



**The 2001-02 Senate Budget Bill
SB 75 (Peace)
As Adopted by the
Budget and Fiscal Review Committee**



The Bottom Line

2001-02 General Fund Condition

In Millions

	Governor's Budget (May Revision)	Senate Version	Difference
Prior-year fund balance	\$6,645	\$7,222	\$577
Revenues and transfers	74,842	76,079	1,237
Total resources available	\$81,487	\$83,301	\$1,814
Expenditures	\$79,676	\$80,061	\$385
Ending fund balance	\$1,811	\$3,240	\$1,430
Encumbrances	\$701	\$701	—
Set-aside for legal contingencies	\$100	\$100	—
Reserve	\$1,010	\$2,439	\$1,430

- Reserve.** The Senate Budget Committee version includes a reserve of \$2.4 billion (roughly 3 percent of expenditures), about \$1.4 billion more than the Governor's proposal.

- Revenues.** The Senate version assumes total revenues and transfers of \$76 billion, which is \$1.2 billion higher than the May Revision. The Senate version assumes the administration's underlying revenue estimates, but includes additional funds from two sources: (1) \$475 million from the committee's rejection of the Governor's proposal to redirect tobacco settlement monies from the General Fund to a newly established Tobacco Settlement Fund, and (2) about \$750 million from the transfer of balances in a variety of special funds.

- Expenditures.** The Senate's General Fund expenditure total is \$80.1 billion, which is \$385 million higher than the May Revision. The net increase partly reflects offsetting factors. The Senate version includes increased funding for senior citizen's tax programs and the restoration of some health and social services expenditures that had been scaled back in the May Revision. However, the Senate version also includes savings related to cuts in vacant positions.



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

Education

- Total General Fund Proposition 98 spending of \$30.4 billion in the current year and \$32.5 billion in 2001-02 (essentially the same as the May Revision for both years).
- Proposition 98 K-12 per pupil spending of \$7,105—up 6.4 percent from the revised current-year level.
- K-12 provisions include a \$220 million block grant for low-performing schools, \$87 million for standards-based training of teachers, and a \$50 million augmentation of revenue limits (general purpose funding).
- Higher education includes modest funding increases relative to the May Revision for University of California, California State University, and California Community Colleges, as well as additional funding for financial aid outreach.

Transportation

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

Tax Relief

- Adopts Governor's proposal for an increase in manufacturer's credit. Makes current-year increase in senior citizens' tax relief permanent (\$265 million).

Health and Social Services

- Includes augmentations to the May Revision for a variety of health and social services programs. Eliminates sunset of cash and food benefits for post-August 1996 legal immigrants.

Other Programs

- Adopts most May Revision reductions of the new one-time expenditures that were proposed in the January budget.
- Includes additional savings of \$300 million related to the deletion of funding for vacant positions.



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

(In Millions)

Subcommittee Actions:	
Transportation congestion relief funding	\$1,300
Capital outlay	531
Local government fiscal relief	250
Jobs-housing balance incentive payments	200
Infrastructure Bank	177
School facility fee	146
Clean beaches	90
Local law enforcement high-technology equipment	75
Zero-emission vehicles	50
Touch-screen voting	40
Low-cost environmental insurance	38
River parkways	35
Senate Full Committee Actions:	
Transfers	\$751 ^b
Vacancy-related savings	300
Reversions	200
Vehicle license fee (updated estimate)	180

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

^b Includes an additional \$99 million from the Infrastructure Bank.



