

# HIGHLIGHTS

## GOVERNOR'S PROPOSED 2000-2001 STATE BUDGET

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## Highlights: GOVERNOR'S PROPOSED 2000-2001 STATE BUDGET

### REVENUES

- State General Fund revenues for the Current and Budget Years are projected to be \$65.2 billion and \$68.2 billion, respectively. This represents an increase of \$2.9 billion in the current year above revenue estimates used to enact the 1999 Budget Act.
- The strong revenue figures reflect remarkable employment and income growth in 1999. Personal income tax withholdings are up 14 percent from the previous year and the first three estimated payments of personal income tax are up 15 percent. In addition, taxable sales grew at a faster pace in inflation adjusted terms than any time since the early 1980s.

#### 2000-01 GOVERNOR'S BUDGET GENERAL FUND BUDGET SUMMARY (in millions)

	1999-00	2000-01
Prior Year Balance	\$3,708	\$3,012
Revenues and Transfers	\$65,160	\$68,237
<b>Total Resources Available</b>	<b>\$68,868</b>	<b>\$71,249</b>
Expenditures	\$65,856	\$68,819
<b>Fund Balance</b>	<b>\$3,012</b>	<b>\$2,430</b>
<b>Budget Reserves and Set-asides:</b>		
Reserve for Liquidation of Encumbrances	\$592	\$592
Set-aside for Legal Contingencies	\$0	\$500
Set-aside for onetime Legislative Initiatives	\$0	\$100
Special Fund for Economic Uncertainties	\$2,420	\$1,238

## EXPENDITURES

- The budget proposes to expend a total of \$88.1 billion in total funds (non-Federal). Of this amount, \$68.8 billion is from the General Fund, a 4.5 percent increase over the revised Current Year budget. The General Fund spending is projected to be \$60.5 billion or 3.8 percent over the current year. The chart below reflects expenditures by Agency and Fund sources.
  
- The Vehicle License Fee (VLF) offset program represents an expenditure of revenues since it back-fills revenues lost at the local level. The cost of the VLF offset program is \$1.4 billion in the Current Year and \$1.7 billion in the Budget Year.

### 2000-01 EXPENDITURES BY FUND (in millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$28,014	\$45	\$1,705	\$29,764
Health and Welfare	18,920	4,321	--	23,241
Higher Education	8,775	690	657	10,122
Business, Transportation and Housing	627	4,983	339	5,949
Trade and Commerce	82	9	--	91
Courts	1,440	66	--	1,506
Tax Relief	2,279	--	--	2,279
Local Government Subventions	227	3,232	--	3,459
Youth and Adult Corrections	5,054	18	--	5,072
Resources	1,132	1,080	144	2,356
Environmental Protection	256	569	71	896
State and Consumer Services	485	473	2	960
Other	1,528	825	6	2,359
<b>Total</b>	<b>\$68,819</b>	<b>\$16,311</b>	<b>\$2,924</b>	<b>\$88,054</b>

## EDUCATION (K-12)

The Governor's Budget for 2000-01 proposes a total spending level of \$47 billion for K-12 education, which amounts to a six percent increase over total spending in 1999-2000. 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%) and \$4.1 billion for community colleges (10.4%). 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 per-pupil Proposition 98 spending level for 2000-01 is \$6,313, up from \$6,045 in 1999-2000. Highlights include:

### Growth and COLA

- \$369 million for enrollment growth in school districts and county offices of education, \$784 million for a 2.84% COLA, and \$208.9 million for growth and COLA for categorical programs. Other than growth and COLA, the proposed budget provides no additional discretionary funds.

## STUDENT MERIT SCHOLARSHIPS, REMEDIAL INSTRUCTION AND AP COURSES

- \$112 million for \$1000 college scholarships to students in grades 9-11 who score in the top ten percent statewide on the statewide STAR test, or the top 5% at their school. Scholarships to be redeemable until the age of 30.
- \$18 million to establish intensive algebra academies for grades 7 and 8.
- \$6 million for \$2,500 scholarships to students who earn merit scholarships and also earn maximum scores on an AP calculus and AP science exam.
- \$61.9 million to increase the reimbursement rate for summer school and remedial instruction from \$2.50 per hour to \$3.00 per hour.
- \$17 million to increase access to Advanced Placement courses.

