deposit Program.
  - ◆ \$197,000 (\$30,000 General Fund and \$167,000 reimbursements) and two redirected positions (1.9 personnel years), under Securities Management, to address increased workload due to increased participation in the Time Deposit Program.
- ◆ **Oil Spill Prevention and Response Program.** \$200,000 (Oil Spill Trust Fund) one-time increase in operating expense and equipment is proposed to fund the update of the Oil Spill Prevention and Response Program financing plan for the Department of Fish and Game.

## SCHOLARSHARE INVESTMENT BOARD

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The Golden State ScholarShare Trust Program, is a state-sponsored, college savings program. ScholarShare was created to allow Californians the opportunity to invest on a tax-deferred basis to meet the costs of higher education, as allowed by federal law. Participants may invest for their children's college costs at modest levels over a number of years. The money that participants

contribute is not taxed until the time of disbursement to the beneficiary's school of choice; it is then taxed at the beneficiary's rate. Administrative costs for the program are paid from the ScholarShare Administrative Fund, which is supported by a portion of the investment returns. Initial expenses of this program were supported by a loan from the General Fund.

The Governor's proposed budget includes \$120.3 million for the ScholarShare Investment Board, \$118 million of this amount is for the Governor's Scholarship Programs.

## MAJOR PROPOSALS

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- ◆ **Governor's Scholarship Programs.** \$118 million (General Fund) is proposed for the Governor's Scholarship Programs pursuant to SB 1688 (Polanco), Chapter 404, Statutes of 2000, administered by the ScholarShare Investment Board. The Governor's Scholars Program awards \$1,000 scholarships to each public high school student who demonstrates high academic achievement on STAR, or the standards-based portion of STAR once it is valid and reliable. The Governor's Distinguished Mathematics and Science Scholars Program awards \$2,500 scholarships to students who win a Governor's Scholars Award and demonstrate high achievement in math and science by achieving specified scores on Advanced Placement, Golden State, or International Baccalaureate examinations. Students can only receive this award once.

## CALIFORNIA SCIENCE CENTER

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The California Science Center is an educational, scientific, and technological center administered by a nine-member board of directors appointed by the Governor. The California Science Center is located in Exposition Park, a 160-acre tract in South Central Los Angeles. The Center endeavors to change the way children learn about science, mathematics and technology.

The Governor's proposed budget for 2000-01 includes \$20.3 million for the California Science Center, an increase of \$257,000 over current year expenditures.

## MAJOR PROPOSALS

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- ◆ **Air and Space Gallery.** \$492,000 (General Fund) and four positions are proposed to meet the operational costs of the refurbished Air and Space Gallery and \$220,000 (General Fund) is proposed to fund equipment for the California Science Center.
- ◆ **Exposition Park.** \$150,000 (General Fund) to complete an appraisal of the value of Exposition Park and park operations. Exposition Park is an educational and recreational area that includes museums, sports venues, an IMAX Theatre, and a rose garden. The park provides a variety of entertainment aspects to local residents, as well as tourists.
- ◆ **California African American Museum (CAAM).** \$434,000 (General Fund) is proposed to fund two new positions, facility repairs and additional office and storage space rental. CAAM's art and history exhibitions are designed to enhance the public's knowledge of the African American's contribution to society both past and present.

## DEPARTMENT OF CONSUMER AFFAIRS

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The primary function of the Department of Consumer Affairs is 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 proposed budget includes total expenditures of \$374.5 million and 2,957 personnel years to support the operations of the Department's various programs, boards, and bureaus, an increase of \$17.6 million from 2000-01.

### MAJOR PROPOSALS

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- ◆ **Office of Privacy Protection.** \$1.4 million (General Fund) and seven positions are proposed to implement a statewide education campaign, establish telephone and web-site resources and referrals, and assist in the investigation of privacy related crimes.

The Office of Privacy Protection was created to provide a central place for Californians to file complaints about consumer privacy violations, as provided by SB 129 (Peace), Chapter 984, Statutes of 2000. The program will provide advice and assistance to consumers, work with law enforcement, and encourage businesses to develop privacy protection policies and dispute resolution programs. The Office will implement a statewide educational campaign, establish telephone and web-site resources and referrals, and assist in the investigation of privacy related crimes.

