

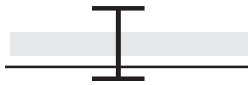


FOCUS\$ Budget 1993

Highlighting major features of the 1993 California Budget.

On June 30, 1993, Governor Wilson signed into law the 1993 Budget Act and other measures that make the law changes necessary to achieve budgeted savings. Earlier, we published seven individual reports highlighting major features of the budget package. Here, we combine those individual pieces into one document.

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Budget Overview

On June 30, Governor Wilson signed the 1993 Budget Act and various companion measures that, together, comprise the 1993-94 budget package. These measures authorize total state spending of \$52.1 billion, consisting of \$38.5 billion from the General Fund, \$12.1 billion from special funds, and \$1.5 billion from bond funds. Compared with 1992-93, total state spending will decrease by \$5.5 billion, or 9.6 percent. General Fund spending declines by \$2.6 billion and spending from bond funds declines by \$3.2 billion, while special fund spending increases slightly by \$220 million.

A major feature of the budget package is the adoption of the Governor's proposal to shift \$2.6 billion of property tax revenues from local governments to schools. This shift reduces the state's education funding requirement under Proposition 98 by an equivalent amount. The budget package partially offsets this loss to local governments by extending for six months the temporary half-cent state sales tax that was scheduled to expire on June 30, and allocating the revenue to local governments. The sales tax extension will become permanent if the voters approve a statewide ballot measure at the November 1993 special election. Local governments would receive about \$1.5 billion annually from the tax.

The budget estimates that General Fund revenues will be \$40.6 billion in 1993-94, a reduction of \$418 million from 1992-93. The reduction is due to the loss of the temporary half-cent sales tax as a General Fund revenue source.

Figure 1 shows the General Fund condition for 1992-93 and 1993-94, based on the 1993-94 budget package and presented according to the state's traditional budgetary accounting practice. The budget pays off the \$2.8 billion carryover deficit from 1992-93 over a two-year period. While most of the carryover deficit is paid off in 1993-94, the budget plan rolls over \$540 million of the deficit into 1994-95. The Administration projects that after paying off this remaining deficit, the General Fund would end

Figure 1

1993-94 Budget Package Estimated General Fund Condition

(In Millions)	1992-93	1993-94	Percent Change
Prior-year balance	-\$2,166	-\$2,233	
Revenues and transfers	41,041	40,623	-1.0%
Total resources available	\$38,874	\$38,390	
Expenditures	\$41,107	\$38,520	-6.3%
Fund Balance	-\$2,233	-\$130	
Reserve	-\$2,753	-\$540	
Other obligations	\$520	\$410	

Details do not add to totals due to rounding.

1994-95 with a small reserve.

General Fund spending in 1993-94 is \$308 million more than the Governor proposed in his May budget revision. The spending amounts shown in Figure 1 do not include a total of \$1.8 billion in off-budget loans to schools and community colleges against their future state funding entitlements.

Actions to Close the \$8 Billion Budget Gap

In May, we estimated that the state faced a 1993-94 budget funding gap of \$8.0 billion, consisting of paying off the 1992-93 carryover deficit and addressing an operating shortfall in 1993-94 between baseline spending and projected revenues. Figure 2 summarizes the actions taken to address the budget gap. In brief, the

Figure 2

**Summary of Actions Taken
To Close the 1993-94 Budget Gap^a**

(In Billions)

Shifts to other levels of government	\$3.7
Local government:	
Property tax shift to education	\$2.6
Reduce Medi-Cal funding to counties	0.1
Other	0.1
Subtotal	\$2.8
Federal government:	
Immigrant health and welfare costs	0.6
IHSS: shift to federal medicaid program	0.1
Other	0.1
Subtotal	\$0.9
Cost deferrals, loans, and revenue accelerations	\$2.3
Proposition 98:	
New K-14 off-budget loans in 1993-94	0.8
Defer scheduled CCC loan repayment	0.1
1993-94 carryover deficit	0.5
Defer state employee retirement contributions	0.2
Cash accounting for debt service	0.3
Special fund loans	0.2
Accelerate tax settlements	0.1
Other	0.1
Program reductions	\$1.2
Shift special fund monies to	
General Fund programs	0.5
Unallocated reductions and shortfalls at UC and CSU	0.2
SSI/SSP: reduce grants and no federal COLA pass-thru	0.2
Medi-Cal: restrict services and limit provider payments	0.1
Workers' compensation reform: savings to state	
agencies and schools	0.1
Other General Fund reductions (net)	0.2
Proposition 98: Augment per-pupil funding	-0.1
Increased resources	\$0.8
Tax actions:	
Suspend renters' credit	0.4
Repeal small business health care credit	0.1
Improve audits and collections	0.1
Increased higher education fees	0.2
Total	\$8.0

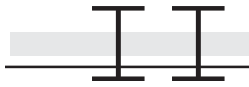
^a Figures reflect both 1992-93 and 1993-94 effects. Detail does not add to total due to rounding.

actions consisted of the following:

- **Shifts to Other Levels of Government—\$3.7 Billion.** These shifts filled almost half of the gap. Most of the savings results from the property tax shift from local governments to schools. The sales tax extension and increased Vehicle License Fee allocations included in the overall budget package will help mitigate the impact on local governments. Increased federal funding—primarily for health and welfare services to immigrants—provides an additional \$867 million.
- **Cost Deferrals, Loans and Revenue Accelerations—\$2.3 Billion.** The largest cost deferrals are the new off-budget loan of \$786 million for K-14 education in 1993-94 and the \$540 million carryover deficit. Deferring the state's employee retirement contributions and accounting changes provide most of the remaining savings.
- **Program Reductions—\$1.2—Billion.** Special fund reductions and transfers provide \$545 million to close the General Fund gap. Significant General Fund savings also result from reductions to SSI/SSP grants to the disabled and elderly, and from reductions to higher education.
- **Increased Resources—\$825 million.** Suspending the renters' credit provides \$390 million. Improved tax collection and increased higher education fees provide an additional \$315 million to support state programs.

