

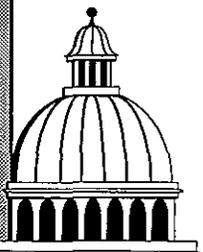
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Budget 1995

Highlighting Major Features of the 1995 California Budget

On August 3, 1995, Governor Wilson signed into law the 1995 Budget Act and other measures that make the law changes necessary to make the budget work. In this report we highlight the major features of the budget package.

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Budget Overview

The 1995 Budget Act was signed by Governor Wilson on August 3, 1995. The Budget Act and related trailer legislation comprise a budget package that authorizes total state spending of \$59.1 billion in 1995-96, consisting of \$43.4 billion from the General Fund, \$15 billion from special funds, and \$0.7 billion from selected bond funds. This represents an increase of 4.4 percent in total state spending relative to 1994-95. General Fund spending will increase by \$1.7 billion, or 4 percent, while spending from special funds will increase by \$1.2 billion, or 8.7 percent.

Major Features of the Budget Package

The budget package is designed to eliminate the \$629 million deficit carried over from 1994-95 and end 1995-96 in balance with a marginal reserve, as shown in Figure 1. Major features of the budget include the following:

- ▲ **Increased K-12 Education Funding.** Per-pupil spending will increase by more than \$200 from the level provided in the 1994 Budget Act. A portion of this increase is due to the expenditure of \$585 million of Proposition 98 loan repayments proposed by the Governor. This reflects the initial steps of a proposed settlement of the *CTA v. Gould* lawsuit challenging the loan repayment requirements.
- ▲ **Higher Education Increases.** After adjusting for one-time funding, ongoing support for the UC, CSU, and community colleges increases moderately—between 4 percent and 5 percent. The budget package does not include any undergraduate student fee increases.
- ▲ **Welfare Grant Reductions.** The budget package reduces statewide grant levels and it establishes regional grant levels that will be lower in counties with less expensive housing costs.
- ▲ **Continued Growth in Corrections Funding.** Spending for correctional programs grows by

Figure 1

1995-96 Budget Package Estimated General Fund Condition^a

(In Millions)	1994-95	1995-96	Percent Change
Prior-year balance	-\$1,168	-\$347	
Revenues and transfers	42,553	44,057	3.5%
Total resources available	\$41,385	\$43,710	
Expenditures	\$41,732	\$43,421	4.0%
Ending fund balance	-\$347	\$289	
Reserve	-\$629	\$28	
Other obligations	\$282	\$261	

^a Detail may not add to totals due to rounding.

8.6 percent in 1995-96 (including budgeted federal funds for immigrant costs).

- ▲ **No Trigger "Pull" Anticipated.** The administration estimates that the state will end 1995-96 with about \$2 billion of unused borrowable cash in special fund balances. Under last year's trigger legislation, this cash cushion would avoid the need to make across-the-board spending cuts or to borrow across fiscal years from external sources.

The budget package does not include two major initiatives proposed by the Governor: (1) his tax reduction proposal and (2) a realignment of state and county responsibilities.

Actions to Close the Budget Gap

Based upon the May Revision of the Governor's Budget, we estimated that the state faced a \$1.8 billion budget gap. The

gap consisted of a carryover deficit from 1994-95 of \$848 million, plus an operating shortfall in 1995-96 of about \$950 million. The final budget gap dropped to about \$1.3 billion as shown in Figure 2, as a result of improved revenue collections late in 1994-95 and downward adjustments to estimated growth of K-12 enrollment and welfare caseloads. Figure 2 also shows how the elements of the 1995-96 budget package resolved that gap. The budget solutions can be summarized as follows:

- ▲ **Program Reductions/Savings—\$0.9 Billion.** Reductions to AFDC and SSI/SSP welfare grants provide the largest amount of savings. A variety of Medi-Cal rate restrictions and cost controls for dental, long-term care, and hospital services provide the second largest amount of savings.
- ▲ **Shift to Federal Government—\$0.3 Billion.** Cost shifts to the federal government for more than \$300 million of savings. Most of this savings is from assumed additional funding for the costs of incarcerating illegal immigrant felons and emergency Medi-Cal services to undocumented persons.

- ▲ **Revenue Collections and Compliance—\$0.1 Billion.** The budget assumes enactment of federal legislation to collect delinquent state taxes from federal tax refunds and includes additional revenues from enhanced audit and collection activities by the state's tax agencies.

