

California Spending Plan 2000-01



The Budget Act and Related Legislation

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Elizabeth G. Hill, Legislative Analyst

Acknowledgments

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Chapter 1

The 2000-01 Budget Act and Related Legislation

INTRODUCTION AND OVERVIEW

The 2000-01 Budget Act was signed into law by Governor Davis on June 30, 2000. Together with related implementing legislation (trailer bills), the budget authorizes total spending from all funds of \$99.4 billion. As indicated in Figure 1, this total includes \$78.8 billion from the General Fund, \$15.6 billion from special funds, and \$5 billion from bond funds.

Figure 1

The 2000-01 Budget Total State Expenditures

(Dollars in Millions)

Fund Type	Actual 1998-99	Estimated 1999-00	Enacted 2000-01	Change from 1999-00	
				Amount	Percent
General Fund	\$57,827	\$67,186	\$78,816	\$11,630	17.3%
Special funds	14,736	16,156	15,560	-596	-3.7
Budget totals	\$72,563	\$83,342	\$94,376	\$11,034	13.2%
Selected bond funds	\$2,697	\$3,358	\$5,048	\$1,691	50.4%
Totals	\$75,260	\$86,700	\$99,424	\$12,724	14.7%

Detail may not total due to rounding.

The General Fund Condition

Figure 2 (see page 2) summarizes the General Fund budget's condition for 1999-00 and 2000-01. It shows that in 1999-00, revenues were \$71.2 billion (a 21 percent increase from 1998-99), while expenditures were \$67.2 billion (a 16 percent increase from the prior year). After accounting for \$592 million in encumbrances, 1999-00 is estimated to have ended with a reserve of \$7.2 billion.

In 2000-01, revenues are projected to be \$73.9 billion (a 3.8 percent increase from 1999-00) and expenditures are estimated to be \$78.8 billion (a 17 percent increase from 1999-00). The budget includes a \$500 million set-aside for litigation, and \$592 million for encumbrances. This leaves a 2000-01 year-end reserve of \$1.8 billion, or about 2.3 percent of expenditures for the year.

It should be noted that these figures reflect the budget package signed by the Governor in late June. They do not reflect the fiscal impact of legislation that was pending in late August when this report went to press.

Figure 2

**The 2000-01 Budget
Estimated General Fund Condition**

(Dollars in Millions)

	1999-00	2000-01	Percent Change
Prior-year fund balance	\$3,851	\$7,827	
Revenues and transfers	71,162	73,856	3.8%
Total resources available	\$75,013	\$81,683	
Expenditures	\$67,186	\$78,816	17.3
Ending fund balance	\$7,827	\$2,867	
Encumbrances	\$592	\$592	
Set-aside for litigation	—	\$500	
Reserve	\$7,235	\$1,775	

Detail may not total due to rounding.

Spending in the Budget Year

General Fund spending in the 2000-01 budget is summarized in Figure 3, by major program area. The budget contains substantial one-time and ongoing funding increases in a variety of program areas, including education, health, and social services. The exceptionally large 48 percent increase shown for the “all other” category is due to several factors, including \$1.8 billion to reimburse local governments for the accelerated vehicle license fee (VLF) reduction, one-time increases of \$1.5 billion for transportation, about \$570 million for housing, and a variety of other increases in resources and environmental protection programs.

Figure 3

**General Fund Spending by Major Program Area
The 2000-01 Budget**

(Dollars in Millions)

	Actual 1998-99	Estimated 1999-00	Enacted 2000-01	Change from 1999-00	
				Amount	Percent
K-12 Education	\$23,528	\$27,483	\$30,603	\$3,120	11.4%
Higher Education					
CCC	2,144	2,407	2,689	283	11.7
UC	2,518	2,718	3,206	488	17.9
CSU	2,099	2,194	2,473	279	12.7
Other	500	585	752	168	28.7
Health	9,508	10,528	12,354	1,827	17.4
Social Services	6,555	7,196	7,929	733	10.2
Corrections	4,499	4,755	5,048	293	6.2
All Other	6,476	9,320	13,761	4,440	47.6
Totals	\$57,827	\$67,186	\$78,816	\$11,630	17.3%

Detail may not total due to rounding.

General Fund Spending Over The Past Decade

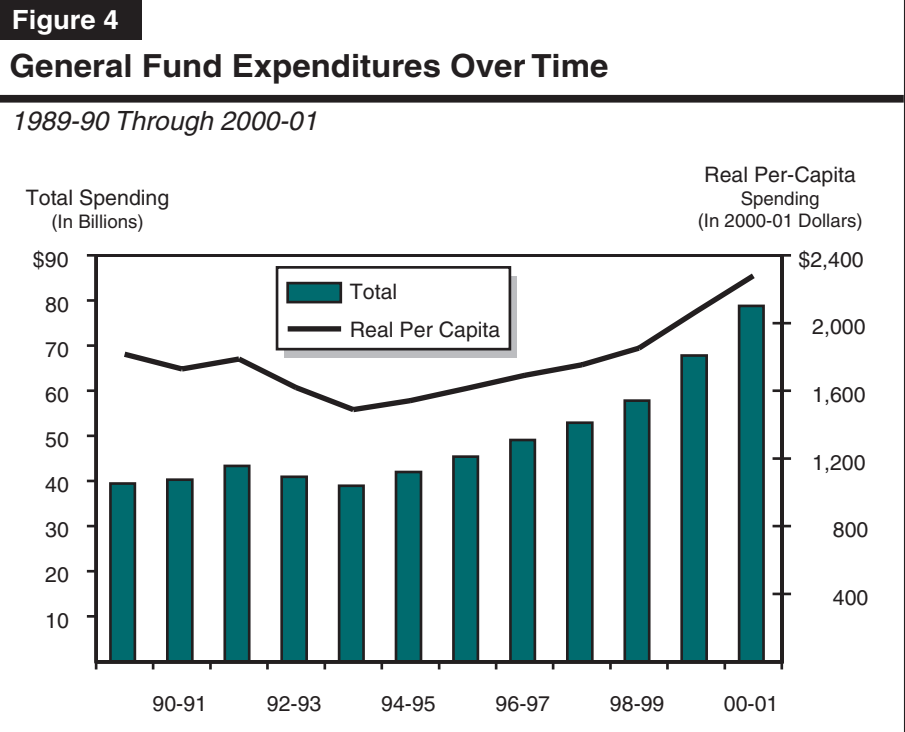
Figure 4 (see page 4) shows General Fund expenditures from 1989-90 through 2000-01, both in current dollars and as adjusted for population and inflation (that is, in real per-capita terms). The figure shows the decline in spending that took place in the early 1990s' recessionary period, as policymakers closed large budget shortfalls through spending cuts, funding shifts to local governments, spending deferrals, and tax increases. It also shows the subsequent spending increases that have taken place during the state's economic expansion. Total expenditures over the full decade have increased by 95 percent, while real per-capita spending has grown by 31 percent during the period.

The Budget's Evolution

In this section, we discuss the development of the budget beginning with the introduction of the Governor's budgetary proposal in January, and continuing through the budget's enactment in late June.

Background—Revenue Increases Dominate Budget Story

Once again, a dominant factor affecting the 2000-01 budget negotiations was the extraordinary performance of California's economy and the result-



ing dramatic growth in state General Fund revenues. Figure 5 shows the magnitude of the revenue revisions for 1999-00 and 2000-01 made during the 12-month period leading up to the enactment of this year's budget. It shows that:

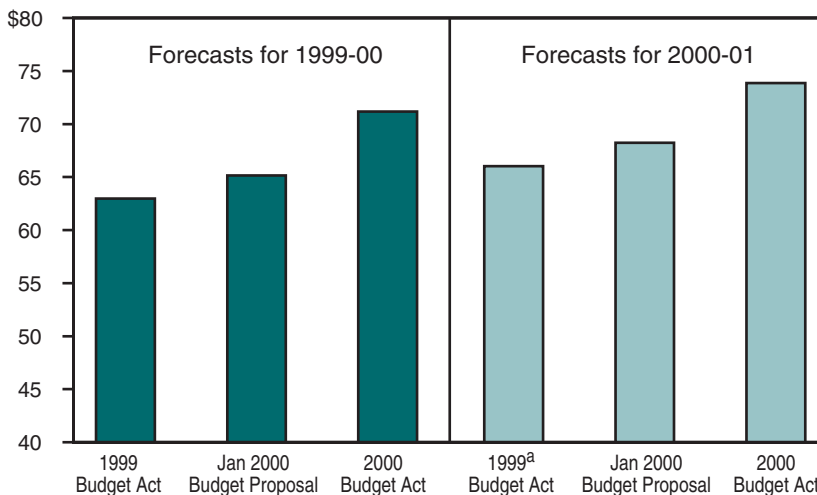
- The revenue forecast for 1999-00 increased from \$63 billion in June 1999 to \$65 billion in January 2000, and further to \$71 billion in June 2000.
- The revenue forecast for 2000-01 increased from \$66 billion in June 1999 to \$68 billion in January 2000, and further to \$74 billion in June 2000.

These increases—and particularly the over \$12 billion two-year revision between January and June of 2000—provided a dramatic increase in the amount of resources available for tax reductions, education, transportation, and other budgetary priorities.

Figure 5

**Revenue Outlook Improved Dramatically
Between June 1999 and June 2000**

Dollars in Billions



^aLAO projection based on 1999 Budget Act assumptions.

Governor’s January Proposal

The January budget proposal devoted significant new resources to education and a relatively modest number of changes in other areas. It included \$900 million for new K-12 spending initiatives—targeting student achievement, teacher recruitment/retention/training, and new technology. Funding increases in higher education were targeted for a new partnership agreement, acceleration of the opening of University of California, Merced, and increases in financial aid. In other areas, the budget proposal included new spending and a tax credit aimed at improving senior care. It also included a variety of targeted tax provisions, including increases in net operating loss deductions, expansion of the research and development credit, and a one-time credit for land donations.

One-Time Expenditures. The January budget also included \$2.9 billion in funds for one-time purposes, including a rebate of smog impact fees that the courts ruled had been illegally collected, a set-aside for legal contingencies, an increase in the budgetary reserve, and direct appropriations for capital outlay.

Developments Following the January Proposal

Immediately following the release of the January budget proposal, it became clear that revenues were significantly outpacing projections and that

dramatically more resources would be available in 1999-00 and 2000-01. Year-end personal income tax payments received in late December and early January far surpassed the budget's projections, and economic revisions indicated that both the U.S. and California economies were performing at a stronger level than previously thought. Based on these developments, our office projected in February that receipts in 1999-00 and 2000-01 would exceed the budget forecast by a combined total of \$4.2 billion. In subsequent months, revenues continued to outpace the January projections, and exceeded even our February forecast, by substantial margins. For example, final personal income tax payments exceeded their budget forecast by about \$2 billion in the month of April alone.

The May Revision

In May, reflecting the extraordinary improvement in revenues, the administration raised its revenue forecast for 1999-00 by \$5.8 billion and for 2000-01 by \$6.5 billion, for a combined two-year total of \$12.3 billion. The administration proposed that over two-thirds of the new funds be used for three main purposes:

- **Proposition 98 education (\$3.9 billion)**—where the Governor proposed over \$1.8 billion to eliminate a deficit in school district and county office of education revenue limits that existed since the early 1990s, when the state did not fully fund cost-of-living adjustments. These funds are general purpose revenues which are available for locally determined purposes. In addition, the proposal included one-time funds of over \$1.4 billion for such purposes as teacher performance bonuses, computers, and English literacy.
- **Tax reductions (\$2.5 billion)**—including \$1.8 billion for a one-time personal income tax rebate, and an ongoing exemption of K-12 public school teachers' salaries from state income taxation.
- **Transportation (\$1.9 billion)**—where the Governor proposed a \$1.5 billion one-time General Fund appropriation plus an ongoing diversion for five years of \$440 million in sales taxes to support various rail, mass transit, road, and street projects.

Other program areas proposed for funding increases in the May Revision included health and social services programs—where the Governor proposed about \$1.2 billion for provider rate increases, In-Home Supportive Services wage increases, and expansions for various mental health programs. The May Revision also included funding for new housing programs, re-

sources, higher education, a one-time subvention of \$250 million for local governments, and about a \$500 million augmentation to the reserve.

Legislative Versions of the Budget

In general, the Assembly and Senate versions of the budget included the same major program priorities as the administration, although they differed in many of their details. For example:

- The Senate approved a one-time *sales* tax rebate of \$1.4 billion (in place of the Governor's \$1.8 billion *personal income* tax rebate) and rejected most of the Governor's other major tax provisions. It also included additional funds for mental health, education, and local fiscal relief.
- The Assembly provided \$2.7 billion for unspecified tax relief (slightly more than the administration's \$2.6 billion proposed package). However, the Assembly did not take specific actions on the individual elements of the Governor's tax package. The Assembly also added funds for transportation, housing, and community colleges. These increases were partly funded through the elimination of the Governor's proposed set-asides for litigation and a lower budgetary reserve.

Conference Committee Actions

The Assembly and Senate versions of the budget were sent to the legislative Budget Conference Committee for reconciliation in early June. Following two weeks of negotiations, the Conference Committee passed a compromise version of the budget on June 12. The key elements of the compromise plan included:

- About \$2.7 billion in tax relief, including a one-time \$1.7 billion sales tax rebate, a modest personal income tax rate reduction, and an ongoing child care credit. The compromise budget rejected the Governor's proposal for an exemption of teachers' salaries from state income taxation. In its place, the Conference package included a teachers' credit ranging from \$250 to \$1,500, depending on the number of years served.
- About \$27.4 billion in Proposition 98 K-12 education General Fund spending (approximately \$250 million more than proposed in the May Revision). The Conference version approved the May Revision proposal for \$1.8 billion in general purpose funding (deficit reduction).

- A total of \$2 billion for transportation from a combination of increased General Fund expenditures and diversion of gasoline-related sales tax revenues to a special fund.
- About \$575 million (\$75 million more than in the May Revision) for various housing-related programs, with emphasis on multifamily housing.

