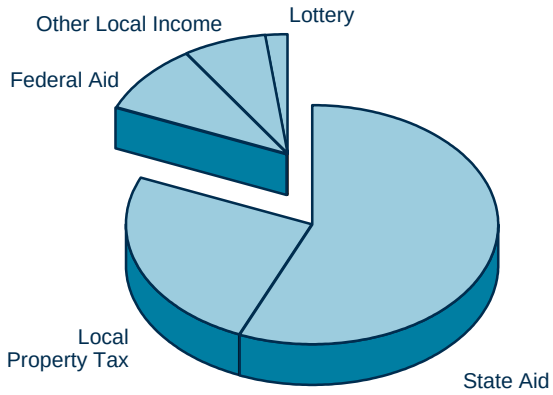
K-12 School Revenues

1997-98

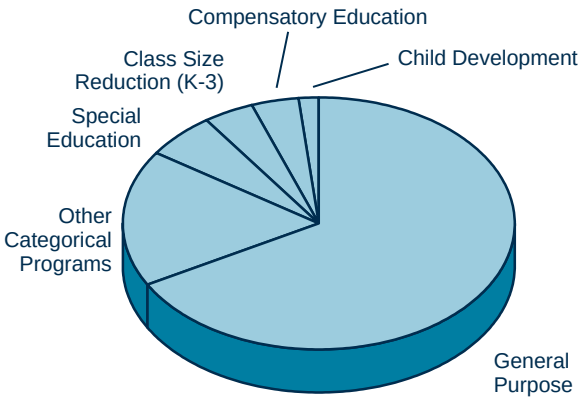


Proposition 98

- Proposition 98 is the shorthand term for the state's constitutional minimum spending requirement for K-14 education. This annual spending guarantee is met from two revenue sources: state aid and local property taxes.
- The state provided just over half of all school revenue in 1997-98, while local government sources (property taxes and other local income) contributed 33 percent.
- The remaining revenues came from the federal government (9 percent) and the state lottery (2 percent). Lottery revenues provide around $116 per student. Seventy-five percent of lottery funds are used towards teacher salaries and benefits.

K-12 School Expenditures

1997-98

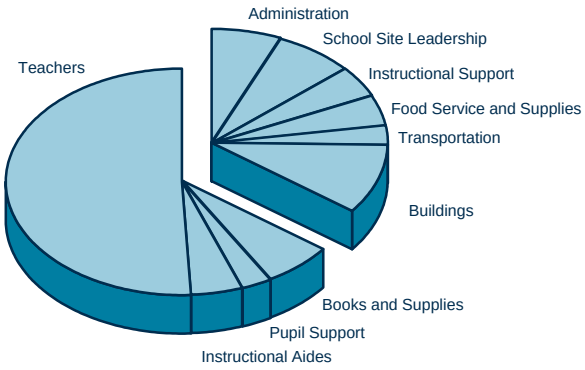


- School "revenue limits" are general purpose funds—supported by both state funds and local property taxes—that provide the resources for basic school programs. These funds account for almost two-thirds of all school expenditures.

- Remaining school expenditures provide for specific educational needs—such as special education, transportation, and class size reduction. These "categorical" funds constitute around one-third of school spending.

The Average Cost of a California School

1995-96

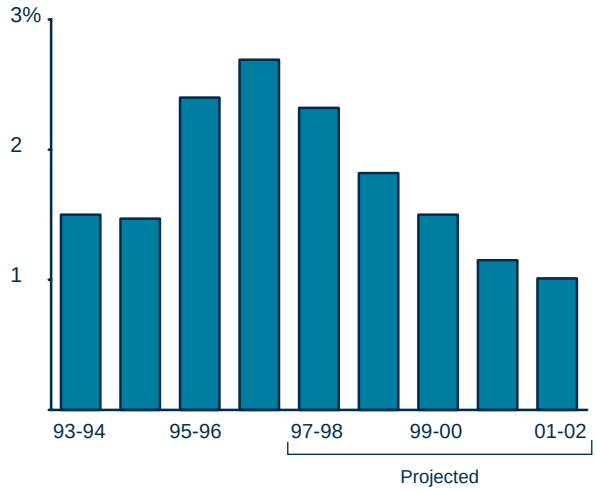


- The costs of services delivered in the classroom account for about two-thirds of K-12 costs. Over half of the total costs are for teachers, with an additional 14 percent for instructional aides, pupil support personnel (counselors, psychologists, nurses), and books, supplies and equipment.

- Nonclassroom school site costs comprise 29 percent of school spending. These costs consist of school site leadership (administrators and clerical support), building maintenance, instructional support, and other expenses.

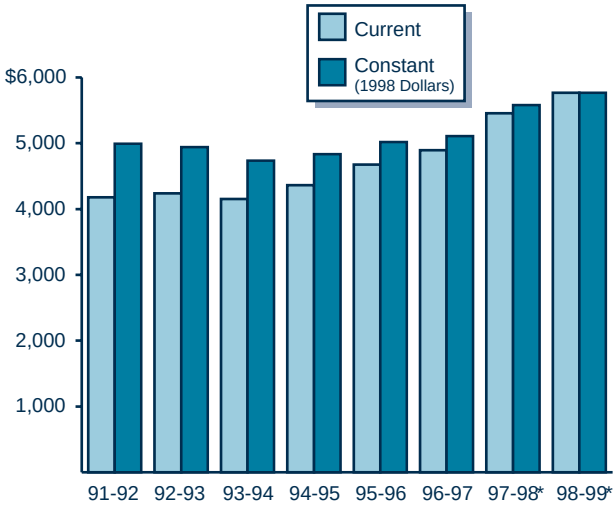
- Administration, which consists of district administration and county and state oversight, accounts for 6 percent of the costs of an average school.

Growth in K-12 Enrollment Will Slow Significantly



- K-12 enrollment is projected to increase by 1.8 percent in 1998-99, bringing total K-12 enrollment to 5.7 million students.
- Growth rates in each of the next three years are expected to decrease to between 1 percent and 1.5 percent. This is in contrast to the last three years, when rates exceeded 2 percent.
- Each 1 percent increase in K-12 enrollment requires an increase of approximately $240 million (General Fund) to maintain annual K-12 expenditures per pupil.