Please see the other FOCUS reports for specific discussions of budget actions affecting the major state program areas and local government. 🌐

*Prepared by the State and Local Finance Section
—445-6442*



Local Government Funding

In this report, we describe the major features of the budget package as they relate to local government funding. From a fiscal perspective, the primary features affecting local government are (1) the \$2.6 billion reduction in property tax funding for 1993-94 contained in SB 1135 and (2) the one-time (Vehicle License Fee) and potential ongoing (sales tax) offsets contained in SB 1135 and SB 509. The final budget package also affects the state Trial Court Funding Program levels, funding for mandated local programs, and county responsibilities in a number of health and welfare programs. This report summarizes the changes and describes how they are to be implemented.

Property Tax Shifts

As in 1992-93, the local government funding reductions for 1993-94 are primarily accomplished by reducing local governments' share of local property tax revenues and simultaneously increasing the share that is allocated to local school districts. The increased school district property tax revenues then reduce the amount of funds that the state is required to provide to the school districts under Proposition 98.

Figure 1 shows how the funding reductions are distributed by type of local government. With the exception of redevelopment agencies, these reductions are ongoing and will increase in value over time. As the table shows, county governments will experience the largest funding reductions (nearly \$2 billion). The details of how the shift amounts are determined for individual units of government are described below.

County Governments. Senate Bill 1135 requires that a total of almost \$2 billion be transferred from counties to school districts in 1993-94. Half of this reduction will be allocated, generally in proportion to the Governor's 1993-94 May Revision proposal, which reflects the fiscal relief provided to most counties following passage of Proposition 13, the amount of fiscal relief to special

Figure 1

1993-94 Funding Reductions and Offsets
By Type of Local Government

	Property Tax Shift	Vehicle License Fee Offset	Full-year Sales Tax Offset	Net Tax Reduction in 1993-94
Counties	\$1,998	\$40	\$1,365	\$593
Cities	288	90	93	105
Nonenterprise special districts	244	—	—	244
Redevelopment agencies	65	—	—	65
Totals	\$2,595	\$130	\$1,458	\$1,007

districts within the county, and the amount of State Legalization Impact Assistance Grant funds estimated to be allocated to the county in the budget year. The remaining half of the reduction will be allocated to counties based on the level of taxable sales in the county—relative to the level of taxable sales in the state as a whole. In addition, beginning in 1993-94, counties will absorb the school districts' share of cost for county property tax administration, at an estimated cost to counties of approximately \$63 million. Finally, counties will shift an additional \$25 million to schools in 1993-94, apportioned to counties on a per capita basis.

City Governments. Senate Bill 1135 requires county auditors to reduce property tax allocations to city governments by a total of \$288 million in 1993-94, generally based on the 1993-94 estimated value of the cities' Proposition 13 assistance under AB 8. Roughly 18 percent of cities will have no property tax transferred under SB 1135. These cities generally did not benefit from state assistance payments provided to cities after Proposition 13, or were incorporated since 1978-79. Finally, all cities will shift an additional \$25 million to

schools, apportioned on a per capita basis.

Special Districts. Senate Bill 1135 requires county assessors to reduce the total allocations to special districts by \$244 million, but generally exempts enterprise, transit, hospital, fire, and certain water districts from these reductions. In general, this means that all other special districts will lose what remains of their original Proposition 13 assistance.

Redevelopment Agencies. Senate Bill 1135 requires that \$65 million in property tax reductions be allocated to redevelopment agencies in 1993-94 and in 1994-95 in proportion to the net tax increment apportioned to each agency. Under SB 1135, this reduction is temporary, and will be restored in 1995-96.

Revenue Offsets

As part of the budget package, the Legislature adopted, and the Governor signed, several revenue changes that mitigate the impact of the required property tax transfer to schools. These changes, also summarized in Figure 1, include:

Vehicle License Fee Allocations. Senate Bill 1135 requires that \$90 million in Vehicle License Fee (VLF) monies be allocated on a one-time basis to cities and \$40 million be allocated to counties in proportion to their property tax losses. In addition, an expected \$50 million in VLF revenue resulting from enhanced collection activities is to be allocated one-half to counties and one-half to cities, on a per capita basis.

Potential Revenues From Half-Cent Sales Tax. Senate Bill 509 makes available to cities and counties the revenue from the six-month extension of the half-cent sales tax (\$744 million). Should SCA 1 be adopted by the voters in November, they would receive an additional \$714 million in 1993-94. The ballot measure would extend the temporary half-cent sales tax permanently and dedicate it to funding public safety activities at the local level. These funds would be available for allocation to cities and counties, generally in proportion to their property tax losses.

