

Sources of Spending Growth In Major State Programs

LEGISLATIVE ANALYST'S OFFICE

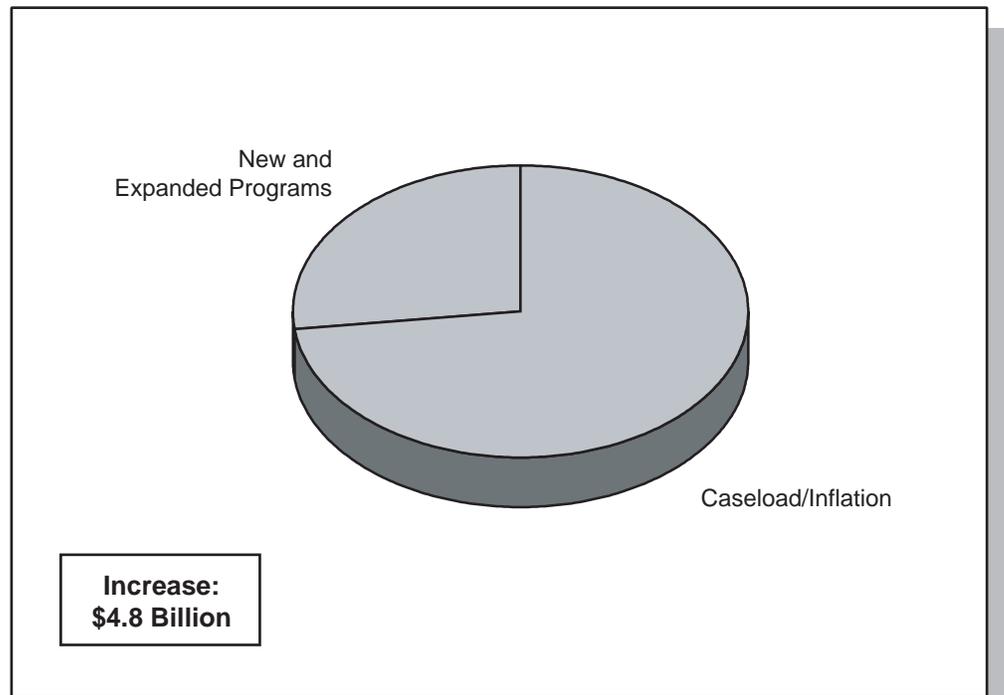
Presented To:
Senate Select Committee on
Fiscal Restructuring





Proposition 98 General Fund Spending Increases

1998-99 Through 2002-03



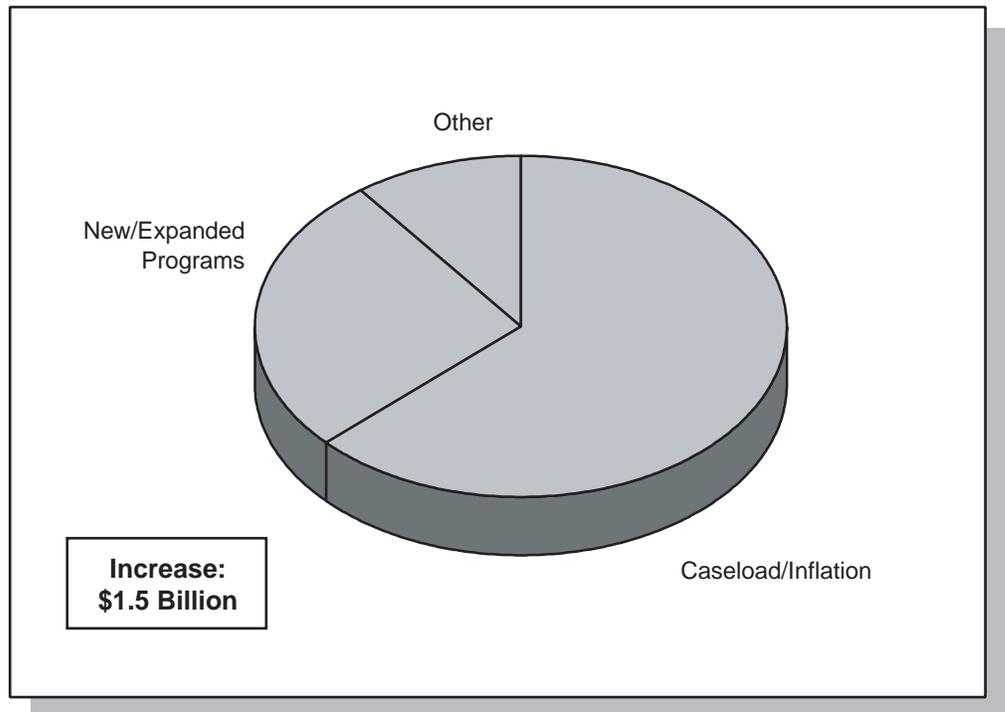
- Between 1998-99 and 2002-03, Proposition 98 funding grew by \$9.8 billion—including \$4.8 billion in General Fund, \$3.7 billion in local property tax funds, and \$1.3 billion in net deferral and Proposition 98 reversion account funds. Around 73 percent of the expansion paid for attendance growth and cost-of-living adjustments.