Post-Conference Committee Negotiations

Following approval by the Conference Committee of its budget version, negotiations continued between legislative leaders and the Governor on a number of items involving trailer bill legislation to accompany the budget bill. The main area of negotiation involved the tax package, for which several alternative measures were proposed. A related issue that emerged was the extent to which the VLF trigger reductions provided for in 1998 legislation were to be reduced by other tax relief measures enacted in 1999-00 and 2000-01.

After several days of negotiations, the Governor and Legislature reached a new tax agreement. Under this agreement, the one-time sales tax rebate adopted by the Conference Committee and the proposed personal credit increase were both dropped and replaced by an acceleration of the full 67.5 percent VLF rate reduction (with no offsets for other tax reductions).

Governor's Vetoes

Before signing the budget, the Governor used his line-item veto authority to eliminate about \$1.1 billion in 2000-01 budget spending, of which about \$1 billion was from the General Fund. The General Fund vetoes included:

- \$210 million from health and social services programs, including legislative augmentations for mental health programs and various provider rate increases.
- \$176 million from higher education, including community college apportionments and funding for the Student Aid Commission.
- \$173 million from K-12 education, including funds for child care and a school safety block grant.
- \$151 million from youth and adult corrections, including \$121 million for juvenile justice programs.

- The Governor also reduced or deleted various legislative augmentations in resources, environmental protection, and arts programs.

Major Features of the Final Budget

The 2000-01 budget's main priorities are in three major areas: education, tax reduction, and transportation. Specifically:

- **Education.** The budget includes major funding increases for both K-12 and higher education. For K-12 education, it provides \$6,694 in per pupil funding, an 11 percent increase from the 1999-00 *Budget Act* amount. The budget includes a \$1.8 billion increase in general purpose funding (deficit reduction), a block grant for teacher recruitment and retention, and augmentations for education technology and beginning teacher salaries. In higher education, the budget includes substantial funding increases for the University of California, California State University, and California Community Colleges, as well as expanded financial aid.
- **Tax Reduction.** The budget includes \$1.5 billion for tax reduction (excluding the \$1.165 billion appropriation for 2001-02 VLF rebates). The major provision is an acceleration of the VLF rate reduction to 67.5 percent from January 2003 to January 2001. Other provisions include a teachers' tax credit, a child care tax credit, an increase in senior citizens' property tax assistance, and a variety of targeted tax reductions.
- **Transportation.** The budget includes a General Fund commitment of \$2 billion for transportation, financed by a one-time direct General Fund appropriation of \$1.5 billion and a diversion of \$500 million of sales taxes from the General Fund to a transportation special fund to support traffic congestion relief efforts. In the five subsequent years, all General Fund sales taxes on gasoline and diesel fuel (about \$1 billion per year) will be diverted for this purpose.

Other Programs. The budget also provides \$570 million for various housing-related programs, with an emphasis on multifamily housing. In the health and social services area, the budget provides provider rate increases for physicians, hospitals, and other health care providers. It includes funding increases for a variety of mental health services. With regard to local governments, the budget sets aside \$200 million in one-time funds for local government financial reform.

State Appropriations Limit

Background. Article XIII B of the State Constitution places limits on the appropriation of taxes for the state and each of its local entities. Certain appropriations, such as capital outlay and subventions to local governments, are specifically exempted from the state's limit. As modified by Proposition 111 in 1990, Article XIII B requires that any revenues in excess of the limit that are received *over a two-year period* be split evenly between taxpayer rebates and increased school spending.

State's Position Relative to Its Limit. As a result of several years of strong revenue growth, the state moved near its appropriations limit for the first time in nearly a decade in 1999-00. The actual position of the state relative to the limit will be determined in fall 2000, when the state Controller closes the books on 1999-00.

Based on the budget as enacted in June, the state will be several billion dollars *below* the limit in 2000-01. As a result, there will be no excess revenues accumulated over the two-year (1999-00 and 2000-01) period. One of the key factors holding down appropriations subject to the limit in 2000-01 is the large amount of spending in the budget for capital outlay, school subventions, and tax reduction—all of which are exempt from the spending limit.

Budget Trailer Bills

In addition to the *2000-01 Budget Act*, the budget package includes a number of related measures enacted to implement and carry out the budget's provisions. Figure 6 lists these budget trailer bills.

Figure 6

2000-01 Budget-Related Legislation

— CHAPTERED —			
Bill Number	Chapter Number	Author	Subject
AB 480	114	Ducheny	Child care tax credit.
AB 511	107	Alquist	Rural investment credit, net operating loss carryover, long-term care credit, graduate student expenses, vehicle license fee, research and development credit.
AB 858	106	Kuehl	Vehicle license fee reduction.
AB 1509	74	Machado	New tax-deferred retirement benefit for State Teachers' Retirement System members.
AB 2864	80	Torlakson	Jobs-Housing Balance and Interregional Partnership Program.
AB 2865	81	Alquist	California Housing Finance Agency Downpayment Assistance Program.
AB 2866	127	Migden	General government omnibus bill.
AB 2867	82	Lowenthal	Building code enforcement.
AB 2870	83	Cedillo	Downtown Rebound.
AB 2872	144	Shelley	Environmental protection omnibus bill.
AB 2875	99	Cedillo	Community health clinics.
AB 2876	108	Aroner	Social services omnibus bill.
AB 2877	93	Thomson	Health omnibus bill.
AB 2878	94	Wayne	Breast cancer treatment.
AB 2879	75	Jackson	Credentialed teacher tax credit.
AB 2880	76	Calderon	School finance: deficit reduction.
AB 2881	77	Wright	Teacher professional development institutes.
AB 2882	78	Reyes	Educational technology.
AB 2883	79	Villaraigosa	University of California Institutes.
AB 2884	196	Kuehl	Judges' salaries.
AB 2885	100	Cardenas	Juvenile justice/Citizens' Option for Public Safety (COPS).
AB 2928	91	Torlakson/Florez	Transportation omnibus bill.
SB 406	92	Ortiz	Transportation—follow up to omnibus bill.
SB 1643	69	O'Connell/McPherson	Beginning teacher salaries.
SB 1647	113	O'Connell	Land conservation credit.
SB 1656	84	Alarcon	CalHome and Housing Trust Fund.
SB 1664	60	Karnette/Leslie	Senior citizens' property tax assistance.
SB 1666	70	Alarcon/Johannessen	Teacher recruitment and retention incentives.
SB 1667	71	Alpert	Education omnibus bill.
SB 1679	87	Sher	Resources omnibus bill.
SB 1683	72	Escutia	Supplemental remedial instruction.
SB 1689	73	Escutia/Monteith	Advanced placement courses.

(Continued)

— ENROLLED —		
Bill Number	Author	Subject
AB 1913	Cardenas	Juvenile justice/COPS.
SB 1644	Ortiz/Poochigian	Cal Grants.
SB 1688	Polanco/Rainey	Merit scholarships and algebra academies.

— PENDING —		
Bill Number	Author	Subject
AB 1255	Wright	California Work Opportunity and Responsibility to Kids—drug offenders.

Chapter 2

Tax Relief Provisions

The *2000-01 Budget Act* includes a tax reduction package, the provisions of which are summarized in Figure 1. The total fiscal effect of these provisions is estimated to be approximately \$1.5 billion in 2000-01, \$2.1 billion in 2001-02, and \$1.2 billion in 2002-03. These tax measures consist of an acceleration of the previously adopted vehicle license fee (VLF) reduction, tax credits for credentialed teachers and child care, senior citizens' property tax and long-term care assistance, and various targeted tax benefits. The fiscal effects of these measures are shown in Figure 2 (see page 14).

Figure 1

Tax Relief Measures Accompanying the *2000-01 Budget Act*

- Acceleration of the 67.5 percent cumulative reduction in the vehicle license fee from 2003 to 2001 and elimination of offset.
- Tax credit ranging from \$250 to \$1,500 for credentialed K-12 teachers in public and private schools.
- Refundable tax credit for child care expenses equal to a percentage of the similar federal income tax credit.
- One-time property tax assistance for low-income senior citizens and disabled individuals.
- Long-term care tax credit for those families providing health care assistance to seniors at home.
- Targeted tax benefits involving graduate student expenses, research and development expenses, net operating losses, land conservation, and rural investment.

Figure 2

2000-01 Budget Tax Package

*Fiscal Effect
(In Millions)*

Description of Provision	2000-01	2001-02	2002-03	2003-04	2004-05
Vehicle license fee (VLF) reduction					
Acceleration of rate reduction	\$887	\$1,426 ^a	\$553	—	—
Elimination of interaction with non-VLF tax relief	—	116	155	\$200	\$255
Credentialed teacher tax credit	218	188	202	217	233
Child care tax credit	195	189	193	197	201
Senior homeowners' and renters' tax assistance	154	—	—	—	—
Targeted tax cuts ^b	88	161	133	136	158
Totals	\$1,542	\$2,080	\$1,236	\$750	\$847

^a Of this amount, \$1.165 billion is appropriated and counted as an expenditure in 2000-01.

^b Relate to graduate student expense exclusion, long-term care credit, research and development credit, net operating loss deduction, land conservation credit, and rural investment exception.

Acceleration of VLF Reduction

The budget accelerates by two years a cumulative reduction of 67.5 percent in the VLF.

Background

The VLF is an annual fee on the ownership of registered vehicles in California, levied in place of taxing vehicles as personal property. The revenues are distributed to cities and counties. As part of the 1998-99 budget, the VLF was cut by 25 percent, with the potential of additional reductions in future years if specific revenue levels (or “triggers”) are reached. Under the 1998 law, the first such trigger would have resulted in a cumulative 35 percent reduction beginning in 2001. The maximum reduction possible under that agreement would have lowered the VLF by a cumulative 67.5 percent, beginning in 2003. As part of last year’s budget, the reduction was increased to 35 percent for calendar year 2000 only.

In addition, the 1998 law provided that for any year in which additional non-VLF tax relief was passed by the Legislature totaling more than \$100 million, the level of VLF tax relief would be reduced on a dollar-for-dollar basis in order to maintain the same overall level of tax relief.

Under the 1998 agreement, cities and counties continue to receive the same amount of revenues as under prior law, with the reduced VLF amounts

replaced by General Fund spending. The state spent about \$1.4 billion in 1999-00 to backfill revenues to local governments.

The New VLF Provisions

The 2000-01 budget package does two things: (1) accelerates the 67.5 percent cumulative reduction from calendar year 2003 to 2001 and (2) eliminates the VLF interaction with non-VLF tax relief. As Figure 2 shows:

- The first provision will have a fiscal effect of \$887 million in the budget year, \$1.4 billion in 2001-02, and \$553 million in 2002-03. (The cost in 2001-02 to reimburse local government reflects a full fiscal-year impact, while the costs in both 2000-01 and 2002-03 reflect only half-year impacts.)
- The latter provision specifies that the 67.5 percent reduction level will not be reduced as a result of the passage of other non-VLF tax relief. Absent this provision, VLF tax relief would have been \$116 million less in 2001-02 and increasing amounts thereafter to account for non-VLF tax relief passed in 1999 and early 2000.

Figure 3 compares the maximum VLF rate reduction percentages under the original law with that under the new law.

Figure 3			
Comparison of Vehicle License Fee Reduction Percentages			
	Calendar Year		
	2001	2002	2003 ^a
Maximum possible reduction under 1998 law	35.0%	46.5%	67.5%
2000-01 budget reductions	67.5	67.5	67.5

^a Rates apply to future years also.

Other Tax Reductions

Tax Credit for Credentialed Teachers

The adopted budget calls for credentialed teachers in K-12 public and private schools to receive tax credits linked to their years of teaching experience. The tax credit amounts will be \$250 for those with at least 4 years but fewer than 6 years of experience, \$500 for those with at least 6 years but

fewer than 11 years of experience, \$1,000 for those with at least 11 years but fewer than 20 years of experience, and \$1,500 for those with 20 or more years of experience. The credit is limited to 50 percent of tax liabilities associated with teaching-related income and will result in estimated revenue losses of \$218 million in 2000-01, \$188 million in 2001-02, and \$202 million in 2002-03.

Child Care Credit

In addition, the budget provides for a refundable tax credit for child care expenses. The credit will be 63 percent of the similar federal child care credit for those earning \$40,000 or less, 53 percent for those earning between \$40,000 and \$70,000, and 42 percent for those earning between \$70,000, and \$100,000. Taxpayers earning in excess of \$100,000 are not eligible for the credit. This program will result in a revenue loss of \$195 million in 2000-01 and similar reductions thereafter.

Senior Citizens' Property Tax Assistance

Two programs currently provide property tax assistance to low-income homeowners and renters who are either senior citizens (age 62 and older), disabled, or blind. For homeowners, the tax assistance is provided in the form of a partial reimbursement of property taxes paid; for renters, the amount of assistance is based on an estimate of the property tax paid by the renter. For both programs, eligibility is limited to those with incomes of less than \$34,000, and the amount of assistance provided is determined by the claimant's income level. The programs will spend an additional \$154 million in 2000-01 on a one-time basis to increase their benefits by 150 percent. The budget does not change the programs' eligibility requirements.

Long-Term Care Credit

The budget agreement also includes a tax credit for taxpayers who provide health care to qualified individuals during tax years 2000 through 2004. The credit is equal to \$500 for each individual for whom the taxpayer is a qualified care giver, and is limited to taxpayers with annual incomes of less than \$100,000. Generally, the credit is available to those who provide care for the elderly or certain other individuals who are unable to perform various activities associated with daily living. The credit is expected to cost \$43 million in 2000-01 and similar amounts thereafter.

Business-Related Provisions

The budget contains an expansion of two current tax programs intended to aid in business investment and related activities. Currently, a tax credit of 12 percent is allowed for increased qualified research and development expenses. The approved budget increases the available credit to 15 percent of

qualified expenses, and also increases the amount of the alternative credit that may be claimed. In addition, under current law, 50 percent of net operating losses (NOLs) may be carried forward for up to five years for the purpose of reducing taxable income. Under the tax package, the carry-over period is extended to ten years and the percentage amount that may be carried over will increase at regular increments until it reaches 65 percent in 2004.

