

Major Features of the 2000 California Budget

On June 30, 2000, the Governor signed the 2000-01 Budget Act. In this report we highlight the major features of the budget package.

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I

BUDGET OVERVIEW

On June 30, 2000, Governor Davis signed the *2000-01 Budget Act*. Along with related implementing legislation (see Appendix 1) the budget authorizes total state spending from all funds of \$99.4 billion. Of this total, \$78.8 billion is from the General Fund, \$15.6 billion from special funds, and \$5.0 billion from bond funds. Figure 1 shows total state spending by major program area.

The budget reflects major increases in General Fund revenues. Total receipts are estimated to increase by over 21 percent in 1999-00 and a further 3.8 percent in 2000-01. The majority of the increased funds are directed toward education, tax relief, and transportation, although the budget also includes new or expanded initiatives in a variety of other areas, such as housing and health.

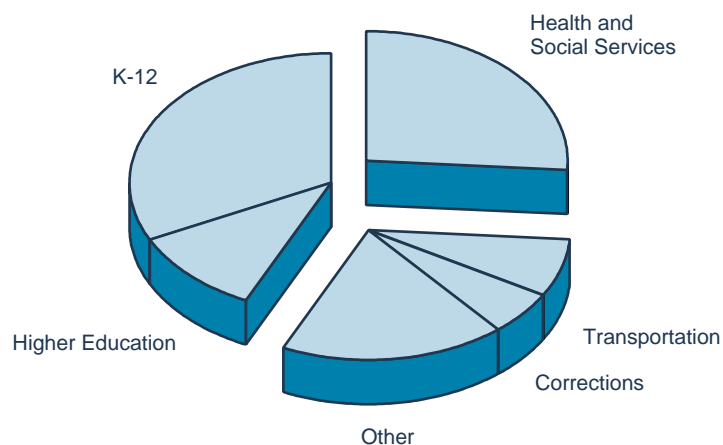
THE GENERAL FUND CONDITION

Figure 2 summarizes the General Fund budget condition for 1999-00 and 2000-01. As a result of major revenue increases in 1999-00, the current year is expected to end with a reserve of \$7.2 billion. In 2000-01, revenues are forecast to be \$73.9 billion (a 3.8 percent increase from the current year) and expenditures are anticipated to be \$78.8 billion (a 17.3 percent increase from the current year). (The revenue figures are based on the Governor's May Revision forecast adjusted upward in 1999-00 by \$238 million to reflect unanticipated receipts in May). The budget includes a \$500 million set-aside for litigation. This leaves a 2000-01 year-end reserve of \$1.8 billion, or about 2.2 percent of expenditures.

Figure 1

Total State Spending by Major Program Area^a

2000-01 Budget Bill



^aExcludes bond funds, federal funds, and Local Public Safety Fund.

MAJOR FEATURES

The budget's major funding priorities are education, tax relief, transportation, and housing. Specifically:

Education. The budget includes major funding increases for education. It provides \$6,696 in per pupil funding for K-12 education, an 11.1 percent increase from the *1999-00 Budget Act* amount. It includes a \$1.8 billion increase in general purpose funding (deficit reduction), a block grant for teacher recruitment and retention, and an augmentation for 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 funding for expanded financial aid.

Figure 2**The 2000-01 Budget General Fund Condition***(In Millions)*

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

Governor's Aging with Dignity initiative, and a variety of other targeted increases in health and social services programs. With regard to local governments, the budget sets aside \$200 million in one-time funds for local government financial reform.

Veto

Before signing the budget, the Governor used his line item veto authority to delete \$1.1 billion in 2000-01 budget spending, of which about \$1 billion is from the General

Fund. The General Fund vetoes include:

- ◆ \$210 million from health and social services programs, including legislative augmentations for mental health programs and various provider rate increases.
- ◆ \$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.
- ◆ \$176 million from higher education, including community college apportionments and funding for the student aid commission. The Governor also reduced or deleted various legislative augmentations in resources, environmental protection, and arts programs.

Tax Relief. The budget includes \$1.5 billion in this area. The major provision is an acceleration of the vehicle license fee 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) would be diverted for this purpose.

