



**2001-02 Budget Bill
Conference Committee Version**



The Bottom Line

2001-02 General Fund Condition

(In Millions)

	Governor's Budget (May Revision)	Conference Version	Difference
Prior-year fund balance	\$6,645	\$6,935	\$290
Revenues and transfers	74,842	75,158	316
Total resources available	\$81,487	\$82,093	\$606
Expenditures	79,676	79,089	-587
Ending fund balance	\$1,811	\$3,004	\$1,193
Encumbrances	701	701	—
Set-aside for legal contingencies	100	100	—
Reserve	\$1,010	\$2,203	\$1,193

- Prior-Year Fund Balance.** The Conference Committee budget includes a prior-year fund balance of \$6.9 billion, which is \$290 million higher than the May Revision. This is primarily due to the adoption of a lower level of Proposition 98 prior-year settle-up expenditures.
- Revenues.** The Conference Committee version assumes total revenues and transfers of \$75.2 billion, which is \$316 million higher than the May Revision. The Conference Committee budget includes additional funds from two sources: (1) around \$300 million in special fund transfers to the General Fund, and (2) \$65 million from the elimination of the proposed increase in the Manufacturer's Investment Credit. In addition, an offsetting reduction of \$100 million in estate taxes was adopted to reflect the effect of recent federal law changes.
- Expenditures.** The Conference Committee's General Fund expenditure total is \$79.1 billion, which is \$587 million less than the May Revision. This reduction is primarily due to the postponement of K-12 mandate payments and various other expenditure reductions in K-12 and higher education, resources, and health services.
- Reserve.** As a result of the above factors, the Conference Committee budget includes a reserve of \$2.2 billion (roughly 3 percent of expenditures), about \$1.2 billion more than the Governor's proposal.



Major Features



Proposition 98

- Total General Fund Proposition 98 spending (K-14) of \$30.4 billion in the current year and \$32.1 billion in 2001-02 (about \$650 million below the May Revision for 2001-02). An additional \$250 million of one-time funds are provided for a school energy program.
- Proposition 98 K-12 per-pupil spending of \$7,049 (including one-time school energy funds)—up 5.6 percent from the revised current-year level.
- K-12 provisions include a \$200 million grant program for low-performing schools, \$80 million for standards-based training of teachers, a \$35 million augmentation of revenue limits (general purpose funding), and a \$30 million augmentation of after/before school programs.



Higher Education

- Reduces May Revision by \$64 million by scaling back the Governor's augmentation for energy costs at the University of California, and replacing new funding in several community college programs with one-time funding from prior-year savings.
- Provides funds for enrollment growth and maintains fees at current levels.



Health and Social Services

- Adopts the Governor's proposal to use tobacco settlement funds to support various health programs.
- Expands coverage in the Healthy Families Program to the parents of children enrolled in the program.
- Increases social services spending by about \$75 million compared to the May Revision for child welfare services, foster youth, and recent immigrants.



Transportation

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



Major Conference Actions K-12 Education—Proposition 98

General Fund (In Millions)

	Governor Conference Difference		
Cost-of-living adjustments (various programs)	\$1,406	\$1,406	—
Mandates (various programs)	658	330	-\$328
Enrollment growth (various programs)	565	565	—
School energy (one-time)	541	250	-291
Governor's Performance Awards	227	157	-70
Low-performing schools	220	200	-20
Math and Reading Professional Development	160	80	-80
Immediate Intervention/Underperforming Schools	137	135	-2
Special Education Settlement	125	125	—
Child care and preschool annualization	109	109 ^a	—
After/before school programs	88	118	30
Longer middle school year	65	—	-65
Revenue limits augmentation (PERS reduction)	—	35	35

^a Conference also adds \$66 million from one-time funds for child care (Stage III set-aside).

- The Conference Committee version spends \$29.1 billion from the General Fund for Proposition 98 K-12 programs (including one-time school energy funds), \$689 million below the May Revision.
- The Conference Committee version provides \$7,049 in Proposition 98 funding per pupil (including school energy). This is \$371, or 5.6 percent, above the revised 2000-01 level.
- The Conference Committee version also:
 - Eliminates the Governor's proposal for a longer middle school year.
 - Funds a new grant program for low-performing schools (details to be finalized in legislation).
 - Consolidates existing desegregation and Economic Impact Aid programs into a new block grant targeted at pupils in need of additional academic help.