Budget Relies on Federal Actions

Figure 3 shows that the budget relies on federal actions to achieve almost \$800 million of savings. In addition to funding for immigrant costs, almost all of the savings from welfare grant reductions and eligibility restrictions require either federal legislation or a federal administrative waiver. Furthermore, \$245 million currently authorized for the incarceration of illegal immigrant felons remains contingent on final federal budget actions. Consequently, the success of the state's 1995-96 budget plan depends to a large extent on the actions of Congress and the Clinton Administration. ✱

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Figure 2	
Major Actions Taken To Close the 1995-96 Budget Gap	
(In Billions)	
Budget Gap (May Revision)	\$1.8
Recognize recent improvements	-0.5
Budget Solutions	
Program reductions/savings	
Reduce SSI/SSP and AFDC welfare grants	\$0.4
Medi-Cal rate restrictions/cost controls	0.2
Restrict benefits for legal immigrants and drug/alcohol disability	0.1
Corrections and Youth Authority—various reductions and project deferrals	0.1
Shift special fund monies to General Fund programs	0.1
Augment for child health and teen pregnancy programs	-0.1
Other savings	0.1
Subtotal	\$0.9
Shift Costs to Federal Government	
Additional reimbursements for illegal immigrant costs	\$0.3
Revenues	
Expanded tax collection/compliance efforts	\$0.1
Total Solutions	\$1.3

Figure 3	
1995-96 Budget Package Solutions Requiring Federal Action	
(In Millions)	
Costs for Illegal Immigrants	
Medi-Cal services	\$105
Incarceration of felons	168 ^a
Subtotal	\$273
Other Proposals	
Federal legislation needed	
Eliminate state fee for SSI/SSP	\$48
SSI/SSP grant reductions	226 ^b
Bar sponsored immigrants from Medi-Cal/AFDC	54
Eliminate drug/alcohol abuse disability for SSI/SSP	44
Waiver needed	
AFDC grant reductions	141
Subtotal	\$513
Total	\$786

^a Amount budgeted in excess of estimated \$245 million from existing authorizations and appropriations.
^b Excludes currently allowable savings (approximately \$20 million).

II

Health and Welfare

General Fund support for health and welfare programs in 1995-96 totals \$13.9 billion, a decrease of less than 1 percent from the prior year.

Figure 1 describes the major General Fund changes enacted in the 1995 Budget Act and related legislation.

Medi-Cal Program

Services to Undocumented Persons. The budget assumes receipt of \$105 million in federal funds to partially offset state costs for emergency health services provided to undocumented immigrants. The budget also assumes elimination of the state-only program providing prenatal benefits to undocumented women, for a General Fund savings of \$58 million in the budget year. However, implementing legislation was not enacted to achieve these savings.

Optional Benefits. While the Legislature rejected the Governor's proposal to eliminate optional benefits, it did reduce the costs of the dental program. Specifically, the budget (1) defers cost-of-living adjustments in 1995-96, for a General Fund savings of \$39.8 million, and (2) reduces rates an average of 14 percent and eliminates two procedures for an additional savings of \$50.8 million.

Sponsored Aliens. The budget assumes enactment of federal legislation to prohibit immigrants who are sponsored by a U.S. citizen from receiving Medi-Cal or Aid to Families with Dependent Children (AFDC) benefits for five years. This would result in General Fund savings of \$30 million in the Medi-Cal Program and \$24 million in the AFDC Program in 1995-96.

Transitional Care Rate. The budget establishes a higher reimbursement rate for nursing facilities (effective January 1996) as an incentive to accept certain patients who would otherwise remain in acute care hospitals at a higher cost. This results in an estimated General Fund savings of \$30 million in 1995-96.

Figure 1

Health and Welfare Programs Major 1995-96 Policy Changes General Fund

(Dollars in Millions)

Program/Issue	Change from Prior Law
Medi-Cal	
Assume federal funds for undocumented persons	-\$105.0
Reduce costs of dental benefits	-90.6
Eliminate prenatal benefits for undocumented persons	-57.7 ^a
Bar sponsored aliens from eligibility	-30.1
Establish transitional care rate for nursing homes	-30.0
Eliminate substance abuse as disability for SSI/SSP	-22.1
Assume no net increase in negotiated hospital rates	-22.0
Establish state share of federal funds for county administrative claims	-20.0
Public Health	
Establish Cal REACH program	20.0 ^a
Establish teen pregnancy prevention program	12.0
AFDC	
Reduce grants based on two regions	-140.5
Bar sponsored aliens from eligibility	-23.7
Use Employment Training Fund for GAIN Program	-20.0
Reduce GAIN Program; backfill with reappropriated funds	-20.0
Eliminate grant differential for <i>Edwards v. Carlson</i> cases	-11.5
Make GAIN Program more employment-oriented	-8.0
SSI/SSP	
Reduce grants based on two regions	-246.4
Assume elimination of federal administration fee	-48.1
Eliminate substance abuse as qualifying disability	-21.8

^a Implementing legislation was not enacted to achieve these savings/costs.

Qualifying Disability for SSI/SSP Benefits. The budget assumes enactment of federal legislation to eliminate alcohol or drug abuse as a qualifying disability for the Supplemental Security Income/State Supplementary Program (SSI/SSP) program. This would result in General Fund savings of \$22 million in SSI/SSP grants and

\$22 million in Medi-Cal benefits in 1995-96.

Hospital Payments. The budget assumes that the California Medical Assistance Commission will negotiate no net increase in hospital inpatient reimbursement rates in 1995-96, for an estimated General Fund savings of \$22 million.