- ◆ **Auto Body Fraud Inspection Pilot Program.** \$1.1 million (Vehicle Inspection and Repair Fund) and eight positions are proposed to the Bureau of Automotive Repair (BAR) to conduct the two-year Auto Body Fraud Inspection Program.

The Auto Body Fraud Inspection Program was created as a two-year pilot project, pursuant to SB 1988 (Speier), Chapter 867, Statutes of 2000, to inspect insured vehicles that have undergone auto body repair to identify work that was not done according to the repair invoice. BAR will conduct annual inspections of vehicles and gather information to establish fraud against facilities determined to have performed fraudulent repairs.

- ◆ **Public Awareness Campaign.** \$3.2 million (Vehicle Inspection and Repair Fund) annually is proposed to fund the public awareness campaign. This campaign will serve to educate consumers about the health damage caused by air pollution, the importance of vehicle maintenance, and the existence of the Consumer Assistance Program (CAP) in helping consumers comply with the mandates of the Smog Check Program.

The Smog Check Program was designed to identify for repair or removal of the highest-polluting vehicles in California. As part of the Smog Check Program, BAR is also required to offer financial assistance to consumers whose vehicles fail a biennial Smog Check inspection. Under the CAP, BAR will pay qualified consumers to retire their vehicles and will pay a portion of the repair bill to bring their vehicles into compliance with the requirements of the Smog Check Program.

Beginning July 1, 2000 BAR instituted major changes to CAP to stimulate consumer interest. To promote the changes in CAP, BAR undertook a one-time consumer education effort. The consumer response resulting from the effort exceeded BAR's expectations. However, since the completion of the public awareness campaign, consumer interest and participation in CAP have fallen. Given that all other variables in CAP have remained constant, the absence of an ongoing public awareness campaign has adversely affected consumer participation.

## DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

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The mission of the Department of Fair Employment and Housing (DFEH) is to protect the people of California from unlawful discrimination in employment, housing, and public accommodations, and from the perpetuation of acts of hate violence. One of the Department's goals is to maximize the efficient use of state resources in the delivery of services to the public, with emphasis on the timely processing and resolution of discrimination complaints.

The Governor's proposed budget includes a total expenditure of \$22.4 million for the department, an augmentation of \$400,000 over the current year.

### MAJOR PROPOSALS

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- ◆ **Education and Outreach Campaign.** The budget proposes \$225,000 (General Fund) for the DFEH campaign to outreach and educate small businesses, housing providers, and populations who have traditionally been underserved, such as the disabled, and persons with limited English proficiency. Specifically, the Department plans to conduct a series of annual education reforms and publish informative materials in California's threshold languages.
- ◆ **Restrictive Covenant Identification Service.** AB 1493 (Nakano), Chapter 291, Statutes of 2000 authorizes any person holding an ownership interest in property that he or she believes contains a restrictive covenant to file an application with the DFEH for a determination of whether the restrictive covenant violates the fair housing laws. The budget proposes \$151,000 (General Fund) for implementation of this new law.
- ◆ **Office Relocation.** The department's three district offices in Los Angeles are all housed in the same downtown building. The offices serve a geographic region that spreads over 4,083 square miles. Complainants from outlying areas must travel long distances to downtown Los Angeles, which is congested with limited parking. Various problems arise as a result of the offices' location. The budget proposes \$106,000 (General Fund) to relocate two of the three district offices in Los Angeles County to better serve complainants.



## FRANCHISE TAX BOARD

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The Franchise Tax Board (FTB) administers the Personal Income Tax (PIT), the Bank and Corporation Tax (BCT) laws, and several nontax and audit programs that contribute over 65 percent of General Fund revenue. 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 proposed budget includes expenditures of \$427 million (\$385 million General Fund) for the FTB in 2001-02, which is \$10 million (2.3 percent) less than estimated current year spending. The reduction primarily reflects one-time funding provided in the current year to pay local government mandated cost claims for business tax reporting requirements.

### CHILD SUPPORT ENFORCEMENT

The FTB is responsible for the development of a single, statewide automated child support collection system capable of tracking child support cases, collecting child support payments from delinquent parents, and making payments to the appropriate family. In this capacity, it acts as an agent of the Department of Child Support Services (DCSS). Until this system is in place, California will continue to be subject to federal penalties for not having a federally approved system for collecting and distributing child support payments. The proposed budget indicates that the FTB will need additional resources in order to move this system from the current planning phase to the development phase, and that a request for these additional resources may be submitted to the Legislature in the spring.