Housing and Other Programs. In other areas, the budget provides \$500 million for various housing-related augmentations, with an emphasis on multifamily housing. It also includes a variety of provider rate increases for physicians, hospitals, and other health care providers, as well as funding increases for the

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II

TAX PROVISIONS

The budget includes approximately \$1.5 billion in tax relief for 2000-01, \$2 billion in 2001-02 and \$1.1 billion in 2002-03. This consists of an acceleration of the vehicle license fee (VLF) reduction, tax credits for credentialed teachers and child care, senior citizens' property tax assistance, and other targeted relief (see Figure 1).

ning in 2001. The maximum reduction possible under the 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 currently spends about \$1.4 billion annually to backfill revenues to local governments.

Figure 1

2000-01 Budget Tax Package

(In Millions)

Description of Provision	Fiscal Effect		
	2000-01	2001-02	2002-03
Vehicle license fee acceleration	\$887	\$1,426 ^a	\$553
Credentialed teacher tax credit	218	188	202
Child care credit	195	189	193
Senior citizens' property tax assistance	154	—	—
Targeted tax cuts	88	161	133
Totals	\$1,542	\$1,964	\$1,081

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

VEHICLE LICENSE FEE CUT

The budget includes a rebate to taxpayers equivalent to accelerating by two years a cumulative reduction of 67.5 percent in the VLF.

Background

The VLF is an annual fee on the ownership of a registered vehicle in California, levied in place of taxing vehicles as personal property. The revenues are distributed to cities and counties. As part of the 1998 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 begin-

Acceleration of 67.5 Percent Reduction

The 2000-01 budget package accelerates the 67.5 percent cumulative reduction from calendar year 2003 to 2001. As Figure 1 shows, this 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 reflects a full fiscal-year impact, while the costs in both 2000-01 and 2002-03 reflect only half-year impacts.) As under the previous VLF reductions, local governments will continue to receive payments from the state to replace the lost VLF revenues.

For 2001 and 2002, the difference between the 67.5 percent reduction and the reduction percentage provided under current law will be refunded to taxpay-

ers in the form of a check, after paying their fees. For 2003 and thereafter, taxpayers will receive credit for the 67.5 percent reduction on their bill. The 67.5 percent reduction level would not be reduced by the passage of other non-VLF tax relief. Figure 2 compares the maximum reduction percentages under the original law with the budget proposal.

TAX CREDIT FOR CREDENTIALLED TEACHERS

The budget also calls for credentialed teachers in K-12 public and private schools to receive tax credits linked to years of teaching experience. The tax credit amounts would 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 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 will not be eligible for the credit. This 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

Figure 2

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	67.5	67.5	67.5

^a Rates apply to future years also.

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 budget proposes spending an additional \$154 million on a one-time basis to increase the benefits of the program by 150 percent. The budget does not change the eligibility requirements of the programs.

OTHER TARGETED TAX REDUCTIONS

The budget contains an additional \$88 million in targeted tax relief measures, most of which were included in the Governor's budget or May Revision. These include a new long-term care credit, an increase in the credit for research and development expenses, and an increase in the deduction for net operating losses.

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III

K-12 PROPOSITION 98

In this section we describe the major features of the budget package as it relates to the Proposition 98 level of spending and K-12 schools.

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.

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. Specifically, the Legislature appropriated \$1.5 billion more than the 1999-00 minimum funding level and \$1.2 billion more than the guarantee in 2000-01.

K-12 PROGRAM IMPACTS

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

- ◆ **1999-00.** Funding of \$6,269 per pupil, or \$244 more per pupil than anticipated in the *1999-00 Budget Act*.
- ◆ **2000-01.** Funding of \$6,696 per pupil,

which represents an increase of over \$670, or 11 percent, above the budget package adopted last year.

