



GOVERNOR'S BUDGET SUMMARY

HIGHLIGHTS



2000-01

GRAY DAVIS, GOVERNOR
STATE OF CALIFORNIA





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Governor's Education Initiatives
(Dollars In millions)

Student Achievement

Governor's Merit Scholarship Program	\$112.0
Governor's Distinguished Math And Science Scholars Program	6.0
Intensive Algebra Academies And Teacher Training	21.2
Summer School Instruction	<u>62.9</u>
Total	\$202.1

Teacher Recruitment And Training

Regional And Out-of-state Recruitment Campaign	\$19.4
Internship Expansion And Rate Increase	20.8
Teacher Housing	50.0
Incentives To Hire Fully Credentialed Teachers	52.9
Expand APLE Program (Future Cost)	(11.0)
Governor's Teaching Fellowships	3.5
National Board Certification	15.0
Reading Institutes	28.0
ELL Teacher Institutes	10.0
Math Teacher Institutes (Grades 4-6)	12.5
Algebra Teacher Institutes (Grades 9-12)	5.0
High School Math And English Teacher Institutes	<u>60.0</u>
Total	\$277.1

Technology And Academic Partnerships

Education Technology	\$200.0
Digital High School	164.0
AP Grants For Teacher Training	8.0
AP On-line Course Development	3.0
AVID Program: Tutors	5.0
AP Assessment	0.5
Public School Accountability (Second Cohort)	19.7
Partnership Academies (Increase)	1.4
Work Ability I—Employment For Special Education Students	7.0
Academic Mentors/University Tutors	10.0
Internet2	8.0
California/Mexico Collaborative	5.0
Digital Library	<u>2.5</u>
Total	\$434.1

**Preschool**

Second Year Expansion To 100,000 Children	<u>\$23.8</u>
Total	\$23.8

Student Financial Aid And Outreach

CalGrant Expansion	\$30.5
Increase Work-Study	2.7
Expand Cal-SOAP Middle School Outreach	5.0
CCC Disabled Student Program/Services	5.1
CCC Extended Opportunity Program/Services	6.0
CCC Puente Project	1.0
CCC Partnership For Excellence	<u>25.0</u>
Total	\$75.3

Research And Infrastructure

California Institutes For Science And Innovation	\$75.0
Teaching Hospital Equipment Purchase	25.0
UC Merced Acceleration	14.3
Engineering/Computer Science Graduate Research	5.0
Environmental Research	<u>2.0</u>
Total	\$121.3

Grand Total, Education Initiatives	\$1,133.7
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GOVERNOR'S K-12 EDUCATION INITIATIVES

This Budget continues the work begun last year, by implementing and building upon reforms enacted to set higher expectations for our schools, teachers, and pupils. To that end, the Governor's K-12 Education Initiatives, totaling \$898.4 million, target three major areas:

- ▲ Student Achievement—\$202.1 million.
- ▲ Teacher Recruitment and Training—\$277.1 million.
- ▲ Technology and Academic Partnerships—\$418.6 million.

Improving Student Performance And Recognizing Achievement

Governor's Merit Scholarship Program—The Budget provides \$112.0 million for California's first merit-based student scholarship program, providing awards of \$1,000 each to public school students who achieve top scores on the Standardized Testing and Reporting (STAR) examination in the 9th, 10th, or 11th grades.

Governor's Distinguished Math and Science Scholars Program—The Budget provides an additional \$6.0 million for supplementary higher education scholarship awards of \$2,500 each to students who achieve the top score on both an Advanced Placement (AP) calculus and an AP science examination.

Intensive Algebra Academies—The Budget includes \$21.2 million to establish Intensive Algebra Academies for 50,000 pupils in grades 7 and 8, and to provide training to 1,000 algebra teachers.

**California State Summer School in Mathematics and Science—**

The Budget includes an augmentation of \$1.0 million to expand the program to two additional University of California (UC) campuses, allowing a total of 600 students to participate in the summer of 2001.

Increased Support for Summer School Programs—The Budget proposes to consolidate the existing remedial and core summer school programs to simplify administration of these programs. The Budget also provides an augmentation of \$61.9 million to increase the funding rate for this program from \$2.50 per hour to \$3.00 per hour.

