



**The 2001-02 Assembly Budget Bill
AB 95 (Cardenas)
As Adopted by the
Budget Committee**



The Bottom Line

2001-02 General Fund Condition

In Millions

	Governor's Budget (May Revision)	Assembly Version	Difference
Prior-year fund balance	\$6,645	\$7,205	\$560
Revenues and transfers	74,842	75,777	935
Total resources available	\$81,487	\$82,982	\$1,495
Expenditures	79,676	80,389	713
Ending fund balance	\$1,811	\$2,593	\$782
Encumbrances	701	701	—
Set-aside for legal contingencies	100	100	—
Reserve	\$1,010	\$1,791	\$782

- Prior-Year Fund Balance.** The Assembly budget includes a prior-year fund balance of \$7.2 billion, which is \$560 million higher than the May Revision. The increase is due in part to (1) the Assembly adoption of the LAO's revenue forecast for 2000-01 (\$276 million higher than the administration's estimate) and (2) a \$100 million reduction in prior-year Proposition 98 education spending.
- Revenues.** The Assembly version assumes 2001-02 revenues and transfers of \$75.8 billion—\$935 million higher than the May Revision. The higher amount reflects the Assembly adoption of the LAO's revenue estimates (\$373 million higher than the May Revision forecast for the budget year). The Assembly version also includes (1) \$475 million related to the rejection of the Governor's proposal to redirect tobacco settlement monies from the General Fund to a newly established Tobacco Settlement Fund and (2) \$82.1 million in additional transfers from other special funds.
- Expenditures.** The Assembly's General Fund expenditures total \$80.4 billion, which is \$713 million higher than the May Revision. The Assembly version increased funding for health and social services programs. The Assembly's spending total also reflects its action on the tobacco settlement monies (see above).
- Reserve.** The Assembly version includes a reserve of \$1.8 billion (about 2 percent of expenditures), which is \$782 million more than the Governor's May Revision proposal.



Key Features of the 2001-02 Budget Bill Assembly Version—General Fund



Education

- Total General Fund Proposition 98 spending of \$30.4 billion in the current year (same as the May Revision), and \$32.6 billion in 2001-02 (roughly the same as the May Revision).
- Proposition 98 K-12 per-pupil spending of \$7,151—up 7.1 percent from the revised current-year level.
- K-12 provisions include a \$220 million block grant for low-performing schools, and \$84 million for standards-based training of teachers.
- Higher education funding includes modest increases relative to the May Revision for the University of California, California State University, and California Community Colleges, as well as funding for expanded financial aid outreach.



Transportation

- Adopts May Revision proposal related to Transportation Congestion Relief Funding, including \$1.3 billion in the budget year and \$1.2 billion in 2002-03. General Fund transfers to transportation would resume in 2003-04.



Revenues and Tax Relief

- Adopts LAO revenue projections, which are above the administration by \$276 million in the current year and \$373 million in the budget year.
- Adopts May Revision's proposal for an increase in the Manufacturers' Investment Tax Credit.



Health and Social Services

- Includes augmentations for various health and social services programs, including a \$63 million Foster Care/Child Welfare Services reform package.



Other

- Adopts LAO estimate of the Vehicle License Fee backfill cost, which is \$180 million lower than the estimate in the May Revision.



Major One-Time Actions To Achieve General Fund Savings^a

(In Millions)

Subcommittee Actions:	
Transportation congestion relief funding	\$1,300
Capital outlay	497
Infrastructure Bank	277
Local government fiscal relief	250
Jobs-housing balance incentive payments	200
Vehicle license fee (updated estimate) ^b	180
School facility fee	136
Clean beaches	90
Local law enforcement high-technology equipment	74
Diesel emission reduction	68
Zero-emission vehicles	50
Local flood control subventions	50
Touch-screen voting	40
Low-cost environmental insurance	38
River parkways	35
Local forensic labs	30

^a Savings are compared to amounts in January Governor's budget.