**Federal Funding Denied for Overdue Collections System.** The 2000 Budget Act provided funding for the Board to implement AB 196 (Kuehl), Chapter 478, Statutes of 1999 and SB 542 (Burton and Schiff), Chapter 480, Statutes of 1999, which expanded FTB's responsibility for collecting overdue child support payments until the statewide automated system is in place. However, the federal Department of Health and Human Services denied federal funding on the basis that the proposed system was not an interim enhancement of an existing system. The State was urged to concentrate on the development of a statewide system for collecting overdue child support payments. The Governor's proposed budget indicates that the FTB is preparing an alternative benefits-funded contract for implementing the system to collect overdue payments. Despite the loss of federal financial participation, the FTB is proceeding with this project and estimates that the centralized management of child support arrearages would increase child support collections by over \$70 million annually when fully implemented, which would cover the system development costs. Development of this alternative was not complete at the time the proposed budget was prepared; therefore additional information will be provided as it becomes available. The budget proposal indicates that current FTB funding levels will be adequate in 2001-02; however, with the loss of federal funds, additional state resources will be needed by DCSS in the budget year and by FTB in future years to complete the project.

### MAJOR PROPOSALS

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- ◆ **Computer Hardware.** \$1.1 million is proposed to upgrade computer network hardware.

- ◆ **FTB Data Center.** \$3 million is proposed for equipment, software, and maintenance costs to improve the capabilities of the FTB Data Center.
- ◆ **Dependent Care Credit.** \$3.8 million and 65.9 positions are proposed to implement the full-year impact of AB 480 (Ducheny), Chapter 114, Statutes of 2000, which established the Dependent Care Credit, and associated workload for fraud prevention, detection, and investigations. These positions are a redirection of resources due to the California Student Aid Commission's decision to end the FTB's Student Loan Collection pilot program.
- ◆ **Legal Support.** \$778,000 and six positions are proposed for increased legal support workloads
- ◆ **Electronic Filings.** \$577,000 savings and a reduction of 20.5 positions are proposed to reflect the decrease of printing, mailing, and receiving paper tax returns resulting from increased electronic filing of returns.
- ◆ **DMV Collections Program.** Reduction of \$3.4 million and 44.4 positions are proposed for the Department of Motor Vehicles Collections Program due to declining workloads.

## DEPARTMENT OF GENERAL SERVICES

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The Department of General Services is responsible for the management, review control and support of state agencies as assigned by the Governor and specified by statute. The department provides support services to operating departments to achieve greater efficiency and economy than they can individually provide themselves.

The Governor's proposed budget includes \$844.7 million for 2001-02, an increase of \$34.7 million above the current year.

### MAJOR PROPOSALS

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- ◆ **Direct Gas Purchase.** \$49.6 million in 2000-01 and \$50.7 million in 2001-02 is proposed to purchase natural gas for itself and its customers. Estimated costs for direct gas purchases will be \$95.7 million which exceed the baseline budget by \$49.6 million. Gas prices increased by 74.8 percent during the first quarter of 2000-01 as compared to the first quarter of 1999-2000
- ◆ **All Wireless Services.** \$31.6 million is proposed to provide enhanced emergency (911) wireless services to subscribers in California. This program will provide the same emergency services to wireless customers as those provided to landline customers. These services include automatic number identification and automatic location identification features. These enhancements will not result in an increase in service rates for customers.

## DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

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The Department of Housing and Community Development (HCD) is California's principle housing agency. HCD administers housing finance, rehabilitation, and community development programs; oversees the State's housing planning and code-setting processes; and regulates manufactured housing and mobilehome parks.

The Governor's proposed budget includes \$531.3 million for the Department of Housing and Community Development, a 5.9 percent increase over current year expenditures.

### MAJOR PROPOSALS

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- ◆ **Jobs-Housing Balance Improvement Incentive Program.** This program seeks to provide incentives and reward local government to increase housing production, reduce regulatory barriers, and promote compliance with state housing and planning laws. The budget proposes an augmentation of \$200 million (General Fund), which will make available up to \$150 million in grant funding annually over, at least, the next two years. The proposal will also eliminate the current restriction on the use of grant funds allowing localities to use grant funds for any purpose that benefits their communities. With the increased funding, the program is estimated to produce up to 60,000 housing units.
  