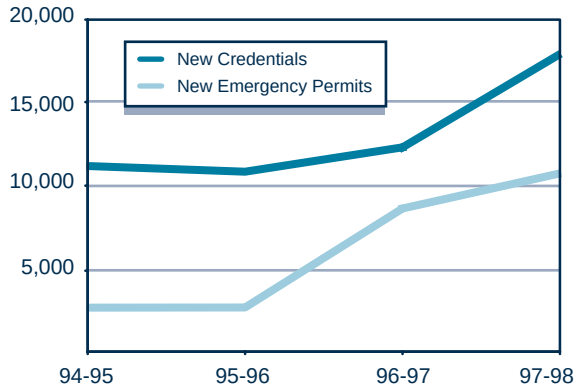
Proposition 98 Funding Per Student Continues to Rise



*ADA adjusted to exclude excused absences.

- California's spending per pupil (adjusting for inflation) continues to rebound from lows during the recession.
- In 1998-99, Proposition 98 spending per pupil increases to $5,735. This represents an increase of $281, or 5.2 percent, above 1997-98.
- Despite recent increases in per-pupil spending, California funding per pupil remains below the national average.

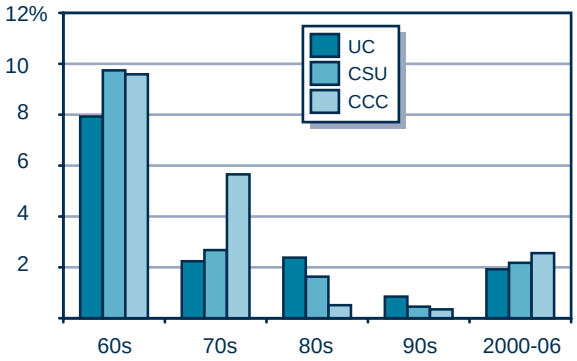
Demand for New Teachers Increases Significantly



- Implementation of kindergarten through grade three class size reduction has significantly increased the need for teachers.
- The number of teachers with new emergency permits rose significantly in 1996-97 to meet the immediate need for teachers due to class size reduction.
- Increases in new teaching credentials include recent graduates from teacher preparation programs as well as past emergency permit holders and out-of-state teachers.

Higher Education Enrollment Growth To Be Moderate and Sustained

Average Annual Headcount Growth, by Decade



- The Department of Finance projects that total headcount enrollment at UC, CSU, and the community colleges in 2006 will be 417,000 higher than in the peak enrollment year of 1991. This would represent an annual increase of 1.2 percent from 1991 through 2006.

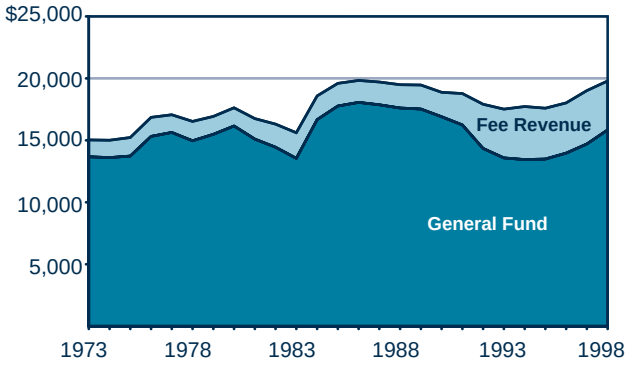
- By comparison, enrollments grew by an average of 2.7 percent per year from 1970 through 1991.

- By historical standards, projected enrollment growth into the 21st century will be moderate and sustained.

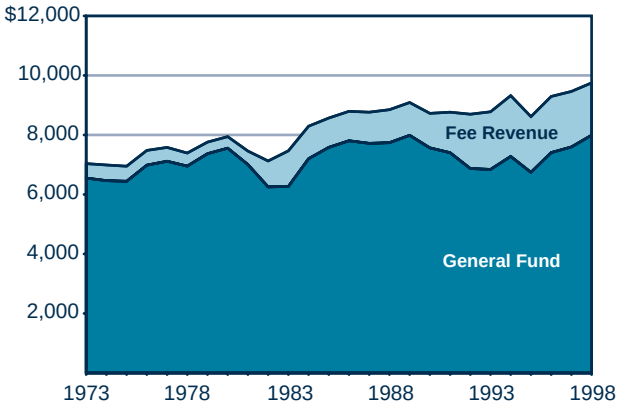
Resources for Higher Education at Historic Highs

Inflation Adjusted Spending Per Student

University of California

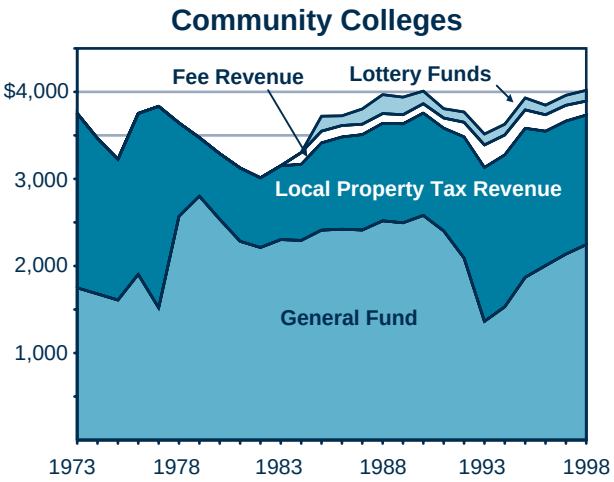


California State University



Resources for Higher Education at Historic Highs

(Continued)

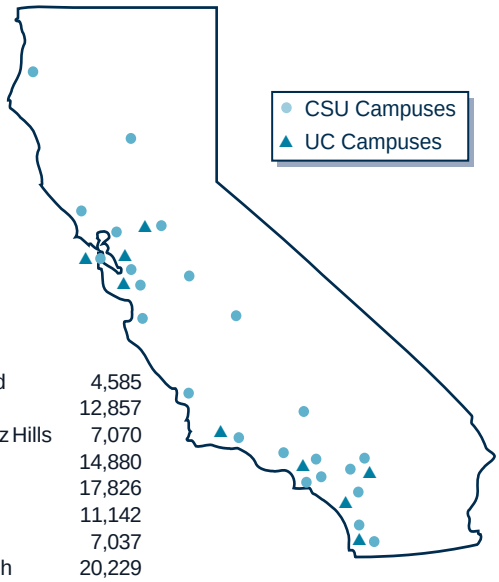


- Spending per student at the University of California (UC), California State University (CSU), and California Community Colleges (CCC) are at historic highs over the past 25 years.