^b A portion of these savings are ongoing.



Major Assembly Actions K-12 Education—Proposition 98

(In Millions)

	Governor	Assembly	Difference
Cost-of-living adjustments (various programs)	\$1,406	\$1,406	—
Enrollment growth (various programs)	565	565	—
Instructional Time and Staff Development	224	259	35
High Priority Students Block Grant	220	220	—
Math and Reading Professional Development	160	84	-\$76
Immediate Intervention/Underperforming Schools	137	137	—
Special Education Settlement	125	125	—
Child care and preschool annualization	109	109 ^a	—
Governor's Performance Awards	96	92	-4
Longer middle school year	65	—	-65
Expand after and before school programs	2	42	40
School district equalization	—	37	37

^a Assembly also adds \$66 million from one-time funds for child care (Stage III set-aside).

- The Assembly version spends \$29.3 billion from the General Fund for Proposition 98 K-12 programs, essentially the same level as the May Revision.
- The Assembly version provides \$7,151 in Proposition 98 per pupil. This is \$473, or 7.1 percent, above the revised 2000-01 level.
- The Assembly version deletes the funds proposed by the Governor for a longer middle school year and approves a May Revision proposal for a \$220 million Higher Priority Students Block Grant aimed at the state's lowest-performing schools.



Major Assembly Actions Higher Education

General Fund (In Millions)

	Governor's May Revision	Assembly	Difference
University of California	\$3,391.3	\$3,400.4	\$9.1
California State University	2,622.0	2,628.4	6.4
California Community Colleges	2,878.5	2,892.5	14.0
Student Aid Commission	633.6	638.6	5.0
Hastings College of the Law	15.1	15.1	—
California Postsecondary Education Commission	3.9	3.9	—
Totals	\$9,544.4	\$9,578.9	\$34.5

- The Assembly proposes a total of \$9.6 billion from the General Fund for higher education in 2001-02
- The Assembly proposal is \$580 million, or 6.4 percent, above estimated expenditures for 2000-01.
- The Assembly proposal is \$34.5 million, or 0.4 percent, above the amount proposed by the Governor for 2001-02.
- The Assembly approved the May Revision request for \$184 million for the three segments to cover higher energy costs in the current and budget years.



Major Assembly Actions Social Services Programs

Various Funds (In Millions)

Department/Program	Difference From May Revision
Department of Aging —augmentations	\$4
Employment Development Department	
Funded California Savings and Asset Program (proposed in AB 692)	\$5 ^a
Augmented for Youthbuild program	1
Department of Social Services (DSS)—Child Welfare Services	
Child Welfare Services/Foster Care Reform Package (See page 7 for detail)	\$63 ^b
Restored funding for increase in cost of doing business	38 ^b
DSS—Food Programs	
Eliminated sunset of benefits for post-August 1996 immigrants	\$5
Augmented food bank infrastructure improvements	2
Provides funds for Food Stamps outreach	2 ^b
DSS—CalWORKs	
Excluded vehicle from asset tests	-\$3 ^c
Appropriated Workforce Investment Act funds to employment services	20 ^a
DSS—County Services Block Grant	
Partially restored May Revision reduction	\$2 ^b
DSS—Cash Assistance	
Eliminated sunset on benefits for post-August 1996 immigrants	\$29
Total	\$168

^a Workforce Investment Act funds.
^b Draws down federal matching funds.
^c Combined General Fund and Temporary Assistance for Needy Families funds.



Compared to the May Revision, the Assembly provided a net augmentation from the General Fund of approximately \$150 million to various social services programs, representing an increase of approximately 2 percent to a base of about \$8 billion. The most significant augmentations are described below.

- **Post-August 1996 Legal Immigrants.** The Assembly eliminated the October 1, 2001 sunsets for state-only benefits for post-August 1996 immigrants in the Cash Assistance Program for Immigrants and the California Food Assistance Program. This results in costs of \$29 million and \$5 million, respectively.
- **Child Welfare Services.** The Assembly provided counties with \$38 million to cover the increase in their cost of doing business.