Federal Funds for County Administration. The budget assumes \$60 million in federal reimbursement of county administrative claims, and further provides that the state will retain a share of these revenues, for a General Fund savings of \$20 million.

Public Health

Reaching Early Access for Children's Health (REACH) Program. The budget includes \$20 million from the General Fund (and \$20 million in assumed federal funds) to provide outpatient health care services to children in low-income households, effective April 1996. Eligibility for REACH is restricted to children, aged 0-5, who are legal residents and whose family income levels fall between 133 percent and 200 percent of the federal poverty level. However, implementing legislation for this program was not enacted.

Teen Pregnancy Prevention Program. The Budget Act appropriates \$12 million from the General Fund for a comprehensive teen pregnancy prevention program. Funding will go towards a media campaign (\$5.8 million), local intervention programs (\$2.9 million), an AFDC informational campaign (\$1 million), and increased enforcement of statutory rape laws (\$2.4 million).

AFDC Program

Regional Grant Reductions. The budget reduces AFDC grants by 4.9 percent, with an additional 4.9 percent reduction for recipients residing in low-cost counties (as measured by rental housing costs), effective October 1995, for a General Fund savings of \$141 million in 1995-96. This will reduce the monthly grant for a three-person family from \$594 to \$565 in high-cost counties and to \$538 in low-cost counties. The high-cost counties are Alameda, Contra Costa, Los Angeles, Marin, Monterey, Napa, Orange, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, and Ventura. The reduction applied to all recipients will terminate June 30, 1996, and the addi-

tional reduction to recipients living in low-cost counties will be ongoing.

Greater Avenues for Independence (GAIN) Program. The budget includes a one-time transfer of \$20 million from the Employment Training Fund to support the GAIN Program, for a corresponding General Fund savings in 1995-96. The budget also reflects a General Fund reduction of \$20 million for the GAIN Program, with the funding to be replaced by a reappropriation of prior-year unexpended balances in the program. Finally, the budget assumes AFDC grant savings of \$8 million from enactment of GAIN Program changes designed to make the program more employment-oriented (AB 1371, Weggeland).

Edwards v. Carlson. Beginning in 1992-93, the *Edwards v. Carlson* decision required the state to provide higher AFDC grants in certain cases (a caretaker relative and nonsibling children). In 1995, the U.S. Supreme Court reversed this decision. The budget enacts the Governor's proposal to eliminate the grant differential, for a General Fund savings of \$11.5 million in 1995-96.

SSI/SSP

Regional Grant Reductions. The budget reduces SSI/SSP grants by 4.9 percent, with an additional 4.9 percent reduction for recipients residing in low-cost counties, effective December 1995, for a net General Fund savings of \$246 million in 1995-96. This will reduce the monthly grants for aged and disabled individuals (the largest category of recipients) from \$614 to \$584 in high-cost counties and to \$555 in low-cost counties. The reduction applied to all recipients will terminate June 30, 1996, and the additional reduction to recipients living in low-cost counties will be ongoing.

Elimination of Federal Administrative Fee. The budget assumes enactment of federal legislation, effective October 1995, to eliminate the federal fee for administering SSP benefits, for a General Fund savings of \$48 million in 1995-96. *

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III

Proposition 98 Education

The major features of the budget package as it relates to the Proposition 98 minimum funding guarantee and K-12 schools are contained in Ch 308/95 (AB 825, W. Brown, et al.).

Proposition 98 Provisions

The Proposition 98 portion of the budget package:

- ▲ Provides overall K-12 funding of \$4,309 per pupil in 1994-95 and \$4,436 per pupil in 1995-96, an increase of \$126 per pupil. The 1994-95 funding level provides schools with an additional \$92 per pupil above the level provided in the 1994 Budget Act.
- ▲ Fully funds K-12 growth and provides a 2.7 percent cost-of-living adjustment (COLA) for general purpose and categorical programs.
- ▲ Increases total funding for community colleges by \$103 million.

Proposition 98 Funding. The budget provides \$26.2 billion (\$16.1 billion General Fund) in Proposition 98 funding for K-14 programs in 1995-96. This exceeds the amount provided in 1994-95 by \$1.1 billion (\$900 million General Fund, \$150 million local property taxes). This amount is the minimum needed to fully fund the Proposition 98 funding guarantee in 1995-96.

Figure 1 summarizes for 1994-95 and 1995-96 the effect of the budget package on the three major recipients of Proposition 98 — schools, community colleges, and other agencies. As the figure shows, the funding level for K-12 schools is \$4,309 per pupil for 1994-95, which is \$92 per pupil more than was provided in the 1994 Budget Act. These additional funds resulted from higher General Fund revenues that were collected during 1994-95.