### Teacher Recruitment and Training

A total of \$144.7 to include:

- \$48 million for teachers to attend professional development institutes at UC in math, English, English Language Development and algebra.
- \$9.4 million for five new teacher recruitment centers and \$9 million for a media campaign to recruit teachers.
- \$20.8 million to expand alternative certification programs.
- 1000 new awards for the Assumption Program of Loans for Education for students that agree to teach four years in a shortage area.

- \$50 million for forgivable housing loans to 5000 credentialed teachers that agree to teach at least four years in a shortage area.
- \$52 million in incentives to low-performing schools to hire credentialed teachers.
- \$20 million for UC to expand the Subject Matter Projects to train teachers.
- Additional \$20,000 stipends to teachers with National Board of Professional Teachers Standards Certification who agree to teach in a low-performing school for 4 years.
- \$15.4 million to fund additional participants in the Beginning Teachers Support and Assessment Program.

### **Education Technology**

- \$175 million in one-time funds for grants to increase student access to computers and \$25 million in one-time funds for related staff development.

### **Preschool**

- \$46.8 million increase for state preschool, to expand services to a total of 100,000 children by the end of the budget year.

### **Community colleges**

- Proposes approximately \$5.7 billion for the California Community Colleges (CCC), a 6.5 percent increase or \$348.3 million over the 1999-00 budget.
- Proposes \$25 million to expand the Partnership for Excellence Program (PFE). With this augmentation, total funding for PFE would be \$170 million.
- Proposes \$105.7 million to provide a 3 percent growth in enrollment and categorical programs. These funds will allow the CCC to grow above the current statutory index and serve 29,721 additional students.
- Proposes \$103.1 million to fund a 2.84 percent cost-of-living adjustment for both general purpose funds and categorical programs. This amount is equal to the K-12 COLA.
- Proposes \$12 million to expand existing CCC outreach and access programs. Of this amount, \$6 million is to augment the Extended Opportunity Programs and Services (EOPS), \$5.1 million is to expand Disabled Student Programs and Services and \$1 million to augment the Puente project.

- Proposes \$290.2 million to fund capital outlay projects focusing on program expansion, correction of fire and life safety deficiencies, and equipment to complete previously funded projects.

### **Higher education**

- Increases funding for the University of California (UC) by \$328 million, for a total budget of \$3.04 billion.
- Increases funding for the California State University (CSU) by \$191 million, for a total budget of \$2.38 billion.
- Establishes a new funding “partnership” for UC and CSU. Under the new partnership, the budget provides a baseline four-percent increase in general fund support, an additional one-percent to fund core needs such as deferred maintenance, instructional equipment and library materials, and full funding to accommodate enrollment growth. The partnership also contains various accountability measures. With this partnership, the budget will permit increased enrollment of 6,000 at UC and 12,577 at CSU.
- For the sixth consecutive year the budget contains no fee increases for UC and CSU undergraduate students. The budget also contains funds to continue the ten percent fee reduction from 1998-99 and 1999-00.
- Proposes \$75 million for UC to create the California Institutes for Science and Innovation. These funds would create three centers at UC campuses to conduct research in coordination with private sector companies.
- Proposes a number of higher education programs aimed at improving teacher training and support including: \$69.6 million to expand various UC teacher development programs, \$37.5 million to expand CSU teacher development programs, and funding to expand the number of APLE loan forgiveness awards by 1,000 from 5,500 to 6,500.
- Proposes \$25 million in one-time funds for UC Teaching Hospitals to purchase new equipment.
- Proposes \$28.3 million in new money to increase financial aid through the Cal Grant Program. With these funds, the Student Aid Commission will be able to award 7,000 new financial aid awards.
- Proposes \$366 million for capital outlay projects at UC and CSU. With \$212.7 million, UC proposes to fund 18 existing projects and 18 new projects and \$14.3 million to help speed up the development of the Merced campus. With \$153.3 million, CSU proposes to fund 18 existing projects and 7 new projects. These funds will prioritize seismic, fire and life safety, and vital infrastructure projects.