Mandate Relief

The budget agreement anticipates savings of several hundred millions of dollars from actions taken to reduce

the number of state requirements imposed on cities and counties. These savings would primarily benefit county governments. For example, under the budget agreement, counties may petition the Commission on State Mandates for permission to reduce general assistance grants (savings to counties of up to \$150 million), and counties may consider the sponsor's income in determining general assistance grants for sponsored aliens (savings to counties of up to \$25 million).

Other Changes Affecting Local Governments

Various legislation enacted as part of the budget agreement makes significant revisions in county program and funding responsibilities in the areas of health and welfare and in criminal justice.

Health and Welfare. The legislation provides for county savings in the areas of Medi-Cal and In-Home Supportive Services and postpones slated increases in foster care group home reimbursement rates. In addition, because the final budget agreement includes a 2.7 percent reduction in state grants to individuals and families receiving Aid to Families with Dependent Children (AFDC), counties have the option, under current law, of reducing general assistance grants by up to 2.7 percent.

Criminal Justice. The budget will provide less funding in 1993-94 for the state share of cost for the operation of trial courts. Consequently, counties will have to fund these costs for the courts' operation in the budget year. In addition, the final budget agreement caps the rate the state will pay to counties for detention of state offenders in county jails. Offsetting these increased costs to counties is a budget augmentation to provide financial assistance to counties in running juvenile probation camps and ranches.

Summary

Local governments will experience major property tax reductions in 1993-94. These reductions will hit counties especially hard. Clearly, passage of the sales tax measure on the November statewide ballot is critical to the outlook for both counties and cities. 🌐

*Prepared by the State and Local Finance Section
—445-6442*



Proposition 98 Education Funding

In this report, we describe the major features of the budget package as they relate to the Proposition 98 minimum funding guarantee and K-12 schools. Most of the package's education provisions are contained in SB 399 (Hart).

Proposition 98 Provisions

The Proposition 98 portion of the budget package is designed to minimize General Fund obligations in 1992-93 and subsequent years while:

- Providing overall K-12 funding of \$4,207 per pupil in 1992-93 and \$4,187 per pupil in 1993-94. The effective level of spending in 1993-94, however, is \$4,208 due to accompanying reductions in school district costs.
- Providing K-12 general-purpose funding of \$3,219 per pupil in 1992-93 and \$3,200 per pupil in 1993-94, with the effective level of spending \$3,219 per pupil in 1993-94.
- Maintaining funding for the community colleges at the current-year level.

The major elements of the budget are discussed below.

Downward Revision of the Guarantee in 1992-93. In 1992-93 the Legislature appropriated \$15.3 billion from the General Fund to satisfy the minimum funding guarantee required under Proposition 98 as estimated at the start of the fiscal year. In May 1993, however, the Department of Finance recalculated the guarantee to be \$15 billion, or \$313 million less than the amount included in the 1992 Budget Act. This revised figure was based on lower estimates of General Fund revenues and average daily attendance (ADA).

The 1993 budget package reduced Proposition 98 spending in 1992-93 by \$313 million so that the revised

Figure 1

Proposition 98 Programs 1993 Budget Act and Education Trailer Bill

(Funding In Millions)		
	1992-93	1993-94
K-12 programs		
State appropriations	\$14,954	\$12,549
Local taxes	6,514	8,790
Recapture and other shifts	-795	-190
IDDA/EPDA offset	97	—
Loan	732	609
Adjusted cash totals	\$21,502	\$21,758
ADA—new method ^a	5,073,708	5,157,138
Community colleges		
State appropriations	\$1,263	\$880
Local taxes	1,034	1,399
Fees	122	217
IDDA/EPDA offset	14	—
Loan	241	178
Adjusted cash totals	\$2,674^b	\$2,673^b
Other agencies	\$74	\$77
Total Proposition 98		
State appropriations	\$16,291	\$13,506
Local taxes	7,548	10,189
Recapture and other shifts	-795	-190
Fees	122	217
IDDA/EPDA offset	111	—
Loan	973	787
Adjusted cash totals	\$24,250	\$24,508
Change from January budget		\$334
Change from 1992-93		258
Amount per ADA—new method	\$4,238	\$4,219
Amount per ADA—old method	\$4,207	\$4,187

^a "New method"—as mandated by legislation. ADA for the purposes of calculating Proposition 98 excludes K-12 students concurrently enrolled in adult education programs.

^b Details may not add to totals due to rounding. Including non-Proposition 98 General Fund appropriations, there is a year-to-year increase of \$32 million (1.2 percent).

appropriation equaled the minimum funding guarantee. This was done primarily through accounting transfers to different fiscal years. Actual funds available to schools fell by only \$25 million. The remaining \$288 million, while not counting toward the minimum funding guarantee in 1992-93, is still provided to schools in 1992-93.

Loans to Schools and Community Colleges. The budget package authorizes loans for 1993-94 of \$608 million to K-12 schools and \$178 million to community colleges. These loans, which do not count towards the 1993-94 minimum funding guarantee, are to be repaid in future years with funds made available under Proposition 98.

Property Tax Shift. The budget package reduces local governments' share of the local property tax and simultaneously increases the share that is allocated to school and community college districts by approximately \$2.6 billion. This action reduces the General Fund portion of the minimum funding guarantee, thereby saving the state General Fund \$2.6 billion.