- ◆ **Predevelopment Loan Program.** The Predevelopment Loan Program will provide loans for technical and financial assistance to local government agencies and nonprofit corporations for development expenses incurred in the production or rehabilitation of affordable housing in both urban and rural areas. Loans may be used for predevelopment activities, including, but not limited to: the purchase of land or land options; the payment of advance fees for architectural, engineering, consultant, and legal services or permits; the payment of bonding and application fees; to cover site preparation expenses; and, to purchase land bank sites for future development and other related costs. The budget proposes \$2.5 million (General Fund) for the Predevelopment Loan Program.
  
- ◆ **Office of Migrant Services (OMS).** OMS currently operates 1,997 units of family housing that provide seasonal housing to approximately 11,000 farm workers and their families annually. OMS operates in partnership with local public agencies and housing authorities. It enters into annual contractual arrangements with local public agencies and housing authorities to operate and maintain the migrant centers on a day-to-day basis. The proposed budget increases funding for OMS by \$9.6 million (General Fund) and would be used by OMS as follows:
  - ◆ \$7.5 million to continue the multi-year reconstruction schedule for state-owned migrant farm worker housing.
  - ◆ \$800,000 to conduct major infrastructure and housing unit repairs at two migrant centers.
  - ◆ \$117,000 to augment the General Fund operation subsidy.

- ◆ \$1.2 million to finalize the replacement of migrant center playground equipment as mandated by AB 1055.
- ◆ **Central Valley Infrastructure Grant Program.** This program would award grants of up to \$1 million to Central Valley communities and cities for approximately 20-25 infrastructure projects that lay the groundwork for business development, retention or expansion in the Central Valley. The program funds will be used to support necessary infrastructure development, replacement or upgrade to facilitate economic development and job creation in the Central Valley region that includes 18 counties. The Governor's budget proposes \$20 million (General Fund) to implement this program.

## TECHNOLOGY, TRADE AND COMMERCE AGENCY

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The Technology, Trade and Commerce Agency promotes business development, job creation, and job retention to help California maintain a strong, globally competitive economy. Services to the business community are provided through the Divisions of Economic Development; International Trade and Investment; Science, Technology and Innovation; Tourism; Marketing and Communications; and the California Infrastructure and Economic Development Bank.

The Governor's proposed budget includes \$331.2 million for the Technology, Trade and Commerce Agency, a \$12.3 million increase over current year expenditures.

## MAJOR PROPOSALS

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- ◆ **Satellite Office Space.** The budget proposes \$417,000 for the cost of temporary satellite office space in downtown Sacramento to accommodate some Agency offices until the Agency locates adequate downtown space to reconsolidate all headquarters' offices into one facility.
- ◆ **Defense Adjustment Matching Grant Program (DAM).** This program provides funds to communities that have been devastated by military base closures and the downsizing of the defense industry. Funds are used to provide part of the match requirement for federal funds to plan and implement defensive conversion strategies. The budget proposes \$3 million (General Fund) to continue the DAM Program for an additional two years.
- ◆ **Rural Investment Tax Exemption Program.** The Rural Investment Tax Exemption Program (RITE) provides eligible businesses with a state sales tax exemption on manufacturing equipment as part of an investment of at least \$150 million with at least 500 new employees located in a qualifying California rural county with high unemployment. The proposed budget includes a \$110,000 (General Fund) appropriation to implement the RITE Program.
- ◆ **California Technology Investment Partnership (CalTip).** The CalTip Program provides matching funds and business assistance to small and medium-sized California technology companies, creating new high-wage, high-skill jobs throughout the State in technology-based industry sectors significant to the continued economic growth of the State. The budget proposes \$6 million (General Fund) for audits and on-going expenses to the CalTip Program.