- The state provided \$2.6 billion in funding for new and expanded programs, including \$1.8 billion in K-12 revenue limit (general purpose) funding to eliminate an outstanding “deficit factor.” The state also increased funding for accountability intervention programs (\$409 million), child care (\$370 million), and the California Community Colleges’ Partnership for Excellence program (\$200 million).



UC, CSU, and Financial Aid General Fund Spending Increases

1998-99 Through 2002-03

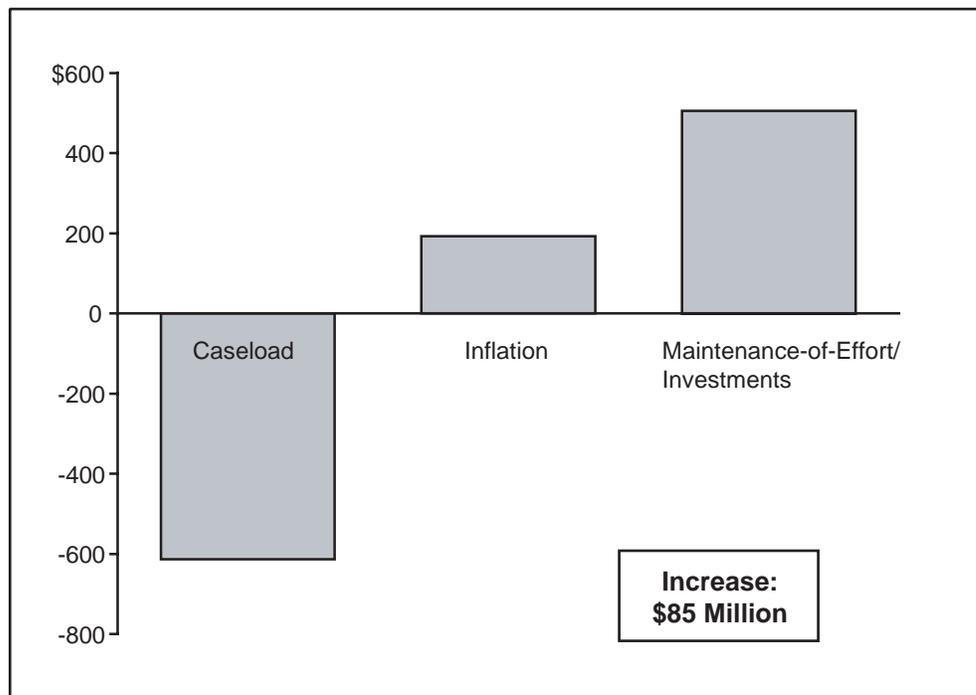


- ☑ About three-fifths of the increase in funding for UC, CSU, and student financial aid is due to inflation and growth in the traditional college-age population.
- ☑ About one-fourth of the increased funding is related to program expansions (such as the Cal Grant Entitlement Program) and policy decisions to fund enrollment increases beyond population growth.
- ☑ Increased funding was also provided to compensate for the lack of student fee increases. This accounts for the “other” category in the chart.