- These resources in 1998-99, after adjusting for inflation, are 10 percent, 18 percent, and 10 percent higher than the average from 1973 through 1998 for the UC, CSU, and CCC, respectively.

California Public Universities

1997-98 Full-Time Equivalent Students

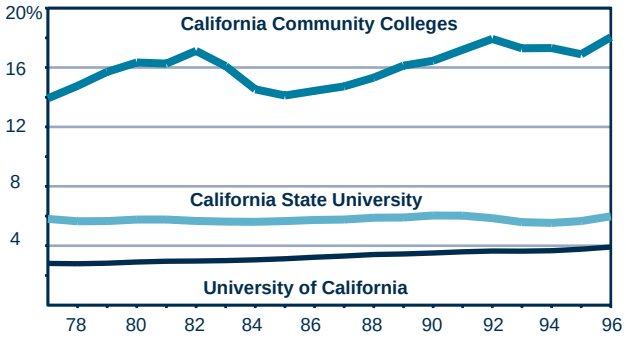


CSU	
Bakersfield	4,585
Chico	12,857
Dominguez Hills	7,070
Fresno	14,880
Fullerton	17,826
Hayward	11,142
Humboldt	7,037
Long Beach	20,229
Los Angeles	14,448
Maritime Academy	492
Monterey Bay	1,533
Northridge	19,554
Pomona	14,819
Sacramento	17,885
San Bernardino	10,088
San Diego	24,434
San Francisco	19,654
San Jose	19,292
San Luis Obispo	15,758
San Marcos	3,433
Sonoma	5,882
Stanislaus	4,889
Total CSU	**266,790**

University of California	
Berkeley	28,737
Davis	22,053
Irvine	16,593
Los Angeles	31,886
Riverside	9,190
San Diego	17,873
San Francisco	3,573
Santa Barbara	17,746
Santa Cruz	10,160
Total UC	**157,811**

College Participation Rates Are At Or Above Historic Highs

Percent of 18 to 24 Year Olds in College



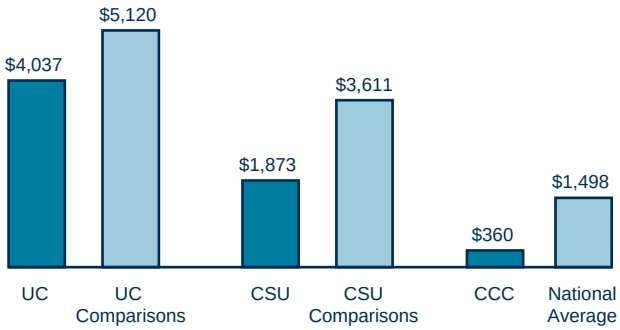
- Californians of prime college-going ages (between the ages of 18 and 24) are attending UC, CSU, and the community colleges at historically high rates.

- Participation rates for these Californians in 1996, for example, were 20 percent, 4 percent, and 11 percent higher than in 1977 for UC, CSU, and the community colleges, respectively.

Resident Student Fees Are Significantly Below Comparison Institutions

1998-99

California Annual Student Fees Versus National Comparisons



- Fees at UC are 21 percent below the average of the four public universities with which the state compares UC faculty salaries.
- CSU fees are 52 percent below its 15 "comparison" public universities.
- Community college fees are 76 percent below the average of community college fees nationwide.
- Fee revenues account for 20 percent (UC), 18 percent (CSU), and 4 percent (CCC) of instructional funding for each system.

CalWORKs Program: Major Features

Participation Requirements

- ***Weekly Hours***. Adults in single-parent families must participate in work or approved education or training activities for 26 hours in 1998-99 and 32 hours in 1999-00 and thereafter. An adult in a two-parent family must participate for 35 hours per week.

- ***Welfare-to-Work Activities***. Specifies the following sequence of services: job search; assessment; welfare-to-work activities (education and training); and community service employment.

- ***Sanctions***. The adult portion of the grant is removed if the adult fails to participate in work activities or community service.

Time Limits

- ***Welfare-to-Work Services***. New applicants are limited to 18 months of job training/education services. Counties may extend the 18 month limit by 6 months if the extension is likely to lead to nonsubsidized employment or if no jobs are available. Able-bodied adults must begin community service employment at the end of these time limits if a nonsubsidized job is not available.

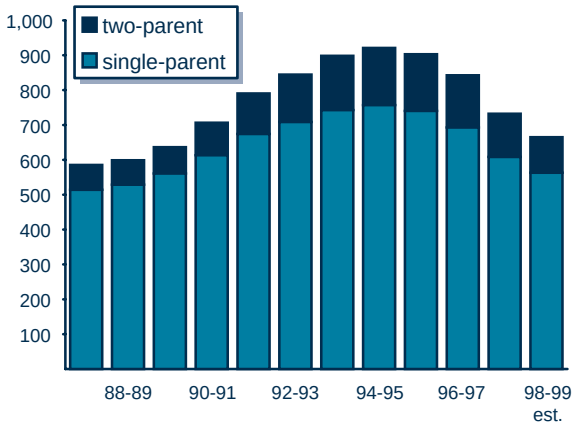
- ***Five-Year Time Limit/Safety Net***. After five cumulative years on aid, the amount of the grant is reduced by the portion for the adult. Counties have the option of providing the subsequent aid in the form of cash or vouchers.