Assembly Foster Care and Child Welfare Services Package

(In Millions)

	Fiscal Impact
Resources and Recruitment for Foster Parents	
Gradually increases Foster Family Home provider rates (AB 1330)	\$5.0
Establishes the Foster Parent Recruitment and Retention Program (AB 557)	3.5
Kinship Support Services Program expansion	2.0
Provides child care for youth in foster family homes (AB 1105)	1.8
Clothing allowance for Kinship Guardianship Assistance Program	0.9
Funding for criminal background checks for potential adoptive parents	0.2
Outcomes and Services for Foster Youth	
Expands educational support services to all foster youth (AB 797)	\$15.0
Grants for emancipated youth; improves access to health and education data on foster youth (AB 1119)	8.0
Expands transitional housing for foster youth (AB 1261)	5.0
Public health nursing services for foster youth	2.0
Medi-Cal coverage for foster children	1.5
Supportive and Therapeutic Options Program—funds for foster youth mental health support	0.3
Increasing Resources for Social Workers	
Gradually reduces Child Welfare Services caseload ratios (AB 364)	\$12.0
Child Welfare Services training funds for social workers	0.5
Other Changes	
Juvenile Crime Prevention Program funding restoration for community-based programs	\$4.7
Foster care rate increase for infants in foster care in group homes	0.5
Total	\$62.9

- The Assembly provides \$63 million to fund various components of the foster care and child welfare services reform package. The Assembly adopted budget bill language that conditions funding of bills in the package on their enactment.

- The package includes various proposals to improve the health and education outcomes of foster youth; increase recruitment and retention of foster parents through training and higher payments; and enhance programs for foster youth entering adulthood.



Major Assembly Actions Health Programs

In considering the Governor's 2001-02 budget, the Assembly: (1) adopted the administration's Medi-Cal caseload estimates reflecting an increase of \$2.2 billion (about \$500 million General Fund) and a 15 percent increase in caseload (about 800,000 additional eligibles) over the prior fiscal year, and (2) modified the Healthy Families Program caseload to provide for a budget that reflects an increase of \$272 million (about \$31 million General Fund) and a 23 percent increase in caseload (about 275,000 additional eligibles) over the prior fiscal year. Some of the key Assembly changes are summarized below.

General Fund (In Millions)

	Change From Governor's Budget
Medi-Cal	
Eliminated asset test for eligibility.	-\$4.3
Reduced rate increase proposed in May Revision for nursing homes.	-23.0
Redirected funding to phase in breast and cervical cancer treatment services for women up to 250 percent of federal poverty level (FPL).	-4.9
Eliminated "cliff effect" on share of cost for medically needy.	5.8
Public Health	
Rejected proposal for separate tobacco settlement fund. Deposit settlement funds in General Fund and earmark for health programs.	No net change
Fully fund projected AIDS Drugs Assistance Program caseload.	\$12.8
Augmented various clinic program grants for indigent care.	36.0
Managed Risk Medical Insurance Board	
Adjusted budget for overestimation of caseload.	-\$45.0
Expanded coverage to parents up to 250 percent of FPL and to 19- and 20-year olds.	14.6
Emergency Medical Services Authority	
Augmented to provide additional state assistance to trauma centers.	\$60.0
Department of Mental Health	
Augmented various community treatment programs.	\$80.0
Adjusted budget for overestimation of caseload.	-17.0
Rejected proposals to reduce allocations for supportive housing and managed care rates.	10.0
Department of Developmental Services	
Provided various augmentations for Regional Center operations and services.	\$62.9
Health Insurance Portability and Accountability Act	
Shifted most funding and implementation framework from budget bill to separate legislation.	No net change ^a

^a Assumes funding included in separate legislation (SB 456, Speier).