## SOCIAL SERVICES

The Governor's Budget proposes over \$20 billion (all funds) for various social services programs, including CalWORKs, Child Welfare Services, In-Home Supportive Services, Child Support, Community-Based Senior Programs, and Drug/Alcohol Treatment Programs. The following summarizes some of the major budget proposals for 2000-01:

- \$6.9 billion to fully fund the estimated costs for the CalWORKs program in 2000-01. This includes \$1.2 billion to provide child care services and \$109 million to provide substance abuse and mental health services.
- \$112.1 million to provide a statutory welfare COLA of 3.61 percent. A grant for a family of three living in a high-cost county would increase from \$626 to \$649 per month.
- \$55.1 million General Fund to provide the statutory state COLA (3.61 percent) for Supplemental Security Income/State Supplementary Program (SSI/SSP) grants. The budget also includes federal funding for a federal COLA. A single aged or disabled adult would receive \$717 per month, beginning January 1, 2001.
- \$21.6 million to continue the Cash Assistance Program for Immigrants. This program provides state-only SSI/SSP benefits to certain legal non-citizens who lost eligibility due to federal welfare reform.
- \$28.5 million General Fund to continue state share-of-cost (65 percent of nonfederal costs) for 50 cents above the minimum wage for public authority wages for providers in the In-Home Supportive Services program. In addition, \$20 million General Fund for a state share-of-cost (65 percent of nonfederal costs) for an additional 35 cent increase in public authority wages.
- \$20.2 million General Fund to provide one-time challenge grant funding to expand community adult care alternatives to nursing homes.
- \$15 million in federal Workforce Investment Act funds for training of prospective and current employees in the caregiver industries.
- \$1 million General Fund to establish a Senior Housing Information and Support Center.
- \$1 million General Fund to fund a Senior Wellness Education Campaign.
- \$68.4 million to continue support for county Child Welfare Services workers who respond to reports of abuse and neglect.
- \$5 million General Fund on a one-time basis to fund the Child Care Center Safety Initiative. This initiative would provide child care providers with training and information concerning emergency preparedness and how to address issues associated with disasters.

- \$20 million General Fund to provide local grants to counties to provide integrated mental health services, primarily for homeless individuals, parolees, and probationers.

## HEALTH

### MEDI-CAL

- Includes \$21.5 billion (all funds) to fully fund program benefits in the budget year, an increase of \$527 million over the revised current year estimate. The General Fund portion of \$9.76 billion increased by \$193 million over the current year estimate. (This does not include county and fiscal intermediary administrative costs.)
- Includes \$91.8 million (\$48.7 million General Fund) to implement various nursing home quality improvement programs, including an additional 5 percent wage increase to recruit additional staff and maintain compliance with enriched staffing requirements.
- Includes \$26.2 million and 255 positions to expand Medi-Cal fraud activities.
- Provides \$4.8 million to implement a new program providing Medi-Cal eligibility for working disabled persons with incomes up to 250 percent of the federal poverty level.
- Includes \$4.8 million to adopt a federal option establishing a program 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.
- Provides up to \$30 million to reduce the state administrative fee in the Disproportionate Share Hospital Program.

### PUBLIC HEALTH

- Provides \$258.2 million (\$115.9 million General Fund) for HIV/AIDS prevention, education, care and treatment programs, including an increase of \$9.1 million (\$2.2 million General Fund) to fully fund the AIDS Drug Assistance Program.
- Includes an increase of \$8.6 million for the Breast Cancer Early Detection Program, bringing total funding to \$27.4 million.
- Proposes permanent elimination of the \$20.2 million state subsidy for the County Medical Services Program due to the availability of substantial local reserves.
- Continues the base level of services for Proposition 99 funded programs, and proposes the following augmentations: \$24.8 million for emergency room physician services, \$25.7 million for the anti-tobacco media campaign, \$1 million for the California Cancer Registry, and \$1 million for program administration.