Grants

- ***Earned Income Disregard***. Allows recipients to retain up to $225 in earned income with no reduction in their grant. Each dollar of earnings above $225 results in a fifty cent reduction in their grant.

CalWORKs Caseload Declining

CalWORKs Cases
(In Thousands)



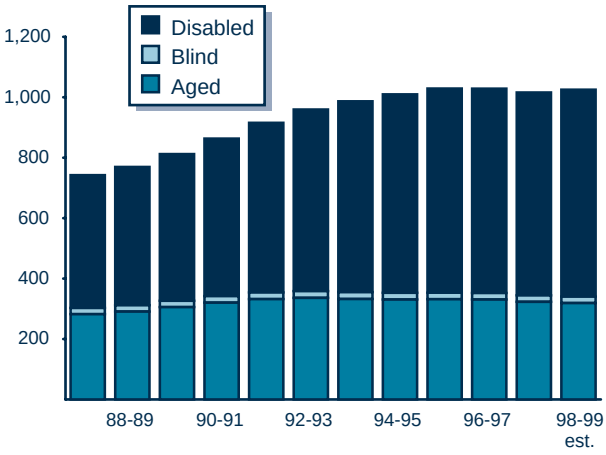
- After peaking in 1994-95, the caseload declined 20 percent by 1997-98 and is projected to decline an additional 9.3 percent in 1998-99.

- About two-thirds of the recent decline in the caseload can be explained by demographic trends and the state's economic expansion.

- The remaining decline may in part be explained by: (1) an "announcement effect" of welfare reform that affected behavior prior to policy changes; (2) a labor market effect whereby welfare recipients benefit more as the economy approaches full employment (where the supply of labor is more scarce); and (3) implementation of the CalWORKs program.

SSI/SSP Caseloads Leveling Off

SSI/SSP Cases
(In Thousands)



- The SSI/SSP program provides cash assistance to low income persons who are elderly, disabled, or blind.
- Following a period of rapid growth through the early 1990s, the caseload growth has moderated, in part because of federal law changes that restrict eligibility for disabled children and certain noncitizens.
- California has created a temporary state-only funded program for certain noncitizens. In 1998-99, the average monthly state-only caseload is projected to be approximately 1,700.

CalWORKs and SSI/SSP Maximum Monthly Grants

January 1999

Program	Amount
CalWORKs[a]	
Low-cost counties	$582
High cost-counties	611
SSI/SSP	
Individuals	$676
Couples	1,201

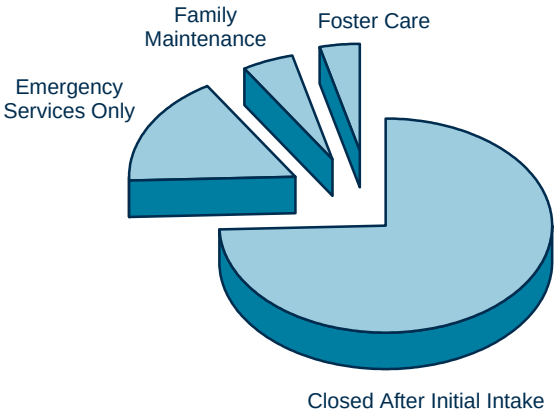
[a] Family of three.

- When combined with Food Stamps, California's maximum CalWORKs grant is about 75 percent of the federal poverty guideline. Of the ten largest states, California will provide the highest maximum grant, effective November 1998.

- California's SSI/SSP grant for individuals is 101 percent of the federal poverty guideline. The grant for couples is 133 percent of the poverty guideline. Of the ten largest states, California provided the highest maximum SSI/SSP grants as of January1998.

Most Reports of Child Abuse/Neglect Are Closed After Initial Intake

1996



- There were about 707,000 reports of child abuse/neglect in 1996. Between 1989 and 1996, the number of reports of abuse/neglect rose from 71 to 81 per 1,000 children in the statewide population.

- Most reports (75 percent) were closed after the initial telephone assessment or in-person investigation. One in six reports resulted in a case which was closed after emergency services (crisis intervention, counseling) were provided.

- A small proportion of reports of abuse/neglect resulted in an ongoing Child Welfare Services case in which (1) the child was removed from his/her home and placed in foster care (4 percent) or (2) the child remained in his/her home and the family received ongoing "family maintenance" services designed to reduce the risk of future abuse/neglect (5 percent).

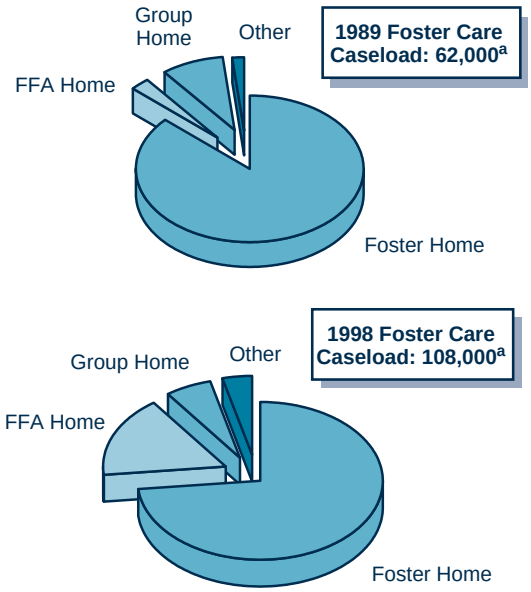
Types of Foster Care Placements

Placement Type/Description	Caseload[a] 1998	Monthly Grant Per Child (1998-99)
Foster Family Homes	**79,000[b]**	**$375-$528**
• Provides 24-hour care and supervision to no more than six foster children in the foster parent's home.		
• Foster care grant may be supplemented for care of children with special needs.		
Foster Family Agency Homes	**17,800**	**$1,362-$1,607**
• Foster parents are affiliated with nonprofit foster family agencies which provide professional support.		
• These placements are intended to serve as an alternative for group home placement.		
Group Homes	**6,700**	**$1,254-$5,314**
• A facility of any capacity that provides 24-hour nonmedical care, supervision, and services to children.		
• Generally serve children with higher emotional or behavioral problems who require a more restrictive environment.		
• May vary from small, family-like homes to larger institutional homes.		

a Excludes approximately 4,800 foster children supervised by county probation departments. Most of these foster children are placed in group homes. Also excludes approximately 4,100 foster children placed in county shelters, medical facilities, specially licensed small family homes, and specialized pilot projects.

b Includes children placed with relatives who may receive CalWORKs rather than AFDC-FC grants.