Teacher Recruitment And Training

Professional Development Institutes—The Budget proposes \$115.5 million in new or expanded professional development institutes for K-12 teachers. These programs are operated by UC, in collaboration with CSU, private universities, and K-12 schools, and will serve more than 70,000 additional teachers in fiscal year 2000-01 in these new programs:

- ▲ \$28.0 million to expand the Governor's Reading Professional Development Institutes, which in the first year are providing 6,000 K-12 teachers with week long intensive seminars in the summer and 80 hours of continued professional development during the year. This funding will allow expansion of the program to 14,000 teachers in pre-kindergarten and grades K-3 and provides \$1,000 stipends for attending teachers.
- ▲ \$10.0 million to double the funding for English Language Development Professional Institutes (ELD-PI), which will provide training for English language learner (ELL) teachers in grades 9 through 12 who do not hold cross-cultural or bilingual cross-cultural certificates. The funds will serve 5,000 additional teachers in grades 9 through 12 and provide \$1,000 stipends for those teachers.



- ▲ \$12.5 million to initiate the California Mathematics Institutes for teachers in grades 4 through 6. This program is designed to train teacher leaders in elementary schools to improve mathematics education. The funds will serve 5,000 teachers in grades 4 through 6 and provide \$1,000 stipends for those teachers.
- ▲ \$5.0 million to establish the California Algebra Institutes, a program modeled after the Reading Institutes, to train algebra teachers in grades 9 through 12. This funding will serve 2,500 teachers and provides \$1,000 stipends for those teachers.
- ▲ \$20.0 million to expand the successful California Subject Matter Projects, a UC-administered network of discipline-specific professional development projects. This funding will serve an additional 15,000 teachers.
- ▲ \$40.0 million to establish High School Math and English Professional Development Institutes in grades 9 through 12 (\$16.0 million for mathematics and \$24.0 million for English). The funds will serve 20,000 teachers in grades 9 through 12 and provide \$1,000 stipends for those teachers.

Regional Recruitment Campaign—The Budget includes \$9.4 million to establish five regional recruitment centers to help schools, with a high concentration of emergency permit holders, recruit fully credentialed teachers. The goal of the centers is to reduce the number of emergency permit holders below the statewide average of ten percent. The Budget also proposes \$9.0 million for the California Center for Teaching Careers (CalTeach) to conduct teacher recruitment campaigns both in-state and out-of-state.



Incentives to Hire Fully Credentialed Teachers—The Budget proposes \$52.9 million to establish the Credentialed Teacher Recruitment Program to provide incentives to hire fully credentialed teachers in low-performing schools.

Governor's Teaching Fellowships—The Budget provides \$3.5 million for 250 teaching fellowships of \$20,000 each to begin January 2001. Full funding in 2001-02 will provide for 1,000 teaching fellowships for students attending UC, CSU, and private institutions offering accredited teacher preparation programs at a cost of \$20.0 million per year.

Teacher Internships—The Budget provides \$20.8 million to expand the Teacher Internship Program to 5,400 additional participants and to increase the grant level from \$1,500 to \$2,500 per intern. This program allows individuals pursuing teaching as a second career to complete teacher preparation while serving as classroom teachers.

Expand APLE Program (Future Cost)—The Assumption Program of Loans for Education (APLE) program will expand from 5,500 awards in the current year to 6,500 awards in 2000-01. Under APLE, the State assumes up to \$11,000 in student loans for teachers who agree to teach up to four years in a shortage area.

Teacher Housing Incentives—The Budget provides \$50.0 million for forgivable loans to 5,000 fully credentialed teachers teaching in hard-to-staff schools. The maximum loan amount is \$10,000 per teacher.

National Board of Professional Teaching Standards Certification—The Budget includes \$5.0 million to provide stipends of \$10,000 each to teachers obtaining certification from the Board, and \$10.0 million for additional stipends of \$20,000 each to certified teachers who commit to teach in low-performing schools.

Technology And Academic Partnerships

Public Schools Accountability Act—The Budget includes \$18.7 million to provide planning grants for a second cohort of 430 schools. This will double the number of schools participating in this program, which provides up to \$200 per pupil to low-performing schools so that they can improve pupil achievement.

AP Courses for High School Students—The Budget provides:

- ▲ The Secretary for Education will work with school districts and institutions of higher education throughout California to help ensure that all students in California who desire to take AP courses have access to them. This effort, funded at \$500,000, will begin in the current year, so that by fall 2001, every high school student will have access to AP courses.
- ▲ \$8.0 million for staff development to assist teachers in preparing students for AP coursework, \$5.0 million in federal funds to expand the Advancement Via Individual Determination (AVID) program (for a total of \$12.0 million) to provide AP tutoring, and \$3.0 million for UC to expand its on-line AP course development efforts to \$7.0 million, resulting in the availability of five new courses in fall 2001.