- ◆ **Rust Grant Program.** The proposed budget includes a one-time \$3 million (General Fund) appropriation to allow the Agency to issue grants to small businesses for compliance with environmental requirements for petroleum underground storage tanks. The Agency's Office of Small Business will make grants under the Replace Underground Storage Tanks (RUST) Program as amended by SB 989 (Sher), Chapter 812, Statutes of 2000.
- ◆ **California Rural Development Council (CRDC).** The CRDC was established in statute in 1999 to carry out specific tasks, and advocate and recommend programs that foster community stability and economic development in rural, non-urban, and non-metropolitan areas of California. The Council is comprised of representatives from state and federal government, as well as gubernatorial appointments representing tribal government, local government, business, and the public. The budget proposes \$117,000 (General Fund) for necessary resources and staff to fulfill state statute.

## CALIFORNIA ARTS COUNCIL

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Created in 1975, the California Arts Council is responsible for promoting artistic awareness, participation, and expression in California. The Council promotes arts education and the development of the arts throughout the State. The Council provides local assistance grants to organizations and individuals and establishes projects of statewide significance in support of the broad cultural, educational, social, and economic goals of California.

The Governor's proposed budget includes \$74.6 million for the Council, a 39 percent increase over current year expenditures.

## MAJOR PROPOSALS

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- ◆ **Local Assistance Funding.** The budget proposes \$6.3 million (General Fund) to increase the Council's Local Assistance budget. Among other things, the funds would be used to augment the Arts in Education Program by \$3 million, the Organizational Support Program by \$1.5 million, the Public Art & Design Program by \$500,000, and establish a Municipal Arts Partnership Program in the amount of \$1 million.
- ◆ **Cultural Infrastructure Development Fund (CIDF).** This budget proposes \$20 million (General Fund) for the establishment of the CIDF and \$400,000 to administer the new program. Under the proposal, the CIDF will address the important need for the state to invest its resources in the entirety of the state's cultural infrastructure on an equitable basis by providing a platform on which cultural institutions can grow their local cultural organizations. The proposal will enable CIDF to provide a competitive, strategic and equitable mechanism that will allow the state to manage its limited resource investment in cultural infrastructure.
- ◆ **Finding Our Families...Finding Ourselves.** The proposed budget includes \$3 million (General Fund) for the Simon Wiesenthal Center's new exhibit "Finding Our Families...Finding Ourselves". The exhibit is designed to help students form early opinions of tolerance and to encourage visitors to recognize the importance of their own family histories and to better appreciate how strongly our past, and our perception of the past, sets the stage for our future.

## DEPARTMENT OF INDUSTRIAL RELATIONS

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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 proposed budget includes total expenditures of \$267.8 million for the 2001-02 budget year, a \$7.4 million increase over the estimated current year expenditures.

### MAJOR PROPOSALS

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- ◆ **Workers' Safety Training Program.** \$2.5 million (General Fund) and 2.8 personnel years are proposed to establish a Workers' Safety Training Program in the Division of Occupational Safety and Health (DOSH). This program is designed to complement workplace consultations performed by DOSH, and issue grants to organizations that can provide statewide classroom and electronic training in employee safety and health to government agencies and workers of highly hazardous industries.
- ◆ **Labor Law Compliance.** \$1.7 million (General Fund) and one personnel year is proposed to develop an educational program for employers to increase labor law compliance. The program will provide employers with consistent, precise, and accessible information about labor and workplace safety and health laws with the goal of increased labor law compliance. This new educational component will be accomplished through an Internet site and web pages providing employers with labor and workplace safety and health laws.
- ◆ **Prevailing Wage Violations.** \$381,000 (General Fund) and three personnel years are proposed to conduct administrative hearings when withholding orders are issued for prevailing wage violations. Pursuant to AB 1646 (Steinberg), Statutes of 2000, Chapter 954 employers will be provided with hearings under reduced timeframes and expanded scope in order to deal with prevailing wage violations.

## DEPARTMENT OF PERSONNEL ADMINISTRATION

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The Department of Personnel Administration (DPA) manages the non-merit aspects of the State's personnel system. The goals of the DPA are to insure proper administration of existing terms and conditions of employment for the State's civil service employees, and to represent the Governor as the employer in all matters concerning State employer-employee relations.

The Governor's proposed budget includes \$51.7 million for the DPA, a decrease of \$17.2 million from revised current year spending.

## MAJOR PROPOSALS

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- ◆ **Human Resources Management System.** \$232,000 (General Fund) is proposed to continue the activities associated with the implementation of the Human Resources Management System, which is a joint project with the State Controller's Office to replace the existing Personnel/Payroll system.
- ◆ **Rural Health Care Equity Program (RHCEP).** \$120,000 (General Fund) is proposed to administer the RHCEP which will provide reimbursement of certain health care expenses to State employees and annuitants that do not have access to a Health Maintenance Organization (HMO).