The 1995 Budget sets average per-pupil funding for 1995-96 at \$4,435, or \$126 above the adjusted per-pupil

Figure 1
Proposition 98 Programs
1995 Budget Act and Education Trailer Bill

(Dollars in Millions)

	1994-95	1995-96
K-12 Programs		
State appropriations	\$13,858	\$14,759
Local taxes	8,543	8,696
Loan repayments	-50	-100
Adjusted cash totals	\$22,351	\$23,355
Average daily attendance	5,158,508	5,235,854
Amount per ADA	\$4,309	\$4,435
Community Colleges		
State appropriations	\$1,177	\$1,293
Local taxes	1,369	1,364
Fees	178	170
Adjusted cash totals	\$2,725	\$2,827
Other agencies	\$88	\$90
Total Proposition 98		
State appropriations	\$15,123	\$16,141
Local taxes	9,912	10,060
Loan repayments	-50	-100
Fees	178	170
Adjusted cash totals	\$25,163	\$26,272

funding level provided in 1994-95. This increase results from almost \$850 million in new support provided through Proposition 98 above the level needed to support the projected growth in the student population.

As Figure 1 also displays, community college funding in 1995-96 increases by \$103 million from the adjusted level provided in 1994-95. We discuss the community college's budget in the higher education section of this report.

CTA v. Gould. The amounts contained in Figure 1 for 1995-

96 reflect \$360 million that will not be immediately available to school districts. This is because these funds are appropriated contingent upon settlement of the *CTA v. Gould* lawsuit, which contests the legality of \$1.8 billion in Proposition 98 loans made in the 1992 and 1993 Budget Acts. A tentative settlement of the lawsuit was developed during budget discussions. If the lawsuit is settled, the \$360 million will be distributed to schools in August 1996.

Under the proposed settlement:

- ▲ The loans will be paid off over eight years, almost half by schools from within existing Proposition 98 funds and half from the General Fund.
- ▲ The Proposition 98 minimum funding level would be increased by about \$500 million in future years.

K-12 Program Impacts

General Purpose Funding. The budget provides a total of \$17 billion (\$8.72 billion General Fund) for general purpose funding to school districts and county offices of education in 1995-96. This represents an increase of \$117 per pupil from the amount provided in 1994-95. Figure 2 displays the major actions that result in the 1995-96 increase. As the figure illustrates, in addition to providing a 2.7 percent COLA, general purpose funding is increased for all districts by an average of \$33 per pupil (0.9 percent) and "low wealth" districts are provided an equalization payment, that is designed to narrow the differences in per-pupil funding among school districts.

Figure 2

General Purpose Funding Increases 1995 Budget Act and Education Trailer Bill

(Dollars in Millions)

Initiative	Amount
Provides a 2.7 percent cost-of-living adjustment	\$ 273
Includes an additional 0.9 percent across-the board increase (revenue limit deficit reduction)	175 ^a
Provides an equalization appropriation for districts with lower-than-average funding levels	163 ^a

^aFunding contingent upon settlement of the *CTA v. Gould* lawsuit.

Categorical Programs. The 1995 Budget Act also increases funding for K-12 categorical programs by more than \$220 million. Figure 3 displays the major funding increases. The largest amount (\$136 million) was provided in the form of a categorical block grant. Other major increases include growth and COLA funding for certain categorical programs that are not part of the categorical mega-item (\$46 million) and \$26 million set aside for a new state assessment program.

The categorical block grant generally provides growth and COLA funding to programs that are supported through the categorical mega-item. There are two important differences, however. First, the funds are not appropriated to any specific program. Instead, the funds are provided as a block grant that will permit school districts flexibility to allocate the additional funds to programs funded through the mega-item. Second, the funds are distributed in an equal amount per ADA, rather than in proportion to the amount of categorical funds each district receives.

1994-95 Funding Increases. As discussed above, funding for schools in 1994-95 increased by \$92 per pupil due to increased General Fund revenues as part of the education trailer legislation. The most important of these actions was the creation of a \$280 million block grant that provides K-12 districts \$50 per pupil for any one-time purpose. An additional \$60 million was appropriated for deferred maintenance, instructional materials, and education technology. *

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Figure 3

Major K-12 Categorical Program Increases 1995 Budget Act and Education Trailer Bill

(Dollars in Millions)

Program	Amount
Categorical program block grant	\$ 136
Growth and COLA for selected categorical programs	46
New state assessment program	26 ^a
State preschool augmentation	20
Healthy Start augmentation	10 ^a

^aFunding contingent upon settlement of the *CTA v. Gould* lawsuit.

IV

Higher Education

Figure 1 shows the change in funding for each major segment of higher education for 1995-96 from selected fund sources. Fee revenues shown in Figure 1 are net of financial aid for needy students. Figure 2 shows the change in student fee levels for 1995-96.

The University of California (UC)

The 1995 Budget Act provides \$90.1 million (4.9 percent) more in General Fund support for the UC in 1995-96 compared to 1994-95. The Legislature rejected the administration's proposed \$380 (10 percent) general fee increase and instead provided \$28.5 million from the General Fund to backfill 75 percent of the net amount that would have been collected through the higher fees (\$38 million). The Legislature approved fee increases of up to \$2,000 for new students enrolled in professional programs (law, business, medicine, dentistry, and veterinary medicine), as proposed by the UC. Including funds available as a result of the professional student fee increases, the UC will experience an increase of \$95.9 million, or 5.3 percent, above 1994-95.