2000-01 Baseline Increases

Compared to last year's budget package, K-12 Proposition 98 funding as approved by the Legislature increased by \$4.6 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 per-

Figure 1

Proposition 98 Budget Summary

*1999-00 and 2000-01
(Dollars in Billions)*

	1999-00 Budget Package		
	As Enacted	Revised	2000-01
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	\$6,269	\$6,696
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.

cent 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 approved by the Legislature directs the remaining \$3 billion for other purposes, including new and existing programs (see Figure 2). The major increases are as follows:

Figure 2

**Major K-12 Increases
As Approved by the Legislature**

2000-01
(In Millions)

Purpose	Amount
Revenue limit "deficit reduction"	\$1,840
Cost-of-living adjustments	1,060
Enrollment growth	491
Child care	180
Teacher recruitment/retention— low-performing schools	143
Supplemental instruction	102
School/staff performance awards	85
School safety	61
Beginning teacher salary	55 ^a

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

- ◆ **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. It provides a significant increase in general purpose funding for school districts (about 7 percent) and county offices (about 9 percent).
- ◆ **Child Care Increases (\$180 Million).** The budget funds the Governor's proposal for an increase of \$47 million for State Preschool, providing preschool to 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 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).

- ◆ **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. The Legislature also added language allowing small and alternative low-performing schools access to block grant funds.
- ◆ **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. 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 carry over of \$96 million that was not allocated in the current year.

Governor’s Vetoes. The Governor vetoed a total of \$119 million in ongoing K-12 Proposition 98 funding, including a \$61 million legislative augmentation for school safety. As part of the \$119 million in vetoes, the Governor reduced the Legislature’s \$75 million augmentation for new child care slots by \$35 million.

Current-Year Funds

The budget approved by the Legislature 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. Figure 3 lists the most significant of these one-time allocations.

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.

Figure 3

Major K-12 Expenditures One-Time Funds

(In Millions)

Purpose	Amount
District and school site block grants	\$425
School site and staff performance awards	350
English Language Learner Intensive	250
Education technology (high schools)	175
Mandates (deficiencies)	139
Digital high school	88 ^a

^a Funded from prior-year savings.

NON-PROPOSITION 98 PROVISIONS

The budget package also includes two tax-related provisions which provide significant benefits to California teachers:

- ◆ **Tax Credit.** Under a budget trailer bill (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 a General Fund revenue loss of \$218 million in the budget year, with comparable losses annually thereafter.
- ◆ **State Teachers’ Retirement System (STRS) Enhanced Retirement.** In a budget trailer bill (AB 1509, Machado) the Legislature established a new retirement benefit under STRS. Specifically, the measure establishes 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.

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HIGHER EDUCATION

The budget as signed by the Governor, includes significant funding increases for the University of California (UC), California State University (CSU), California Community Colleges (CCC), and the Student Aid Commission. Figure 1 shows the change in funding for each major segment of higher education for 2000-01 from the General Fund and local property tax revenue.

Governor's Veto. 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, \$98 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. The major augmentations include:

- ◆ \$128.7 million for employee compensation increases.
- ◆ \$108.9 million for various K-12 initiatives.
- ◆ \$51.2 million for a 3.75 percent growth in enrollment.
- ◆ \$30 million for the UC Davis MIND Institute to study neurodevelopmental disorders.
- ◆ \$13.8 million to reduce summer fees.

Figure 1

Higher Education Budget Summary General Fund and Local Property Tax Revenue

(Dollars in Millions)

	2000-01	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 (Proposition 98)	\$2,689.4	\$389.0	16.9%
Property taxes	1,683.3	114.9	7.3
Totals, Community Colleges	\$4,372.7	\$503.9	13.0%
Student Aid Commission	\$531.5	\$142.0	36.5%

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. Major augmentations include:

- ◆ \$113.2 million to provide a 6 percent increase in the employee compensation pool. How these funds are used (for COLAs, merit increases, and parity adjustments) will be determined through collective bargaining.
- ◆ \$73.1 million for 4.5 percent enrollment growth.
- ◆ \$19.9 million to reduce summer fees.

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



\$389 million, or 17 percent, increase above the 1999-00 level.

2000-01 Expenditures. Figure 2 illustrates the major program increases funded in 2000-01. The budget includes \$155 million for the Partnership for Excel-

lence, \$122.2 million to fund enrollment growth of 3.5 percent, and \$149.1 million for a COLA of 4.17 percent. As noted above, the governor vetoed \$98 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 is for expanding the number and size of Cal Grant A, B, and C programs.

The Governor vetoed \$51.6 million from the amount of legislative augmentations to the Cal Grant program.