Major Senate Actions K-12 Education—Proposition 98

(In Millions)

	Governor	Senate	Difference
Cost-of-living adjustments (various programs)	\$1,406	\$1,406	—
Enrollment growth (various programs)	565	565	—
Instructional Improvement for High Priority Schools	220	220 ^a	—
Math and Reading Professional Development	160	87	-\$73
Immediate Intervention/Underperforming Schools	137	137	—
Special Education Settlement	125	125	—
Child care and preschool annualization	109	109 ^b	—
Governor's Performance Awards	96	92	-4
Longer middle school year	65	65 ^a	—
Revenue limits augmentation (PERS reduction)	—	50 ^c	50 ^c

^a Senate places appropriation in SB 1020 (Escutia).
^b Senate also adds \$66 million from one-time funds for child care (Stage III set-aside).
^c Senate also adds \$135 million from one-time funds to augment revenue limits.

- The Senate version spends \$29.2 billion from the General Fund for Proposition 98 K-12 programs, \$22 million below the May Revision.
- The Senate version provides \$7,105 in Proposition 98 per pupil. This is \$427, or 6.4 percent, above the revised 2000-01 level.
- The Senate version assumes pending legislation will include \$65 million for purposes of a longer middle school year, with priority for low-performing schools. This represents a significant change from the Governor's January and May proposals, with further legislative changes possible.
- The Senate version also assumes pending legislation will include \$220 million for a grant program for the state's lowest-performing schools (Instructional Improvement for High Priority Schools).



Major Senate Actions Higher Education

General Fund (In Millions)

	Governor's May Revision	Senate	Difference
University of California	\$3,391.3	\$3,395.9	\$4.6
California State University	2,622.0	2,624.6	2.6
California Community Colleges	2,878.5	2,902.8	24.3
Student Aid Commission	633.6	636.6	3.0
Hastings College of the Law	15.1	15.1	—
California Postsecondary Education Commission	3.9	3.9	—
Totals	\$9,544.4	\$9,578.9	\$34.5

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



Major Senate Actions Social Services Programs

General Fund (In Millions)

Issue	Difference From May Revision
Department of Aging —restorations/augmentations	\$5
Department of Child Support Services (DCSS)	
Reduced child support incentive payments to counties	-\$6
Eliminated noncustodial parent demonstration project	-4
Department of Social Services (DSS)—Child Welfare Services	
Restore funding for increase in cost of doing business	\$38
Restore Juvenile Crime Prevention Program	10
DSS—Food Programs	
Augmented food bank infrastructure and operations	\$5
Eliminated sunset of benefits for post-August 1996 immigrants	5
DSS—CalWORKs	
Redirected DCSS demonstration funds to employment services	\$4
Excluded at least one vehicle from asset tests	-3 ^a
DSS—Cash Assistance	
Eliminated sunset on benefits for post-August 1996 immigrants	\$29
Total	\$83

^a Combined General Fund and Temporary Assistance for Needy Families funds.

Compared to the May Revision, the Senate provided a net increase of approximately \$80 million General Fund to various social services programs. These augmentations represent an increase of approximately 1 percent to a base of about \$8 billion.

The CalWORKs County Block Grants and Performance Incentives.
 The Senate rejected the Governor's proposal to delete \$250 million in California Work Opportunity and Responsibility to Kids (CalWORKs) performance incentives in 2000-01. The Senate also increased county single allocation block grants by \$31 million and directed parties to develop CalWORKs county block grant funding and allocation alternatives for consideration by the conference committee. These actions result in a Temporary Assistance for Needy Families deficit.



Major Senate Actions Health Programs

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

General Fund (In Millions)