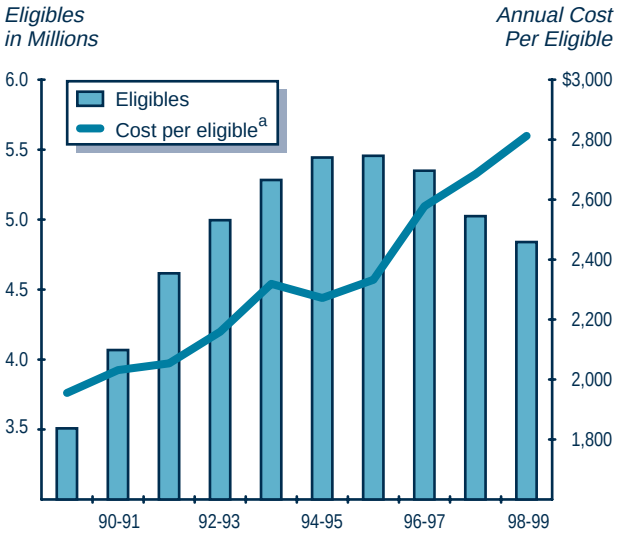
Use of Foster Family Agency Homes Increasing



[a]Excludes children supervised by county probation departments.

- California's average monthly foster care caseload increased from 62,000 in 1989 to 108,000 in 1998 an average annual increase of about 6 percent.
- The proportion of children placed with foster family agency (FFA) homes increased from 3 percent to 17 percent between 1989 and 1998.
- These changes are probably the result of (1) FFA homes being used as alternatives to group homes, and (2) former foster family homes becoming affiliated with foster family agencies (which generally provide higher grants and additional support services).

Medi-Cal Caseload Falls But Cost per Eligible Still Grows



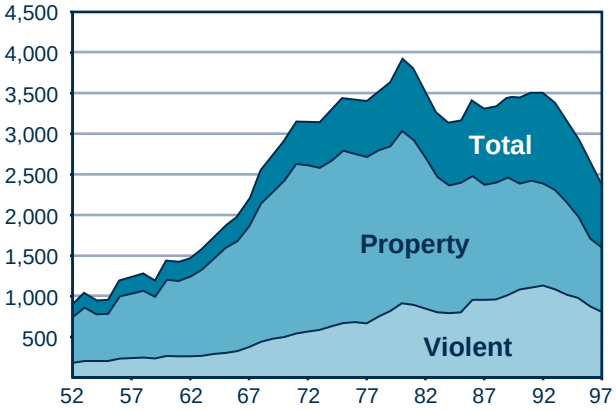
[a]Includes federal funds and funding for related programs that flow through Medi-Cal.

- The Medi-Cal caseload grew rapidly during the early 1990s due to (1) eligibility expansions and (2) increased welfare caseloads during the recession. Since 1995-96, however, the Medi-Cal caseload has declined somewhat, reflecting lower welfare caseloads.

- Despite recent caseload declines, the total cost of the Medi-Cal program remains roughly flat because the cost of services per eligible person continues to rise. This is due to: (1) increased health care costs; and (2) a shift to a more expensive caseload "mix," (the number of families on welfare has declined, but the number of higher-cost elderly and disabled remains essentially unchanged.)

California's Crime Rate Reduced Substantially Since 1980 Peak

Rate Per 100,000 Population

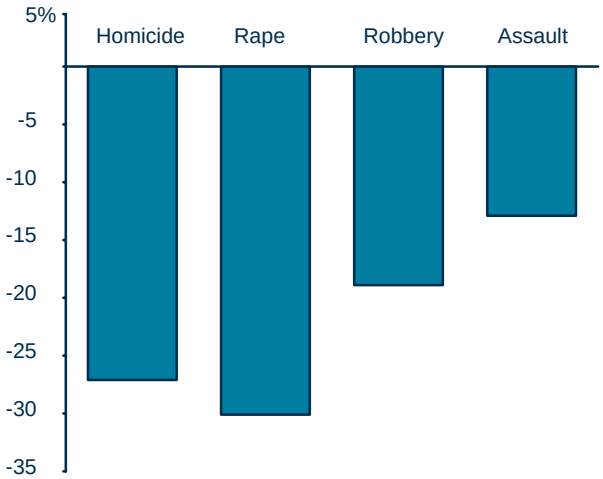


- The crime rate reached its peak in 1980, declined for four years, increased slightly in the late 1980s, and has declined each year since 1991. The 1997 California Crime Index (CCI) is now roughly equivalent to the rate in 1967.

- Most researchers believe that there are many reasons for the decline since the 1980 peak, including the aging of the population (particularly the aging of "baby-boomers"), the decline in drug seizures (particularly "crack" cocaine), incapacitation and deterrent effects of recently enacted criminal penalties, improved economy (and thus more jobs), better policing techniques (such as "community-oriented" policing), and relatively peaceful gang situations in some urban areas.