Other Provisions. Senate Bill 399 includes a "poison-pill" provision, which suspends the Proposition 98 minimum funding guarantee in 1993-94 at the level assumed in the budget package in the event of a successful legal challenge to its recapture and property tax provisions.

Senate Bill 399 also corrects the technical flaws with the "recapture" of \$1.1 billion from 1991-92 appropriations that was part of the 1992-93 budget package. With this correction, the state will realize the \$1.9 billion in savings that were projected from the recapture and subsequent revision of the Proposition 98 guarantee for 1992-93.

Proposition 98 Funding. Figure 1 summarizes, for 1992-93 and 1993-94, the effect of the budget package on the three major recipients of Proposition 98 funding—schools, community colleges, and other agencies. As indicated in Figure 1, on a cash basis, the funding levels for K-12 schools drop by \$19 per pupil. As we discuss below, offsetting cost reductions to K-12 programs will permit the 1993-94 budget to provide the same level of funding for classroom needs as in 1992-93. The 1993 Budget Act provides the community colleges \$1 million

less than the colleges received during 1992-93. We discuss actions affecting the community colleges in a separate write-up.

K-12 Program Impacts

Apportionments. The budget provides a total of \$8.6 billion for general-purpose apportionments (revenue limits) to school districts and county offices of education. In a change from recent practice, the amounts will be based on the statutorily derived formulas (as modified by language in SB 399) rather than on an amount of funds included in the Budget Act. Adding property taxes and loans available to these entities, the budget provides \$17.1 billion in general-purpose funding. This represents \$3,200 per pupil, a reduction of \$19 from the per-pupil amount supported by the 1992 Budget Act. The budget package, however, also makes cost reductions that are designed to fully offset the funding reduction. Specifically, the budget package:

- Achieves \$63 million in savings by eliminating the authority of counties to levy fees for the collection of property taxes (originally authorized by SB 2557).
- Assumes \$40 million in school district savings from reform of the workers' compensation system.

Attendance Accounting. Senate Bill 399 contains language continuing current attendance accounting practices. This has the effect of nullifying a preliminary Attorney General's opinion that each student must attend school for the minimum day—at least four hours—for districts to claim state funding. The statutory provision in SB 399 permits schools to claim funding for most students who attend during any part of the school day.

Categorical Programs. The budget continued the use of the single appropriation (mega-item) to fund most categorical programs. The item provides \$4.6 billion for 39 individual programs. It authorizes schools to redirect up to 5 percent of funds allocated to a specific program to other categorical programs funded under the mega-item. Most categorical programs received a small (1.2 percent) reduction from the 1992-93 funding level. 🌐

Prepared by the Education Section—445-8641

IV

Health and Welfare Funding

In this report, we describe the major features of the health and welfare funding in the budget package. The 1993-94 budget for health and welfare programs includes \$13.3 billion from the General Fund. This amount represents an increase of \$168 million, or 1.3 percent, over estimated General Fund spending for these programs in 1992-93.

Figure 1 describes the major funding reductions enacted in the 1993 Budget Act and related legislation.

Medi-Cal Program

Federal Funds for Services to Undocumented Immigrants. The budget assumes enactment of a new federal program to offset state costs for health services provided to undocumented immigrants. The budget is based on an estimate that California will receive \$240 million of the \$400 million proposed in the President's budget for the program during the 1994 federal fiscal year.

Federal Funds for Increased Disproportionate Share Payments. The budget assumes a substantial increase in federal funds for a program that provides supplemental Medi-Cal payments to hospitals with a large number (disproportionate share) of indigent patients, commonly referred to as the "SB 855 program." Under this program, Medi-Cal uses funds transferred from counties (about \$900 million statewide) and matching federal revenues (about \$800 million) to make supplemental payments to hospitals to offset the burden of uncompensated acute medical care (for non-Medi-Cal patients), generally in county-operated facilities. In addition, the state retains about 11 percent of the funds for the Medi-Cal Program.

Currently, the total amount of payments allowed under the program is capped by federal law. The budget assumes that the federal government will approve a request by the state to increase the program, thereby increasing both payments to hospitals (by about \$450

Figure 1

Major Funding Reductions in Health and Welfare Programs—1993-94 General Fund

(In Millions)	
Program/Issue	Change from Prior Law
Medi-Cal	
Assume receipt of federal SLIAG funds	\$268.1
Federal funds for services to undocumented persons	240.0
Disproportionate share payments	50.0
Negotiated hospital in-patient rates	50.0
Limit high-cost dental procedures	44.0
AFDC	
2.7 percent reduction in grants	62.4
Postpone foster care rate increases	21.3
SSI/SSP	
2.7 percent reduction in grants	148.6
No "pass-through" of federal COLA	64.5
Assume receipt of federal SLIAG funds	51.7
IHSS	
Personal Care Option	109.0

million) and the amount retained by the state (\$50 million).

Reductions in Hospital In-patient Rates. The California Medical Assistance Commission (CMAC) negotiates reimbursement rates for hospital in-patient services provided to Medi-Cal beneficiaries. The budget assumes the CMAC will negotiate reimbursement rates sufficient to achieve General Fund savings of \$50 million.