## DEPARTMENT OF FOOD AND AGRICULTURE

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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 proposed budget includes \$251.1 million for the department, a decrease of \$3.9 million from current year spending.

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## MAJOR PROPOSALS

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- ◆ **Plant Pest Prevention Comprehensive Strategy.** \$12.4 million and 189 Personnel Years are proposed to implement a strategy to reduce the threat to California from invasive pests. The strategy includes pest inspection, prevention, eradication, and public outreach components. Additionally, it permanently establishes the Agricultural Parcel Inspection Program and the Mediterranean Fruit Fly Preventative Release Program.
- ◆ **Central Valley Assessment Study.** \$800,000 is proposed for year-one costs of a three year program to study long-term trends affecting the economic and environmental vitality of California's Central Valley, and to make the information available to stakeholders.
- ◆ **Pierce's Disease Control Program.** \$19.57 million (\$8.9 million General Fund, \$4.93 million federal funds, and \$5.74 million Pierce's Disease Management Account) and 34 Personnel Years, are proposed to continue the state's Pierce's Disease Control Program. The program will reduce impacts to the state's agricultural crops from the glassy-winged sharpshooter and the bacterial disease it spreads, Pierce's Disease.
- ◆ **Increased Enforcement by Meat and Poultry Inspection Branch.** \$501,000 (General Fund) and four Personnel Years are proposed to provide improved inspection of meat and poultry products to better protect consumers.
- ◆ **CALFED Bay-Delta Comprehensive Strategy Program.** \$507,000 and five Personnel Years are proposed to assist the implementation of the CALFED Bay-Delta Program. This would

include coordination with and support to the relevant departments and agencies involved with the CALFED implementation.

## CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

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The primary objectives of the California Victim Compensation and Government Claims Board (formerly known as 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; and
- (5) Provide for reimbursement of counties' expenditures for special elections, called for by the Governor to fill vacant seats in the Legislature and Congress.

The Governor's proposed budget includes \$146 million for 2001-02. This is a \$2.2 million above the current year..

### MAJOR PROPOSALS

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- ◆ **Victims of Crime Program.** \$2.9 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 for the Victims of Crime Program. This funding would reimburse counties for the costs of processing claims for reimbursement. The Board currently contracts with twenty counties to provide claims verification and payments for the Victims of Crime Program. They currently process approximately 50 percent of all new claims on behalf of the Board. This proposal would also fund two additional local agencies ( Contra Costa County and the City of Los Angeles) on a two year limited term basis to address increasing workload as an alternative to hiring additional Board staff. The proposed new joint powers agreement would result in a minor savings over the use of Board staff.
- ◆ **Claims Review Unit.** \$1.3 million (Restitution Fund) to establish a claims review unit and a redirection of claims processing to the local levels. The redirection of claims processing is in response to a federal audit finding which concluded there was not currently proper separation of duties between the claim process and payment approval process. The audit did not accept the Board's policy of having staff prepare the claims and have the 3 member Board approve payment. Redirected staff would be used to establish the claims review unit. This is also to respond to a federal audit that found a material error rate in determining the proper amount to be paid victims for submitted claims.



## MILITARY DEPARTMENT

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The Military Department is responsible for the command, leadership, and management of the California Army and Air National Guard, whose purpose is to provide military service support to California, as well as the nation. These services are provided through 118 armories, 10 air bases, and three army bases located throughout California.

The Governor's proposed budget includes total expenditures of \$97.8 million for the 2001-02 budget year, a 27 percent increase over current year expenditures. The Military Department also receives an additional \$440.3 million in federal funds that are not deposited in the state treasury.