There also is a new state sales tax exemption for qualified investments specifically targeted to assist rural counties with high unemployment rates relative to the rest of the state.

Together, these tax reductions will result in an estimated revenue reduction of \$26 million in 2000-01, and increasing amounts thereafter.

Other Tax Provisions

The budget agreement also extends the income exclusion for employer-provided educational assistance—which was formerly only available for undergraduate education expenses—to graduate education expenses. Finally, the tax package allows a tax credit of 55 percent of the value of qualified property donated to the state, local governments, or designated nonprofit corporations for the protection of wildlife habitat, open space, and agricultural lands.



Chapter 3

Expenditure Highlights

PROPOSITION 98 EDUCATION

Proposition 98 Provisions

The budget includes \$43 billion in Proposition 98 spending in 2000-01 for K-14 education. This represents an increase of \$5 billion, or 13 percent, from last year's budget package. Figure 1 summarizes for the two fiscal years the effect of the budget package on K-12 schools, community colleges, and other affected agencies.

Figure 1			
Proposition 98 Budget Summary			
<i>(Dollars in Billions)</i>			
	1999-00 Budget Package		2000-01 Enacted
	As Enacted	Revised	
K-12 Proposition 98			
General Fund	\$23.7	\$25.1	\$27.3
Local property taxes	9.9	10.0	10.7
Subtotals, K-12	(\$33.6)	(\$35.1)	(\$38.0)
<i>Average Daily Attendance (ADA)</i>	5,578,766	5,600,743	5,682,112
<i>Amount per ADA</i>	\$6,025	\$6,266	\$6,694
California Community Colleges			
General Fund	\$2.3	\$2.4	\$2.7
Local property taxes	1.6	1.6	1.7
Subtotals, Community Colleges	(\$3.9)	(\$4.0)	(\$4.4)
Other			
Other agencies	\$0.1	\$0.1	\$0.1
Loan repayment	0.3	0.3	0.4
Totals, Proposition 98	\$37.8	\$39.5	\$42.8
<i>General Fund</i>	\$26.4	\$27.9	\$30.4
<i>Local property taxes</i>	11.4	11.6	12.4
Totals may not add due to rounding.			

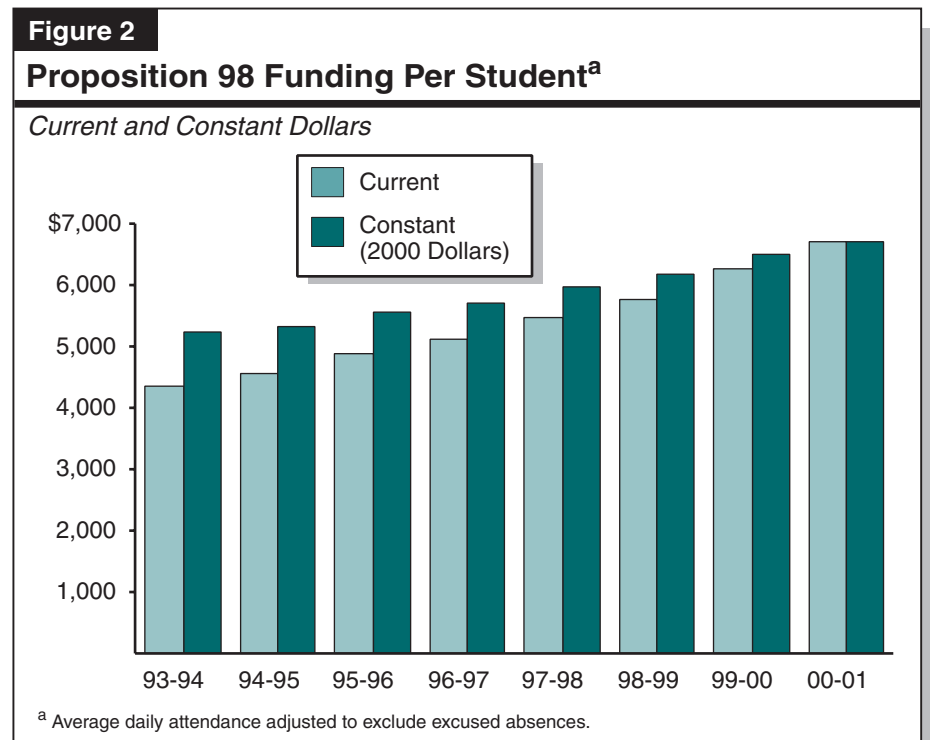
The Proposition 98 totals (including the revised total for 1999-00) reflect the Legislature's action to appropriate more General Fund monies than required to meet the constitutional minimum funding guarantee. Specifically, the Legislature appropriated \$1.5 billion more than the 1999-00 minimum funding level and \$1.3 billion more than the guarantee in 2000-01, based on revenue estimates adopted in the 2000-01 Budget Act.

K-12 PROGRAM IMPACTS

The K-12 portion of the Proposition 98 budget package includes:

- **1999-00.** Funding of \$6,266 per pupil, or \$241 more per pupil than anticipated in the 1999-00 Budget Act.
- **2000-01.** Funding of \$6,694 per pupil, which represents an increase of \$669, or 11 percent, above the budget package adopted last year.

Figure 2 displays K-12 per-pupil funding amounts from 1993-94 through 2000-01. After adjusting for the effects of inflation and changes in attendance accounting, per-pupil funding has increased \$1,465, or 28 percent, over the period.



2000-01 Baseline Increases

Compared to last year’s budget package, K-12 Proposition 98 funding increased by \$4.4 billion. The budget allocates almost \$1.6 billion to provide for inflation and growth adjustments. Specifically, the budget includes about \$490 million to accommodate a projected 1.45 percent increase in the student population, and almost \$1.1 billion for a 3.17 percent cost-of-living adjustment (COLA) applicable to most program funding.

The budget directs the remaining \$2.8 billion for other purposes, including new and existing programs (see Figure 3). The major increases are as follows:

- Revenue Limit “Deficit Reduction” (\$1.84 Billion).** This action eliminates a deficit in school district and county office of education revenue limits that existed since the early 1990s when the state did not fully fund COLAs.

Figure 3

Major K-12 Increases—Proposition 98

2000-01
(In Millions)

Purpose	Amount
Revenue limit “deficit reduction”	\$1,840
Cost-of-living adjustments	1,060
Enrollment growth	491
Teacher recruitment/retention— low-performing schools	143
Child care	138
Supplemental instruction	102
School/staff performance awards	85
Beginning teacher salary	55 ^a

^a Includes carryover of \$20 million of one-time savings.

It provides a significant increase in general purpose funding for school districts (about 7 percent) and county offices (about 9 percent).

- Teacher Recruitment/Retention—Low-Performing Schools (\$143 Million).** The Governor proposed a total of \$143 million for four new categorical programs to recruit and retain credentialed teachers in low-performing schools (defined as schools in the lowest half of test scores according to the Academic Performance Index [API]). The Legislature consolidated two of these proposed programs into a \$119 million block grant, allowing local school districts flexibility in the use of recruitment/retention incentives. (The Legislature approved the remainder of the Governor’s request—\$24 million—as budgeted.) The Legislature targeted the block grant, giving schools in the lowest 30 percent of test scores 1.5 times the funding per pupil as other low-

performing schools. Thus, these schools would receive \$1.50 for each \$1 received by other block grant recipients.

- ***Child Care Increases (\$138 Million)***. The budget includes an increase of \$138 million for child care and development programs. The budget funds the Governor's proposal for an increase of \$47 million for State Preschool which will support an additional 100,000 children (over a two-year period that began in January 2000). The Legislature added \$133 million for various child care increases, including an increase in the standard reimbursement rate for child care providers (\$33 million), and half-year costs for 24,000 new child care slots (\$75 million, ages infant to five). However, the Governor reduced the Legislature's augmentations by \$42 million including a reduction of \$35 million intended for new child care slots. In his veto message, the Governor set the \$42 million aside for subsequent legislation to fund one-time child care programs. At the time this report was prepared no such legislation had been adopted.
- ***Summer School/After School Programs (\$102 Million)***. The Governor's January budget proposed \$62 million to increase the reimbursement rate for supplemental instruction (summer school/after school) from \$2.53 to \$3 per pupil-hour. The Legislature added \$40 million in order to increase the reimbursement rate to \$3.25 per pupil-hour. In a budget trailer bill, Chapter 72, Statutes of 2000 (SB 1683, Escutia), the Legislature also (1) eliminated the reimbursement cap for retained pupils in grades 2 through 6 and (2) suspended the reimbursement cap that applied to remedial instruction for pupils in grades 2 through 6 at risk of retention.
- ***School and Certificated Staff Performance Awards (\$85 Million)***. The Legislature approved a \$50 million augmentation proposed by the Governor for purposes of the Certificated Staff Performance Incentive Act (Chapter 52, Statutes of 1999 [AB 1114, Steinberg]). This program provides bonuses to teachers and other certificated staff at "low-performing" schools that achieve specified increases in pupil test scores. Bonuses range from \$5,000 to \$25,000 per teacher. The augmentation brings the budget-year amount for the program to \$100 million. The Legislature also approved a \$35 million augmentation for the Governor's Performance Awards Program. (The Governor had requested \$40 million.) This program awards schools that achieve specified increases in pupil test scores (both low- and high-performing schools are potentially eligible). The augmentation brings the

budget-year amount for this program to \$227 million, including a carryover of \$96 million that was not allocated in the current year.

- ***Beginning Teacher Salary Increases (\$55 Million)***. The budget provides \$55 million (including \$20 million from current-year savings) to raise beginning salaries for credentialed teachers to \$34,000 pursuant to Chapter 69, Statutes of 2000 (SB 1643, O'Connell). Participating school districts and county offices of education may choose to be funded based upon the actual costs of raising salaries to \$34,000 or at a rate of \$6 per average daily attendance (ADA).
- ***Access to Advanced Placement (AP) Courses (\$26 Million)***. The budget provides \$26 million in new funds for initiatives aimed at increasing the availability of AP courses. This amount includes \$16.5 million to fund the Governor's proposal to provide competitive grants of up to \$30,000 to at least 550 high schools for AP expansion activities. A trailer bill, Chapter 73, Statutes of 2000 (SB 1689, Escutia) establishes this AP grant program. The budget also includes \$4 million (non-Proposition 98) for the University of California (UC) to develop more on-line AP courses for students attending high schools with few or no AP courses.

Governor's Vetoes. The Governor vetoed a total of \$128 million in ongoing K-12 Proposition 98 funding, including a \$61 million legislative augmentation for school safety. As previously noted, the Governor set aside \$42 million of the vetoed amount for subsequent legislation to fund one-time child care programs.

Current-Year Funds

The budget adds \$1.5 billion of one-time funds to the \$33.6 billion of Proposition 98 funds approved for K-12 education in the *1999-00 Budget Act*. We summarize the most significant of these one-time allocations below in Figure 4 (see page 24).

- ***School Improvement and Pupil Achievement Block Grant (\$425 Million)***. The budget includes \$425 million in one-time funds for a two-part block grant for school districts and school sites. Of this amount, \$245 million is provided to school districts, county offices of education, and charter schools for any combination of the following: technology staff development, Internet connections, school safety, deferred maintenance, and facility improvement. The remaining \$180 million is provided to school sites, including charter schools, for local priori-

ties as determined by school site councils. Both parts of the block grant are distributed based on ADA.

- **The API School Site Employees Performance Bonus (\$350 Million).** The Governor proposed a \$500 million one-time allocation to teachers at low- and high-performing schools meeting test score improvement criteria. The Legislature reduced this amount to \$350 million, and changed the nature of the allocation. Half the monies will go to eligible schools for purposes decided on by the school sites and half will fund performance awards for *all* employees at these schools.

- **English Language and Intensive Literacy Program (\$250 Million).** The budget provides \$250 million in one-time funding for the English Language and Intensive Literacy Program, a new summer school/after

Figure 4	
Major K-12 Expenditures One-Time Funds	
<i>(In Millions)</i>	
Purpose	Amount
District and school site block grants	\$425
School site and staff performance awards	350
English Language Learners	250
Education technology (high schools)	175
Mandates (deficiencies)	139
Digital high school	105 ^a
^a Funded from prior-year savings.	

school program for English language learners in kindergarten and grades 1 through 12. The program, proposed by the Governor in the May Revision, provides competitive grants to school districts, charter schools, and county offices of education to improve the English skills of English language learners. The budget provides \$10 million of one-time funds (non-Proposition 98) to the State Library for a similar program directed at English language learner pupils and their families, to be offered at participating local libraries.

- **Education Technology (\$175 Million).** The budget provides \$175 million in one-time funds for high schools to purchase or lease computers, pursuant to the program established in budget trailer legislation (Chapter 78, Statutes of 2000 [AB 2882, Reyes]). The Secretary for Education will administer this new program, which provides a per-pupil amount to all high schools (based on grade 9 through 12 enrollment). Funds not encumbered by March 15, 2001 will revert to the school district block grant described above.

NON-PROPOSITION 98 PROVISIONS

The budget package also includes the following significant provisions for K-12 education involving funds “outside” of Proposition 98.