In its budget plan for the UC, the Legislature:

- ▲ Provides a 3 percent faculty salary increase and a 1.5 percent staff salary increase on October 1, 1995 and merit salary increases for faculty and staff.
- ▲ Authorizes a \$25 million loan for certain priority-one deferred maintenance projects.
- ▲ Redirects \$5.5 million from teaching hospitals for deferred maintenance.
- ▲ Provides for the full phase-in of an increase in the budgeted student-faculty ratio from 17.6 to 18.7.

The Legislature's plan also includes an unspecified reduction of \$9.5 million related to the partial backfill of the fee revenues.

Figure 1

Higher Education Budget Summary Selected Funding Sources Change from 1994-95 to 1995-96

	Budget Act 1995-96	Change From 1994-95	
		Amount	Percent
(Dollars in Millions)			
University of California			
General Fund	\$1,915.5	\$90.1	4.9%
Professional fee increases (net)	5.8	5.8	— ^a
Totals	\$1,921.3	\$95.9	5.3%
California State University			
General Fund	\$1,623.5	\$24.3	1.5%
Additional fee revenues (net)	2.1	2.1	— ^a
Totals	\$1,625.6	\$26.4	1.7%
California Community Colleges^b			
General Fund (Prop. 98)	\$1,293.2	\$115.9	9.8%
General Fund (Non-Prop. 98)	—	-3.5	-100.0
Property taxes	1,363.8	-5.0	-0.4
Total fee revenues (net)	170.2	-8.2	-4.6
Totals	\$2,827.2	\$102.7	3.8%
Student Aid Commission^b			
General Fund	\$230.6	\$4.4	1.9%

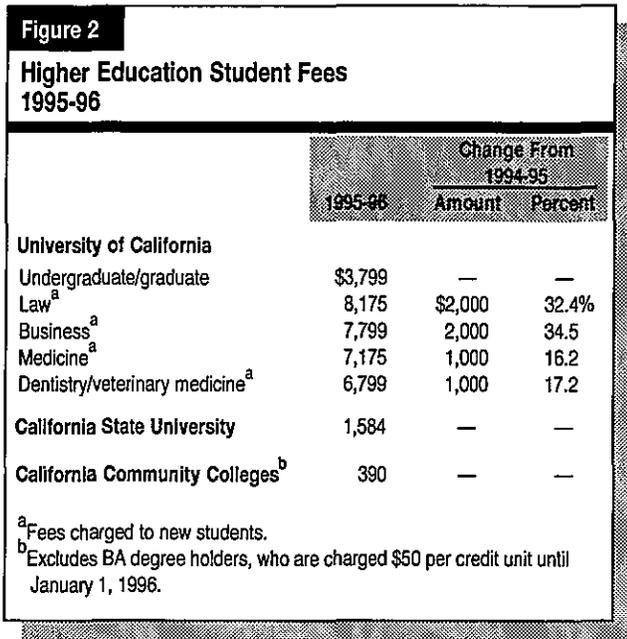
^a Not a meaningful figure.

^b Local assistance only.

We anticipate UC student enrollment to increase slightly in the budget year to reflect slight increases in the Master Plan eligible student population. The Legislature expressed its intent in the *Supplemental Report of the 1995 Budget Act* for the UC to continue to accept all applicants who are fully eligible under the Master Plan in 1995-96 and 1996-97.

The California State University (CSU)

The 1995 Budget Act provides \$24.3 million (1.5 percent) more in General Fund support for the CSU in 1995-96 compared to 1994-95. The increase understates actual



budget-year growth, as 1994-95 expenditures included \$41 million in one-time spending.

As part of its budget plan for the CSU, the Legislature rejected the administration's proposed \$156 (10 percent) general fee increase and instead provided \$22.5 million from the General Fund to backfill 75 percent of the net amount that would have been collected through the higher fees (\$30 million). The Legislature also rejected an additional \$90 fee increase for graduate and post-baccalaureate students, as proposed by the CSU. However, the Legislature provided no backfill for the estimated \$2.1 million in foregone fee revenues. Including funds available as a result of charging the existing fee to additional students, the CSU will experience an increase of \$26.4 million, or 1.7 percent, above 1994-95. Excluding the one-time funding in 1994-95, the CSU budget-year increase is \$67.8 million or 4.4 percent.

The Legislature's budget plan for the CSU:

- ▲ Provides for an enrollment increase of 2,000 full-time-equivalent (FTE) students, for a total budgeted enrollment level of 252,000 FTE students (plus roughly 350 students at the California Maritime Academy).
- ▲ Funds unspecified faculty and staff salary increases and quality enhancements.

- ▲ Authorizes a \$24 million loan for certain priority-one deferred maintenance projects.

The Legislature's plan also includes an unspecified reduction of \$7.5 million related to the partial backfill of the fee revenues.