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Figure 2	
Community Colleges Major Increases 2000-01	
General Fund (In Millions)	
Purpose	Amount
Partnership for Excellence	\$155.0
Cost-of-living adjustment (4.17 percent)	149.1
Enrollment growth (4 percent)	122.2

TRANSPORTATION

The 2000 budget, as adopted by the Legislature, provides a total of \$9.6 billion for transportation in 2000-01. The amount includes two main components.

- ◆ \$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 in special funds (mainly State Highway Account [SHA]) and federal funds to implement the state's ongoing transportation program, mainly under the California Department of Transportation (Caltrans).

Traffic Congestion Relief Program. The Legislature established the Traffic Congestion Relief Program by trailer legislation (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 1 summarizes the program's funding levels and sources as well as how funds are allocated. (At the time this report was prepared, AB 2928 and SB 406 were pending the Governor's signature.) 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 Fund will be dedicated to transportation. This

Figure 1

Traffic Congestion Relief Program Funding Levels and Uses

(In Millions)

	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.



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 revenues 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.

Assembly Bill 2928 and SB 406 identify the specific projects that are eligible for funding under the Traffic Congestion Relief Program and the funding available for each project.

Although eligible projects include a variety of transportation improvements, the majority of funding is directed toward transit projects. 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, and local sources.

Department of Transportation. To implement the state's ongoing transportation program, the 2000 budget provides about \$7.6 billion (special and federal funds) for departmental support, capital outlay, and local assistance. Of this amount, \$2.7 billion is for support of Caltrans from special funds. This is an increase of approximately 13.5 percent over 1999-00 estimated expenditures. The major support expenditures are as follows:

- ◆ \$1.2 billion for design, engineering, and environmental review of highway projects. This amount includes (1) \$1 billion to continue capital outlay support work to carry out the STIP and the State Highways Operation and Protection Program (SHOPP), and (2) \$120 million for staff support to work on projects included in the Traffic Congestion Relief Program discussed above.
- ◆ \$786 million for highway maintenance.
- ◆ \$286 million for administration.
- ◆ \$102 million to develop and oversee the STIP and SHOPP.
- ◆ \$145 million for transportation planning.
- ◆ \$96 million for support of the mass transportation program, including \$64 million for intercity rail operations.
- ◆ \$32 million for staff support for the local assistance program, which provides technical support for local project delivery of state and federally funded projects.

With respect to capital outlay, the budget provides \$3.4 billion from state special and federal funds for projects contained in the STIP and SHOPP. 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.

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HEALTH AND SOCIAL SERVICES

General Fund support for health and social services programs in 2000-01 totals \$20.3 billion, an increase of 14.7 percent over the prior year. Figure 1 (see next page) describes the major General Fund changes in the 2000-01 Budget Act and related legislation.

MEDI-CAL PROGRAM

Provider Rate Increases. 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. As enacted, the budget provides:

- ◆ **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 projection and \$67 million for an additional 7.5 percent pay increase for both direct care and support staff. The budget also provides \$13.7 million for special rate adjustments for nursing facilities associated with hospitals and for intermediate care facilities for the developmentally disabled.
- ◆ **Physicians—\$134 Million.** The budget includes \$84.9 million for general rate increases. This amount is equivalent to an average increase of 15.6 percent. However, the funds will be allocated by the Department of Health Services (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 are included for emergency services and selected children's services.
- ◆ **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 Services—\$28.7 Million.** The budget funds a range of rate increases for various allied health professionals (such as psychologists and physical therapists), and for Pap smears and mammograms, nonemergency medical transportation, home health care, and various other services.
- ◆ **Dental—\$17.7 Million.** This amount is equivalent to an average increase of 6.8 percent.
- ◆ **Special Care Centers—\$5 Million.** The centers (located primarily at children's hospitals and teaching hospitals) provide outpatient treatment, diagnostic, and evaluation services for children with certain health conditions. Centers will receive a 20 percent increase for evaluation visits and a new \$25 fee for all other visits.
- ◆ **Rural and Small Hospitals—\$2 Million.** The funding provides enhanced outpatient rates.

Elimination of Quarterly Reporting. 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 over 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 Disproportionate Share Hospital (DSH) Payments. 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 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.