Violent Crime Down Substantially Over Past Ten Years

Change in Violent Crime Rates, 1987 to 1997



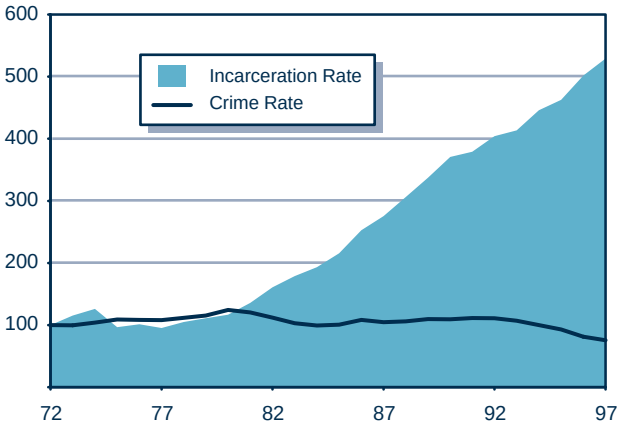
- Violent crime—the types of crime that have the most significant negative personal consequences on citizens and usually generate very high costs to society—has declined 16 percent over the past decade.

- It is particularly significant that the largest drops have occurred in homicide (down 27 percent) and rape (down 30 percent), because these crimes were already the types of violent crime that were least likely to be committed.

- The reasons for the drop in violent crime probably include the same reasons cited for the drop in overall crime (see page 66).

Crime Rate Declines Marginally Despite Sharp Rise in Imprisonment

Crime Rate/Incarceration Rate Indexed to 1972

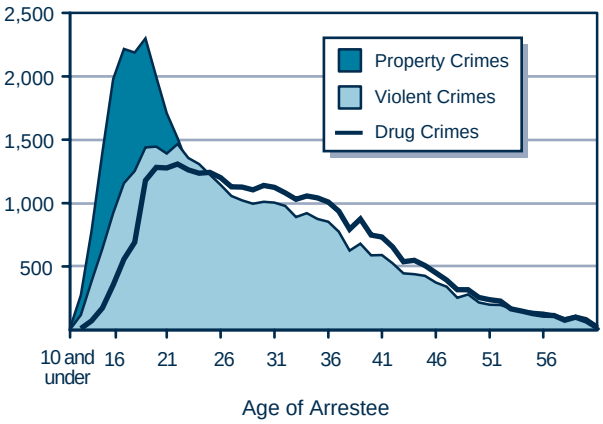


- California's incarceration rate has increased more than 400 percent since 1972 while the crime rate has declined about 20 percent.

- Some researchers argue that this situation should be expected because they believe that incarcerating more people for a longer period of time has no impact on the crime rate. Others disagree and argue that the crime rate would have increased markedly if the rate of imprisonment had not increased so significantly.

Felony Arrests Highest Among the Young

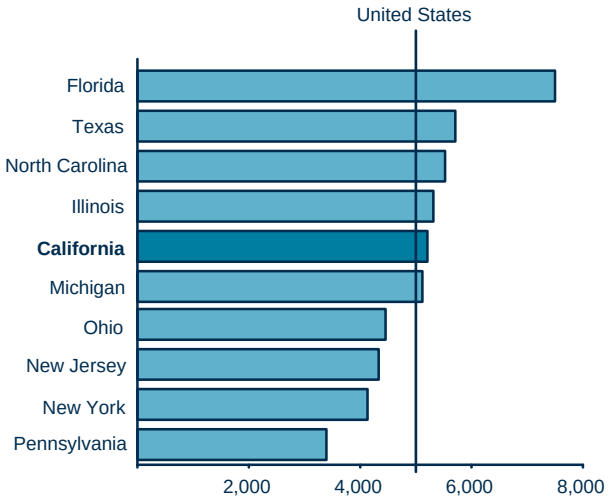
1997 Rate Per 100,000 Age-Eligible Population



- The felony arrest rate peaks at age 18 for property crime and age 21 for violent and drug-related crime.
- The peak ages for arrest have actually increased in recent years. In 1993, the arrest rate for property crime peaked at age 16 and age 18 for violent crime.
- Although persons age 21 and under have a higher arrest *rate* than persons over the age of 21, they account for a smaller proportion of *total* arrests (30 percent for persons age 21 and under versus 70 percent for persons over the age of 21). (Data not shown in figure.)

California's Crime Rate Near Middle of Other Large States

1996 Rate Per 100,000 Population



- Using measures of crime employed by the federal government, California's 1996 crime rate is only slightly higher than the nation's rate and is fifth highest among the ten largest states.
- Florida's 1996 rate was the highest among the large states and was 44 percent higher than California's rate. California's rate was about 2 percent higher than the rate for the other 49 states and the District of Columbia.
- As in California, the national crime rate and the rates for the ten largest states have been on the decline in recent years.

Crime Rates Vary Widely Among Large Counties

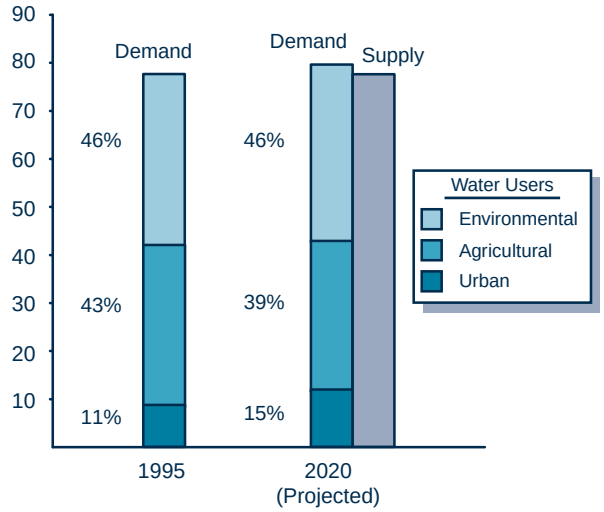
1996 Crime Rates Per 100,000 Population

- Among the counties with populations of 500,000 or more, Fresno had the highest crime rate in 1996—about 53 percent higher than the statewide rate. San Mateo's rate was the lowest and was less than half the statewide rate.

- Variations among county crime rates are probably explained by factors such as demography (areas with larger populations of young men tend to have higher crime rates), wealth (and thus availability of jobs and crime-fighting resources), degree of urbanization, and location of certain factors associated with crime (such as gangs and drug sellers).