California Community Colleges

The 1995 budget package increases funding for community colleges local assistance by \$102.7 million (3.8 percent) compared to the revised 1994-95 appropriation. The Legislature's budget actions also increase the community colleges' 1994-95 General Fund appropriation by \$73 million—\$47 million to backfill a local property tax shortfall and \$26 million for deferred maintenance and instructional equipment.

As Figure 2 shows, the Legislature rejected the administration's proposed \$2 per credit unit fee increase. This leaves community college fees at \$13 per credit unit, or \$390 per full-time student. The Legislature provided almost \$20 million to backfill the net amount that would have been collected through the higher fees. The Legislature also rejected the administration's proposal to extend the differential fee for BA degree holders—\$50 per credit unit—which will expire on January 1, 1996. However, the Legislature provided no backfill for the estimated \$5 million loss in differential fee revenues. The Legislature approved the administration's proposed reduction of \$15.2 million related to past-year declines in the enrollment of BA degree holders.

Based on current estimates of local property tax revenues by the Department of Finance (DOF), the funding provided to community colleges for 1995-96 is sufficient to fund a 3.07 percent COLA and 1995-96 enrollment growth of 1.17 percent. The Community Colleges Chancellor's Office, however, has expressed concern that property tax revenues may not reach the level projected by the DOF. To the extent that property tax revenues are less than the amount estimated, the Chancellor's Office indicates that funding for enrollment growth in 1995-96 will be reduced accordingly. *

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Judiciary and Criminal Justice

The 1995-96 budget for judiciary and criminal justice programs total \$4.7 billion, including \$4.4 billion from the General Fund and \$287 million from state special funds. This amount is about \$723 million below the level proposed by the Governor in January. This reduction is primarily due to the Legislature's rejection of the state-county realignment proposal, thereby reducing General Fund support for the Trial Court Funding Program by \$592 million below the proposed level.

As compared to 1994-95, the General Fund amount represents an increase of \$296 million, or about 6.5 percent, above estimated spending for these programs. The budget assumes that the state will receive \$413 million in federal funds to offset the costs of incarcerating and supervising undocumented felons in state prison and the Youth Authority. If General Fund expenditures are adjusted to account for these federal funds (as the Governor did in his January budget), total General Fund expenditures would actually *decrease* by \$84 million, or 1.8 percent.

Figure 1 and the following text describe the major changes in the 1995 Budget Act relative to the Governor's Budget.

Judiciary

The 1995 Budget Act provides \$165 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 an increase of \$14.2 million, or 9.4 percent, above 1994-95 expenditures. The increase is primarily due to caseload and rate increases for court-appointed counsel services and increased staffing to legislatively-approved levels.

Trial Court Funding

In January, the Governor proposed about \$1.3 billion for support of the Trial Court Funding Program, which was roughly a two-fold increase, as part of his state and county

Figure 1

Judiciary and Criminal Justice Programs Major 1995-96 Changes to the Governor's Budget General Fund

(Dollars in Millions)

Program/Issue

Trial Court Funding	
Reject state-county realignment	-\$591.7
Department of Corrections	
Eliminate inflation adjustments	-\$30.5
Reduce funds for costs of salary increase provided in 1994-95	-\$17.0
Eliminate lease funds for San Bernardino County jail	-\$11.5
Department of the Youth Authority	
Increase monthly charges to counties for commitments	-11.9 ^a
Implement sliding scale charge for county commitment of less serious offenders	-9.3 ^a

^a Implementing legislation not enacted.

restructuring proposal. The Legislature ultimately rejected the proposal and deleted \$592 million of the proposed increase. Thus, the budget provides a total of \$663 million (\$508 million from the General Fund and \$155 million from special funds) for support of local trial courts in 1995-96. This level of state support covers about 37 percent of statewide trial court expenses in 1995-96, or about 1 percent more than the state paid in 1994-95.

Department of Corrections

The budget provides a total of \$3.3 billion (\$3.2 billion from the General Fund and \$59 million from special and bond funds) for support of the California Department of Correc-

tions (CDC). This represents an increase of about 8 percent above the 1994-95 level and is primarily due to projected increases in inmate and parole populations. The most significant reductions below the level initially requested by the Governor in January were elimination of funds for inflation adjustments (\$30.5 million), reduction in funds for the annualized costs of employee pay increases granted in 1994-95 (\$17 million), and elimination of funds proposed to lease a jail in San Bernardino County in order to house state prison inmates (\$11.5 million). The budget also includes a net reduction of about \$38.1 million below the January request to reflect changes in caseload estimates contained in the May Revision.

Inmate and Parole Caseloads. The Legislature considered a number of changes that would have saved money by reducing the number or length of stay of offenders in prison and on parole. None of these changes were included in the final budget, however. The budget is based on the administration's projected inmate population of about 142,500 inmates by June 30, 1996, an increase of approximately 11 percent over 1994-95. The parole population is projected to reach about 94,000 parolees by June 30, 1996, an increase of about 1 percent.

New Prisons. The budget includes \$27 million to activate new prisons in Lassen and Monterey Counties and to fully open a new prison in Madera County that began activation in 1994-95. These facilities are designed to house a total of about 5,500 inmates. The budget also includes \$126 million for construction of 16,500 emergency beds in 22 existing institutions.