Medi-Cal Optional Benefits. The budget retains the optional benefits, except that it restricts adult dental services. Specifically, the Medi-Cal Program will no

longer cover dentures, root canals, and various other procedures, except as required for "special medical conditions," for a savings of \$44 million. These changes will not affect services for children under age 21.

Aid to Families with Dependent Children (AFDC) Program

Reduction in Maximum Grants. The AFDC (Family Group and Unemployed Parent components) maximum grants are reduced by 2.7 percent from their levels in 1992-93, for a General Fund savings of \$62 million. This reduces the maximum grant for a family of three persons from \$624 per month to \$607.

Program Augmentations. The budget also includes the following augmentations related to the AFDC Program: \$41 million to expand the Greater Avenues for Independence (GAIN) Program; \$13 million to extend indefinitely (beyond the current four months) the "\$30 and 1/3 disregard" of earnings, thereby allowing working recipients to receive grants that are higher than permitted under current regulations; \$7.4 million to increase allowances for child care; and \$5.9 million to establish the Cal Learn Program to encourage teen parents to attend school.

Postpone Foster Care Rate Increases. The budget postpones, for one year, part of the statutory rate increase scheduled for foster care group homes. The budget also suspends the authorization to upgrade group homes to higher rate classification levels (RCLs) due to "program changes." These actions will result in General Fund savings of \$21 million in 1993-94.

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

Reduction in Maximum Grants. The SSI/SSP maximum grants are reduced by 2.7 percent, effective September 1, 1993, for a General Fund savings of \$149 million. This reduces the grant for aged and disabled individuals (the largest category of recipients) from \$620 per month to \$603.

No "Pass-Through" of Federal COLA. The federal COLA for SSI/SSP recipients will not be "passed through"

to recipients in January 1994; instead, the state will reduce its share (the SSP component) of the grant by a corresponding amount. Thus, the total SSI/SSP grant will remain unchanged. In the absence of this action, aged and disabled recipients, for example, would receive a COLA of \$13 per month.

In-Home Supportive Services (IHSS)

Increased Federal Reimbursements. The budget projects increased Medicaid reimbursements for IHSS services from implementation of the Personal Care Option, resulting in General Fund savings of \$109 million in 1993-94. Federal Medicaid regulations allow states to claim 50 percent federal funding for personal care services.

The budget also fully funds caseload increases and restores the current-year reduction in service hours for the IHSS Program.

State Legalization Impact Assistance Grant (SLIAG)

Allocation of Federal Funds. The budget assumes that the federal government will allocate to California all of the \$467 million of SLIAG funds requested by the Governor. Of this amount, \$327 million is scheduled to fund state entitlement costs (\$268 million for the Medi-Cal Program, \$52 million for SSI/SSP, and \$7 million for other programs.)

General Assistance (GA) Program

Reduction in Aid Payments. Legislation was enacted to authorize counties to apply to the Commission on State Mandates for permission to adopt a GA level of aid below the existing statewide standard. Counties are required to demonstrate to the commission that, without such relief, other basic services could not be maintained. The existing standard for GA ranges from \$287 to \$300 per month for one person in 1993-94, and may be reduced for persons in shared housing arrangements. Under the budget implementation measure, the commission could permit counties to reduce their grants for a 12 month period to \$221 (with a further reduction for persons who share housing). This could result in annual savings of up to approximately \$150 million to counties.



*Prepared by the Health and Welfare Section
—445-6061*



Higher Education

In this report, we describe the major features of the budget package as they relate to higher education. Figure 1 shows the change in funding for each major segment of higher education for 1993-94 from selected fund sources. Fee revenues shown in Figure 1 are after allowance for financial aid for needy students. Figure 2 shows the change in student fee levels for 1993-94.

The University of California

The 1993 Budget Act provides \$84.4 million (4.5 percent) less in General Fund support for the University of California (UC) in 1993-94 compared to 1992-93. The Legislature augmented the Governor's January budget to ensure that UC student fees increase by no more than \$630 (22 percent) in 1993-94. (The UC Regents had proposed a fee increase of \$995—35 percent—for the budget year.) Including fee revenues, the UC will experience a reduction from the current year of 1.1 percent.

The Legislature also augmented the budget to reduce the regents' proposed faculty and staff salary reduction of 5 percent to 3.5 percent.

We anticipate UC student enrollment to decline slightly in the budget year consistent with a UC plan to reduce enrollment in line with Master Plan eligibility levels. The Legislature expressed its intent in the *Supplemental Report of the 1993 Budget Act* for the UC to (1) continue in the budget year to accept all applicants who are fully eligible under the Master Plan and (2) provide 30 days written notice to the Legislature (prior to implementation) if the UC decides not to accept all Master Plan eligible students for 1994-95. We anticipate that the UC will operate at a student faculty ratio 8 percent higher than the budgeted ratio, at 19:1 rather than 17.6:1, in an effort to accommodate all Master Plan eligible students in 1993-94.