Education Technology—The Administration is committed to ensuring that students have access to appropriate educational technology. The Budget includes a total of \$364.0 million, for the following:

- ▲ **Grants for Computers**—The Budget proposes \$175.0 million to the Office of the Secretary for Education (OSE) for allocation through a grant process. First priority will be high schools that do not currently offer AP courses. Second priority will be to increase the number of computers in schools.



▲ **Teacher Training**—The Budget includes \$25.0 million for intensive teacher training on the use of technology in the classroom. The training will be provided by California State University (CSU) system through a contract with the Secretary for Education.

▲ **Digital High School**—The Budget provides \$164.0 million, an increase of \$11.9 million, for the Digital High School Program. This funding will complete the final year of a four-year plan to assist each high school in the state.

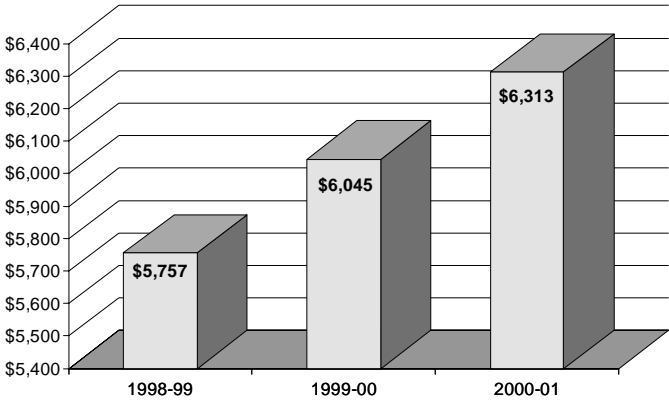
Partnership Academies—The Budget includes \$1.4 million to establish 50 new Partnership Academies, which provide specific training partnerships with industry. This funding will provide for 25 planning grants and 25 implementation grants.

Work Ability Program—The Budget allocates \$7.0 million, for a total of \$22.9 million, to expand this program, which provides special education students with necessary skills to successfully enter the workforce.

Academic Volunteer and Mentor Service Program—The Budget includes \$5.0 million to expand the volunteer mentor service program to match a total of 30,000 at-risk children and youth with caring adult role models. The program expansion will be targeted at university students.

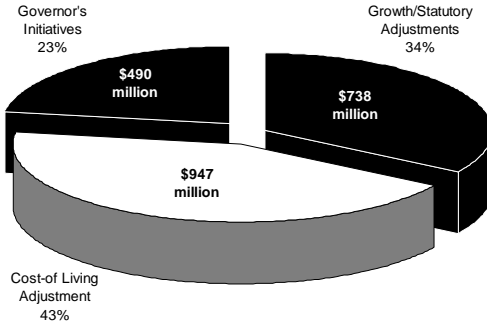
College Mentors—The Budget includes \$5.0 million in Goals 2000 funds to provide stipends to university students that become mentors and tutors for high school students.

K-12 Education Spending Per Pupil Proposition 98



- ▲ Total 2000-01 K-12 funding from all sources is now \$47.2 billion, an increase of \$2.7 billion over the revised 1999-00 level.
- ▲ Total 2000-01 per pupil expenditures from all sources are \$7,793, up \$867 from the revised 1998-99 level.
- ▲ Proposition 98 per-pupil spending for the budget year will increase to \$6,313, which is \$556 over the 1998-99 level. This translates to approximately a 4.8 percent average annual increase over the two-year period.

**What the Two-Year Proposition 98 Increase Buys
in 2000-01**
(Total = \$2,175 Million)



- ▲ The most significant use of new K-12 Proposition 98 General Fund is \$490.0 million for the Governor's Initiatives. This includes \$82.4 million for programs to improve and recognize student achievement, \$143.7 million for programs to recruit and train qualified teachers, and \$215.1 million for technology and academic partnerships. This represents only the Proposition 98 portion of the Governor's initiative package and is in addition to the non-Proposition 98 funding budgeted in other areas.
- ▲ Enrollment growth funding of \$738.0 million, which fully funds \$492.0 million in increased enrollment for apportionments for 1999-00, 2000-01, and special education, and \$69.0 million for all other summer school and categorical programs. Also included is \$177.0 million for other statutory adjustments to various educational programs.
- ▲ A 2.84 percent COLA increase at a total cost of \$947.0 million, which includes \$754.0 million for apportionments and special education, and \$193.0 million for all other summer school and categorical programs.