Figure 1
2000-01 Budget Act Health and Social Services Programs
Major Policy Changes—General Fund

(In Millions)

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
Anti-fraud—net savings	-76.4
Public Health	
Child Health and Disability Prevention—fund shift	\$60.3
Breast and prostate cancer treatment	30.0
Mental Health	
Integrated services for homeless	\$55.6
Supportive housing	25.0
Children's System of Care	15.5
Miscellaneous new programs	11.0
Developmental Services	
Rate increases	\$60.7
Developmental centers—minor capital outlay	27.1
Alcohol and Drug Programs	
Treatment for youths and adults	\$13.4
CalWORKs	
County performance incentive payments	-\$1,104.0 ^a
Welfare-to-Work matching funds	-10.0
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 Adoptions	
Social workers	\$34.0
Adoptions backlog reduction	12.7
Aging Programs	
Long-term care innovation grants	\$15.0

^a General Fund/federal TANF block grant funds.

Dental Preventive Care.

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.

Expanded No-Cost Medi-Cal for the Elderly, Blind, and Disabled. Effective January 1, 2001, budget legislation expands eligibility for no-cost Medi-Cal to persons with incomes up to the equivalent of 133 percent of the federal poverty level. 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.

Children's Hospitals. 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. 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 attributable primarily to antifraud efforts.

PUBLIC HEALTH

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.

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.

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 the dental infrastructure of community-based clinics—for the purchase of equipment and the renovation or expansion of facilities. The Governor vetoed this augmentation.

MENTAL HEALTH

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 provide a range of 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 million from the General Fund to provide grants for supportive housing for low-income individuals with mental health needs.

Children's System of Care Program. The budget includes an increase of \$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 health and social services to children through interagency collaboration.

New Programs. The budget includes \$11 million from the General Fund for various new community-based mental health services: a three-year pilot program for preschool aged children and their families (\$3 million), and dual diagnosis services for underserved populations (\$2 million).

DEVELOPMENTAL SERVICES

Rate Increases. As passed by the Legislature, the budget included \$85.8 million from the General Fund for various rate increases—ranging from 3 percent to 20 percent—for community-based developmental services. These include community care facilities, shift nursing, "look-alike" day programs, supported living services, and day and respite programs. The Governor vetoed \$25.1 million by reducing the amounts for day and respite programs and supported living.

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

ALCOHOL AND DRUG PROGRAMS

Substance Abuse Treatment. As passed by the Legislature, the budget included \$10 million (General Fund) to expand adult treatment services and \$10 million (General Fund) for youth treatment. Of this amount, the Governor vetoed \$2.3 million and \$4.3 million, respectively.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

County Performance Incentives. The budget makes the following changes in county incentives, resulting in savings of \$1.1 billion (combined federal Temporary Assistance for Needy Families [TANF] funds and General Fund). (In the context of the CalWORKs budget as passed



by the Legislature, these savings are almost entirely General Fund because available funds from the TANF reserve total only \$56 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.

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.

IN-HOME SUPPORTIVE SERVICES (IHSS)

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 received the minimum wage. The budget includes \$3.8 million from the General Fund for a 3 percent wage increase for these workers.

CHILD WELFARE SERVICES (CWS) AND ADOPTIONS

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.

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

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.

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JUDICIARY & CRIMINAL JUSTICE

The 2000 budget signed by the Governor 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 and juvenile justice agencies and (2) additional costs associated with the state's increased financial responsibility for support of trial courts.

The budget that the Legislature approved and sent to the Governor was \$131 million above the Governor's proposal. This amount reflected the net effect of several augmentations, reductions, and modifications made to the Governor's budget by the Legislature, the most significant of which was an augmentation of \$121 million for county juvenile crime and delinquency prevention programs. The Governor subsequently vetoed the \$121 million augmentation as well as several other augmentations, resulting in total funding for judiciary and criminal justice programs that is very close to the total proposed 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 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 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 this growth are increases in employee compensation and expansion of parole, substance abuse treatment, and medical services programs.

The budget provides full funding for the projected inmate and parole caseloads in the budget year. The caseload funding level is actually \$41 million less than estimated current-year expenditures, due to projected declines in the number of inmates and increases in the parole population. 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.



In addition, the Legislature approved \$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 proposed by the Governor. The Governor, however, reduced the augmentation by \$8 million.