- **Teacher Tax Credit.** Under budget trailer legislation (Chapter 75, Statutes of 2000 [AB 2879, Jackson]), credentialed teachers at public and private schools would receive a tax credit ranging from \$250 (for those with four or five years of experience), to \$1,500 (for those with 20 or more years). The tax credit would be limited to 50 percent of the tax liability attributable to teaching-related income. This provision would result in an estimated General Fund revenue loss of \$218 million in the budget year, with comparable losses annually thereafter.
- **State Teachers’ Retirement System (STRS) Enhanced Retirement.** In budget trailer legislation (Chapter 74, Statutes of 2000 [AB 1509, Machado]), the Legislature established a new retirement benefit under STRS. Specifically, the measure creates a tax deferred annuity for teachers equal to 2 percent of their salary. Contributions from the STRS fund for these annuities would be made for a ten-year period. The total cost of the benefit over that period would be \$2.9 billion and would be paid for out of the existing STRS actuarial surplus.
- **Merit Scholarships (\$118 Million).** The budget provides \$112 million for the Governor’s Scholars Program that would be established under a budget trailer bill (SB 1688, Polanco). Under the program, public high school students in grades 9 through 12 scoring in the top 10 percent at each school, or top 5 percent statewide, on the Stanford-9 test, would receive \$1,000 scholarships. Scholarship amounts would be held in trust for each student’s qualifying higher education expenses in accounts administered by the state’s Scholarshare Investment Board. The bill also establishes the Governor’s Distinguished Mathematics and Science Scholars Program, providing \$2,500 scholarships to students achieving high scores on advanced placement tests in calculus, biology, chemistry, or physics. The budget provides \$6 million for this program. Senate Bill 1688 will become operative if it and SB 1644 (Ortiz) are both chaptered. Senate Bill 1644 which is expected to become law, would entitle all academically and financially eligible students to receive a Cal Grant award beginning in the 2001-02 budget year.
- **K-12 Professional Development (\$109 Million).** The budget includes a \$109 million augmentation in non-Proposition 98 General Fund

monies for professional development programs provided by a higher education consortium, led by the UC and including the California State University (CSU), and independent colleges and universities. The consortium will offer training in a variety of subject areas to public school teachers and administrators through two programs—the California Subject Matter Projects and the California Professional Development Institutes (PDIs)—at numerous locations across the state. The funding provided will train approximately 70,000 school teachers and administrators, or four times the number served by the consortium in the current year. Expansion of the California PDIs is authorized in Chapter 77, Statutes of 2000 (AB 2881, Wright). The augmentation brings total funding for the two programs to \$147 million. Of this amount, \$98 million is to cover operating costs and the other \$49 million is to pay stipends to institute attendees to help defray travel, lodging, and other expenses.

HIGHER EDUCATION

The budget includes significant funding increases for the UC, CSU, California Community Colleges (CCC), and the Student Aid Commission. It provides for employee compensation increases and significant enrollment growth, as well as several programmatic expansions. Figure 5 shows the change in funding for each major segment of higher education for 2000-01 from the General Fund and local property tax revenue.

Figure 5

Higher Education Budget Summary General Fund and Local Property Tax Revenue

(Dollars in Millions)

	2000-01 Budget	Change From 1999-00	
		Amount	Percent
University of California	\$3,205.6	\$487.7	17.9%
California State University	\$2,473.0	\$278.9	12.7%
California Community Colleges			
General Fund	\$2,689.4	\$371.7	16.0%
Property taxes	1,683.3	114.9	7.3
Totals, Community Colleges	\$4,372.7	\$486.6	12.5%
Student Aid Commission	\$531.5	\$142.0	36.5%

Governor's Vetoes. The Governor deleted \$170.1 million from the amount approved by the Legislature for higher education in 2000-01. Of this amount, the Governor deleted \$14 million from UC, \$6.5 million from CSU, \$97 million from CCC, and \$51.6 million from the Student Aid Commission.

University of California

The budget provides \$487.7 million, or 18 percent, more in General Fund support for UC in 2000-01 than in 1999-00. Of this amount, \$108.9 million is for various programs to assist K-12 education, consisting of:

- \$71.9 million to lead a consortium of UC, CSU, and independent colleges and universities in training K-12 teachers and administrators.
- \$32 million to provide access for K-12 schools to Internet II (broad-band) services.
- \$4 million to provide advanced placement courses on line.
- \$1 million to conduct science and math summer school.

The budget also includes \$13.8 million to reduce summer fees on UC campuses to the levels charged in fall, winter, and spring. Figure 6 shows the major funding increases.

Figure 6	
University of California Major Increases 2000-01	
<i>General Fund (In Millions)</i>	
Purpose	Amount
Employee compensation increases	\$128.7
Various K-12 initiatives	108.9
Enrollment growth (3.75 percent)	51.2
UC Davis MIND Institute to study neurodevelopmental disorders	30.0
Reduce summer fees	13.8

California State University

The budget provides \$278.9 million, or 13 percent, more in General Fund support for CSU in 2000-01 than in 1999-00. This includes \$19.9 million to reduce summer fees on CSU campuses to levels charged in the fall, winter, and spring. Figure 7 (see page 28) shows the major funding increases.

California Community Colleges

The budget package contains major funding increases for community colleges. General Fund spending for community colleges totals approximately \$2.7 billion in the budget year. This represents a \$372 million, or 16 percent, increase above 1999-00 expenditures. The budget also added \$105 million in one-time expenditures in 2000-01 that will be accounted for in 1999-00 Proposition 98 funding. Figure 8 shows the major program increases funded in 2000-01. Of

the increase for 2000-01, \$155 million is for expanding the Partnership for Excellence program to a total of \$300 million. These are additional general purpose funds provided to all districts to assist them in improving their productivity and student outcomes. As noted above, the Governor vetoed \$97 million in community college funding, including \$45 million for equalization.

Student Aid Commission

The budget appropriates \$531.5 million from the General Fund for the Student Aid Commission in 2000-01. This is \$142 million, or 37 percent, above expenditures in 1999-00. The increase includes provisions to:

- Add approximately 22,500 additional Cal Grant awards (\$76.6 million).
- Increase the annual Cal Grant B subsistence award from \$1,410 to \$1,548 (\$9.3 million).

Figure 7
California State University
Major Increases 2000-01

<i>General Fund (In Millions)</i>	
Purpose	Amount
Increase in compensation pool (6 percent) ^a	\$113.2
Enrollment growth (4.5 percent)	73.1
Reduce summer fees	19.9

^a How these funds are used (for cost-of-living adjustments, merit increases, and parity adjustments) will be determined through collective bargaining.

Figure 8
Community Colleges
Major Increases 2000-01

<i>General Fund (In Millions)</i>	
Purpose	Amount
Partnership for Excellence	\$155.0
Cost-of-living adjustment (4.17 percent)	149.1
Enrollment growth (3.5 percent)	122.9

- Increase the maximum annual award for independent colleges from \$9,420 to \$9,730 (\$2.2 million).

The Governor vetoed \$51.6 million from the amount of legislative augmentations scaling back increases in Cal Grant award levels.

The Legislature and Governor have agreed to significantly expand the Cal Grant program beginning in the 2001-02 budget year. Senate Bill 1644, which is expected to become law, would entitle all academically and financially eligible students to a Cal Grant. The Student Aid Commission estimates that SB 1644 could increase annual Cal Grant costs from \$570 million to roughly \$1.2 billion when fully implemented.

HEALTH AND SOCIAL SERVICES

In this section, we describe the major features of the health and social services funding in the state spending plan. General Fund support for health and social services programs in 2000-01 totals \$20.3 billion, an increase of 14 percent over the prior year. This growth in expenditures is the result of caseload increases, as well as program changes and higher cost of services, including Medi-Cal provider rate increases and In-Home Supportive Services wage and benefit increases. Figure 9 shows the changes in expenditures in the major welfare grant programs and the Medi-Cal Program.

Figure 9				
Medi-Cal and Major Welfare Grant Programs				
General Fund				
<i>(Dollars in Millions)</i>				
Program	1999-00	2000-01	Change	
			Amount	Percent
CalWORKs	\$2,018.0	\$2,077.1	\$59.1	2.9%
Foster Care	409.3	393.8	-15.5	-3.8
SSI/SSP	2,511.5	2,648.1	136.6	5.4
Medi-Cal	8,091.2	9,253.5	1,162.3	14.4

Figure 10 (see page 30) describes the major General Fund policy changes (from prior law) enacted in the 2000-01 Budget Act and related legislation. The major budget health trailer bill was Chapter 93, Statutes of 2000 (AB 2877, Thomson) and the major social services trailer bill was Chapter 108, Statutes of 2000 (AB 2876, Aroner).

Figure 10	
Health and Social Services Programs Major 2000-01 Policy Changes—General Fund	
<i>(In Millions)</i>	
Program/Issue	Amount
Medi-Cal	
Provider rates (including CCS program)	\$496.2
Eliminate quarterly reporting	65.6
Disproportionate share hospitals administrative fee	55.0
Expand eligibility for elderly, blind, disabled	23.5
Dental benefits	22.5
Children's hospitals—equipment	12.0
Antifraud—net savings	-76.4
Nursing home enforcement	9.1
Nursing home quality awards	8.0
Public Health	
Child Health and Disability Prevention—fund shift	\$60.3
Breast and prostate cancer treatment	30.0
County Medical Services Program	-20.2
Mental Health	
Integrated services for homeless	\$55.6
Supportive housing	25.1
Children's System of Care	15.5
Minor capital outlay projects	12.3
Miscellaneous new programs	8.0
Developmental Services	
Rate increases	\$60.7
Developmental centers—minor capital outlay	27.1
Alcohol and Drug Programs	
Treatment for youths and adults	\$13.4
Drug courts	10.0
CalWORKs	
County performance incentive payments	-\$1,104.0 ^a
Welfare-to-Work matching funds	-10.0
Food Stamps	
Continue state-only program for immigrants	\$3.7
In-Home Supportive Services	
Public Authority wage increase	\$56.4
Public Authority health benefits	34.2
Nonpublic Authority wage increase	3.8
Child Welfare Services and Foster Care	
Social workers	\$34.0
Adoptions backlog reduction	12.7
Foster care wage pass-through	5.5
Ageing Programs	
Community-based programs	\$18.0
Long-term care innovation grants	15.0

^a General Fund/federal TANF block grant funds.

Medi-Cal Program

In California, the federal Medicaid Program is administered by the state as the California Medical Assistance (Medi-Cal) Program. This program provides health care services to welfare recipients and to other qualified low-income persons (primarily families with children and the aged, blind, or disabled). The Department of Health Services (DHS) administers the program.

The budget appropriates \$8.7 billion from the General Fund for Medi-Cal benefits in 2000-01, an increase of \$1.1 billion (15 percent) over estimated General Fund spending in 1999-00. Three factors primarily explain the large growth in spending. First, the General Fund cost of rate increases for Medi-Cal providers totals almost \$500 million, accounting for a spending increase of 6.5 percent. Second, eligibility expansions and simplifications increase General Fund spending by \$174 million (an increase of 2.3 percent). Third, the General Fund cost of Medi-Cal payments that support programs administered by the Departments of Developmental Services and Mental Health increases by \$108 million, resulting in a Medi-Cal spending increase of 1.4 percent. The remaining spending increase of about \$350 million (4.7 percent) primarily reflects increases in the cost and utilization of Medi-Cal health services, with prescription drugs and other pharmacy purchases accounting for roughly half of this increase.

The budget estimates that average monthly Medi-Cal caseload will increase by 258,000 (5 percent) in 2000-01—to almost 5.4 million. This caseload growth results from eligibility expansions and simplifications.

In addition to benefit costs, the budget also appropriates a total of \$508 million (an increase of 7.6 percent) from the General Fund in 2000-01 for eligibility administration and outreach by the counties and claims payment by the state's fiscal intermediaries. The budget also includes \$13.2 billion of federal Medicaid funds in 2000-01. This includes (1) funds that match state Medi-Cal funds in the DHS budget, (2) supplemental disproportionate share hospital (DSH) payments, and (3) funds that match state and local funds in other related programs that qualify for Medicaid financing.

We discuss the major Medi-Cal budget changes in more detail below.

- **Provider Rate Increases (\$496.2 Million).** As passed by the Legislature, the budget included \$522.1 million from the General Fund for a variety of provider rate increases. The Governor vetoed \$25.9 million of this amount, so that the enacted budget provides \$496.2 million for rate increases, as shown in Figure 11 (see page 32) and described below.

Figure 11		
Rate Increases for Medi-Cal and Related Health Programs—General Fund		
<i>2000-01 (Dollars in Millions)</i>		
	Amount	Percent Increase
Long-Term Care Facilities		
Annual cost-based rate adjustment	\$161.4	10.1%
Wage pass-through for direct care and support staff	67.0	7.5
Distinct-part nursing facilities—payment to high-cost, high Medi-Cal utilization facilities	10.7	N/A
Intermediate care facilities for the developmentally disabled—additional rate adjustment	3.0	1.0
Subtotal	<u>(\$242.1)</u>	
Physicians		
Child Health and Disability Prevention Program—health screening exams	\$19.2	20.0%
California Children's Services	9.2	20.0
Emergency room and on-call physicians	10.5	20.0
Neonatal intensive care	5.4	30.0
Comprehensive perinatal services	2.6	11.0
Genetically Handicapped Persons Program	1.1	20.0
Other physician services	84.9	15.6 ^a
Subtotal	<u>(\$134.0)</u>	
Other Medical Services		
Home health services	\$9.9	10.0%
Other health professionals ^b	6.3	10.0 - 130.0
Nonemergency medical transportation	4.6	20.0
Mammograms and Pap smears	3.9	53.0
Various other services	4.0	20.0 - 250.0
Subtotal	<u>(\$28.7)</u>	
Dental		
Increase and realign dental rates	\$17.7	6.8% ^a
Hospitals		
California Children's Services, Special Care Centers—team evaluation visits	\$5.0	20.0%
Small and rural hospitals, outpatient rates—increase supplemental payment pool	2.0	N/A
Subtotal	<u>(\$7.0)</u>	
Medi-Cal Managed Care Plans		
Annual rate adjustments/contract renegotiations	<u>\$66.9</u>	4.8% ^a
Total	\$496.2	

^a Averages—the Department of Health Services will determine specific increases for individual physician and dental services and for managed care plans.

^b Includes psychologists, physical therapists, audiologists, respiratory care, and chiropractors.

Detail may not total due to rounding.