Figure 1

Higher Education Budget Summary Selected Funding Sources Change From 1992-93 to 1993-94

(Dollars in Millions)

	Budget Act 1993-94	Change From 1992-93	
		Amount	Percent
University of California			
General Fund	\$1,794.2	-\$84.4	-4.5% ^a
Student fee offset	63.1	63.1	—
Totals	\$1,857.3	-\$21.3	-1.1%
California State University			
General Fund	\$1,483.3	-\$17.7	-1.2%
Student fee offset	27.5	27.5	—
Totals	\$1,510.8	\$9.8	0.7%
California Community Colleges (local assistance)			
General Fund (Prop 98)	\$879.5	-\$383.5	-30.4%
General Fund (Non-Prop 98)	41.3	32.6	374.7
Property taxes	1,399.0	365.0	35.3
Loan	178.0	-63.0	-26.1
Student fee offset	216.7	95.2	78.4
IDDA/EPDA offset	—	-14.0	-100.0
Totals	\$2,714.5	\$32.3	1.2%
Student Aid Commission (Cal Grants)			
General Fund	\$200.3	\$53.3	36.3%

^a Not a meaningful figure.

The Legislature also expressed its intent in the supplemental report that the UC (1) reformulate its systemwide guidelines for faculty teaching loads in order to increase teaching and teaching effectiveness, (2) develop an administrative process to ensure implementation of these guidelines, and (3) use teaching hospital revenue to repay funds borrowed to balance the UC's 1992-93 budget, rather than additional student fee revenue as the regents had proposed.

Figure 2**Higher Education Student Fees
1993-94**

	1993-94	Change From 1992-93	
		Amount	Percent
University of California			
Undergraduate/graduate	\$3,454	\$630	22.3%
Medicine/law	3,830	630	19.7%
California State University	\$1,440	\$132	10.1%
California Community Colleges^a			
Full-time students	\$390	\$90	30.0%

^a 1992-93 fee level is \$10 per credit unit. 1993-94 fee level is \$13 per credit unit. Full-time students are those enrolled for 15 units per semester. Excludes BA degree holders, who are charged \$50 per credit unit.

The California State University

The 1993 Budget Act provides \$17.7 million (1.2 percent) less in General Fund support for the California State University (CSU) in 1993-94 compared to 1992-93. The Legislature augmented the Governor's January budget to ensure that CSU student fees increase by no more than \$132 (10 percent) in 1993-94. (The CSU Trustees had proposed a fee increase of \$480 (37 percent) for the budget year.) Including fee revenues, the CSU will experience a 0.7 percent increase in resources over the current year.

The budget anticipates a loss in enrollment of approximately 10,000 students in 1993-94 in comparison to 1992-93 actual enrollment levels. This projected enrollment loss results from the impact of prior-year budget shortfalls and past and proposed fee increases. We believe that the projected enrollment loss may not be as great given the Legislature's augmentation to reduce the fee increase.

The Legislature also adopted supplemental report language directing the CSU *not* to reduce (1) faculty positions in 1993-94 and (2) the number of course sections needed by students for normal progress to degree in 1993-94 in comparison to 1992-93. The language allows an overall reduction in course sections under specified circumstances.

We anticipate that the CSU will operate at a student faculty ratio 11 percent higher than the budgeted ratio, at 20:1 rather than 18.1:1, in an effort to accommodate

students in 1993-94. Even with this effort, we estimate that the projected enrollment of 247,000 students will fall approximately 37,000 short of Master Plan enrollment levels.

California Community Colleges

The 1993 budget package increases funding for community colleges local assistance by \$32.3 million (1.2 percent) compared to the amount actually received in 1992-93. (In 1992-93 the community colleges received \$54.3 million less than the budgeted amount, primarily due to a property tax shortfall. Thus, the 1993 budget represents a \$22 million, or 0.8 percent, decrease compared to the 1992 Budget Act.) The budget includes a loan of \$178 million, to be repaid in conjunction with other Proposition 98 loans.

As shown in Figure 1, the budget assumes a net fee revenue increase of \$95.2 million, consisting of increases of (1) \$55 million due to increasing the regular fee from \$10 to \$13 per credit unit beginning July 1, 1993, and (2) \$40.2 million due to the full-year impact of fee increases implemented in January 1993.

Student Aid Commission

Figure 1 shows an increase of \$53.3 million (36 percent) in Cal Grant funding, primarily consisting of (1) \$38.1 million to backfill reductions made in 1991-92 and 1992-93 and (2) \$13.1 million to offset the effects of the UC and CSU fee increases. With these increases, roughly one in four of those eligible for a Cal Grant will receive an award, compared to one in five in the current year. For UC and CSU students awarded grants, the award amounts will cover roughly 100 percent of the fees, compared to about 65 percent in the current year.

Other Higher Education

The budget provides approximately the same overall level of support for Hastings College of the Law and the California Maritime Academy in 1993-94 compared to 1992-93. Student fees at Hastings are set equal to fees charged law students at the UC. Maritime Academy fees will increase by 10 percent in 1993-94 to a level of \$1,506. 🌐

Prepared by the Education Section—445-8641

VI

Judiciary and Criminal Justice Funding

In this report we describe the major features of the budget package as they relate to judiciary and criminal justice programs (trial courts, adult and youth corrections, and other justice-related programs). The budgets for judiciary and criminal justice programs generally included few reductions relative to current-year funding levels and amounts proposed in the Governor's January budget. The principal exception to this trend is the trial court program funding which is substantially reduced. Budgets for correctional programs received substantial increases to provide full funding for caseload increases.

The 1993-94 budget for judiciary and criminal justice programs includes \$3.8 billion from the General Fund and \$328 million from state special funds, for a total of \$4.1 billion in state funds. The General Fund amount represents an increase of \$176 million, or 4.9 percent, above estimated spending for these programs in 1992-93.