Environment Is Biggest Water User

(In million acre-feet)[a]

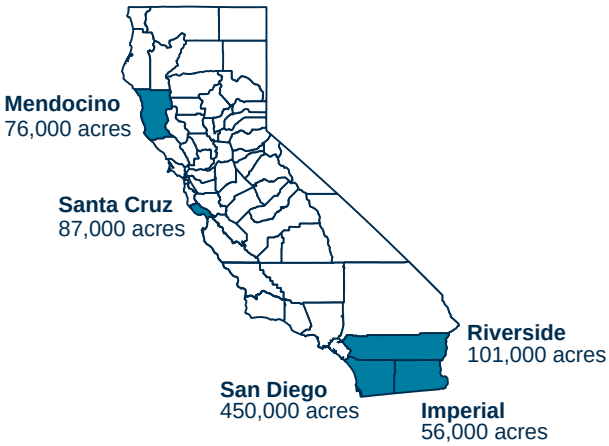


[a] Data from Department of Water Resources, California Water Plan (November 1998), reflecting "average" (nondrought) conditions. One acre-foot of water supplies about two three-person households for one year.

- The Department of Water Resources (DWR) projects that the greatest demand for water in 2020 will, as today, be for environmental uses (such as wetland habitats, fisheries, and dedicated wild and scenic rivers). However, most of the *growth* in demand between 1995 and 2020 will come from the urban sector.

- Assuming nondrought water conditions, DWR projects that there will be a water shortfall in 2020 of 2.4 million acre-feet absent further actions to increase water supplies and/or reduce demand.

Almost Half of All State-Owned Wildlands Is Concentrated in Five Counties

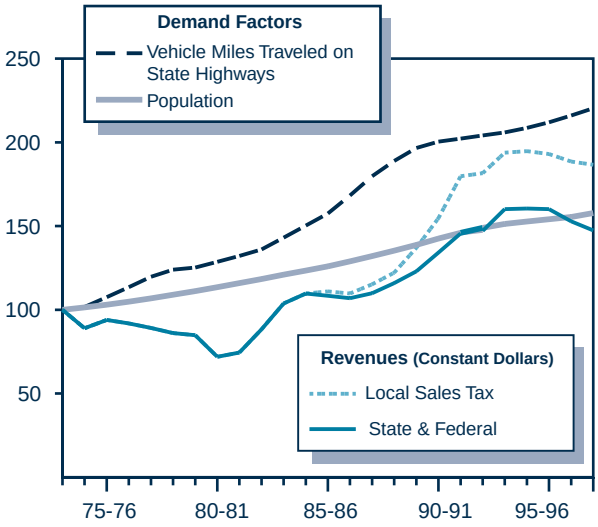


- Of the 102 million acres encompassed by the state of California, about 75 million acres are classified as wildlands. These lands include all undeveloped and noncultivated property in the state, and are important sources of wildlife habitat. Ownership of these lands is divided among federal, state, local, and private entities.

- About 2.2 percent of California's wildlands are owned by the state government. The federal government owns 60 percent, and 37 percent is privately owned.

- Of the 1.7 million acres of state-owned wildlands, 48 percent is concentrated in five counties. The Department of Forestry and Fire Protection is the primary state landowner in Mendocino County, while the Department of Parks and Recreation is the primary state landowner in the other four.

Transportation Demand Outpaces Revenues[a]

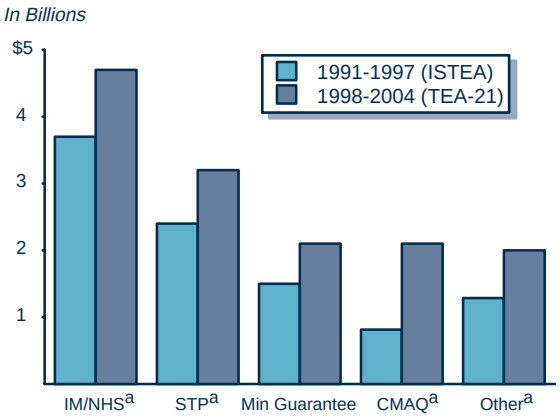


[a] Excludes one-time revenues such as bonds.

- For much of the last 25 years, growth in transportation demand—measured by growth in population and vehicle miles traveled (VMT)—has far exceeded the growth in transportation revenues.

- By 1997-98, state and federal revenues for transportation improvements were about 70 percent higher than in 1973-74, after adjusting for inflation. While this revenue growth rate was slightly higher than that of population, it substantially lagged behind VMT growth.

Federal Highway Funds to California Increasing Significantly

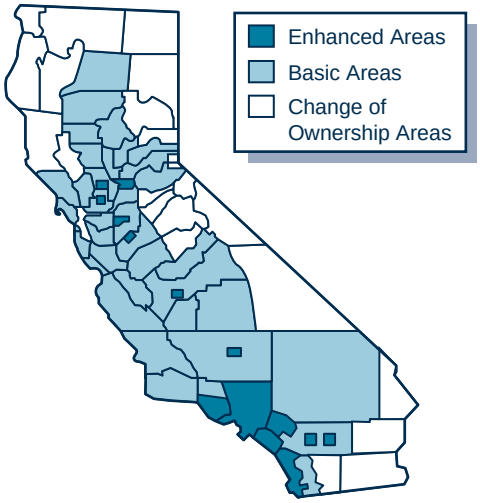


[a] IM/NHS—Interstate maintenance of National Highway System; STP—Surface Transportation Program; CMAQ—Congestion Mitigation/Air Quality program; Other includes bridges, high priority/demonstration projects, and planning.

- Under the Transportation Equity Act for the 21st Century (TEA-21), California will receive an estimated $15 billion in federal funds over the next six years (from 1998 through 2004) for highway purposes. This is an average annual funding increase of more than $800 million (about 50 percent) over the funding level provided by the previous federal act (ISTEA).

- The largest increase in highway funds will be in the Congestion Mitigation/Air Quality (CMAQ) program. This program funds projects that reduce congestion and air pollution in urban areas that do not meet federal clean air standards.

Smog Check Program Requirements Vary by Area



- Most vehicles must undergo a smog check biennially, (major exceptions are vehicles not over four years old and pre-1974 vehicles).