- **Long-Term Care (\$242.1 Million).** Rate increases for nursing homes and other long-term care institutions include \$161.4 million for a 10.1 percent annual rate adjustment based on cost audits and projections and \$67 million for an additional 7.5 percent pay increase for both direct care and support staff. The budget also provides \$10.7 million for a one-time supplemental payment to “distinct part” nursing facilities (those associated with hospitals), which will be allocated primarily to the facilities with the highest rates and largest number of Medi-Cal patient days. In addition, the budget includes \$3 million to increase rates for intermediate care facilities (ICFs) for the developmentally disabled.
- **Physicians (\$134 Million).** The budget includes \$84.9 million for general rate increases for medical procedures performed by physicians. This amount is equivalent to an average increase of 15.6 percent. However, the funds will be allocated by DHS to increase rates for individual procedures by varying percentages in order to reduce disparities in the current rate structure. In addition, higher rate increases totaling \$48 million are included for various physician services, including hospital emergency rooms, neonatal and perinatal services, and services to children with special health needs that qualify for the California Children’s Services (CCS) Program.
- **Managed Care Plans (\$66.9 Million).** This amount is equivalent to a 4.8 percent increase in Medi-Cal payments to managed care plans. Actual increases will be determined by annual rate calculations and contract negotiations. Medi-Cal managed care plans also will be allocated a proportionate share of the rate increases for individual providers, such as physicians.
- **Other Medical Services (\$28.7 Million).** The budget funds a range of rate increases for home health care, services by various allied health professionals (such as psychologists and physical therapists), nonemergency medical transportation, Pap smears and mammograms, and various other services.
- **Dental (\$17.7 Million).** This amount is equivalent to an average increase of 6.8 percent. Rate increases will be allocated by DHS to improve access to dental services and to increase rates for specialty dental services, which would bring specialty rates more into line with rates for regular and preventive dental services that were increased in the past as a result of a lawsuit.

- **Hospitals (\$7 Million).** The budget includes \$5 million for a 20 percent increase in rates for team evaluation visits provided by Special Care Centers. These centers are located primarily at children's hospitals and teaching hospitals and provide outpatient treatment, diagnostic, and evaluation services for CCS children. The budget also increases supplemental payments for outpatient services in rural and small hospitals by \$2 million.

Elimination of Quarterly Reporting (\$65.6 Million). Effective January 1, 2001, budget legislation eliminates the quarterly eligibility reporting requirement for Medi-Cal coverage of families and children. The existing requirement for an annual redetermination of eligibility will remain. The budget includes an augmentation of \$65.6 million for an average monthly caseload increase of about 250,000 during the second half of 2000-01, as some individuals will stay longer on the program due to elimination of the quarterly eligibility reports.

Reduced State "Administrative Fee" for DSH Payments (\$55 Million). The budget includes a General Fund increase of \$55 million in the Medi-Cal Program to backfill for an equivalent reduction in the state administrative fee. The state deducts this fee from the intergovernmental transfers of funds that the state receives from public hospitals to finance DSH payments. Counties and the University of California will split the benefit of the reduction with private hospitals on a roughly equal basis.

Expanded No-Cost Medi-Cal for the Elderly, Blind, and Disabled (\$23.5 Million). Effective January 1, 2001, budget legislation expands eligibility for no-cost Medi-Cal to elderly, blind, and disabled persons with incomes up to the equivalent of 133 percent of the federal poverty level (about \$11,100 annually). Existing law generally limits no-cost Medi-Cal coverage to individuals and couples with incomes below 89 percent and 102 percent of poverty, respectively. The budget includes a General Fund increase of \$23.5 million for this eligibility expansion, which will eliminate cost-sharing requirements for an estimated 53,000 Medi-Cal beneficiaries.

Dental Preventive Care (\$22.5 Million). The budget includes a General Fund augmentation of \$22.5 million to allow up to two dental examinations and cleanings as a regular Medi-Cal benefit. Under existing policy, examinations have been available only at the time of an initial visit to a dentist, and cleanings have been limited to once a year without prior authorization.

Children's Hospitals (\$12 Million). The budget includes a one-time augmentation of \$12 million from the General Fund to fund special supplemental Medi-Cal payments to children's hospitals to upgrade their equipment.

Expansion of Antifraud Efforts (\$76.4 Million Net Savings). The budget adds 182 positions at a General Fund cost of \$6.2 million to the DHS to expand efforts to reduce fraudulent practices by Medi-Cal providers. The budget also includes \$82.6 million of General Fund savings in Medi-Cal benefit costs relative to prior trends, which is attributable primarily to antifraud efforts. Consequently, the expanded antifraud efforts result in a net savings of \$76.4 million.

Additional Staff for Nursing Home Inspection and Enforcement (\$9.1 Million). The budget adds 179 positions to the Licensing and Certification Division of DHS (including Los Angeles County contract positions) to increase the frequency of inspections and make them less predictable and to provide more intensive and focused inspection and enforcement for problem nursing homes.

Nursing Home Quality Awards (\$8 Million). Budget legislation establishes a Quality Awards Program for nursing homes, and the budget includes \$8 million from the General Fund for awards in the form of bonuses for nursing home staff. Awards to fund innovative projects at nursing homes will be made using a portion of the penalties collected from nursing homes for violations of federal requirements.

Healthy Families Program

The Healthy Families Program implements the federal State Children's Health Insurance Program (SCHIP), enacted in 1997. Funding generally is on a 2-to-1 federal/state matching basis. Families pay a relatively low monthly premium and can choose from a selection of managed care plans for their children. Coverage is similar to that offered to state employees and includes dental and vision benefits. The program began enrolling children in July 1998.

Enrollment Ramp-Up. The 2000-01 General Fund budget for the Healthy Families Program totals \$157.1 million—an increase of \$72.6 million (86 percent) over the prior year. The budget assumes that 80 percent of all estimated eligible children will enroll in the Healthy Families Program by the end of 2000-01. In addition, budget trailer bill legislation extends, for one year, a state-only program to cover children who are legal immigrants who do not qualify for federal funding because they entered the U.S. after August 22, 1996.

Public Health Programs

The DHS administers a broad range of public health programs. Among these are (1) programs that complement and support the activities of local health agencies controlling environmental hazards, preventing and controlling disease, and providing health services to populations with special needs; and (2) state-operated programs, such as those that license health facilities and certain types of technical personnel.

Fund Shift for Child Health and Disability Prevention (CHDP) Program. The budget shifts CHDP's primary fund source from Proposition 99 funds to the General Fund, at a cost of \$60.3 million to the General Fund.

State Funds Suspended for County Medical Services Program. Budget legislation suspends, for one additional year, the statutory General Fund appropriation of \$20.2 million for the County Medical Services Program, which provides health care for low-income adults in small counties. Existing county reserves make the General Fund allocation unnecessary in the current year.

Clinics' Dental Equipment and Capital Outlay. As passed by the Legislature, the budget provided a one-time General Fund appropriation of \$15 million to expand community-based dental clinics. The funds would be used to purchase dental equipment and renovate or expand dental facilities. The Governor vetoed this augmentation.

Cancer Treatment Programs. In 1999-00, the budget provided \$5 million from the General Fund on a one-time basis for breast cancer treatment for uninsured, low-income women. The Legislature adopted the Governor's proposal to continue and expand this program in 2000-01, at a cost of \$20 million to the General Fund. The budget also funds a new prostate cancer treatment program at a General Fund cost of \$10 million.

Public Health Subvention. As passed by the Legislature, the budget included a General Fund augmentation of \$9.5 million to fully fund the statutory allocation formula for local health jurisdictions' public health activities, such as communicable disease control and community and public health surveillance. The Governor vetoed this augmentation.

Mental Health

The Department of Mental Health directs and coordinates statewide efforts for the treatment of mental disabilities. The department's primary responsibilities are to (1) administer the Bronzan-McCorquodale and Lanterman-Petris-Short Acts, which provide for the delivery of mental health services

through a state-county partnership and for involuntary treatment of the mentally disabled; (2) operate four state hospitals and the Acute Psychiatric Program at the California Medical Facility at Vacaville; and (3) administer community programs directed at specific populations.

Integrated Services for the Homeless. The budget includes \$55.6 million (\$20 million one-time) from the General Fund for the continuation and expansion of demonstration projects authorized by Chapter 617, Statutes of 1999 (AB 34, Steinberg). These projects target services to seriously mentally ill adults who are homeless, recently released from jail or prison, or at risk of homelessness or incarceration.

Supportive Housing. The budget includes \$25.1 million from the General Fund to provide grants for the rehabilitation or development of supportive housing for low-income individuals with health needs. Supportive housing combines affordable housing with various health and income support services.

Children's System of Care Program. The budget includes \$15.5 million from the General Fund to fully fund the Children's System of Care Program in all 58 counties. The program funds a coordinated system of services through interagency collaboration.

Minor Capital Outlay. The budget includes \$12.3 million from the General Fund for special repair/deferred maintenance projects (\$6.7 million) and for Americans with Disabilities Act compliance projects (\$5.6 million) in the four state hospitals.

New Programs. The budget includes \$8 million from the General Fund for new community-based services: \$6 million to provide grants to counties for the development of crisis intervention and stabilization treatment programs for adults and children, and \$2 million to support a three-year pilot program providing substance abuse and mental health treatment services for underserved populations.

Developmental Services

The Department of Developmental Services contracts with 21 nonprofit regional centers to coordinate educational, vocational, and residential services for developmentally disabled clients. The department also operates five state developmental centers that house developmentally disabled clients who require residential care.

Rate Increases. The budget includes \$60.7 million from the General Fund for various rate increases for community-based developmental services. These include community care facilities (3 percent), shift nursing (10 percent), "look-alike" day programs (10 percent), and supported living services and day and respite programs (10 percent for salaries and wages and 5 percent for administrative costs).

Minor Capital Outlay. The budget includes \$27.1 million from the General Fund for minor capital outlay projects at the five developmental centers, including projects to comply with the Americans with Disabilities Act.

Alcohol and Drug Programs

The Department of Alcohol and Drug Programs directs and coordinates the state's efforts to prevent or minimize the effects of alcohol and drug abuse. Services include prevention, early intervention, detoxification, and recovery.

Substance Abuse Treatment. The budget includes \$7.7 million from the General Fund to expand adult treatment services and \$5.7 million from the General Fund to expand youth treatment.

Drug Courts. The budget includes \$10 million from the General Fund to fund the Comprehensive Drug Court Implementation Act, which will provide funding to counties for drug courts that serve adults, juveniles, and parents of children who are dependents of, or detained by, the courts.

California Work Opportunity and Responsibility to Kids (CalWORKs)

In response to federal welfare reform legislation, the Legislature created the CalWORKs program in 1997. This program, which replaced the Aid to Families with Dependent Children program, provides cash grants and welfare-to-work services to families with children whose incomes are not adequate to meet their basic needs. The budget plan provides \$2.1 billion from the General Fund for the CalWORKs program in 2000-01, which is an increase of 2.9 percent over 1999-00.

CalWORKs Grants. The budget includes \$87 million (combined General Fund and federal Temporary Assistance for Needy Families [TANF] block grant funds) to provide a 2.96 percent cost-of-living adjustment (COLA) pursuant to current law. Effective October 1, 2000, the maximum grant for a family of three in high-cost counties will increase by \$19 to a total of \$645 per month and the corresponding grant in low-cost counties will increase by \$18 to a total of \$614 (see Figure 12).

Figure 12

**CalWORKs and SSI/SSP
Maximum Monthly Grants**

Program	1999-00	2000-01	Change	
			Amount	Percent
CalWORKs^a				
Low-cost counties	\$596	\$614 ^b	\$18	3.0%
High-cost counties	626	645 ^b	19	3.0
SSI/SSP				
Individuals	\$692	\$712 ^c	\$20	2.9%
Couples	1,229	1,265 ^c	36	2.9

^a Family of three.
^b Effective October 1, 2000.
^c Effective January 1, 2001.

County Performance Incentives. The budget makes the following changes in county incentive payments, resulting in savings of \$1.1 billion (combined federal TANF funds and General Fund). (In the context of the CalWORKs budget, these savings are almost entirely General Fund because available federal funds from the TANF reserve total only \$91 million.) Specifically, the budget:

- Requires counties to forego 25 percent of incentives previously earned in order to be eligible for future incentive payments (savings of \$411 million). A remaining unpaid obligation of \$320 million will be paid to counties over two years, beginning with \$250 million in 2000-01.
- Prohibits counties from earning incentives during the budget year (savings of \$693 million).

The budget legislation allows counties to expend up to 25 percent of their incentive funds on services for working poor families whose incomes exceed the eligibility limit for CalWORKs. In addition, beginning in 2001-02, the incentive payment formula is modified to reduce the amount of payments counties can earn from savings attributable to recipients' earnings. Finally, future incentive payments will be capped by annual budget act appropriations.

Welfare-to-Work Matching Funds. The federal government provides funds to the states to serve hard-to-employ persons under the Welfare-to-Work block grant program. For every \$2 in federal Welfare-to-Work funds expended, California must expend \$1 in matching funds. Based on an assumption that \$20 million of the \$190 million in federal funds will not be expended by the end of 2000-01, the budget reduces the appropriation of state matching funds by \$10 million.

Food Stamps Program

The Food Stamps program provides food stamps to low-income persons. The cost of the food stamps coupons (about \$1.6 billion) is borne entirely by the federal government, with the exception of the state-only program for noncitizens that is discussed below.

Continuation of State-Only Program for Recent Legal Noncitizens. With respect to noncitizens, current federal law generally limits food stamps benefits to legal noncitizens who immigrated to the U.S. prior to August 1996 and are under age 18 or over age 64. The California Food Assistance Program (CFAP) provides state-only food stamps benefits to pre-August 1996 immigrants who are ineligible for federal benefits. In addition, state law provided that federally ineligible *post*-August 1996 immigrants could receive CFAP benefits through September 2000. The budget legislation postponed the sunset on benefits for post-August 1996 immigrants for one year. Postponing this sunset results in a General Fund cost of \$3.7 million in 2000-01.