Federal Funds for Incarceration and Supervision of Undocumented Felons. The budget assumes \$413 million in federal funds to offset the state's costs for the incarceration of undocumented inmates and wards in state prison and the Department of the Youth Authority, as well as the supervision in the community of undocumented immigrant parolees. This amount represents an increase of \$380 million over the amount the state received in 1994-95 and is about \$168 million higher than existing federal authorizations and appropriations for this purpose.

Department of the Youth Authority

The budget provides \$345 million (\$343 million from the General Fund and \$1.5 million from special and bond funds) for support of the Department of the Youth

Authority. The General Fund amount is \$13.4 million, or 3.7 percent, less than 1994-95 expenditures. The budget includes an augmentation of \$9.7 million (\$6.4 million from the General Fund and \$3.3 million from Proposition 98) to cover the costs of the projected increase of 5.5 percent in the Youth Authority's ward population and 4.8 percent in the parole population. These increases were offset by elimination of one-time expenditures in 1994-95 and reductions resulting from increases in fees charged to counties for commitments to the Youth Authority.

Increases in County Fees for Youth Authority Commitments. The budget assumed enactment of a trailer bill—AB 906 (Aguiar)—with two provisions that would increase the fees paid by counties to offset the costs of commitments to the Youth Authority. These two provisions reduced the department's General Fund budget by \$21.3 million.

The first provision would increase from \$25 to \$150 the monthly charges made to counties for Youth Authority commitments, based on changes in inflation since the fee was established in 1961. This change resulted in a General Fund savings of \$11.9 million. The second provision would institute a "sliding scale" whereby counties would pay additional fees to cover the costs of less serious offenders who are committed to the Youth Authority. This change resulted in a General Fund savings of \$9.3 million.

AB 906 has not been enacted, however.

State Support of County Probation Camps and Ranches Not Enacted. AB 906 also includes an appropriation of \$32.7 million to the Youth Authority for distribution to counties to support county probation camps and ranches that house juvenile offenders. Under the bill, this funding would be distributed to counties by the Youth Authority based on criteria set forth in the bill. Approximately 21 counties would likely receive a portion of the funds. *

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VI

Other Major Provisions

Local Government

Two budget companion bills which would provide counties fiscal relief and greater program flexibility were passed by the Senate and are under consideration by the Assembly.

Omnibus Local Government Bill (AB 906, Aguiar). This bill contains various provisions affecting counties:

- ▲ **Minimum Funding Levels.** Reduces the statutory minimum levels of county expenditures for general assistance, health, mental health, transportation, and public libraries.
- ▲ **Youthful Offenders.** Provides state support for county juvenile camps. Increases county costs for Youth Authority commitments.
- ▲ **Fiscal Provisions.** Offers counties up to \$180 million (over three years) in forgivable loans, modifies laws regarding delinquent property taxes, and provides a \$5 million loan to Merced County.

Realignment (AB 905, Poochigian). This bill establishes an optional program to shift responsibilities and funding for children's services from the state to counties.

A third companion bill—SB 75, Polanco—was intended to provide relief to Los Angeles and Orange Counties by allowing them to spend local transportation funds for general purposes. This measure was vetoed by the Governor.

Transfer of Special Funds

In recent years, amounts have been transferred from special funds to the General Fund to finance certain state activities. Figure 1 shows the major transfers for 1995-96.

Information Technology

The responsibility for oversight of state information tech-

Figure 1

Major 1995-96 Special Funds Transfers to the General Fund

(In Millions)

• Motor vehicle fuel tax revenues (State Highway Account)	\$77.0
• Sale of vehicle-related information (Motor Vehicle Account)	53.8
• Tidelands Oil revenue	53.0
• Federal 8(g) funds	24.9

nology was transferred from the Department of Finance (Office of Information Technology) to a new Office of Technology under the State and Consumer Services Agency. Funding of this new office for the second six months of the fiscal year is contingent on enactment of legislation eliminating the Office of Information Technology in the Department of Finance and creating a new department. Senate Bill 1 (Alquist)—supported by the administration—would fulfill this requirement.

Employee Compensation

Under approved memoranda of understanding (MOUs), represented state employees (other than employees of the University of California and the California State University) received a 3 percent general salary increase (GSI) on January 1, 1995. The Department of Personnel Administration approved an identical increase for nonrepresented employees. The 1995-96 costs due to this GSI, however, are funded in the budget only for that portion attributable to employees directly engaged in public safety, 24-hour care, or revenue-generating activities within 15 specified departments. The amounts needed to pay the GSI to other state employees must be borne by departments and agencies from existing support funds.

Negotiations are underway, but not completed, for new MOUs for 1995-96. The budget does not include funds for new employee compensation costs that may be included in these prospective MOUs. Any MOUs requiring the expenditure of state funds would be subject to approval by the Legislature through the enactment of legislation.