Major Conference Actions Higher Education

General Fund (Dollars in Millions)

	2000-01	Governor 2001-02	Conference	Increase Over 2000-01
UC	\$3,205.5	\$3,391.3	\$3,384.0	5.6%
CSU	2,464.8	2,622.0	2,628.3	6.6
CCC (Proposition 98)	2,653.9	2,865.1	2,799.2 ^a	5.5
Student Aid Commission	497.7	634.5	637.0	28.0
Totals	\$8,821.9	\$9,512.9	\$9,448.5	7.1%

^a The Conference Committee version also reappropriated \$126 million from one-time Proposition 98 savings from prior years.



University of California

- The Conference Committee's budget is \$7.3 million lower than proposed by the Governor. The Conference Committee's changes include a reduction of \$25 million from funding for energy costs along with various augmentations totaling \$17.7 million.



California State University

- The Conference Committee added \$6.3 million to the budget proposed by the Governor, including \$5 million for high-cost programs and \$1.3 million for several campus-based initiatives.



California Community Colleges

- The Conference Committee's budget for CCC is \$65.9 million lower than proposed by the Governor. This decrease results in part from replacing new funding for several of the Governor's proposals with carryover funding from the current year.



Student Aid Commission

- The Conference Committee's budget is \$2.5 million higher than the Governor's proposal for additional Cal Grant outreach.



Major Conference Actions Social Services Programs

General Fund (In Millions)

Department/ Program	Difference from May Revision
Department of Child Support Services (DCSS)	
Eliminated noncustodial parent demonstration project	-\$3.6
Delayed county child support incentive payment program	-6.1
Department of Social Services (DSS)—Child Welfare Services	
Restored cost-of-doing business for child welfare services	\$38.0
Expanded transitional housing for foster youth	10.0
Provided grants for emancipated foster youth and data portability pilot	8.0
Partially restored funding for juvenile crime prevention program	5.0
DSS—Food Programs	
Eliminated sunset of benefits for post-August 1996 immigrants	\$5.0
Augmented food bank infrastructure improvements	2.0
DSS—California Work Opportunity and Responsibility to Kids (CalWORKs)	
Provided funding for previously earned county performance incentives	— ^a
Increased vehicle value exemptions for certain recipients	-\$3.0 ^b
Redirected DCSS funds to county CalWORKs block grants	3.6
Provided welfare-to-work services for parents likely to reunify with children	— ^c
Increased county flexibility to serve working CalWORKs recipients	— ^d
Eliminated fingerprinting requirement for nonaided adults	— ^c
DSS—Supplemental Security Income/State Supplementary Program	
Eliminated sunset of benefits for recent immigrants and increased sponsor deeming period from five years to ten years	\$17.0
Total	\$75.9^b

^a \$20 million in Federal Temporary Assistance for Needy Families (TANF) funds.
^b Combined TANF funds and General Fund.
^c Unknown costs.
^d Unknown savings.

- Compared to the May Revision, the Conference Committee version provides a net increase of approximately \$76 million from the General Fund to various social services programs. These augmentations represent an increase of about 1 percent to a base of about \$8 billion.
- In addition, the Conference Committee version (1) creates a system whereby underfunded counties may seek additional CalWORKs county block grant funds, and (2) requires DSS, in consultation with stakeholders, to develop a new budgeting methodology for CalWORKs for 2002-03.



Major Conference Actions Health Programs

The 2001-02 Conference Committee budget plan: (1) adopted the administration's Medi-Cal 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; (2) adopted a budget for the Healthy Families Program reflecting a net increase of \$73 million (-\$41 million General Fund), and a 59 percent increase in caseload (about 250,000 additional eligibles) over the prior fiscal year; and (3) established a new Tobacco Settlement Fund (about \$400 million in the budget year) that provides support for both ongoing and new health program expansions. Some of the key changes to the Governor's budget proposal included in the conference report are summarized below.