Major Assembly Actions Judicial and Criminal Justice Provisions

General Fund (In Millions)

Issue	Governor	Assembly	Difference
Department of Corrections			
Pharmacy/contract medical services	\$83.0	\$83.0	—
Electro-mechanical prison doors	58.3	33.5	-24.8
Crime Prevention Act of 2000			
Juvenile Crime Prevention and COPS	\$242.6	\$242.6	—
Juvenile Justice			
Turning Point Academy	\$10.6	\$10.6	—
Local Law Enforcement			
Local forensic crime laboratories	\$30.0	—	-\$30.0
War on methamphetamine	30.0	\$30.0	—
High Technology Theft and Apprehension Program	11.1	3.4	-7.7
High technology equipment	20.0	1.0	-19.0
Regional law enforcement training centers	5.0	1.6	-3.4

- Reduced funding by \$24.8 million for the purchase and installation of electro-mechanical prison doors.
- Eliminated funding (\$30 million) for grants to local forensic crime laboratories.
- Reduced funding by \$7.7 million to expand an existing program to combat high technology related crime.
- Reduced funding by \$19 million to provide a one-time allocation on a per capita basis for local law enforcement to purchase high technology equipment.



Major Assembly Actions Resources

Various Funds (In Millions)

Issue	Governor	Assembly	Difference
CALFED Bay-Delta program	\$558.0	\$511.9	-\$46.1
Proposition 12 resources projects	495.7	577.9	82.2
Local flood control subventions	67.6	67.6	—
Redirect surplus tidelands revenues:			
• Urban Parks initiative	—	25.0	25.0
• Energy and air emissions reduction initiative	—	25.0	25.0
• Priority coastal land acquisition	—	10.0	10.0
• Wetlands and coastal land acquisitions	—	5.0	5.0
River Parkway program	35.0	35.0	—
Drought panel recommendations/water efficiency	15.5	10.2	-5.3
Santa Monica Mountains Conservancy land acquisition	12.3	14.3	2.0
CDFFP computer-aided dispatching system	10.2	—	-10.2
Conservation Corps program and equipment augmentation	8.2	8.2	—
Santa Monica Bay restoration	5.0	10.0	5.0
Water hazards removal program	3.9	0.2	-3.7
Salmon habitat acquisition	—	5.0	5.0
Urban Parks initiative (General Fund)	—	5.0	5.0
Sudden Oak Death remediation initiative	1.9	4.7	2.8
Ongoing natural resource maintenance at state parks	2.0	11.0	9.0

- The Assembly reduced General Fund support for the CALFED Bay-Delta program by \$46 million. The Assembly approved about \$512 million for CALFED from all state fund sources, including \$50 million from the General Fund.

- The Assembly augmented expenditures from Proposition 12 by about \$82 million for resources projects in various agencies. The Department of Parks and Recreation received the largest augmentation—approximately \$69 million in bond funds—for additional capital outlay projects.

- The Assembly redirected surplus (tidelands) revenues in the Natural Resources Infrastructure Fund from 2000-01, estimated at about \$65 million, to various programs. These revenues otherwise would revert to the General Fund at the end of 2000-01.



Major Assembly Actions Environmental Protection

Various Funds (In Millions)

Issue	Governor	Assembly	Difference
Stringfellow/Casmalia settlement	\$114.5	\$114.5	—
Zero-emission vehicle incentives	50.0	10.0	-\$40.0
Diesel emission reduction	32.0	—	-32.0
Energy crisis/environmental justice air emissions program	—	57.0	57.0
Waste tire program augmentation	26.0	26.0	—
Clean Beaches initiative	10.0	45.0	35.0
Environmental insurance—for brownfields	—	20.0	20.0

- The Assembly approved the May Revision proposal to shift funding for zero-emission vehicle incentives from the General Fund to the Motor Vehicle Account, but reduced the level of funding from \$50 million to \$10 million.