### MAJOR PROPOSALS

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- ◆ **California Cadet Corps (CACC).** The California Cadet Corps is an education program offered as an alternative public school program aimed at school safety, dropout prevention, and gang avoidance. The budget proposes \$588,000 to make six permanent State Active Duty (SAD) positions and for operating expenses of CACC.
- ◆ **Camp San Luis Obispo.** The budget proposes \$2.5 million (General Fund) for priority maintenance and repairs at Camp San Luis Obispo. These projects consist of the replacement of deteriorated and leaking roofs on 28 buildings, repair by replacement of 1940's vintage wooden loading docks, cleaning and evaluation of the sanitary sewer collection system, and repairing badly deteriorated sections of O'Connor Way (the roadway serving numerous facilities in the area).
- ◆ **California National Guard Youth Programs.** The California National Youth Guard has been involved in providing support to California's youth since 1911 when the Military and Veteran's Code authorized the formation of the California Cadet Corps. Currently, California National Guard men and women are operating eight youth programs. The budget proposes \$353,000 (General Fund) to provide oversight, management, and control for all California National Guard Youth Programs, while allowing for growth to meet increasing needs.
- ◆ **Los Alamitos Joint Forces Training Base.** The Joint Forces Training Base is the site for the Governor's Office of Emergency Services Disaster Support Area for Southern California and the OES Region 9 Headquarters. It is the only airport in the greater Los Angeles/Orange County area dedicated and always available to the State of California. The airport supports large airlifters, jets and other types of fixed wing aircraft. It is open seven days a week, up to fifteen hours a day, 365 days a year (except for federal holidays). In a month, the airfield handles over 1,000 flights and dispenses more than 120,000 gallons of fuel. The budget proposes a \$4.5 million (General Fund) appropriation for repair and maintenance at the Training Base. The funds would be used to repair various runways and taxiways as well as to maintain the asphalt, concrete, and drainage system.

## DEPARTMENT OF VETERANS AFFAIRS

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The Department of Veterans Affairs (DVA) is responsible for providing services to California veterans and their dependents. The department administers the Cal-Vet Farm and Home Purchase

Program, assists veterans in obtaining State and federal benefits to which they are entitled, and operates veterans homes in Yountville, Barstow, and Chula Vista.

The Governor's proposed budget includes \$337.6 million, reflecting a \$3.2 million decrease from current year expenditures.

## MAJOR PROPOSALS

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- ◆ **Homeless Veteran Advocate.** According to the National Coalition for Homeless Veterans, California has over 33,000 homeless veterans. The California Department of Veterans Affairs (CDVA) does not offer any specific homeless assistance. A Homeless Veteran Advocate (HVA) would advocate for homeless veterans of California and coordinate with federal and local governmental agencies as well as other state agencies to provide additional and improved services. Specifically, the HVA would identify patterns and key characteristics of homeless veterans, research the services that are available and how they are provided, review current and recent policies, practices, and procedures. The HVA would also make recommendations for improvement, with an ultimate goal to maximize all the resources and move homeless veterans from homeless to homeowner. The budget proposes \$77,279 for a new Associate Governmental Program Analyst (AGPA) to serve as the state advocate for homeless veterans.
- ◆ **Veterans Home- Yountville.** The Veterans Home in Yountville has 626 beds available for aged and disabled veterans. Veteran residents will live out the remainder of their lives in an environment that is historically institutional in nature. The budget proposes \$100,000 to transform the sterile nursing home environment into a homelike environment. The project includes the redesign of the interior and exterior common areas to incorporate gardens and animals, as well as the addition of individualized furnishings to individual rooms and common areas.
- ◆ **Veterans Home- Barstow.** The proposed budget provides \$6.5 million (General Fund) to offset an unanticipated reduction in federal funds and reimbursements from the Medi-Cal program. The flow of funds to the home has been temporarily suspended because of concerns regarding operation of the skilled nursing facility at the home. DVA is developing a plan to resolve these concerns by January 31, 2001.
- ◆ **Veterans Home- Chula Vista.** The Veterans Home in Chula Vista offers four different levels of care- Domiciliary, Residential Care for the Elderly, Intermediate Care, and Skilled Nursing. Levels of training increases with each level of care. The budget proposes \$346,000 (General Fund) for contractors capable of assisting in instruction and assessment of the nursing staff throughout the day.

## LOCAL GOVERNMENT

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The Governor's proposed budget states that the administration would "welcome a continued discussion with local government leaders and leaders in the Senate and the Assembly regarding proposals for long-range reform of the state-local fiscal relationship." However, the budget does not

propose any basic reform of the state-local fiscal relationship. The budget does propose several augmentations or continuations of recent funding for specific local government programs.