- California is divided into three types of areas:

  - ***Enhanced Areas.*** Tests for oxides of nitrogen, hydrocarbon, and carbon monoxide emissions. Test is performed on a treadmill-like machine called a dynamometer.
  - ***Basic Areas.*** Tests for hydrocarbons and carbon monoxide only, using a two-speed idle test and tail pipe sensor.
  - ***Change of Ownership Areas.*** Same test as in the basic areas but required only when a vehicle is sold.

Projected Capital Outlay Needs For the State and K-12 Education

1999-00 Through 2003-04
(In Billions)

	Five-Year Total[a]
Transportation	$19.6
K-12 Education	11.0
Higher Education	6.6
Adult/Youth Prisons	3.3
Office Buildings/24-Hour Health Care	1.4
Resources	0.8
Total	**$42.7**

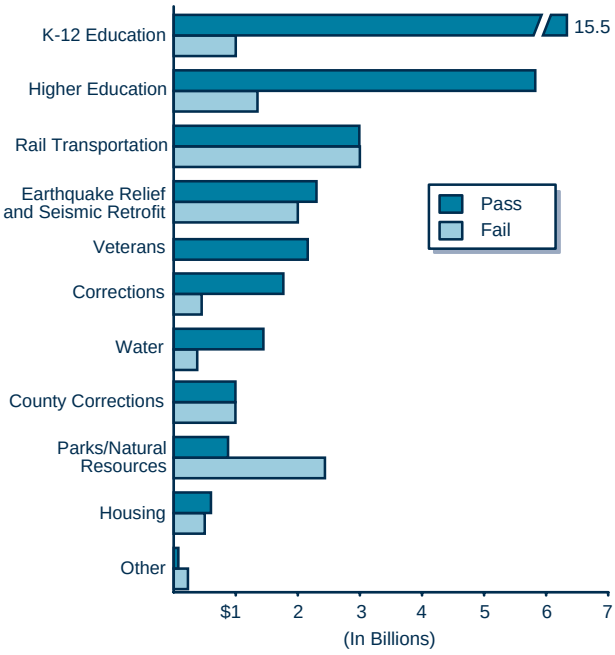
[a] Based on five-year capital outlay plans prepared by state agencies, except K-12 education and new prison construction, which are the Legislative Analyst's estimates.

- As shown in the figure, an estimated $43 billion will be needed for capital outlay over the next five years. This total does not include many program areas that the state has funded in the past—such as water quality improvements, county jails, and low-income housing.

- The state owns 15,000 miles of highways and 180 million square feet of building space, and leases an additional 20 million square feet of space.

- The state needs to renovate existing space to address safety concerns and to accommodate changes in programs. New facilities are also needed to accommodate growth and to reduce leased space for long-term savings.

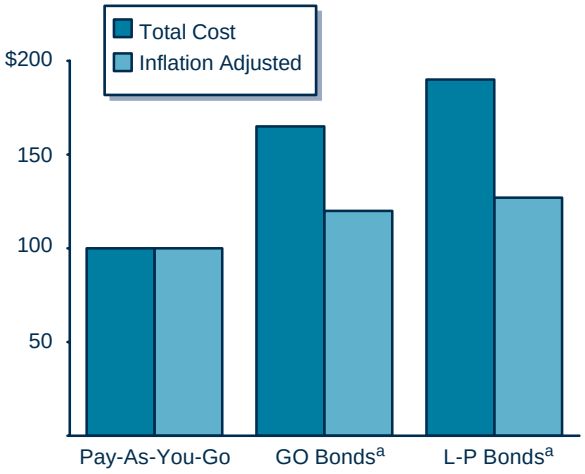
Voter Action on General Obligation Bonds Since 1986



- Voters have approved almost $35 billion in bonds since 1986 and rejected $12 billion.
- About 45 percent of all approved bonds ($15.5 billion) have been for K-12 school facilities.
- In addition to voter-approved general obligation bonds, the Legislature has authorized almost $8 billion in lease-payment bonds since 1986 for higher education facilities, prisons, and state office buildings.

Costs of Paying for a $100 Million Project

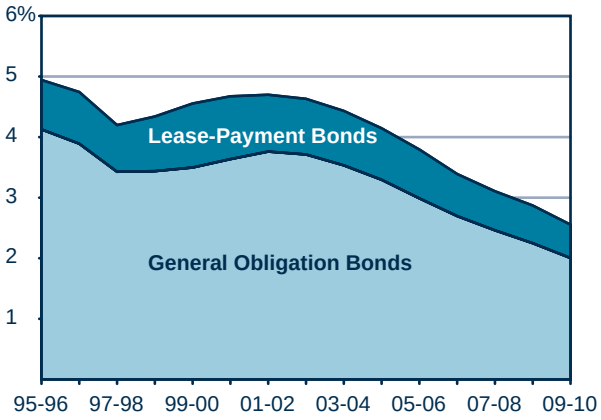
(In Millions)



[a] Assumes 25 year bonds, interest rates of 5 percent (GO) and 5.4 percent (L-P), and 3 percent annual inflation.

- The figure compares the cost of a $100 million project financed on a pay-as-you-go basis with the total principal and interest payments for the same project using bonds.
- The general obligation (GO) bonds total cost is 65 percent more costly than pay-as-you-go (when adjusted for inflation, it is 20 percent more costly).
- The lease-payment (L-P) bonds total cost is 90 percent more costly than pay-as-you-go (when adjusted for inflation, it is 27 percent more costly).

Share of General Fund Revenue Needed for Bond Payments



- The state's debt service ratio reflects the estimated costs to pay principal and interest on currently authorized state bonds as a percentage of projected state General Fund revenues.
- After reaching 5.1 percent in the mid-1990s, the debt ratio declined to 4.2 percent in 1997-98, will increase to 4.7 percent in 2001-02, and decline thereafter. Authorization and sales of new bonds would increase these debt ratios.
- Debt payments will increase from $2.5 billion in 1998-99 to $3.3 billion in 2003-04 and decline thereafter if no additional bonds are approved.