- The Assembly rejected the May Revision proposal for \$32 million from the General Fund for a diesel emission reduction program to create emission offsets for “peaker” power plants. The Assembly instead appropriated \$32 million from the General Fund and \$25 million in excess tidelands revenues for a new program to reduce air emissions from diesel buses, standby diesel generators, and other diesel sources.

- The Assembly adopted the May Revision proposal to reduce funding for the Clean Beaches initiative from \$100 million from the General Fund to \$10 million. In addition, the Assembly augmented the program by \$35 million from Proposition 13 water bond funds and allocated the full \$45 million to specific projects and activities.

- The Assembly approved the May Revision proposal to eliminate \$37.5 million in General Fund support for low-cost environmental insurance for brownfield development. The Assembly instead appropriated \$20 million for this purpose from the Cleanup Loans and Environmental Assistance to Neighborhoods Account.



Major Assembly Actions Transportation

Various Funds (In Millions)

Issue	Governor	Assembly	Difference
Traffic Congestion Relief Program	Defer General Fund transfer	-\$0.003	-\$0.003
Transportation design and engineering	\$87.0	77.0	-10.0
DMV—fraud prevention: biometrics	7.7	0.35	-7.35
CHP—racial profiling grants	7.0	3.0	-4.0

- The Assembly adopted the May Revision proposal to postpone the transfer of gasoline sales tax revenues from the General Fund to the Transportation Investment Fund (TIF) with minor changes (in order to provide more time to review the proposal). To make up for the two-year loss of about \$2.5 billion, the proposal extends the TIF transfer until 2007-08. To provide cash flow for transportation projects, total loans of \$560 million would be made from the Motor Vehicle Account, Public Transportation Account (PTA), and State Highway Account to be repaid beginning in 2006-07. The May Revision also proposes capping the gasoline sales tax “spillover” to the PTA at \$81 million in the budget year and \$37 million in 2002-03.

- The Assembly approved a lower amount and a different combination of staff and contracts to design and engineer transportation projects. Specifically, the Assembly increased the use of overtime (by 172 personnel years) and reduced contracting out by a like amount.

- The Assembly reduced to \$3 million the amount for racial profiling data collection grants. It also reappropriated any unencumbered grant funds from the current year and expanded the categories of data to be collected.



General Fund Spending Trends

1989-90 Through 2001-02 (Dollars in Millions)

	Current Dollars		Constant Dollars	
	Amount	Percent Change	Amount	Percent Change
1989-90	\$39,456	—	\$39,456	—
1990-91	40,264	2.0%	38,633	-2.1%
1991-92	43,327	7.6	40,759	5.5
1992-93	40,948	-5.5	37,671	-7.6
1993-94	38,958	-4.9	34,983	-7.1
1994-95	41,961	7.7	36,575	4.6
1995-96	45,393	8.2	38,622	5.6
1996-97	49,088	8.1	40,780	5.6
1997-98	52,874	7.7	43,004	5.5
1998-99	57,822	9.4	46,149	7.3
1999-00	66,494	15.0	51,191	10.9
2000-01				
Governor's budget (May Revision)	\$80,246	20.7%	\$59,586	16.4%
Assembly Version	80,150	20.5	59,515	16.3
2001-02				
Governor's budget (May Revision)	\$79,676	-0.7%	\$57,637	-3.3%
Assembly Version	80,389	0.3	58,152	-2.3

- Under the Assembly version, General Fund spending in the current year is \$80.2 billion, which is a 20.5 percent increase over 1999-00. In inflation-adjusted terms, the increase is 16.3 percent.
- General Fund spending in the budget year is \$80.4 billion under the Assembly version, which is a 0.3 percent increase from 2000-01. In inflation-adjusted terms, the 2001-02 Assembly budget plan is a decline of 2.3 percent from the current year.
- General Fund spending fell during the early 1990s' recessionary period, grew moderately during the mid-1990s, and grew rapidly during the prior and current year. The decline in inflation-adjusted spending during the budget year is the first since 1993-94.