General Fund (In Millions)

Programs	Change From Governor's Budget
Medi-Cal	
Eliminated cost-of-living increase for managed care.	-\$25.0
Assumed more savings from antifraud activities.	-25.0
Assumed greater success in recovering drug rebates owed the state.	-23.5
Provided supplemental rate reimbursements to long-term care facilities.	7.0
Phased in new Medicaid option for breast and cervical cancer treatment services for women up to 200 percent of federal poverty level.	6.0
Public Health	
Augmented various grant programs for health clinics for indigent care.	\$16.0
Fully funded projected AIDS Drugs Assistance Program caseload.	12.8
Managed Risk Medical Insurance Board	
Adjusted budget for overestimation of caseload.	-\$45.0
Expanded parental coverage to 250 percent of federal poverty level.	9.0
Emergency Medical Services Authority	
Provided additional state assistance for trauma center planning and services.	\$30.0
Department of Mental Health	
Augmented for programs for homeless mentally ill adults and respite care and rejected proposed reductions for supportive housing and managed care rates.	\$22.0
Adjusted patient caseload funding for state hospitals for recent population trends.	-10.2
Department of Alcohol and Drug Programs	
Rejected proposals to reduce youth treatment services and drug court programs.	\$14.2
Health Insurance Portability and Accountability Act	
Reduced funding for HIPAA office and unidentified compliance activities and shifted some funding to separate legislation creating framework for implementation efforts.	-\$12.7 ^a
^a Assumes remaining funding provided in separate legislation (SB 456, Speier).	



Major Conference Actions Judicial and Criminal Justice Provisions

General Fund (In Millions)

Issue	Governor	Conference	Difference
Board of Prison Terms			
Board budget	\$31.8	— ^a	-\$31.8
Department of Corrections			
<i>Plata v. Davis</i> legal defense	\$5.3	—	-\$5.3
Violence control pilot program	3.3	—	-3.3
Administrative segregation staffing	12.0	—	-12.0
Department of Justice			
<i>Plata v. Davis</i> legal defense	\$6.8	\$6.8	—
Juvenile Justice			
Crime Prevention Act of 2000— Juvenile Crime Prevention	\$121.3	\$116.3	-\$5.0
Turning Point Academy	10.2	5.9	-4.3
Youth Leadership Through Crime Prevention— AB 932 (Migden)	—	5.0	5.0
Local Law Enforcement			
Crime Prevention Act of 2000—COPS ^b	\$121.3	\$116.3	-\$5.0
Local forensic crime laboratories	30.0	25.0	-5.0
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 ^c	—
^a Conference Committee appropriated \$1,000. ^b Citizens' Option for Public Safety (COPS). ^c From special funds.			

- The Conference Committee version essentially eliminates funding (\$31.8 million) for the Board of Prison Terms (BPT). Senate Bill 778 (Burton) includes an appropriation to provide full funding to BPT for 2001-02.
- The Conference Committee version provides funding (\$6.8 million) for the Department of Justice to pursue settlement negotiations for the class action lawsuit, *Plata v. Davis*. The Conference version also deleted defense funding for this lawsuit (\$5.3 million) for the Department of Corrections (CDC). The lawsuit challenges the constitutional adequacy of the CDC's medical care system.
- The Conference Committee version spends \$232.6 million on the Crime Prevention Act of 2000, \$10 million less than originally proposed.



Major Conference Actions Resources

Various Funds (In Millions)

Issue	Governor	Conference	Difference
CALFED Bay-Delta program	\$558.2	\$553.9	-\$4.3
Proposition 12 resources projects	495.7	585.0	89.3
Local flood control subventions	67.6	44.0	-23.6
Transfer of tidelands revenues to Habitat Conservation Fund	21.0	— ^a	-21.0
Urban Parks initiative	—	15.0	15.0
Energy and air emissions reduction initiative	—	16.0	16.0
Mill Creek property acquisition	—	17.5	17.5
River Parkway program	35.0	21.0	-14.0
Drought panel recommendations/water efficiency	15.5	15.5	—
CDFFP ^b computer-aided dispatching system	10.2	10.2	—
CDFFP fire season augmentation	—	9.9	9.9
CDFFP emergency communications equipment	3.5	—	-3.5
Sudden Oak Death remediation initiative	1.9	4.7	2.8
Ongoing natural resource maintenance at state parks	2.0	2.0	—
Various General Fund park/habitat projects	—	48.2	48.2

^a Assumes suspension of the Proposition 117 requirement to fund Habitat Conservation Fund at \$30 million.
^b California Department of Forestry and Fire Protection (CDFFP).

- The Conference Committee version augmented expenditures from Proposition 12 by about \$89.3 million for resources projects in various agencies. The Department of Parks and Recreation received the largest augmentation—approximately \$76.5 million in bond funds—for additional capital outlay and local assistance projects.

- The Conference Committee approved a total of \$554 million (various state funds), including \$81 million from the General Fund, for the CALFED Bay-Delta program.