Supplemental Security Income/State Supplementary Program (SSI/SSP)

The SSI/SSP is a state and federally funded program that provides grants to low-income aged, blind, and disabled persons. The budget appropriates \$2.6 billion from the General Fund for the program in 2000-01, which is an increase of 5.4 percent over 1999-00. This spending increase is largely attributable to higher grants, effective January 2001, and caseload growth.

Grant Payments. Pursuant to prior and current law, the budget provides for the statutory COLA (2.96 percent) for SSI/SSP grants, at a General Fund cost of \$43 million in 2000-01. Effective January 1, 2001, the maximum grant for aged and disabled individuals will increase by \$20 to a total of \$712 per month, and the grant for couples will increase by \$36 to \$1,265 per month (see Figure 12).

In-Home Supportive Services (IHSS)

The IHSS program provides various services to eligible aged, blind, and disabled persons who are unable to remain safely in their own homes without such assistance.

Public Authorities. Counties are permitted to establish Public Authorities to negotiate wage increases on behalf of IHSS providers. The budget includes \$56.4 million from the General Fund for the state's share of cost for an hourly wage of \$7.50 (\$1.75 above the minimum wage) for Public Authority workers. The budget also includes \$34.2 million from the General Fund for the state's share of cost, up to 60 cents per hour, for health benefits for these workers.

Nonpublic Authorities. Under prior law, workers not associated with a Public Authority (independent providers) received the minimum wage. The budget includes \$3.8 million from the General Fund effective January 2001 for a 3 percent wage increase for these workers. This will bring the hourly wage to \$5.92.

Child Welfare Services (CWS) and Foster Care

The CWS program provides services to abused and neglected children, including immediate social worker response to allegations of child abuse and neglect and ongoing services to children and their families who have been identified as victims, or potential victims, of abuse and neglect. The Foster Care program provides grants to pay for the care of children placed in foster family homes or group homes.

Workload Relief. As passed by the Legislature, the budget included \$39.7 million from the General Fund for workload relief in the CWS program, generally to fund additional social workers. The Governor vetoed \$5.7 million of the amount.

Adoptions Backlog Reduction. The budget includes one-time funding of \$12.7 million from the General Fund to county adoption agencies to reduce the current backlog of foster care children awaiting adoptive placement.

Foster Care Rate Increases. The budget includes \$24.7 million from the General Fund for the statutory COLA for foster family homes, foster family agencies, and group homes. This amount also reflects related increases in the Kinship Guardianship Assistance and the Adoption Assistance programs. In addition, the budget includes \$5.5 million from the General Fund for a wage pass-through of 10 percent for foster family agency and group home social workers.

Child Support Enforcement

Legislative reforms enacted in 1999—Chapter 478 (AB 196, Kuehl) and Chapter 480 (SB 542, Burton and Schiff)—overhauled the organization, administration, and funding of the child support program. Pursuant to this legislation, the 2000-01 budget transfers the funding of the child support program from the Department of Social Services to the newly formed Department of Child Support Services. The budget includes \$370 million from the General Fund, of which \$340 million is for local assistance to county child support departments. The local assistance amount represents an increase of \$33 million from the General Fund (about 11 percent over 1999-00). These costs are generally offset by projected savings from increased child support collections.

Aging Programs

The Department of Aging administers various programs providing services to the elderly and functionally disabled adults.

Long-Term Care Innovation Grants. The budget includes \$15 million from the General Fund to provide grants to community-based organizations to expand alternatives to nursing homes and address the unmet needs of special populations.

Community-Based Programs. The budget includes \$18 million from the General Fund to expand community-based programs, including the Multipurpose Senior Services Program, Adult Day Health Care, and Linkages.

JUDICIARY AND CRIMINAL JUSTICE

The 2000-01 budget for judicial and criminal justice programs totals \$7.8 billion, including \$7.2 billion from the General Fund and \$648 million from various special funds. This is an increase of \$776 million, or 11 percent, over 1999-00 expenditures. The increase results primarily from (1) new and expanded programs to assist local law enforcement agencies and (2) additional costs associated with the state's increased financial responsibility for support of trial courts.

The amount is \$131 million, or about 2 percent, above the Governor's proposed budget. This figure represents the net effect of several augmentations, reductions, and modifications made to the Governor's budget by the Legislature. The most significant of these changes was an augmentation of \$121 million for counties to use for juvenile crime and delinquency prevention programs. The Governor subsequently vetoed the \$121 million augmentation as well as several other augmentations, resulting in total fund-

ing for judiciary and criminal justice programs that is very close to the total proposed by the Governor. (At the time this report was prepared, however, AB 1913 [Cardenas], which would restore the \$121 million that the Governor vetoed, had been approved by the Legislature and was awaiting action by the Governor.)

Trial Court Funding

The budget includes \$2.1 billion for support of trial courts. This amount includes \$1.1 billion from the General Fund, \$459 million transferred from counties to the state, and \$424 million in fine, penalty, and court fee revenues. The General Fund amount is \$177 million, or 18 percent, greater than the current-year amount.

The increase includes a number of new one-time expenditures, such as \$77.4 million for trial court information technology projects, and ongoing workload-related costs, such as \$57.5 million to fully fund local trial court salary increases granted in 1999-00 and expected in 2000-01.

The budget also includes additional money to increase fees paid to jurors. In January, the Governor proposed \$12.7 million to increase fees paid to jurors from the current \$5 per day to \$12 per day. The Legislature ultimately appropriated \$19.1 million to increase fees to \$15 per day. Authorization for the higher fees is included in Chapter 127, Statutes of 2000, a budget trailer bill (AB 2866, Migden).

The budget also includes \$11.6 million to provide an 8.5 percent increase in the base salaries for trial court judges and appellate court justices. This increase would be in addition to cost-of-living increases previously authorized for judges—2.5 percent effective June 30, 1999, 4 percent effective July 1, 1999, and 4 percent effective September 1, 2000. The salary increases were authorized in Chapter 196, Statutes of 2000, a budget trailer bill (AB 2884, Kuehl).

Department of Corrections

The budget proposes a total of \$4.3 billion from the General Fund for support of the California Department of Corrections (CDC). This represents an increase of \$140 million, or 3.4 percent, above the 1999-00 level. The primary reasons for the increase are increases in employee compensation and expansion of parole, substance abuse treatment, and medical services programs.

Although the budget provides full funding for the projected inmate and parole caseloads in the budget year, the amount is actually a net reduction

of \$41 million from estimated current-year expenditures, due to projected declines in the number of inmates. Specifically, the budget assumes that the inmate population will be about 160,100 at the end of the budget year, a decrease of 1,100 inmates from the end of 1999-00. The projected budget-year population is about 6,500 inmates fewer than was initially assumed in the Governor's January budget. The parole population is projected to reach about 120,300 parolees at the end of the budget year, an increase of 1,100 parolees from the end of 1999-00.

The budget approved by the Legislature included \$26.9 million to provide additional supervision and services, such as substance abuse and mental health treatment, for inmates and parolees. This amount is \$14 million higher than initially proposed by the Governor. The Governor, however, reduced the augmentation by \$8 million.

Federal Funds for Incarceration and Supervision of Undocumented Felons. The budget also assumes that the state will receive a total of \$178 million in federal funds to offset the state's costs of supervising undocumented felons in CDC and the Department of the Youth Authority. This is the same amount assumed in 1999-00. These federal funds are counted as offsets to state expenditures and are not shown in the budgets of the CDC and the Youth Authority, or in the budget bill.

Department of the Youth Authority

The budget provides \$331 million from the General Fund for support of the Youth Authority. The department's budget reflects a decrease of 2.4 percent below the 1999-00 level, due primarily to a projected small decline in the number of wards and parolees in the budget year. The budget assumes that the ward population will be 7,300 at the end of the budget year, a drop of 75 wards.

In addition, the Legislature augmented the budget by \$6.4 million to increase the substance abuse, mental health, and sex offender treatment services for wards and parolees in order to meet identified treatment needs (\$2.8 million), and to enhance staff oversight, institutional management, and ward safety (\$3.6 million). The costs of these services and enhancements would have increased to about \$47 million in 2001-02 when fully implemented. However, the Governor vetoed these augmentations.

Assistance to Local Law Enforcement

The budget and trailer bills include \$400 million in funding to assist local law enforcement agencies, a substantial increase from the current year.

Citizens Option for Public Safety (COPS) Program. Chapter 100, Statutes of 2000, a budget trailer bill (AB 2885, Cardenas), included \$121.3 million to continue the current COPS program, which provides discretionary funding, distributed on a per capita basis, for local police departments and sheriffs for front-line law enforcement, sheriffs for jail services, and district attorneys for prosecution. The amount is \$21.3 million greater than the amount provided in 1999-00. These additional monies will be used to supplement the allocations to front-line law enforcement agencies to ensure that each agency receives at least \$100,000.

One-Time Allocations. The budget also includes several one-time allocations for local law enforcement, including:

- ***Los Angeles Crime Lab***—\$96 million for construction of a local forensic crime laboratory in Los Angeles that is designed to service the Los Angeles City Police and Los Angeles County Sheriff's Departments, as well as other southern California local law enforcement agencies.
- ***Local Law Enforcement Equipment***—\$75 million to local law enforcement agencies for the purchase of equipment and technology, distributed on a per-capita basis with a minimum grant of \$100,000 per agency.
- ***DNA Testing***—\$50 million to pay for DNA testing of evidence in unsolved sex crimes.
- ***Mentally Ill Offenders***—\$50 million to counties for additional grants under the existing Mentally Ill Offender Crime Reduction Program.

Assistance for Local Juvenile Justice Programs

The spending plan approved by the Legislature included significant new ongoing and one-time funding to support local efforts to reduce crime and delinquency among juveniles. Specifically, AB 2885 provided \$121 million—the same amount as the COPS program discussed above—for county juvenile justice coordinating councils to use to support locally identified needs. These funds were to be distributed to counties on a per-capita basis. The Governor vetoed these funds. At the time this report was prepared, however, AB 1913 (Cardenas) which would restore the \$121 million for these programs, had been approved by the Legislature and was awaiting action by the Governor. This measure also makes slight modifications to the criteria contained in AB 2885 for use of the funds by counties.

The budget also includes \$75 million (General Fund) and \$37.5 million (federal funds) for competitive grants to counties for construction and renovation of local juvenile detention facilities. In addition, the budget includes \$35 million to extend two current juvenile justice programs in the Board of Corrections—the Juvenile Challenge Grant Programs (\$25 million) and the Repeat Offender Prevention Program (\$10 million).

TRANSPORTATION

The 2000-01 budget provides a total of \$9.6 billion for transportation related to infrastructure and mobility. This amount includes two main components, each discussed in detail below.

- \$2 billion in General Fund and gasoline sales tax revenues in 2000-01 to fund the first year of a six-year Traffic Congestion Relief Program.
- \$7.6 billion to implement the state's ongoing transportation program, mainly under the California Department of Transportation (Caltrans). This amount includes \$6.7 billion in special funds (mainly State Highway Account [SHA]) and federal funds, and an additional \$894 million in reimbursements for work done by Caltrans on behalf of local governments.

Traffic Congestion Relief Program

The Legislature established the Traffic Congestion Relief Program by trailer legislation (Chapters 91 and 92 [AB 2928, Torlakson and SB 406, Ortiz]) in order to provide a total of about \$7 billion in new funds for transportation over six years. (This amount does not include the transfer of about \$270 million in existing transportation revenues from the SHA to the Public Transportation Account [PTA] which is part of the package.) Figure 13 summarizes the program's funding levels and sources as well as how funds are allocated. Specifically:

- *For 2000-01*, a total of \$2 billion will be provided for the Traffic Congestion Relief Program, including \$1.5 billion from the General Fund and \$500 million in state gasoline sales tax revenues. Of the total, \$1.6 billion will be used to fund eligible projects specified in AB 2928 and SB 406, and \$400 million will be allocated to local governments, based on a specified formula, for street and road maintenance and rehabilitation.
- *Annually from 2001-02 through 2005-06*, the state share of gasoline sales tax revenues that were previously deposited into the General

Figure 13			
Traffic Congestion Relief Program Funding Levels and Uses			
<i>(In Millions)</i>			
	2000-01	Annually 2001-02 Through 2005-06	Six-Year Total
Fund Sources and Levels			
General Fund	\$1,500	—	\$1,500
Sales tax on gasoline ^a	500	\$976	5,380
State Highway Account transfer to PTA	45	45	270
Totals	\$2,045	\$1,021	\$7,150
Fund Allocations			
Traffic Congestion Relief Plan	\$1,600	\$678	\$4,990
Local streets and roads	400	119	996
STIP ^b	—	119	596
Public Transportation Account	45	105	568
Totals	\$2,045	\$1,021	\$7,150
^a State portion of sales tax on gasoline which was formerly deposited into the General Fund. Approximately \$1 billion after transfers to Public Transportation Account (PTA) are netted out. ^b State Transportation Improvement Program. Totals may not add due to rounding.			