CalWORKs General Fund Spending Increases

*1998-99 Through 2002-03
(In Millions)*

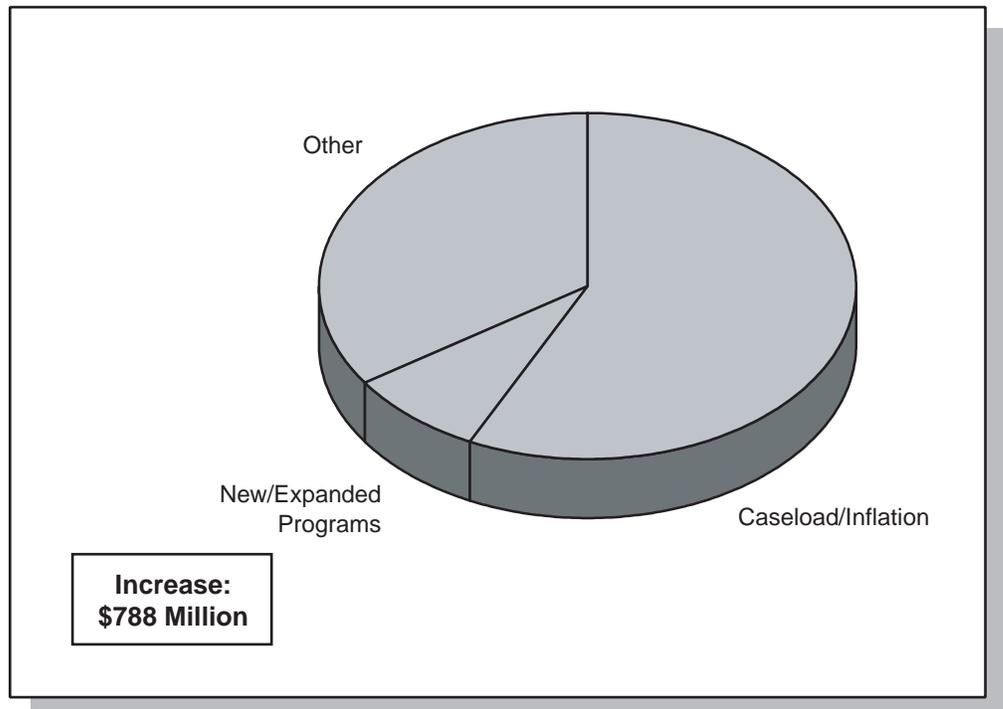


- From 1998-99 through 2002-03, CalWORKs General Fund spending was relatively flat, increasing by \$85 million (4.2 percent).
- CalWORKs spending remained relatively flat because savings from substantial caseload declines were offset by cost-of-living-adjustments (COLAs) and new investments in welfare-to-work services and child care. These investments were needed in order to meet the federal maintenance-of-effort requirement and federal work participation mandates, which were part of the 1996 federal welfare reform legislation.