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 \$6.3 million to provide preliminary funding necessary for the Youth Authority to increase the substance abuse, mental health, and sex offender treatment services for wards and parolees in order to meet identified treatment needs, and to enhance staff oversight, institutional management, and ward safety. 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. A budget trailer bill—AB 2885 (Cardenas)—includes \$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:

- ◆ **\$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.
- ◆ **\$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.
- ◆ **\$50 million** to pay for DNA testing of evidence in unsolved sex crimes.
- ◆ **\$50 million** for counties for additional grants under the existing Mentally Ill Offender Crime Reduction Program.

ASSISTANCE FOR LOCAL JUVENILE JUSTICE PROGRAMS

The Legislature's spending plan also included significant new ongoing and one-time funding to support local efforts to reduce crime and delinquency among juveniles. Specifically, AB 2885 provides \$121 million—the same amount as the COPS program discussed above—for county juvenile justice coordinating councils to use to support locally identified needs. The Governor vetoed these funds, however.

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).

Prepared by the Criminal Justice and State Administration Section—(916) 445-4660

OTHER MAJOR PROVISIONS

CAPITAL OUTLAY

The Legislature approved \$4 billion for capital outlay (excluding highways and transit), as shown in Figure 1. This includes \$1.6 billion for local capital outlay projects. About 74 percent of total funding is from general obligation 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 by the Legislature include:

- ◆ **Wildlife Conservation Board**—\$128 million from the General Fund and \$375 million from the March 2000 bond measures for habitat conservation, \$165 million for 35 specific projects and \$358 million for unspecified acquisition and conservation projects.
- ◆ **Coastal Conservancy**—\$53 million from the General Fund and \$239 million from the March 2000 bond measures for coastal conservation, \$181 million for 66 specific projects and \$111 million for unspecified acquisition and conservation projects.
- ◆ **Department of Parks and Recreation**—\$12 million General Fund and \$319 million from the March 2000 bond measure

for 88 park and recreation projects.

- ◆ **California Community Colleges**—\$307 million from bond funds for capital outlay for 83 projects at 64 campuses.
- ◆ **California State University**—\$27 million General Fund and \$153 million from bond funds for 25 projects at 17 campuses.
- ◆ **University of California**—\$134 million General Fund and \$213 million from bond funds for 40 projects at ten campuses and the Kearney Agricultural Center.

Local Assistance Capital Outlay. The Legislature also funded many local assistance capital outlay projects including 481 parks, natural resources, and community facilities projects, financed from both the General Fund (\$220 million) and Propositions 12 and 14 bonds from the March 2000 ballot (\$923 million). The budget also includes \$588 million in bond funds

Figure 1

2000-01 Capital Outlay Programs As Approved by the Legislature

(In Millions)

	General Fund	Special Funds	Bonds	Federal Funds	Totals
Legislative/Executive/Judicial	\$72	—	—	—	\$72
State and Consumer Services	20	\$6	\$25	—	51
Transportation	—	35	—	—	35
Resources	452	129	2,293	\$11	2,885
Health and Social Services	15	—	—	4	19
Corrections	124	—	—	—	124
State Special Schools	8	—	—	—	8
Higher Education	163	—	673	—	836
General Government	10	1	1	—	12
Totals	\$864	\$171	\$2,992	\$15	\$4,042



under Proposition 12 for grants to local governments based on population formulas cited in Proposition 12.

Governor's Vetoes. The Governor vetoed a total of \$743 million including \$305 million from the state capital outlay program and \$438 million from local assistance capital outlay. Of the total amount vetoed \$45 million is from the General Fund and \$698 million from bonds.

DEPARTMENT OF MANAGED CARE

The Legislature approved a budget of \$37.8 million from special funds (assessments levied on health maintenance organizations [HMOs]) for the new Department of Managed Care, which will regulate HMOs and medical provider groups. This includes \$6.5 million for the following legislative augmentations:

- ◆ \$5 million for consumer education and outreach.
- ◆ \$650,000 for an HMO report card.
- ◆ \$560,000 for temporary help for an anticipated increase in call volume and consultants to help with establishing 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 Governor vetoed \$3.8 million by deleting the \$560,000 for temporary help and consultants for DPA and by reducing consumer education and outreach by \$3 million and the HMO report card by \$250,000.