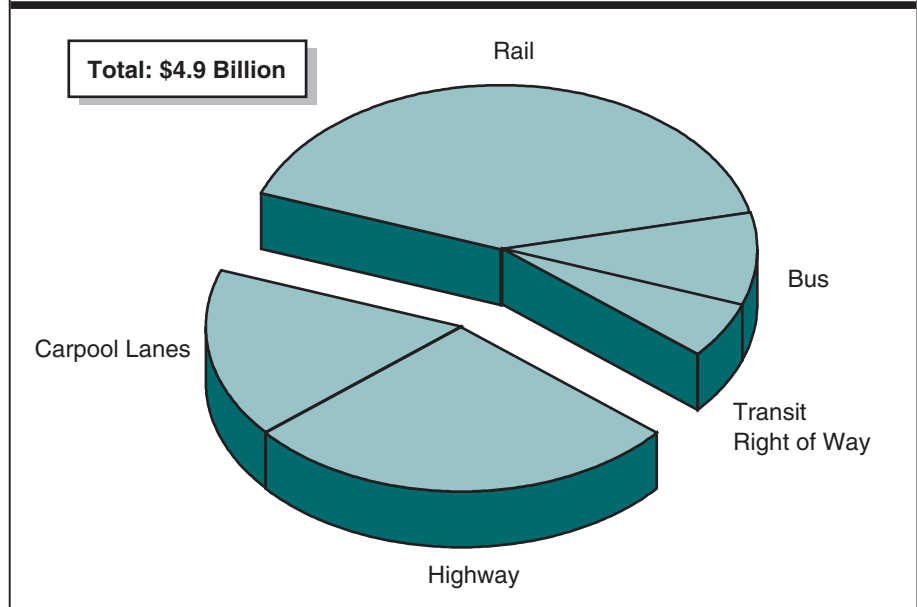
Fund will be dedicated to transportation. This amount is estimated to be about \$1 billion annually. Of that amount, \$678 million will be allocated each year to fund the specified eligible projects. Of the remaining funds, 40 percent will be allocated by formula for local street and road purposes, 40 percent will be allocated to augment funding of the State Transportation Improvement Program (STIP) for additional capital outlay projects, and 20 percent will be deposited into the PTA for transit operating assistance, intercity rail support, and other transit purposes.

- *Annually beginning in 2000-01*, SHA revenues that are not subject to the restrictions of Article XIX of the State Constitution will be transferred to the PTA. These revenues include proceeds from the sale of documents, charges for miscellaneous services to the public, and rental of state property. In 2000-01, these revenues are estimated to be about \$45 million.

Majority of Program Funds Transit Projects. Figure 14 shows the allocation of funds under the Traffic Congestion Relief Program. Of the total funding provided by the program, 55 percent is specified for transit projects (including bus, rail, and ferry projects), while 45 percent is specified for highway projects, including 28 percent for *general purpose* highway projects, such as interchange improvements or lane expansions, and 17 percent for the construction of carpool lanes. When compared to the original plan proposed by the administration, the final adopted program provides 64 percent more funding for highway-related improvements (approximately \$2.2 billion in comparison to \$1.3 billion).

Figure 14

**Traffic Congestion Relief Program
Allocation of Funds by Mode**



Transit Funding Designated Mainly for Rail Projects. In total, the program allocated approximately \$2.7 billion to fund specific transit projects. Most of these funds are designated for specific rail projects, accounting for about 40 percent of total program funding. A significant portion of the rail project funding (about 40 percent) is for one project—the extension of BART to San Jose. The total amount of funding specified for this project is \$760 million, with an estimated total cost of \$4 billion.

Program Funds Less Than One-Third of Total Cost of Projects. The program provides total state funds of \$4.9 billion for specified projects with an

estimated total cost of about \$17.2 billion. In most cases, funds provided under the program will finance only a portion of the specified project's total cost, with the remainder of the cost to be provided from other state, federal, or local sources. According to Caltrans, an additional \$1.9 billion in other funds—including STIP, federal, and local funds—have been committed to projects identified in the program, bringing the current funding shortfall to approximately \$10.4 billion.

Governor's Vetoes. The Governor eliminated funding for ten specific projects and reduced funding for three projects that were added by the Legislature, for a total reduction of \$93.8 million.

California Department of Transportation

To implement the state's ongoing transportation program, the budget provides about \$6.7 billion for departmental support, capital outlay, and local assistance. The budget also includes an estimated \$894 million in reimbursements, bringing the total new resources available for expenditure to approximately \$7.6 billion.

Caltrans Support Budget Increased by 20 Percent Above 1999-00 Level. The budget provides almost \$2 billion for support of all programs within Caltrans, a 20 percent increase over the 1999-00 level. Half of these funds are for the capital outlay support program, which includes the design, engineering, and environmental review of highway projects. The second largest support category is for the highway maintenance program, for which the budget appropriates \$768 million, a 3 percent increase above the 1999-00 level.

For 2000-01, the capital outlay support program is budgeted for 12,930 personnel-year equivalents (PYEs), which includes expenditures for state staff positions, as well as overtime work and work to be performed by private consultants. This staffing level represents an increase of approximately 15 percent relative to 1999-00, including an 8 percent increase in estimated expenditures for state staff and almost twice as much funding for work to be performed by private consultants—an increase from 592 to 1,159 PYEs.

The vast majority of capital outlay support resources are provided to handle ongoing workload related to the STIP and the State Highway Operation and Protection Program (SHOPP). Approximately \$120 million is allocated in the 2000-01 budget for staff support to work on projects included in the Traffic Congestion Relief Program discussed above.

The other major Caltrans support expenditures are as follows:

- \$288 million for administration—1,735 personnel-years.
- \$127 million for transportation planning—1,126 personnel-years.
- \$115 million to support the mass transportation program, including \$64 million for intercity rail operations—123 personnel-years.
- \$32 million for staff support for the local assistance program, which provides technical support for local project delivery of state and federally funded projects—369 personnel-years.

With respect to capital outlay, the budget provides \$3.3 billion from state special funds, federal funds, and reimbursements for projects contained in the STIP and SHOPP, the retrofit soundwall program, and for seismic retrofit to Caltrans office buildings.

In addition, the budget provides approximately \$1.5 billion in state and federal funds for local assistance in the highway, mass transportation, aeronautics, and planning programs. These funds are allocated to local transportation agencies for projects off the state highway system, including transit capital improvements and rehabilitation of local streets and roads.

Governor's Vetoes. The Governor vetoed the following items:

- A \$5 million augmentation for the Freeway Service Patrol program, which supports roaming tow trucks that provide free services to motorists along 1,200 miles of freeways in congested areas.
- A transfer of \$5 million from the General Fund to the Abandoned Railroad Account to acquire land for nonmotorized uses.
- About \$2.9 million in various special projects.

Other Transportation Programs

In addition to funding the Traffic Congestion Relief Program and Caltrans' ongoing programs, the budget includes funding for the following:

High-Speed Rail Authority. The budget provides \$5 million in General Fund revenues to initiate program environmental impact assessment work for the proposed statewide high-speed rail system.

San Francisco Bay Area Water Transit Authority. The budget, as enacted by the Legislature, included \$14 million in General Fund revenues for the authority to begin planning and design work for a regional ferry transit service. The Governor, however, objected to the use of the General Fund for this purpose (preferring funds from the PTA) and vetoed \$12 million. The remaining \$2 million, as part of the Traffic Congestion Relief Program, is designated for commencing ferry service from Treasure Island.

California Highway Patrol (CHP). The budget, as enacted by the Legislature, provided \$997.6 million for support of CHP activities, an increase of 8.7 percent over the 1999-00 level. In addition to funding ongoing patrol services, the budget included:

- An additional \$16.2 million (Motor Vehicle Account) for 161 additional CHP motorcycle officers, including equipment and support staff, to improve freeway safety and efficiency in congested areas. The Governor vetoed \$6.5 million of this amount, leaving \$9.7 million for 96 officers.
- An increase of \$10.4 million (Motor Vehicle Account) for 123 additional CHP officers, including equipment and support staff, to improve traffic safety and motorist services on roads in unincorporated areas. The Governor vetoed \$4.6 million of this amount, leaving \$5.8 million for 69 officers.
- \$5 million for grants, administered by CHP, to local law enforcement agencies that collect data on the race of persons stopped by their officers. The budget also includes language requiring CHP to analyze that data received from local agencies and to compile a report for the Legislature.

RESOURCES

The 2000-01 budget, as adopted by the Legislature, provides a total of \$6.2 billion for resources programs, of which \$1.5 billion is from the General Fund and \$2.5 billion is from bond funds. The remaining \$2.2 billion are special funds, federal funds, and reimbursements. This total amount is an increase of about \$2.6 billion over estimated 1999-00 expenditures. This increase largely results from the appropriation of Propositions 12 and 13 (park and water) bond funds approved by voters in March 2000. Significant features include:

- **Parks (\$1.9 Billion).** This consists of Proposition 12 (parks bond) for various state and local park acquisitions and projects. The Governor subsequently reduced this amount to \$1.2 billion.

- ***Water Projects (\$454.6 Million)***. This consists of Proposition 13 (bond funds) for various water projects, including water supply, flood control, river protection, habitat restoration, and water conservation. (An additional \$260.2 million and \$35 million in Proposition 13 bond funds are appropriated to various Environmental Protection Agency departments and the Department of Health Services, respectively.)
- ***CALFED (\$135 Million)***. The budget includes General Fund monies for CALFED projects and programs, contingent on the enactment of a statute certifying that the expenditures are consistent with the CALFED environmental document yet to be certified by the state. In addition, the budget includes about \$136 million (various funds) of other CALFED-related expenditures. These expenditures include \$20 million for water storage studies, and funds for program administration and various ecosystem restoration projects.
- ***Habitat (\$116.5 Million)***. The budget provides these funds to various departments for habitat acquisition, restoration, and enhancement. The Governor subsequently reduced this amount to \$113.7 million.
- ***Local Flood Control (\$112 Million)***. The budget provides General Fund monies to pay local governments for the state share of costs of local flood control projects that have been authorized by the state. (In addition, \$43 million from Proposition 13 bond funds is provided for this purpose.) The Governor reduced this amount by \$27.7 million.
- ***Fish and Game (\$94 Million)***. This amount is an increase of \$60 million over the 1999-00 funding level, and includes \$35 million to enhance various existing programs within the Department of Fish and Game. The Governor reduced this amount by \$23.6 million.
- ***State Parks Operation (\$64.6 Million)***. The budget provides the Department of Parks and Recreation with funds to backfill a reduction in state park fees and provide for anticipated increased park usage (\$46.6 million), and ongoing state park maintenance (\$18 million). The Governor reduced the staffing for anticipated increased visitation by \$10 million and the amount for ongoing maintenance by \$15 million.
- ***Fire Protection (\$62.1 Million)***. The budget appropriates funds to the Department of Forestry and Fire Protection for emergency fire suppression activities (\$55 million), reactivation of 17 inmate conservation crews (\$4.6 million), and expanded staffing for the department's training academy in Ione (\$2.5 million).

- ***UC Merced Campus Mitigation (\$43.8 Million)***. These funds will support environmental review and acquisition of conservation easements in connection with the development of a UC Merced campus.
- ***Beach Restoration (\$10 Million)***. These funds, provided to the Department of Boating and Waterways, will support beach restoration projects.
- ***Auburn Dam (\$8 Million)***. These funds would be for the Auburn Dam tunnel closure. The Governor reduced this amount by \$4 million.
- ***Watershed Assessments (\$6.9 Million)***. These funds are provided to various departments to conduct assessments of watersheds on the North Coast.
- ***Habitat Plan (\$2 Million)***. These are one-time funds for the Resources Agency to continue work on a statewide conservation and habitat blueprint, known as the California Continuing Resources Investment Strategy Project (CCRISP). The budget also included language that prohibits the expenditure of these funds until the Department of Finance and the Joint Legislative Budget Committee approve a plan, to be submitted by the Resources Agency, that details how the project will achieve specified goals. Among other things, CCRISP is intended to eventually help the state more effectively direct its investments in habitat conservation.

The budget package also includes legislation—Chapter 113, Statutes of 2000 (SB 1647, O’Connell)—creating a Natural Heritage Preservation Tax Credit. This program will provide tax credits of 55 percent of fair market value to persons who donate qualifying property to state, local, or nonprofit organizations. The measure provides a total of \$100 million in tax credits, anticipated to be made available over three years.

ENVIRONMENTAL PROTECTION

The 2000-01 budget, as adopted by the Legislature, provided about \$1.5 billion for environmental protection programs, including about \$1 billion for the support of various environmental protection agencies and \$504 million for local assistance. This amount is an increase of about \$540 million, or 54 percent, over estimated 1999-00 expenditures. Significant features include:

- ***Proposition 13 Water Bond***. The budget includes \$260.2 million from Proposition 13 (March 2000) bond funds for local water quality, water recycling, and watershed protection projects. (An additional

\$454.6 million and \$35 million are appropriated in various Resources Agency departments and the Department of Health Services, respectively.)

- ***Diesel Emission Reduction.*** To reduce diesel emissions, the budget includes (1) \$50 million to replace or retrofit older diesel school buses and (2) \$45 million for an incentives program to reduce emissions from heavy-duty diesel engines.
- ***Urban Cleanup Initiative.*** The budget includes \$85 million to assess and clean up urban contaminated sites (“brownfields”) for redevelopment.
- ***Water Pollution Control.*** In addition to expenditures for local water quality projects, the budget includes a number of increases related to water pollution control and water quality monitoring. Specifically, the budget provides a total of:
 - \$26.3 million to develop and implement plans (“total maximum daily loads”) to address water pollution in seriously impaired water bodies—an increase of about \$18 million over estimated current-year expenditures. The Governor reduced this amount by \$10.5 million.
 - \$13.6 million to control stormwater runoff—an increase of about \$7 million over estimated current-year expenditures. The Governor reduced this amount by \$2.5 million.
 - \$12.1 million to monitor ambient water quality—an increase of about \$9 million over estimated current-year expenditures. The Governor reduced this amount by \$2.5 million.
- ***Enforcement.*** The budget includes (1) an increase of \$6.1 million for enforcement activities to be carried out by various environmental protection departments and (2) an increase of \$7.6 million for enforcement and compliance activities carried out by local air districts. In addition, the budget provides \$3.8 million to continue water board inspections in the budget year at an increased level.
- ***Children's Health.*** The budget provides an increase of \$7.4 million for a number of departments to address children's health issues. These expenditures are in addition to the \$50 million for the older school bus replacement/retrofit program that also addresses children's health issues.

The Governor vetoed or reduced legislative augmentations totaling \$44.3 million. In addition to the vetoes and reductions noted above (totaling \$15.5 million), these include:

- \$13.8 million for various local water quality, water recycling, coastal protection, and urban runoff projects.
- \$8.1 million for various local projects to purchase playground equipment from recycled materials.
- \$5.2 million for the University of California’s Sustainable Agriculture Research Program.
- \$1.7 million for various other programs.