SSI/SSP General Fund Spending Increases

1998-99 Through 2002-03

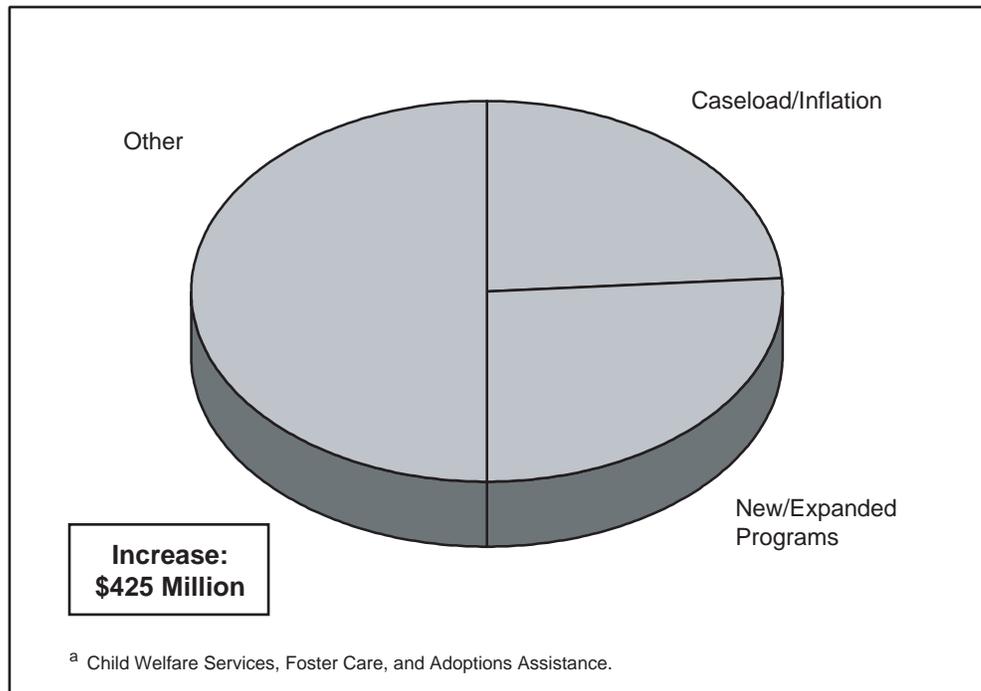


- From 1998-99 through 2002-03, General Fund spending increased by about \$790 million (35 percent).
- About two-thirds of the spending growth is attributable to increases in caseload and inflation.
- New/expanded programs account for about 8 percent of spending growth. This is due to increased costs for providing cash grants to legal noncitizens who are federally ineligible for these benefits.
- Other factors explain about 25 percent of the expenditure growth, with about half of this due to relatively low federal COLAs, which for technical reasons, result in higher state COLA costs.