TRADE AND COMMERCE AGENCY

The budget provides additional General Fund support for several new and existing programs within the Trade and Commerce Agency. Among them are (1) \$15.3 million for a new program to subsidize the film industry for local, state, and federal permit charges;

(2) \$10 million to subsidize biomass facilities that convert agricultural waste into electricity; and (3) \$8 million in reserve funds for the Small Business Loan Guarantee Program to increase the number of financial development corporations that provide loan guarantees.

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 combat organized crime rings involved in fraudulent auto accident claims, eliminate a backlog of consumer complaints regarding auto insurance, and 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.

HOUSING

The Legislature approved \$575 million in the Department of Housing and Community Development's (HCD) budget for spending on various new and expanded housing programs. As shown in Figure 2 (see page 21), this funding is \$75 million more than the Governor proposed in the May Revision. New programs include the Jobs-Housing Balance Improvement Program, the CalHome Program, the Homebuyer's Downpayment Assistance Program (administered by the California Housing Finance Agency [CHFA]), Downtown Rebound, Code Enforcement Incentive Program, and the Interregional Partnership Pilot Program. The Governor vetoed \$75 million from the multifamily housing program, bringing total HCD augmentations to \$500 million.

LOCAL GOVERNMENT

The budget sets aside \$200 million in one-time funds 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, including transportation and criminal justice.

RESOURCES

The 2000 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 current-year 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:

- ◆ \$1.9 billion of Proposition 12 (parks bond) for various state and local park acquisitions and projects. The Governor subsequently reduced this amount to \$1.2 billion.
- ◆ \$490 million from Proposition 13 bond funds for various water projects, including water supply, flood control, river protection, habitat restoration, and water conservation. (An additional \$260 million in Proposition 13 bond funds are appropriated in various Environmental Protection Agency departments.)
- ◆ \$135 million from the General Fund 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 expendi-

Figure 2

Housing Package

(In Millions)

	Governor	Adopted by Legislature
Local Government Incentives		
Community Amenities and Development	\$200.0	—
Jobs-Housing Balance Improvement	—	\$110.0
Home Ownership		
CalHome	50.0	40.0
Mobilehome ownership	—	10.0
CHFA Homebuyer's Downpayment Assistance	100.0	50.0
Farmworker Housing		
Base program	5.0	32.0
Manufactured housing	1.0	3.0
Unhealthy and unsafe units	2.0	3.0
Health services demonstration	2.0	5.0
Multifamily Housing		
Base program	76.0	233.0
Preservation	—	19.0
Downtown Rebound		
Project loans	19.0	22.6
Planning grants to local governments	2.4	2.4
Supportive Housing	20.0	— ^a
Homeless		
Emergency Housing Assistance Program		
Operating grants	8.0	10.0
Capital grants	9.0	25.0
Other		
Code Enforcement Incentives	—	5.0
Interregional Partnership Pilot	5.0	5.0
Totals	\$499.4	\$575.0^b

^a Budget includes \$25 million for supportive housing in the Department of Mental Health.

^b The Governor vetoed \$75 million from this amount.



tures include \$20 million for water storage studies, and funds for program administration and various ecosystem restoration projects.

- ◆ \$113.7 million for habitat acquisition, restoration, and enhancement.
- ◆ \$112 million from the General Fund 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.
- ◆ \$94 million from the General Fund for support of the Department of Fish and Game. This amount is an increase of \$60 million over the 1999-00 funding level, and includes \$35 million to enhance various existing programs. The Governor reduced this amount by \$23.6 million.
- ◆ \$55 million for the Department of Forestry and Fire Protection for emergency fire suppression activities and \$4.6 million to reactivate 17 inmate conservation crews.
- ◆ \$46.6 million for the Department of Parks and Recreation to backfill a reduction in state park fees and provide for anticipated increased park usage, and \$18 million for ongoing state park maintenance. The Governor reduced the staffing for anticipated increased visitation by \$10 million and the amount for ongoing maintenance by \$15 million.
- ◆ \$43.8 million for environmental review and acquisition of conservation easements in connection with the development of a UC Merced campus.
- ◆ \$10 million for the Department of Boating and Waterways for beach restoration.
- ◆ \$8 million for the Resources Secretary for the Auburn Dam tunnel closure. The Governor reduced this amount by \$4 million.