Other Significant Program Enhancements And Continuations

Special Education—The special education program continues the third-year of the per-pupil funding formula enacted by Chapter 854, Statutes of 1997. A \$7.0 million increase is provided in 2000-01 for the purpose of expanding the Work Ability I program. In addition, federal fund increases enable \$33.2 million to be provided for equalization, and \$27.6 million for a low incidence disability adjustment. The Budget also includes adjustments of \$36.0 million to fund a prior year correction and \$16.8 million to fund a current year deficiency in the special education program due to 1999-00 ADA increases.

California School Information System (CSIS)—The Budget includes \$10.0 million to continue development of the CSIS, to expand voluntary school district use of the system, which will enable schools to easily transfer student records.

K-12 School Facilities

▲ **Proposition 1A**—On July 1, 2000, \$3.35 billion in bond funds will be available for K-12 School construction. Of this amount, \$1.55 billion will be for new construction, \$1.3 billion will be for modernization, and \$500 million for hardship situations. Of the first \$3.35 billion available from Proposition 1A, 76 percent, or \$2.5 billion, has already been apportioned to school districts for the purposes of K-12 school construction.

▲ **Deferred Maintenance**—The Budget includes \$165.9 million General Fund, an increase of \$22.3 million, for the K-12 Deferred Maintenance Program to fully fund the statutory one-half of one percent state match.



Childcare And Development Programs

Childcare services are an integral part of the state's effort to assist families who are working toward self-sufficiency. Accordingly, the Budget increases funding for a variety of childcare services and related activities, as follows:

- ▲ This spring, the Administration will conduct a review of childcare policies to examine current childcare eligibility standards, family fees, federal and state subsidy levels, and how existing resources may be more efficiently focused to equitably serve the state's neediest families.
- ▲ \$280.7 million to serve growing California Work Opportunity and Responsibility to Kids (CalWORKs) caseloads, including \$185.6 million in increased federal funding for Stage 2 childcare, and \$95.1 million in federal and General Fund for Stage 3 families who have exceeded the two year transitional benefit. These funds will serve an additional 143,000 children per month. Also, a \$6.0 million increase is provided in 1999-00 to cover a shortfall in the previous estimate of Stage 3 need.
- ▲ A reserve of over \$150.0 million is separately budgeted and available to both the Department of Education and the Department of Social Services.
- ▲ \$81.2 million for the purchase and installation of new portable childcare facilities needed for underserved areas and for the continuing State Preschool expansion, for state-subsidized centers.
- ▲ \$46.8 million for preschool programs for low-income families, including \$23.8 million for the second phase of expansion for State Preschool to bring State Preschool enrollment up to 100,000 children.



- ▲ \$27.3 million for a 2.84 percent COLA for eligible childcare programs.
- ▲ \$5.0 million in one-time funds to create incentives for state subsidized centers to achieve and maintain accreditation.
- ▲ \$10.0 million to increase quality assurance activities, including \$2.5 million to double the level of training of CalWORKs recipients as childcare providers and teachers, \$1.5 million to conduct centralized waiting list pilot programs, and \$6.0 million to implement new playground safety regulations at state subsidized childcare centers. Total state quality enhancement expenditures continue to exceed federal requirements, totaling over \$73.0 million just in State Department of Education programs.
- ▲ \$31.5 million to enhance the level of supportive services and childcare provided to pregnant and parenting teens as a variety of existing programs convert to the new California School Age Families Education (CalSAFE) program.
- ▲ \$3.4 million for the After School Learning and Safe Neighborhoods Partnership Program for expansion of technical assistance and program evaluation.



California State Library

The Budget includes the following augmentations for the California State Library:

The California Newspaper Project—\$300,000 for the California Newspaper Project to begin microfilming California newspapers for preservation, to ensure the survival of California newspapers in the future.

Families for Literacy Program—\$508,000 for the Families for Literacy Program, which provides reading programs for children whose parents or primary caregivers are illiterate. This augmentation will provide sufficient resources to fully fund the existing 58 participating library jurisdictions.

HIGHER EDUCATION

This Budget reflects continuation of the Administration's commitment to furthering the goals of the Master Plan for Higher Education for affordable, accessible and high-quality public higher education.