## MAJOR PROPOSALS

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- ◆ **One-Time Relief.** The budget proposes \$250 million (General Fund) for general local fiscal relief. \$212 million was provided in the current year on a one-time basis. Half of the money will be allocated based on population and half in proportion to the amounts diverted from local governments' property taxes to the Educational Revenue Augmentation Fund (ERAF). ERAF funding for schools offsets a portion of the state's education funding obligation under Proposition 98.
- ◆ **Jobs-Housing Balance.** The proposed budget includes \$200 million in addition to the existing \$100 million in the Jobs-Housing Balance Improvement Program, for incentive grants to localities that increase the number of housing permits.
- ◆ **Central Valley Infrastructure.** The proposed budget includes \$20 million for grants to Central Valley communities for infrastructure improvements (e.g., for water, sewer, streets, telecommunications lines) to encourage regional economic development.
- ◆ **Local Streets and Roads.** The budget proposes \$171 million (Transportation Investment Funds) for local governments for street and road maintenance and rehabilitation. The funding is in accordance with legislation passed in 2000 that dedicates revenues derived from the state sales tax on gasoline for transportation purposes.
- ◆ **Rural Transit.** The proposed budget includes \$18 million to implement the proposed Rural Transit System Program for competitive grants to local rural public agencies for capital improvement projects, such as bus replacement, transit facilities improvements, signage and shelters, vehicle rehabilitation, and American with Disabilities Act compliance.
- ◆ **Juvenile Crime Prevention Funding.** The proposed budget includes \$121.3 million for county juvenile crime prevention programs in accordance with Assembly Bill 1913 (Cardenas), Chapter 353, Statutes of 2000. AB 1913 enacted juvenile justice reform to provide effective prevention and intervention programs that keep at-risk youths and juvenile offenders from getting trapped in lives of crime.
- ◆ **Citizens' Option for Public Safety (COPS).** The proposed budget includes \$121.3 million in continued funding for the COPS program. The COPS program supports local front-line law enforcement, sheriff's departments for jail construction and operations, and district attorneys for prosecution. Chapter 353 set minimum grants at \$100,000 for each local law enforcement agency and more detailed reporting requirements.
- ◆ **High Technology Equipment for Local Government.** The proposed budget includes \$75 million to provide second year funding for local law enforcement agencies to purchase high technology equipment for crime suppression and prevention purposes. Applicant agencies would be given a minimum of \$100,000 plus an additional per capita amount.

- ◆ **Methamphetamine Interdiction.** The proposed budget includes \$40 million (General Fund) of local assistance funding is proposed for a Multi-Jurisdictional Methamphetamine Task Force to focus on the investigation, arrest and prosecution of methamphetamine traffickers. Of this funding, \$15 million is proposed to establish and enhance these task forces in the Central Valley High Intensity Drug Trafficking Area. The proposed funding also includes a one time allocation of \$25 million proposed to purchase equipment for these task forces
- ◆ **Local Forensic Laboratory Modernization.** The proposed budget includes \$30 million (General Fund) of local assistance funding to establish a competitive grant to support the upgrade of local forensic laboratories. These funds are proposed to be used for: construction and renovation of laboratory facilities; purchase of new laboratory equipment; and replacement or upgrade of existing laboratory equipment. This proposal is in response to a 1998 report by the Bureau of State Audits which determined that local forensic laboratories generally have cramped facilities and are in need of new equipment
- ◆ **High Technology Task Forces.** The proposed budget includes \$10.9 million is proposed to augment the High Technology Apprehension and Prosecution Program. This proposal would include: additional personnel and equipment for the five existing High Technology Task Forces; creation of POST certified training in computer crime, computer forensics and identity theft; creation of High Technology Identity Theft Units at each Task Force; and the establishment of an exempt position at OCJP to be the liaison between the department, law enforcement agencies and the high technology sector.
- ◆ **Trial Court Funding.** The proposed budget includes funding for 78 percent of trial court funding costs. Trial Court funding reform enacted in 1997 freezes county contributions to trial court costs at 1994-95 levels. This results in \$414 million saving for counties in 2001-02.
- ◆ **Healthy Families and Medi-Cal Programs.** The proposed budget reduced demand for county-funded health care services by funding enhancements to the Healthy Families and Medi-Cal programs. As a result, an estimated 1.1 million will receive public health care coverage, that would otherwise likely depend on county programs.