Children's Programs^a General Fund Spending Increases

1998-99 Through 2002-03

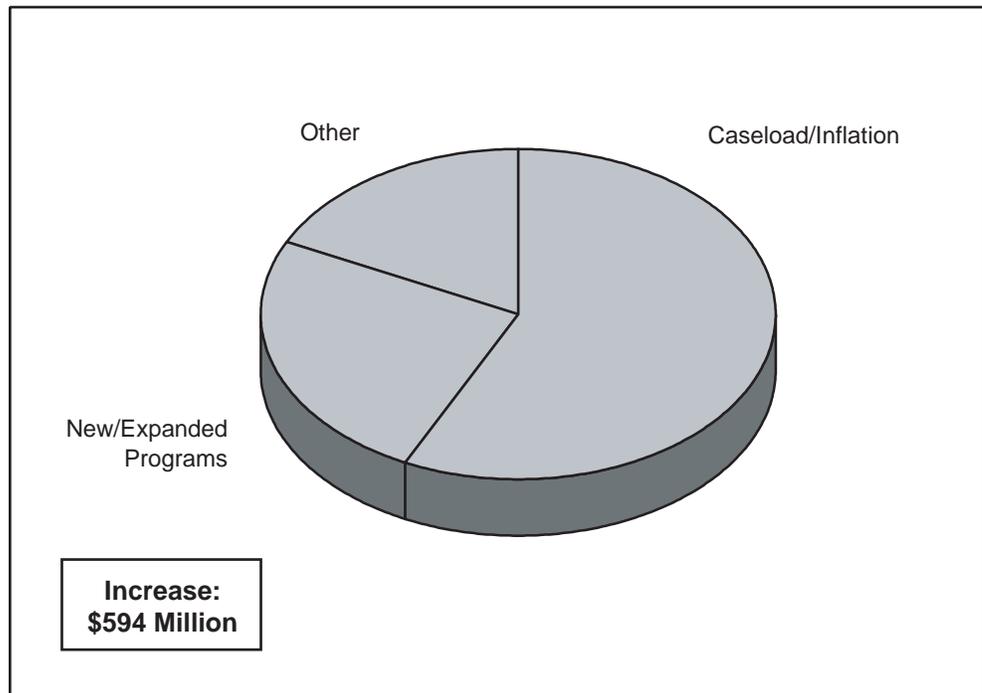


- From 1998-99 through 2002-03, General Fund spending increased by about \$425 million (49 percent).
- About one-quarter of the spending increase is attributable to net increases in caseload and inflation. New and expanded programs account for an additional 26 percent of spending growth.
- About 50 percent of the growth in the children's programs is attributable to "other" factors. These include (1) higher costs resulting from the aging of the children served and the increasing reliance on more expensive foster care placements; (2) reduced federal funding; and (3) higher automation costs.



In-Home Supportive Services (IHSS) General Fund Spending Increases

1998-99 Through 2002-03

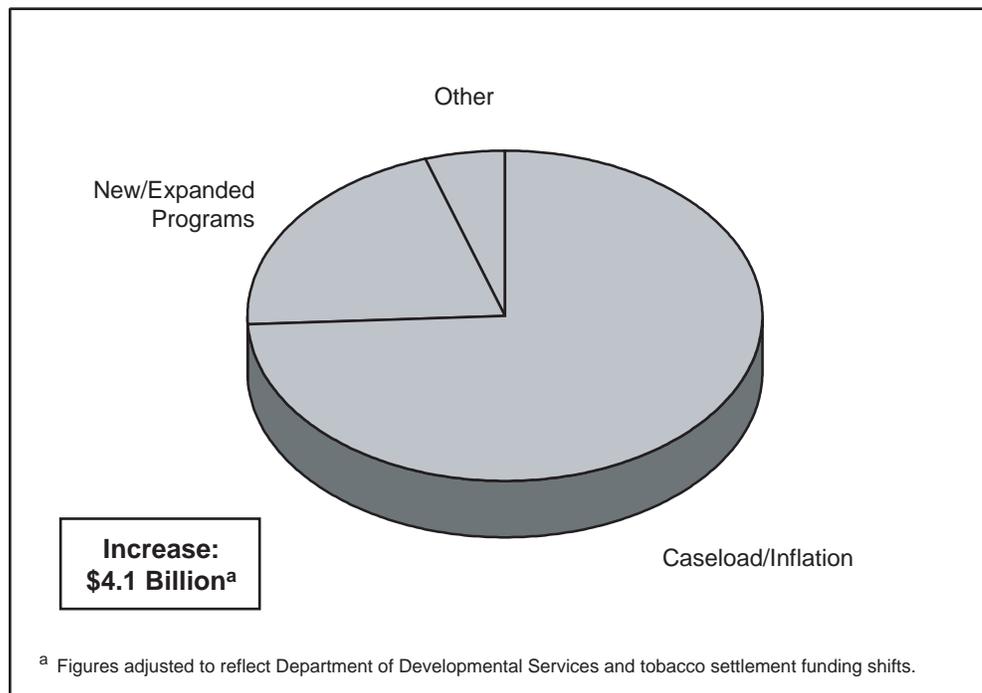


- From 1998-99 through 2002-03, General Fund spending increased by about \$600 million (113 percent).
- Increases in caseload, the hours of service provided to recipients, and inflation account for about 60 percent of the spending growth.
- New/expanded programs account for about 25 percent of spending growth. This is due to discretionary wage and health benefit increases given to certain IHSS providers, which represent a program enhancement.
- Other factors that contributed to spending growth include a reduction in federal Title XX support for IHSS and increases in the state minimum wage that were above inflation.