Resources and Environmental Protection

The 1995 budget provides a total of about \$1.0 billion for resources programs, including about \$834 million to support various resources agencies and conservancies, and \$162 million for local assistance and capital outlay. Significant features of the budget include:

- ▲ \$19.4 million from the California Beverage Container Recycling Fund for the support of the Department of Parks and Recreation.
- ▲ \$4.5 million from the Harbors and Watercraft Revolving Fund over three years to Los Angeles County, contingent on the county accepting fee title for eight beaches from the state.

The 1995 budget provides about \$652 million for environmental protection programs, including about \$589 million for various environmental protection agencies, and \$63 million for local assistance.

Transportation

The 1995 budget provides about \$1.6 billion for support of the Department of Transportation (Caltrans)—about 5 percent less than in 1994-95. This amount reflects a \$67 million reduction proposed in the Governor's Budget, as well as reductions of \$58 million taken by the Legislature. Specifically, the Legislature eliminated \$28 million proposed to fund a salary increase and also cut \$30 million from various programs including administration, vehicle purchase, and local planning grants. The budget includes \$18 million for Caltrans to comply with a court order that it reduce toxic contamination of wastewater runoff from roads and from Caltrans' facilities.

The budget provides \$2.4 billion for transportation capital outlay projects. This includes \$56 million for toll bridge seismic retrofit through March 1996, to be provided from the State Highway Account (\$45 million) and from toll bridge revenues (\$11 million). The budget also appropriates for seismic retrofit, \$81 million from an anti-trust lawsuit settlement against oil companies. Additional funds

for seismic retrofit are contained in a bond measure to be on the March 1996 ballot.

The budget provides \$840 million for local assistance programs administered by Caltrans—about 7.6 percent less than in 1994-95. The reduction results mainly from appropriating \$100 million for the State-Local Transportation Partnership Program, rather than the statutory level of \$200 million. The budget provides \$71 million for operating assistance to the local transportation authorities through the State Transit Assistance (STA) program, a 4 percent increase over the 1994-95 level. The budget also provides \$40 million for the Transit Capital Improvement (TCI) program, a 36 percent increase.

Capital Outlay

The budget includes \$690 million (about 80 percent from bonds) for capital outlay, as shown in Figure 2. Of the \$570 million in total bond funding, about \$500 million is from newly authorized lease-payment bonds, mainly for higher education and the Department of Corrections. The remaining \$70 million is from various general obligation bond funds. The budget also funds capital outlay from the General Fund (\$45 million), various special funds (\$57 million), and federal funds (\$18 million). The Department of Corrections' total includes \$126 million for emergency housing to add 16,500 beds at 22 prisons and at conservation camps. ✱

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(In Millions)	
Legislative/Executive/Judicial	\$0.1
State and Consumer Services	31.3
Transportation	20.3
Resources	66.9
Health and Welfare	5.9
Corrections	143.3
Higher Education	399.7
General Government	23.3
Total	\$690.8

1995-96 Budget: Trailer Legislation

—Enacted—

Measure	Description	Measure	Description
AB 817 Hoge (Ch 313/95)	• Victims of crime program.	SB 146 Maddy, Lockyer (Ch 310/95)	• Transportation Seismic Retrofit Bond Act.
AB 825 W. Brown, Brulte, Allen (Ch 308/95)	• Education provisions (K-12 and higher education).	SB 493 Maddy (Ch 194/95)	• Proposition 99 funds.
AB 904 Bowler (Ch 304/95)	• Local juvenile justice facilities.	SB 1170 Lockyer (Ch 311/95)	• Teenage pregnancy prevention.
AB 908 Brulte(Ch 307/95)	• Welfare grant reductions. • Social services	SB 1344 Solis (Ch 312/95)	• County welfare administration match.
AB 910 ^a Speler	• Consumer regulatory boards.	SB 1345 ^a Boatwright	• General government.
AB 911 Vasconcellos (Ch 305/95)	• Drug/Medi-Cal. • Health services.	SB 1346 ^a Kopp	• State property— 525 Golden Gate Avenue.
AB 1371 Weggeland (Ch 306/95)	• GAIN Program.		

^a At the time this analysis was prepared, the Governor had not taken final action on this measure.

1995-96 Budget: Trailer Legislation

—Pending—

Measure	Description	Measure	Description
AB 489 Allen	<ul style="list-style-type: none"> • Cal REACH Program. 	AB 905 Poochigian	<ul style="list-style-type: none"> • Children's services realignment.
AB 504 Kuykendall	<ul style="list-style-type: none"> • State Beaches. • Tidelands oil revenues. 	AB 906 Aguilar	<ul style="list-style-type: none"> • Local government. • Maintenance of effort. • Juvenile justice camps.
AB 668 Knowles	<ul style="list-style-type: none"> • Prenatal care for undocumented persons. 	SB 1337 Wright	<ul style="list-style-type: none"> • Prenatal care for undocumented persons.

—Vetoed—

Measure	Description
SB 75 Polanco (Ch)	<ul style="list-style-type: none"> • Transportation funds for Los Angeles and Orange counties.

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