Medi-Cal	Change From Governor’s Budget
Eliminated asset test for eligibility.	-\$4.3
Redirected funding to phase in breast and cervical cancer treatment services for women up to 250 percent of federal poverty level (FPL).	-4.9
Assumed greater success in recovering drug rebates owed the state.	-23.5
Assumed more savings from antifraud activities.	-25.0
Public Health	
Rejected proposal for separate tobacco settlement fund. Deposit settlement funds in General Fund and earmark for health programs.	No net change
Fully fund projected AIDS Drugs Assistance Program caseload.	\$12.8
Augmented various grant programs for health clinics for indigent care.	11.0
Managed Risk Medical Insurance Board	
Adjusted budget for overestimation of caseload.	-\$45.0
Expanded coverage to parents up to 250 percent of FPL and to 19- and 20-year olds.	14.6
Department of Mental Health	
Rejected proposals to reduce allocations for supportive housing and managed care rates.	\$10.0
Department of Alcohol and Drug Programs	
Rejected proposals to reduce youth treatment services and drug court programs.	\$14.2
Department of Developmental Services	
Provided rate and wage increases for Regional Center programs and workers.	\$66.7
Health Insurance Portability and Accountability Act	
Shifted funding and implementation framework from budget bill to separate legislation.	No net change ^a

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



Major Senate Actions Judicial and Criminal Justice Provisions

General Fund (In Millions)

Issue	Governor	Senate	Difference
Board of Prison Terms			
Eliminate board budget	\$31.8	—	-\$31.8
Department of Corrections			
Pharmacy/contract medical services	83.0	\$83.0	—
Electro-mechanical prison doors	58.3	33.5	-24.8
<i>Plata v. Davis</i> legal defense	5.3	—	-5.3
Violence control pilot program	3.3	8.3	5.0
Inmate recreation and self-help programs	—	10.0	10.0
Department of Justice			
<i>Plata v. Davis</i> legal defense	6.8	—	-6.8
Crime Prevention Act of 2000			
Juvenile Crime Prevention and COPS	242.6	242.6	—
Juvenile Justice			
Turning Point Academy	10.6	4.3	-6.3
Local Law Enforcement			
Local forensic crime laboratories	30.0	30.0	—
High Technology Theft and Apprehension Program	11.1	11.1	—
High technology equipment	20.0	—	-20.0
War on Methamphetamine	30.0	30.0	—
Regional law enforcement training centers	5.0	5.0 ^a	—

^a From special funds.

- Eliminated all funding (\$31.8 million) for the Board of Prison Terms (BPT) since BPT could not provide sufficient information regarding its capacity to manage the parole hearing process.

- The Senate redirected legal defense funding for the Department of Corrections (CDC) (\$5.2 million) from the class action lawsuit, *Plata v. Davis*, and toward improving inmate medical services. The Senate also deleted defense funding proposed for the Department of Justice. The lawsuit challenges the constitutional adequacy of the CDC's medical care system.



Major Senate Actions Resources

Various Funds (In Millions)

Issue	Governor	Senate	Difference
CALFED Bay-Delta program	\$558.0	\$558.0	—
Proposition 12 resources projects	495.7	577.9	\$82.2
Local flood control subventions	67.6	67.6	—
Redirect surplus tidelands revenues:			
• Urban Parks initiative	—	25.0	25.0
• Energy and air emissions reduction initiative	—	25.0	25.0
• Mill Creek property acquisition	—	10.0	10.0
• Wetlands and coastal land acquisitions	—	5.0	5.0
River Parkway program	35.0	35.0	—
Drought panel recommendations/water efficiency	15.5	—	-15.5
Santa Monica Mountains Conservancy land acquisition	12.3	14.3	2.0
Unencumbered Headwaters funds for additional land acquisition	—	12.9	12.9
CDFFP computer-aided dispatching system	10.2	10.2	—
Conservation Corps program and equipment augmentation	8.2	8.2	—
Fish and Game warden salary increases	—	7.0	7.0
Santa Monica Bay restoration	5.0	10.0	5.0
Sudden Oak Death remediation initiative	1.9	3.7	1.8
Ongoing natural resource maintenance at state parks	2.0	2.0	—
Reversions—property acquisitions	—	186.0	186.0

- The Senate augmented expenditures from Proposition 12 by about \$82 million for resources projects in various agencies. The Department of Parks and Recreation received the largest augmentation—approximately \$69 million in bond funds—for additional capital outlay projects.
- The Senate adopted the Governor’s proposal for the CALFED Bay-Delta program by approving a total of \$558 million (all state fund sources), including \$96 million from the General Fund.
- The Senate redirected \$65 million in surplus (tidelands) revenues in the Natural Resources Infrastructure Fund from 2000-01 to various programs. These revenues otherwise would revert to the General Fund at the end of 2000-01.