**Healthy Families**

- Proposes total funding of \$336 million (\$121.4 million General Fund) to fully fund a projected caseload of 370,000 by the end of the budget year. This includes an estimated 91,000 new enrollees.
- While the budget continues funding for new legal immigrant children enrolled in the current year, it does not fund additional similarly situated children who seek enrollment in the budget year.

**DEVELOPMENTAL SERVICES**

- Provides \$3.7 million and 89 positions for the full year implementation of the new Sierra Vista facility in northern California.
- Includes \$13.2 million and 123 positions to acquire and operate one or more facilities in southern California to house and treat 135 clients with severe behavior problems.
- Includes \$24.7 million in the budget for the regional center budget for full year implementation of salary increases implemented in 1999-00 for Community Care Facilities.

**RESOURCES AND ENVIRONMENTAL PROTECTION**

- Proposes \$46.5 million total for wetlands acquisition and restoration; specifically \$13.5 for Hamilton Airfield Wetlands and \$8 million for Elkhorn Slough and Carmel River Lagoon wetlands acquisition and restoration.
- Proposes \$11.3 million to fund north coast watershed assessment.
- Proposes \$19.5 million to preserve and protect the wetlands and habitat at Lake Tahoe.
- Proposes \$4.9 million for increased enforcement of CalEPA environmental regulations.
- Proposes \$2.5 million to support binational efforts to assess and address environmental impacts in the border region.
- Proposes \$50 million in grants for local air districts to replace pre-1977 diesel school buses for buses that use less polluting fuels.
- Proposes \$100 million for the Natural Heritage Preservation Tax Credit that allows for the preservation of natural habitats and open space through tax incentives.
- Proposes \$62.4 million in capital outlay for the Department of Forestry and Fire Protection.

- Proposes \$19.6 million in capital outlay for the Department of Parks and Recreation for infrastructure improvements and acquisition for off-highway vehicle recreation.
- Proposes \$8.6 million in capital outlay for the Department of Water Resources Control; \$4.5 million for continuing three flood control projects and \$4.1 million for four new flood control feasibility studies.
- Proposes \$31.9 million to fund alternative fuel projects including purchasing alternative fuel vehicles for the state fleet.
- Proposes \$5.2 million for research and improvements for the environmental pollution risks unique to children.
- Proposes \$136.1 million to implement various phases of the CalFed process.
- Proposes over \$16 million to enhance water quality monitoring and address issues including salinity; \$9.7 million specifically will address issues related to impaired water bodies.

## **DEPARTMENT OF JUSTICE**

- Proposes \$5.5 million to augment DNA labs to address existing Department backlogs.
- Proposes \$1 million to hire new personnel to help with crack down on the illegal sale of firearms at gun shows.
- Proposes \$2.2 million from two accounts to hire 21 staff to implement the firearm legislation package from last year.

## **OFFICE OF CRIMINAL JUSTICE PLANNING (OCJP)**

- Proposes \$100 million to create an OCJP Technology Grant program, which would provide funding for local law enforcement to purchase technology. Of these funds, \$75 million would go directly for local law enforcement technology and \$25 million would be provided for school safety, juvenile crime and anti-gang technology.

## **DEPARTMENT OF CORRECTIONS**

- Proposes \$12.3 million for implementation of a 1,500-bed therapeutic community substance abuse treatment program.
- Proposes \$10.4 million to hire 105 new parole agents to reduce the parolee-to-parole agent ratio from 70:1 to 40:1. These agents would target parolees with two serious or violent felony convictions.

- Proposes \$2 million to hire 23 additional parole agents to intensify efforts to track down serious and violent parolees who have failed to maintain contact with their parole agents.
- Proposes \$1.9 million to hire 22 new parole agents to provide increased supervision of mentally ill parolees.
- Proposes \$2.3 million to increase security and the level of supervision at California State Prison-Corcoran and Pelican Bay State Prison.
- Proposes \$18.8 million for the Department to increase mental health services for inmates.

## **DEPARTMENT OF YOUTH AUTHORITY**

- Proposes over \$2.1 million and nine new staff to expand the current peace officer basic training from five to ten weeks.
- Proposes \$1.5 million to improve security at California Youth Authority institutions and facilities; including \$778,000 for security video equipment and \$711,000 to upgrade radio systems.