Medi-Cal General Fund Spending Increases

1998-99 Through 2002-03

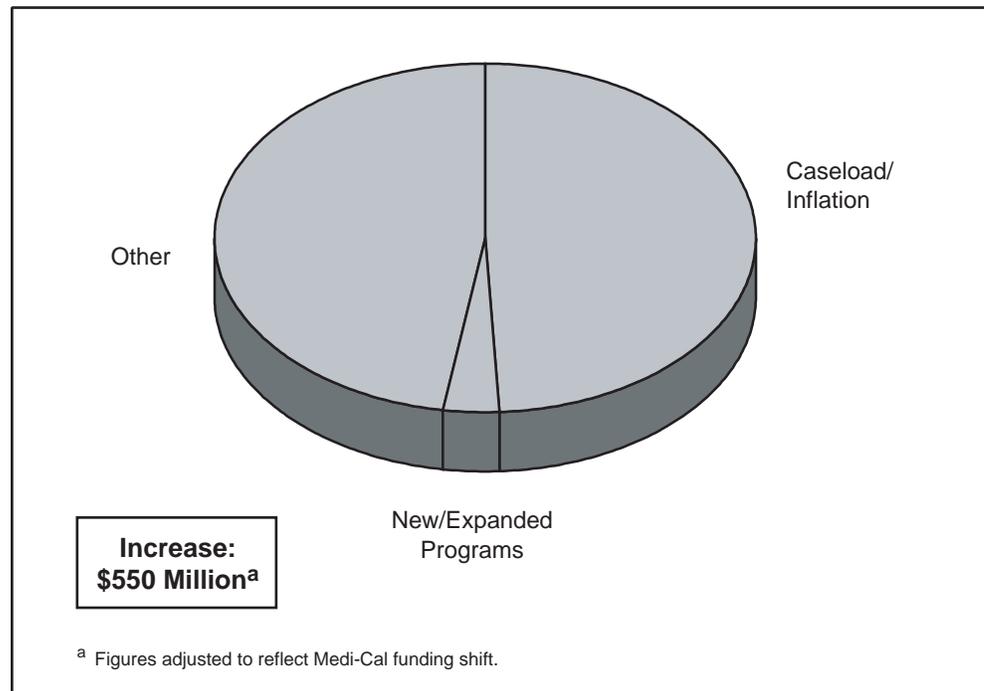


- About three-fourths of the growth in expenditures in the Medi-Cal Program budget between 1998-99 and 2002-03 can be attributed to underlying increases in caseload and inflation.
- About a fifth of the growth during this period was due to policy changes which expanded Medi-Cal eligibility and benefits, such as the “1931(b)” expansion for families.
- Among the other factors increasing Medi-Cal spending during this period were a net reduction in the level of funding taken by the state out of the Disproportionate Share Hospital program and litigation that affected hospital outpatient rates.