Major Conference Actions Environmental Protection

Various Funds (In Millions)

	Governor	Conference	Difference
Stingfellow/Casmalia settlement	\$114.5	\$114.5	—
Zero-emission vehicle incentives	50.0	20.0	-\$30.0
Diesel emission reduction	32.0	—	-32.0
Energy crisis/environmental justice air emissions reduction program	—	48.0	48.0
Waste tire program augmentation	26.0	26.0	—
Clean Beaches Initiative	10.0	38.0	28.0
Environmental insurance for brownfields	—	17.0	17.0

- The Conference Committee version approved the May Revision proposal to shift funding for zero-emission vehicle incentives from the General Fund to the Motor Vehicle Account, but reduced the level of funding from \$50 million to \$20 million.
- The Conference Committee version rejected the May Revision proposal for \$32 million from the General Fund for a diesel emission reduction program to create emission offsets to be sold to “peaker” power plants. The Conference Committee version instead appropriated a total of \$48 million (\$23 million from the General Fund and \$25 million from tidelands revenues) for a new program to reduce air emissions from diesel buses, standby diesel generators, and other diesel sources.
- The Conference Committee version reduced the May Revision proposal for \$10 million from the General Fund for the Clean Beaches Initiative by \$7 million, and augmented this amount by \$35 million from Proposition 13 water bond funds. The Conference Committee version allocated the full \$38 million to specific projects and activities.
- The Conference Committee version approved the May Revision proposal to eliminate \$37.5 million in General Fund support for low-cost environmental insurance for brownfield development. The Conference Committee version instead appropriated up to \$17 million for this purpose from the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Account. The conference version also transferred \$33 million from the unencumbered balance in the CLEAN Account to the General Fund.



Major Conference Actions Transportation

Various Funds (In Millions)

Issue	Governor	Conference	Difference
Traffic Congestion Relief Program	Defer funding by two years	Approved as budgeted	—
Transportation design and engineering	\$87.0	\$70.0	-\$17.0
Smog impact fee transfer to General Fund	96.0	96.0	—
DMV—fraud prevention: biometrics	7.7	—	-7.7
DMV—e-government projects	3.2	3.2	—
DMV—“queue” management	2.5	2.5	—
CHP—racial profiling grants	7.0	1.0	-6.0

- The Conference Committee approved the Governor's 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 TIF transfer will be extended beyond 2005-06, until 2007-08. To provide cash flow for transportation projects, loans of \$560 million may be made from the Motor Vehicle Account, Public Transportation Account, and State Highway Account to be repaid beginning in 2006-07.

- The Conference Committee approved a lower amount and a different combination of staff and contracts for the design and engineering of transportation projects than the May Revision. Specifically, the Conference Committee increased state staff by 315 personnel- years and reduced contracting out by a like amount.

- The Conference Committee reduced to \$1 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	—	\$45,267	—
1990-91	40,264	2.0%	44,323	-2.1%
1991-92	43,327	7.6	46,762	5.5
1992-93	40,948	-5.5	43,218	-7.6
1993-94	38,958	-4.9	40,135	-7.1
1994-95	41,961	7.7	41,961	4.6
1995-96	45,393	8.2	44,310	5.6
1996-97	49,088	8.1	46,786	5.6
1997-98	52,874	7.7	49,337	5.5
1998-99	57,822	9.4	52,946	7.3
1999-00	66,494	15.0	58,730	10.9
2000-01				
Governor's budget (May Revision)	\$80,246	20.7%	\$68,361	16.4%
Conference Committee version	80,207	20.6	68,328	16.3
2001-02				
Governor's budget (May Revision)	\$79,676	-0.7%	\$65,729	-3.9%
Conference Committee version	79,089	-1.4	65,245	-4.5

- In the Conference Committee version of the budget, General Fund spending in the current year is \$80.2 billion, which is a 20.6 percent increase over 1999-00. In inflation-adjusted terms, the increase is 16.3 percent.
- General Fund spending in the budget year is \$79.1 billion as proposed by the Conference Committee version of the budget. This spending level is a 1.4 percent reduction in expenditures from 2000-01, and a 4.5 percent reduction in inflation-adjusted terms.
- General Fund spending fell during the early 1990s' recessionary period, grew modestly during the mid-1990s, and grew rapidly during the prior and current year. The decline in expenditures in the budget year is the first since 1993-94.