## **JUDICIARY/TRIAL COURT FUNDING**

### **Judiciary**

- Proposes \$14 million for a five-percent salary increase for all judicial officers in the State court system.
- Proposes \$2.5 million to provide additional financial support for courts in geographically expensive regions of California.
- Proposes \$10 million to augment the Equal Access Fund, which provides legal services to low income parties in need of representation.

### **Trial Courts**

- Proposes \$20 million for a salary increase for local trial court employees -- to be agreed upon by counties and local trial courts.
- Proposes \$16.8 million to improve the state's jury system; which includes funding to implement the one-day/one-trial program, and improve juror pay from \$5 per day to \$12 per day.
- Proposes \$10 million to provide additional court services for families and children.

- Proposes \$4.8 million to augment interpretation services; including addressing workload growth and increasing the rate of compensation from \$243 per day to \$265 per day.

## HOUSING

- Proposes to increase the annual cap for the low-income housing tax credit from \$35 million to \$50 million.
- Proposes \$50 million for down payment assistance for teachers eligible to purchase a home. The program proposes to give teachers up to \$10,000, to be forgiven after five years if the teacher continues to work at a hard-to-staff school.
- The budget does not increase the base funding for existing housing programs. The budget proposes on going funding for Multifamily Housing (\$11 million), Farmworker Housing Grant Fund (\$3.5 million), Self-Help Housing Program (\$1.2 million), and armory shelter program (\$773,000).

## MILITARY DEPARTMENT

- Proposes \$9.2 million for a boot camp at Camp San Luis Obispo for students who face expulsion for “zero tolerance” offenses.
- Proposes \$1.5 million to reestablish state management and oversight of the Cadet Corps program for middle and high school students.
- Appropriates \$1.3 million to establish the Oakland Military Institute.
- Proposes \$1.6 million in minor capital outlay projects for statewide security lighting and security fencing projects.

## DEPARTMENT OF INDUSTRIAL RELATIONS

- Proposes \$3.1 million to the Garment Manufacturers Inspection Program.
- Appropriates \$2.4 million for enforcement of occupational safety and labor standards.
- Proposes \$2.1 million to establish the Permanent Amusement Ride Safety Inspection Program.

## DEPARTMENT OF VETERAN AFFAIRS

- Appropriates \$3.3 million to provide additional medical and related staff for Veterans Homes.
- Proposes \$4.5 million for recruitment and retention of patient care staff.

- Appropriates \$886,000 for medical staff training.
- Proposes \$658,000 in additional staffing for Barstow.
- Proposes \$9.2 million for Capital Outlay improvements at Yountville and Barstow Homes.
- Proposes \$3.8 million in infrastructure improvements at various veteran homes.

#### Tax Relief

The budget includes a number of targeted tax initiatives designed to encourage conservation, aid the development of the New Economy, and assist those caring for the elderly and disabled. These proposals are estimated to provide \$167 million in tax relief during 2000-01 and include the following:

- \$100 million for one-time personal income and bank and corporation tax credits in 2000 for land donated for conservation purposes.
- \$1 million to phase in an increase in the percentage of losses that businesses can carry forward to subsequent years from 50 percent to 60 percent.
- \$4 million to increase the alternative incremental research and development credit to 90 percent of the June 30, 1999, federal credit.
- \$10 million (beginning in the 2001-02 budget year) for a personal income and bank and corporation tax credit to encourage expansion of biomass conversion, effective for the 2001 and 2002 tax years.
- \$5 million for a state sales tax exemption for qualified investment in rural areas.
- \$1 million for a \$1,000 credit for each new employee who is hired by a small employer to perform aerospace work.
- \$10 million for a personal income tax exclusion for graduate school expenses paid by an employer.
- An increase from \$35 million to \$50 million for the amount of low-income housing credits that can be allocated annually. This proposal will not affect budget year revenues.
- \$47 million for a \$500 personal income tax credit for taxpayers who are or who care for elderly or disabled individuals in their homes.