Figure 1 and the following text describe the major changes in the 1993 Budget Act.

Judiciary

The 1993 Budget Act provides \$138 million for support of the judiciary, which includes the California Supreme Court, the Courts of Appeal, Judicial Council, and the Commission on Judicial Performance. This represents a reduction of \$4.6 million, or 3.3 percent, below 1992-93 expenditures. In addition to several minor reductions to specific programs, the Legislature reduced the judiciary's budget by \$11.7 million below the level proposed in January. This reduction was unallocated, not being tied to specific functions or programs. The Judicial Council will eventually allocate the reduction among the Supreme Courts, Courts of Appeal, Judicial Council, and the Commission on Judicial Performance. Thus, at this time, it is not possible to determine what impact this reduction will have on the operations of the

Figure 1

Major Funding Changes in Judiciary and Criminal Justice Programs—1993-94 General Fund

(Dollars in Millions)	Change from 1992-93	
	Amount	Percent
Judiciary	-\$4.6	-3.3%
Trial Court Funding	-118.6	-19.4
Department of Corrections	256.9	10.8
Department of the Youth Authority	38.8	12.4
Department of Justice	2.0	1.3
Office of Criminal Justice Planning	2.4	9.5

judicial branch.

Trial Court Funding

The budget provides \$673 million (\$498 million from the General Fund and \$175 million from special funds) for support of the local trial courts in 1993-94, or about \$44 million less in all funds than the amount provided in the current year. As a result, the state would pay about 44 percent of statewide trial court expenses. This is substantially below the intended level of 60 percent that was previously expressed by the Legislature. The reduction will create additional funding pressures on counties, which provide the balance—\$868 million—of financial support for trial courts.

Department of Corrections

The budget provides \$2.73 billion (\$2.64 billion from the General Fund) for support of the Department of Corrections (CDC). This is an increase of about 10 percent above the 1992-93 level and is primarily due to projected

increases in the inmate and parole populations. The only significant reduction made to the department's budget was an unallocated cut of \$9 million for departmental administration, or about 7 percent below the amount proposed for administration in the Governor's January budget.

Inmate and Parole Caseloads. Although a number of changes were contemplated by the Legislature that would have saved money by reducing the number or length of stay of offenders in prison and on parole, the final budget did not include any of these changes. The budget is based on the Administration's projected inmate population of 122,000 inmates by June 30, 1994. This represents an increase of approximately 7.5 percent in 1993-94. The parole population is projected to reach 94,000 parolees by June 30, 1994, an increase of about 6.4 percent. The projected increases are consistent with recent growth experienced in the inmate and parole populations during the past few years.

New Prisons. The budget includes \$66 million in one-time costs to open new prisons in Riverside and Imperial Counties in the budget year. These facilities will add approximately 4,600 medium-security beds to the state's prison system.

Federal Funds for Incarceration of Undocumented Felons. The Governor's January budget assumed that the state would receive an additional \$250 million in federal funds for the incarceration of undocumented immigrants in state prison who have been convicted of a felony (the department estimates that about 13 percent of the inmate population are undocumented persons). Although the Governor's Budget assumed the receipt of the \$250 million, the CDC's budget was not reduced by that amount. The final budget, however, assumes that the state will receive no federal funds for this purpose. The budget bill requires the CDC to continue to seek federal funding and to pursue amendments to federal treaties that would facilitate the deportation of undocumented felons to their home countries.

Department of the Youth Authority

The budget provides \$358 million (\$352 million from the General Fund) for support of the Department of the Youth Authority. The General Fund amount is an increase of about 12 percent over 1992-93 expenditures. Expenditures from all funds are about 3.8 percent above the current year amount. This increase is due primarily

to a \$33 million augmentation by the Legislature to provide support for the operation of county juvenile probation camps and ranches. The budget also includes an increase of \$2 million to support a slight increase in the number of Youth Authority wards (increase of 2.7 percent) and parolees (increase of 7 percent).

Other Criminal Justice Programs

The budget includes slight changes to other major criminal justice programs, including:

Department of Justice. The budget provides \$216 million (\$152 million from the General Fund) for support of the Department of Justice, which is roughly equivalent to the current-year level. The most significant action taken by the Legislature on the department's budget was an unallocated reduction of \$7 million to the criminal law division. This reduction is roughly equivalent to the Governor's proposed increase for the division in 1993-94.

Office of Criminal Justice Planning. The budget provides a General Fund increase of \$2.4 million, or 9.5 percent, above 1992-93 expenditures. This, however, masks a reduction in total funding from all sources for the office. The budget provides \$99.3 million (\$42.3 million from state funds and \$57 million from federal funds) for support of the Office of Criminal Justice Planning. This amount represents a reduction of 1.7 percent in all funds from the 1992-93 level, and is principally attributable to slight reductions in special funds revenues and federal funds. The total includes an augmentation of \$2.9 million (General Fund) provided by the Legislature for programs that assist victims of crime. 🌐

*Prepared by the Criminal Justice and
State Administration Section—445-4660*

VII

General Government

In this report, we describe the budget's suspension of the renters' tax credit and use of special funds. In addition, we describe the major features of the budget as they relate to transportation and general government programs and capital outlay.