Major Senate Actions Environmental Protection

Various Funds (In Millions)

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

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

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

- The Senate approved the May Revision proposal to shift \$50 million for zero-emission vehicle incentives from the General Fund to the Motor Vehicle Account.



Major Senate Actions Transportation

Various Funds (In Millions)

Issue	Governor	Senate	Difference
Traffic Congestion Relief Program	Defer General Fund transfer	Approved as budgeted	—
Transportation design and engineering	\$87.0	\$72.0	-\$15.0
Smog impact fee transfer to General Fund	96.0	96.0	—
DMV—fraud prevention: biometrics	7.7	—	-7.7
DMV—settlement of disabled placard lawsuit	—	-21.0	-21.0
DMV—e-government projects	3.2	3.2	—
DMV—“queue” management	2.5	—	-2.5
CHP—racial profiling grants	7.0	3.0	-4.0

- The Senate approved the May Revision proposal to postpone the transfer of gasoline sales tax revenues from the General Fund to the Transportation Investment Fund (TIF). To make up for the two-year loss of about \$2.5 billion, the proposal extends the TIF transfer beyond 2005-06, until 2007-08. To provide cash flow for transportation projects, loans of \$560 million would be made from the Motor Vehicle Account, Public Transportation Account (PTA), and State Highway Account to be repaid beginning in 2006-07. The May Revision also proposes capping the gasoline sales tax “spillover” to the PTA at \$81 million in the budget year and \$37 million in 2002-03.
- The Senate approved a lower amount and a different combination of staff and contracts for the design and engineering of transportation projects. Specifically, the Senate reduced the use of overtime, and split the increase in workload evenly between additional state staff and contracting out.
- The Senate reduced DMV’s support by an unallocated \$21 million, to reflect the settlement of the disabled placard lawsuit.
- The Senate reduced to \$3 million the amount for racial profiling data collection grants. It also reappropriated any unencumbered grant funds from the current year and expanded the categories of data to be collected.



General Fund Spending Trends

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

	Current Dollars		Constant Dollars	
	Amount	Percent Change	Amount	Percent Change
1989-90	\$39,456	—	\$39,456	—
1990-91	40,264	2.0%	38,633	-2.1%
1991-92	43,327	7.6	40,759	5.5
1992-93	40,948	-5.5	37,671	-7.6
1993-94	38,958	-4.9	34,983	-7.1
1994-95	41,961	7.7	36,575	4.6
1995-96	45,393	8.2	38,622	5.6
1996-97	49,088	8.1	40,780	5.6
1997-98	52,874	7.7	43,004	5.5
1998-99	57,822	9.4	46,149	7.3
1999-00	66,494	15.0	51,191	10.9
2000-01				
Governor's budget (May Revision)	\$80,246	20.7%	\$59,586	16.4%
Senate version	79,918	20.2	59,343	15.9
2001-02				
Governor's budget (May Revision)	\$79,676	-0.7%	\$57,637	-3.3%
Senate version	80,061	0.2	57,915	-2.4

- Under the Senate version, General Fund spending would be \$79.9 billion in the current year, a 20.2 percent increase from 1999-00. In inflation-adjusted terms, the increase would be 15.9 percent.
- General Fund spending would be \$80.1 billion in 2001-02 under the Senate version, a 0.2 percent increase from the current year. In inflation-adjusted terms, spending would decline by 2.4 percent.
- General Fund spending fell during the early 1990's recessionary period, grew moderately in the mid-1990s, and grew rapidly during the prior and current year. The decline in real spending in the budget year would be the first since the early 1990s.