## LOCAL GOVERNMENT

The budget continues on-going local government relief packages approved by the Legislature in previous years and proposes the following for the 2000-01 budget year:

- \$121.3 million, an increase of \$21.3 million, for the Citizen's Option for Public Safety Program to ensure that every local law enforcement agency receives at least \$100,000.
- \$100 million for one-time competitive grants to local law enforcement agencies for high technology equipment (\$75 million) and school safety, juvenile crime, and anti-gang purposes (\$25 million).
- \$105.8 million, an increase of \$24.8 million, to reduce the county cost of emergency room physician services.
- \$4 million to increase reimbursements to local law enforcement agencies for officer training.

## TRADE & COMMERCE AGENCY

- Proposes to expand the Small Business Loan Guarantee Program by \$3 million.
- Proposes \$5 million state matching funds for two "Next Generation Internet" centers.
- Proposes \$2.1 million for demonstration grants for electronic commerce in rural areas.
- Proposes \$4.1 million to assist the commercial space and aerospace industries.
- Proposes \$10 million to assist companies that convert agricultural waste to clean energy in the Biomass industry.
- Appropriates an additional \$2 million for grants to the California Technology Investment Partnership Program.
- Proposes \$1.2 million for grants to manufacturing businesses for new technology.

## SECRETARY OF STATE

- Proposes to provide additional staffing for the business programs automation projects and the domestic partnerships program.

## CALIFORNIA ARTS COUNCIL

- Proposes \$10 million for the Disney Center Park in downtown Los Angeles for continued arts education.

- Appropriates \$2 million for the Simon Wiesenthal Center, Museum of Tolerance.

## **DEPARTMENT OF TRANSPORTATION**

- Appropriates \$1.9 billion by extending the State Transportation Improvement Program (STIP) from four to seven years.
- Appropriates \$1.1 billion in Use-it-or-Lose-it funds to locals.
- Proposes \$121 million in rail improvement projects throughout the state.
- Appropriates \$12 million for the Bay Area Water Transportation Authority high-speed ferry system.

## **CALIFORNIA HIGHWAY PATROL**

- Proposes an additional \$1.7 million for additional motorcycle officers in the Golden Gate and Southern Divisions.
- Contains last year appropriation of \$250,000 for motorcycle safety education.
- Appropriates \$1.7 million for the farm labor vehicle safety inspection program.

## **FRANCHISE TAX BOARD**

- Proposes \$10.1 million to continue the Integrated Non-Filer Compliance project to improve Non-Filer identification and to obtain business license information for non-filer identification.
- Proposes \$1.4 million for increased workload and for a pilot project to investigate cash pay/underground economy cases.
- Proposes \$10.5 million reduction to reflect removal of the remaining development costs from the budget for the Accounts Receivable Collection System (ARCS) project.
- Proposes \$1.2 million reduction due to increased technology and e-filing.

## **BOARD OF CONTROL**

- Proposes \$1.2 million Restitution Fund to finance personnel and operating expense increases and to increase staffing at the local level for claims processing.

## **DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING**

- Proposes \$1 million to create a pilot Mediation Unit aimed at resolving complaints.

- Proposes \$1.1 million for Technical Assistance, for additional staff, and for increased administrative costs.

## **DEPARTMENT OF CONSUMER AFFAIRS**

- Proposes \$4.2 million for all Department of Consumer Affairs Boards (except for Medical Board of California) for Administrative Costs, Licensing fees, and new California Laws augmentation.
- Proposes \$1.6 million for increased enforcement and investigative workload for the California Medical Board.
- Proposes \$1.15 million reduction to reflect the conversion to computer-based testing.

## **CALIFORNIA SCIENCE CENTER**

- Proposes \$1.2 million General Fund to meet increased personnel workload and janitorial and maintenance workload.
- Proposes \$938,000 for structural maintenance, curatorial services, and permanent exhibits.

## **STATE BOARD OF EQUILIZATION**

- Proposes \$5.13 million to accommodate increased mainframe processing costs and equipment lease costs.
- Proposes \$1.9 million to replace obsolete computer hardware; electronic funds transfer program; ongoing workload related to local tax allocation on leased vehicles; and for the field automation project.
- Proposes \$212,000 for the Tobacco Products Settlement Agreement administration.