- ◆ \$6.9 million for various departments to conduct assessments of watersheds on the North Coast.

The budget package also includes legislation (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 total of \$100 million in tax credits, anticipated to be made available over three years.

ENVIRONMENTAL PROTECTION

The 2000 budget, as adopted by the Legislature, provides 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 million from Proposition 13 bond funds for local water quality, water recycling, and watershed protection projects.
- ◆ **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 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.
- \$14 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 million to monitor ambient water quality—an increase of about \$9 million over estimated current-year expenditures. The Governor reduced the amount by \$2.5 million.

- ◆ **Enforcement.** The budget includes (1) an increase of about \$6 million for enforcement activities to be carried out by various environmental protection departments and (2) an increase of about \$8 million for enforcement and compliance activities carried out by local air districts. In addition, the budget provides about \$4 million to continue water board inspections in the budget year at an increased level.
- ◆ **Children’s Health.** The budget provides an increase of about \$7 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.

DEPARTMENT OF FOOD AND AGRICULTURE

The Legislature provided the following major General Fund increases for pest exclusion activities at both the state and local levels.

- ◆ **Pierce’s Disease**—\$6.9 million to combat the glassy winged 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.

- ◆ **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.

The Governor vetoed the \$8.5 million for the county program.

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 3 (see page 24) summarizes these changes.

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:

- ◆ \$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.
- ◆ \$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).



Figure 3

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.

This program subsidizes health care costs for state employees and retirees who live in rural areas where an HMO is not available.

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.

Prepared by the following sections:

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Transportation and Resources— (916) 445-5921

Local Government—(916) 445-6442

2000-01 Budget-Related Legislation

Bill	Author	Subject
AB 480	Ducheny	Child care tax credit.
AB 511	Alquist	Rural investment credit, net operating loss carryover, long-term care credit, graduate student expenses, vehicle license fee, research and development credit.
AB 858	Kuehl	Vehicle License Fee reduction.
AB 1255	Wright	CalWORKs—drug offenders.
AB 1509	Machado	New tax-deferred retirement benefit for STRS members.
AB 2864	Torlakson	Jobs-Housing Balance and Interregional Partnership Program
AB 2865	Alquist	California Housing Finance Agency Downpayment Assistance.
AB 2866	Migden	General government omnibus bill.
AB 2867	Lowenthal	Building code enforcement.
AB 2870	Cedillo	Downtown Rebound.
AB 2872	Shelley	Environmental protection omnibus bill.
AB 2875	Cedillo	Community health clinics.
AB 2876	Aroner	Social services omnibus bill.
AB 2877	Thomson	Health omnibus bill.
AB 2878	Wayne	Breast cancer treatment.
AB 2879	Jackson	Credentialed teacher tax credit.
AB 2880	Calderon	School finance: deficit reduction.
AB 2881	Wright	Teacher professional development institutes.
AB 2882	Reyes	Educational technology.
AB 2883	Villaraigosa	University of California Institutes.
AB 2884	Kuehl	Judges' salaries.
AB 2885	Cardenas	Juvenile justice/Citizens' Option for Public Safety (COPS).
AB 2928	Torlakson/Florez	Transportation omnibus bill.
SB 406	Ortiz	Transportation—follow up to omnibus bill.
SB 1643	O'Connell/McPherson	Beginning teacher salaries.
SB 1644	Ortiz/Poohigian	Cal Grants.
SB 1647	O'Connell	Land conservation credit.
SB 1656	Alarcon	CalHome and Housing Trust Fund.
SB 1664	Karnette/Leslie	Senior citizen property tax assistance.
SB 1666	Alarcon/Johannessen	Teacher recruitment and retention incentives.
SB 1667	Alpert	Education omnibus bill.
SB 1679	Sher	Resources omnibus bill.
SB 1683	Escutia	Supplemental remedial instruction.
SB 1688	Polanco/Rainey	Merit scholarships and algebra academies.
SB 1689	Escutia/ Monteith	Advanced placement courses.





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