Department of Developmental Services General Fund Spending Increases

1998-99 Through 2002-03

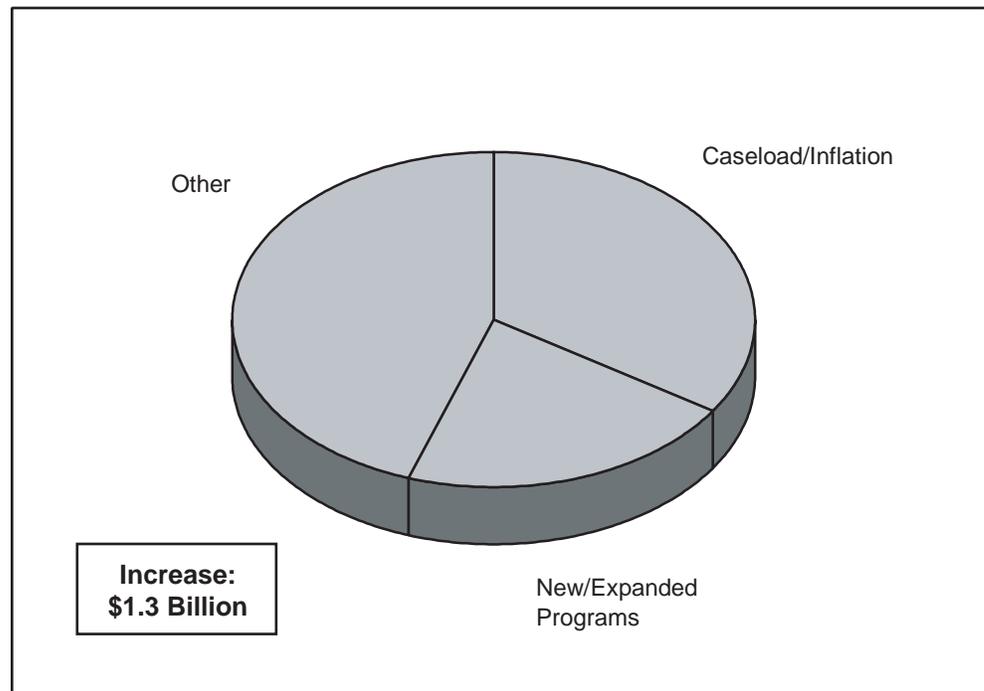


- About half the growth in expenditures in the Department of Developmental Services budget between 1998-99 and 2002-03 can be attributed to underlying increases in caseload and inflation in medical and operational costs.
- About half the growth during this period was due to other factors, such as increased utilization of Regional Center services and a shift in program support from federal funds to the General Fund.
- A small part of the expenditure increase was due to program expansions. Two new leased facilities were opened to care for about 100 behavioral clients and the Community Placement Program was expanded to help place developmental center clients into the community.



Youth and Adult Corrections General Fund Spending Increases

1998-99 Through 2002-03



- ✓ Spending for youth and adult corrections increased by about \$1.3 billion over this time period.
- ✓ Approximately one-third of the increase is the result of caseload and inflation, and one-fifth was the result of new or expanded corrections programs.
- ✓ Other factors explaining growth include several lawsuits, deficiencies for correctional officer sick leave and overtime, and inmate health care cost increases.



Growth in State Employment 1998-99 Through 2001-02

Recent Growth in State Employment				
<i>(In Personnel-Years)</i>				
Agency	1998-99	2001-02	Change	Percent
Youth and Adult Correctional	46,838	48,796	1,958	4%
BT&H Agency	39,692	44,652	4,960	12
Health and Human Services	26,725	30,372	3,648	14
Resources	13,987	15,915	1,928	14
State and Consumer Services	13,561	12,981	-580	-4
Remainder, nonuniversity	44,503	52,162	7,659	17
Totals, Nonuniversity	(185,305)	(204,878)	(19,573)	(11%)
University of California	58,741	73,861	15,120	26%
California State University	38,814	44,865	6,051	16
Totals, Universities	(97,555)	(118,725)	(21,171)	(22%)
Totals	282,860	323,603	40,743	14%

Detail may not total due to rounding.

- **Business, Transportation and Housing (BT&H).** Reflects Caltrans' augmentations for State Transportation Improvement Program and Traffic Congestion Relief projects, and the California Highway Patrol.
- **Health and Human Services.** Includes additional staff for increased nursing home regulation, Medi-Cal fraud initiatives, and the new Department of Child Support Services.
- **Resources.** Increases are due to emergency fire suppression needs, implementation of recent bond measures, Fish and Game expansions in enforcement and conservation planning, and beginning implementation of CALFED.
- **Remainder, Nonuniversity.** Includes increases in executive, judicial, Cal-EPA, and state-level K-14 staffing.
- **Universities.** Increases related to enrollment-related employment and expanded outreach and teacher training programs.