In addition, the Legislature approved an environmental protection trailer bill—Chapter 144, Statutes of 2000 (AB 2872, Shelley)—that establishes parameters for a study of indoor air quality in portable classrooms and the development of child-focused cancer risk guidelines; earmarks \$5 million to pay cleanup costs of fire safety agencies that own or operate underground tanks; creates an account to deposit funds for the new brownfield redevelopment program; makes a number of changes to the locally implemented hazardous waste and material program known as the “CUPA” program to improve consistency in program implementation and state oversight; and establishes a comprehensive coastal resources monitoring and assessment program for fish and shellfish.

CAPITAL OUTLAY

The budget package includes \$4 billion for capital outlay (excluding highways and transit), as shown in Figure 15 (see page 56). This includes \$1.2 billion for local capital outlay projects. About 63 percent of total funding is from bonds—primarily for resources and higher education. The majority of General Fund spending is in three areas—resources, corrections, and higher education.

State Capital Outlay. Some of the major state capital outlay projects and programs funded in the budget package include:

- *Wildlife Conservation Board*—\$115 million from the General Fund and \$361 million from the March 2000 bond measure for habitat conservation, \$152 million for 31 specific projects, and \$324 million for unspecified acquisition and conservation projects.

- **Coastal Conservancy**—\$53 million from the General Fund and \$165 million from the March 2000 bond measure for coastal conservation, \$177 million for 66 specific projects, and \$41 million for unspecified acquisition and conservation projects.
- **Department of Parks and Recreation**—\$10 million General Fund and \$203 million from the March 2000 bond measure for 47 parks and recreation projects.
- **California Community Colleges**—\$304 million from bond funds for capital outlay for 82 projects at 64 campuses.
- **California State University**—\$22 million General Fund and \$153 million from bond funds for 25 projects at 17 campuses.

Figure 15

**2000-01 Capital Outlay Programs
Appropriations by Department and Fund Type**

(In Millions)

Department	Bonds ^a	General	Special	Federal	Total
Legislative/Executive/Judicial					
Judicial Council	—	\$6.0	—	—	\$6.0
Emergency Services	—	31.4	—	—	31.4
Justice	—	31.7	—	—	31.7
State and Consumer Services					
California Science Center	—	\$3.1	—	—	\$3.1
Franchise Tax Board	—	0.1	—	—	0.1
General Services	\$25.4	38.4	\$6.3	—	70.1
Transportation					
Transportation	—	—	\$9.7	—	\$9.7
Highway Patrol	—	—	7.4	—	7.4
Motor Vehicles	—	—	18.1	—	18.1
Resources					
Conservation Corps	—	\$1.3	—	—	\$1.3
Conservation (local assistance)	\$5.0	3.6	—	—	8.6
Tahoe Conservancy	6.4	6.1	\$4.9	—	17.4
Forestry and Fire Protection ^b	2.7	20.5	2.0	—	25.2
Fish and Game ^b	0.6	13.9	1.1	\$0.1	15.7
Wildlife Conservation Board	244.7	115.0	20.8	—	380.5
Boating and Waterways ^b	—	10.2	61.5	2.4	74.1
Coastal Commission (local assistance)	—	1.2	0.4	—	1.6
Coastal Conservancy	186.9	52.7	7.1	2.0	248.7
Parks and Recreation ^b	713.4	85.7	15.8	—	814.9

Continued

- University of California**—\$134 million General Fund and \$213 million from general obligation bond funds for 40 projects at ten campuses and the Kearney Agriculture Center. In addition, the university received authorization to spend up to \$600 million in lease-payment bonds to acquire, design, construct, or renovate acute care teaching hospital buildings to meet seismic safety requirements. The specific projects have not been identified but all projects are subject to approval and oversight by the administration through the Public Works Board.

Local Assistance Capital Outlay. The budget package also funds many local assistance capital outlay projects including 438 parks, natural resources, and community facilities projects, financed from both the General Fund (\$156 million) and Propositions 12 and 13 bonds from the March 2000 ballot (\$518 million). The budget also includes \$367 million in bond funds under

Department	Bonds ^a	General	Special	Federal	Total
Santa Monica Mountains Conservancy	24.0	0.3	—	—	24.3
Waste Management Board (local assistance)	2.6	0.5	5.0	1.5	9.6
Coachella Valley Mountains Conservancy	4.9	—	—	—	4.9
Water Resources ^b	23.5	62.7	375.5	—	461.7
Health and Social Services					
Health Services	—	\$5.9	—	—	\$5.9
Mental Health	—	8.4	—	—	8.4
Employment Development	—	—	—	\$4.1	4.1
Rehabilitation	—	0.3	—	—	0.3
Corrections					
Corrections	—	\$98.6	—	—	\$98.6
Youth Authority	—	25.1	—	—	25.1
Education					
Education	—	\$7.8	—	—	\$7.8
State Library	—	0.3	—	—	0.3
University of California	\$812.7	133.7	—	—	946.4
California State University	153.4	22.0	—	—	175.4
California Community Colleges	304.3	—	—	—	304.3
General Government					
Office of Criminal Justice Planning (local assistance)	—	\$96.0	—	—	\$96.0
Arts Council (local assistance)	—	26.7	—	—	26.7
Food and Agriculture	—	1.4	\$0.6	—	2.0
Military	—	2.0	—	\$0.1	2.1
Veterans' Home of California	\$0.7	4.7	—	—	5.4
Unallocated	—	2.0	—	—	2.0
Totals	\$2,511.2	\$919.3	\$536.2	\$10.2	\$3,976.9

^a General obligation bonds except for the University of California which includes \$600 million in lease-payment bonds.
^b Includes state capital outlay and local assistance projects.

Proposition 12 for grants to local governments based on the measure's population formulas.

Governor's Vetoes. Figure 15 reflects the amounts included in the budget package after the Governor vetoed a total of \$747 million (\$698 million general obligation bonds and \$49 million General Fund). Nearly all of this reduction was in the area of resources where the Governor vetoed \$438 million in local assistance projects and \$300 million in state projects. In local assistance, 90 percent of the amount vetoed was for local parks and recreation projects while for state projects, over 80 percent of the vetoes involved projects for the Department of Parks and Recreation (\$117 million) and the Wildlife Conservation Board (\$132 million).

OTHER MAJOR PROVISIONS

Housing

The Legislature approved \$575 million from the General Fund in the Department of Housing and Community Development's (HCD) budget for spending on various new and expanded housing programs. The Governor vetoed \$75 million from the multifamily housing program, bringing total HCD augmentations to \$500 million (see Figure 16). The new programs include:

- ***Jobs-Housing Balance Improvement Program.*** In an effort to increase housing production, this program will make payments to local governments based on the number of housing permits issued in 2001. The program will also make grants and loans to local governments to assist communities in attracting businesses and in developing housing near transit stations.
- ***CalHome Program.*** This program will allow the department to fund a variety of home-ownership programs through a single application process.
- ***Homebuyer's Downpayment Assistance Program.*** Administered by the California Housing Finance Agency, this program will provide financial assistance to first-time home buyers.
- ***Downtown Rebound.*** Program loans will assist in the conversion of industrial and commercial space to housing units. Local governments will also be eligible for planning grants for housing and other projects.

- *Code Enforcement Incentive Program.* This program will make matching grants to local governments to hire more staff for code enforcement activities.
- *Interregional Partnership Pilot Program.* Program grants will assist local governments undertaking interregional planning of housing and employment issues.

Local Government

The budget sets aside \$200 million on a one-time basis from the

General Fund for use by the Conference Committee on AB 1396 (Villaraigosa) for implementing a local government finance reform proposal. In addition, the budget includes substantial funding for local governments in a number of program areas. For instance, the Traffic Congestion Relief Program provides \$400 million in 2000-01 for local streets and road funding. In the criminal justice area, local governments will receive new funding for the Citizens' Option for Public Safety (COPS) program, law enforcement technology, and juvenile justice programs.

Figure 16	
Housing Package	
<i>(In Millions)</i>	
	2000-01 Budget
Local Government Incentives	
Jobs-Housing Balance Improvement	\$110.0
Home Ownership	
CalHome	\$40.0
Mobilehome ownership	10.0
Homebuyer's Downpayment Assistance	50.0
Farmworker Housing	
Base program	32.0
Manufactured housing	3.0
Unhealthy and unsafe units	3.0
Health services demonstration	5.0
Multifamily Housing	
Base program	\$177.0
Downtown Rebound	
Project loans	22.6
Planning grants to local governments	2.4
Homeless	
Emergency Housing Assistance Program	
Operating grants	\$10.0
Capital grants	25.0
Other Programs	
Code Enforcement Incentives	\$5.0
Interregional Partnership Pilot	5.0
Total	\$500.0

Employee Compensation

The budget includes \$80.4 million (\$50.4 million General Fund) to fund additional compensation for state civil service employees. This amount includes:

- \$48.9 million (\$26.1 million General Fund) for additional benefits for excluded employees, including a contribution (\$100 per month for managers and \$50 per month for supervisors) to a 401(k) plan and a leave buyback program.
- \$20.4 million (General Fund) for the rural health subsidy program authorized by Chapter 743, Statutes of 1999 (SB 514, Chesbro). This program subsidizes health care costs for state employees and retirees who live in rural areas where an health maintenance organization (HMO) is not available.
- \$11.1 million (\$3.9 million General Fund) for salary increases for state employees in information technology job classifications in an attempt to improve recruitment and retention of these employees.

In addition, under current memoranda of understanding (which expire June 30, 2001), state employees will receive a 4 percent salary increase effective September 1, 2000. The cost of this increase—around \$300 million (\$150 million General Fund)—is included in each state department's budget. Negotiations for new memoranda will begin during 2000-01.

Smog Check Program

The budget includes \$114 million from special funds to continue the Smog Check Program in the Department of Consumer Affairs, Bureau of Automotive Repair. In an attempt to increase participation in the High Polluter Repair and Removal Program, \$47 million of this amount will go towards reducing vehicle owners' copayments for vehicle repair and increasing state payments for vehicle repairs and vehicle buyback. Figure 17 summarizes these changes.

Department of Food and Agriculture

The budget increases General Fund support for pest exclusion activities at both the state and local levels. The major increases from the prior year include:

- **County High-Risk Pest Exclusion Program (\$8.5 Million).** For county agriculture commissions to inspect agricultural materials at terminal entry points (airports, express carriers, post offices, and wholesale and retail marketing terminals) for exotic or invasive pests.

Figure 17

Changes in Smog Check Consumer Assistance Programs

Program	1999-00	2000-01
Vehicle owner copayments:		
Income-Eligible Repair Assistance ^a	\$75	\$20
Test-Only Repair Assistance ^b	250	100
Maximum state payments:		
Income-Eligible and Test Only Repair Assistance	450	500
Vehicle Retirement (buyback)	450	1,000
^a Income at or below 185 percent of federal poverty level.		
^b Vehicle must be directed to test-only station. No income qualifications.		

- **Pierce's Disease (\$6.9 Million).** To combat the glassywinged sharpshooter, which carries the Pierce's Disease bacteria and threatens California's grape industry. This money will fund pest control procedures and community outreach efforts.

Trade and Commerce Agency

The budget provides additional General Fund support for several new and existing programs within the Trade and Commerce Agency. The budget includes subsidies for film permit payments made to governments and biomass facilities that generate electricity from agricultural waste. In addition, additional reserve funds are provided for guaranteeing loans to small businesses.

Filming Permits. The budget allocates \$15.3 million for a new program to subsidize the film industry for permit payments made to local, state, and federal governments. Only actual costs incurred by the permitting entity can be reimbursed. The program is intended to encourage television and film productions to film in California.

Biomass Facilities. The budget provides \$10 million for an incentive payment program to subsidize biomass facilities that convert agricultural waste into electricity. Under this new program—created by Chapter 144, Statutes of 2000 (AB 2872, Shelley)—grants will be awarded to air quality management districts. The districts will then make incentive payments to the biomass facilities at a rate of \$10 per ton of agricultural waste used to generate electricity.

Small Business Loan Guarantees. The budget provides an additional \$8 million in reserve funds for the existing Small Business Loan Guarantee Program to increase the number of financial development corporations (FDCs) that provide loan guarantees. Currently, eight FDCs guarantee loans to com-

panies that are otherwise unable to secure bank loans. The additional funds will add two new FDCs. The program has statutory authority to guarantee loans to a maximum 4-to-1 loan-to-reserve ratio.

Department of Managed Care

The Legislature approved a budget of \$37.8 million from special funds (assessments levied on HMOs) for the new Department of Managed Care. The department's basic function is to regulate HMOs and medical provider groups. The budgeted funding level includes \$6.5 million for the following legislative augmentations:

- \$5 million for consumer education and outreach to increase public awareness of the new department and its services.
- \$650,000 for an HMO quality-of-care report card.
- \$560,000 for temporary help to handle an anticipated increase in telephone calls and to hire consultants to help establish the Office of Patient Advocate (OPA).
- \$300,000 for additional staff to reduce an existing backlog of enforcement cases.

The Legislature also created a separate line item for OPA to reflect its independence from the department and to facilitate legislative oversight. The OPA will focus on health care consumer trends and issues. The budget provides \$988,000 for OPA.

The Governor vetoed \$3.8 million by (1) deleting the \$560,000 for temporary help and consultants for OPA, (2) reducing consumer education and outreach by \$3 million, and (3) reducing the HMO report card by \$250,000.

Department of Insurance

The budget includes \$16.5 million from special funds and 114 positions to implement Chapter 884, Statutes of 1999 (SB 940, Speier) and Chapter 885, Statutes of 1999 (AB 1050, Wright). These measures authorized an increase in the auto insurance policy fee of up to 80 cents to: (1) combat organized crime rings involved in fraudulent auto accident claims, (2) eliminate a backlog of consumer complaints regarding auto insurance, and (3) improve consumer service activities. This funding includes \$4.8 million in local assistance for auto fraud activities performed by district attorneys in conjunction with the department.