Renters' Tax Credit Suspension

The state enacted Ch 62/93 (AB 760), which suspends the Renters' Tax Credit program for tax years 1993 and 1994. This program provides a "refundable" tax credit to moderate- and low-income Californians who rent their principal place of residence. The suspension results in General Fund savings of \$390 million in 1993-94 and \$445 million in 1994-95.

Transfer of Special Funds

Recently, amounts have been transferred from special funds to the General Fund to finance certain state activities. Figure 1 shows the major transfers for 1993-94.

In addition to the amounts shown in Figure 1, the 1993 budget loans \$91.5 million in Transportation Planning and Development (TP&D) Account money (for mass transportation and transportation planning purposes) to the General Fund to pay rail bond debt service expenses in 1993-94. This loan is to be repaid with interest.

The 1993 budget also provides local governments with \$130 million more in Motor Vehicle License Fee Account revenues than proposed in the January budget. This is accomplished by reducing vehicle license fee revenues for support of the Department of Motor Vehicles and, instead, substituting other transportation funds.

Figure 1

Major Special Fund Transfers to the General Fund—1993-94

(In Millions)	
• Tidelands oil revenue	\$51.0
• Rental of state property (State Highway Account)	35.0
• Sale of vehicle-related information (Motor Vehicle Account)	30.0
• Motor vehicle fuel tax revenues (Harbors and Watercraft Revolving Fund)	26.1
• Public Utilities Commission Reimbursement Account	16.0
• Energy Resources Programs Account and other energy-related funds	14.5
• Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund	9.8
• Interest on various transportation-related special funds	39.9
• Interest income from various special funds (Control Section 13.50)	46.0
• Fines and penalties (Control Section 13.60)	27.0
• Delinquency fees (Control Section 13.70)	20.0
• Unencumbered balance in various special funds (Control Sections 13.80 and 13.81)	35.7

Unallocated Reductions

The 1993 Budget Act contains various unallocated reductions. In many cases, departments received unallocated reductions of a specified percentage (generally 15 percent on state operations). These reductions are discussed, where appropriate, in other reports in this series. In addition, Control Section 3.90 of the Budget Act authorizes the Director of Finance to reduce General Fund appropriations, except for specified exclusions, in the 1993 Budget Act by up to \$50 million. The Administration has the flexibility to determine which depart-

ments will be subject to these reductions and how much of a reduction each department will receive. Thus, the impact of these reductions on state programs cannot be determined at this time.

Transportation

The 1993 budget provides about \$1.8 billion for the support of the Department of Transportation—about the same level as in 1992-93. For highway capital outlay purposes, the budget provides \$32 million in State Highway Account (SHA) funds for seismic retrofit of the state-owned toll bridges. This is in addition to the amount proposed for highway capital outlay in the Governor's January budget.

In terms of local assistance, the budget provides \$160 million for the State-Local Transportation Partnership Program—\$40 million less than proposed in January. It also provides approximately \$124 million for transit capital improvements and guideway projects. While this is the same level proposed in the January budget, the 1993 budget funds this amount with more TP&D and less SHA funds than originally proposed. In addition, funding for the State Transit Assistance program is reduced by \$59.2 million—to essentially the 1992-93 level. These actions enabled TP&D funds to be used to indirectly free up motor vehicle license fee money for local government use (discussed above).

Public Employees' Retirement System (PERS)

Administrative Budget. The Budget Bill, as introduced, did not include appropriations for retirement-related operations of PERS, because the California Pension Protection Act of 1992 (Proposition 162) gives PERS authority to spend retirement trust funds without appropriations by the Legislature. To provide a means of legislative oversight, the Legislature (1) identified in the Budget Act the amount (\$114 million) the PERS board proposed to spend for administrative purposes in 1993-94 and (2) required the board to report periodically to the Legislature.

State Contribution to PERS. The state enacted Ch 71/93 (SB 240), which shifts the state's payments from semi-annual, six months in arrears, to annual, 12 months in arrears. The change results in General Fund savings of \$195 million in 1993-94 and \$260 million in 1994-95.

Employee Compensation

The Budget Act contains \$234 million (\$134 million General Fund) for anticipated costs of cost-of-living adjustments (COLAs) for state employees (other than employees of the University of California and the California State University). The General Fund amount includes almost \$64 million for the 5 percent COLA negotiated by the Administration in the memorandum of understanding (MOU) for correctional employees (Bargaining Unit 6). That COLA takes effect June 30, 1993. Represented employees covered by other MOUs and nonrepresented employees receive 5 percent COLAs effective January 1, 1994.

Capital Outlay

The budget includes almost \$1.1 billion (about 90 percent from bond funds) for capital outlay, as shown in Figure 2. Almost \$900 million, or 82 percent of all capital outlay appropriations, is for the three segments of higher education. Also included in the budget is \$13 million to install lethal electrified fences at nine prisons and \$11 million to begin the design of three state office building projects in the Bay Area. It will cost an estimated \$370 million to complete construction of these three buildings. ♻️

Figure 2

1993-94 Capital Outlay Programs^a

(In Millions)	
State and Consumer Services	\$22.5
Transportation	34.2
Resources	59.8
Health & Welfare	9.8
Corrections	53.7
Higher Education	889.8
General Government	16.3
Total	\$1,086.1

^a Excluding highways and the state water project.

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