The Administration is addressing the goals of accessibility and affordability in the following ways:

- ▲ The Budget continues to provide sufficient funds to UC, CSU and the California Community Colleges (CCC) to avoid an increase in mandatory system-wide fees. Fees remain at a level ten percent below 1997-98.
- ▲ As part of a new partnership agreement being developed with UC and CSU, the Budget proposes additional funding for UC and CSU based on an average annual increase of four percent, full funding for enrollment growth, and an additional one percent funding for core areas such as maintenance, technology, equipment, and libraries. Significant funding above the partnership is also included for high priority initiatives and capital outlay, as necessary.
- ▲ As part of the partnership agreement, there will be accountability goals that the systems will strive to achieve, including admission for all eligible California students, improved outcomes such as graduation rates and timeliness to degree attainment, increasing the number of community college transfers, assuming a greater responsibility to help improve K-12 schools, and increasing utilization of existing facilities and resources.



- ▲ The Budget includes \$28.3 million to add 7,000 new Cal Grant awards for financially needy students to attend college, and \$2.2 million to increase the maximum award, provided to students attending private institutions, to \$9,703.
- ▲ The Governor has committed to accelerate the opening of UC Merced by fall 2004. Towards this goal, the Governor has created a “UC Merced Red Team” to streamline the approval process and coordinate the efforts of local, state, and federal agencies.
- ▲ The Budget proposes \$14.3 million in higher education bond funds to begin the capital outlay program for the Merced campus. These funds will be used for initial planning and infrastructure for the first construction phase and planning for a subsequent phase that will include library, lecture, and other support facilities.

**Higher Education Funding
Total Funds
(Dollars in Millions)**

	1998-99	1999-00	2000-01	One-Year Change	
				Amount	Percent
University of California ^{1/}	\$3,480.6	\$3,701.2	\$4,044.8	\$343.6	9.3%
California State University ^{1/}	2,741.1	2,809.5	3,018.9	\$209.4	7.5%
Community Colleges	5,025.0	5,373.2	5,721.5	\$348.3	6.5%
Student Aid Commission	343.4	388.5	459.9	\$71.4	18.4%
Other Higher Education ^{2/}	180.4	206.5	210.1	\$3.6	1.7%
Total Funds	\$11,770.5	\$12,478.9	\$13,455.2	\$976.3	7.8%

^{1/} For purposes of this table, expenditures for the University of California and California State University have been adjusted to include the offsetting general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} Other Higher Education amount includes the California Postsecondary Education Commission, Hastings College of the Law, and General Obligation Bond Interest and Redemptions for UC, CSU and Hastings.

- ▲ Total higher education funding increases by an average of 7.8 percent. General Fund increases average 9.5 percent.
- ▲ The Budget provides UC with \$327.7 million and CSU with \$191.0 million of new General Fund resources.
- ▲ The Budget funds enrollment increases of 6,000 (3.6 percent) for UC and 12,577 (4.5 percent) for CSU. These increases will bring total enrollments to 170,566 students for UC and 291,980 students for CSU—the highest ever.
- ▲ The Budget includes more than \$75.0 million for several initiatives to train K-12 teachers and students so that students are better prepared for postsecondary education. Many of the programs in this initiative represent collaborations among UC, CSU, private colleges, and K-12 schools.



UC and CSU

- ▲ The Budget includes \$2.5 million for UC to increase its outreach efforts to help students from educationally disadvantaged backgrounds:
 - ▼ \$1.0 million for a UC-CCC program to increase the transfer rate of CCC students to UC.
 - ▼ \$1.0 million to expand outreach efforts for graduate and professional schools.
 - ▼ \$500,000 for UC to conduct research on the root causes of educational disparity within California's school system from K-12 through postsecondary education.

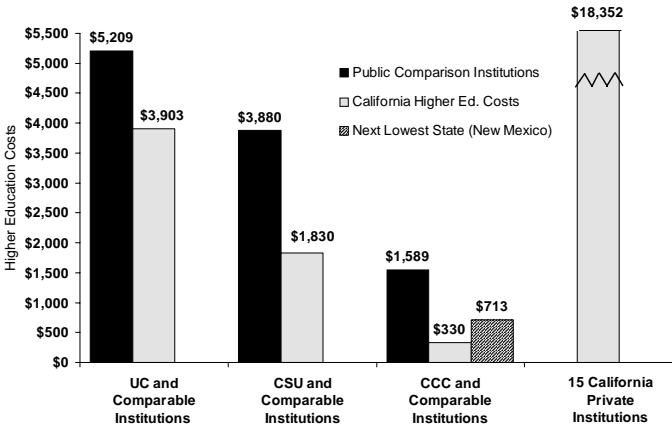
- ▲ The Administration is committing \$75.0 million, annually for four years, to establish the California Institutes for Science and Innovation at three UC campuses.

- ▲ The Budget includes \$19.0 million for UC to conduct research in areas of key economic importance to the State. These areas include:
 - ▼ Continuation of development of Internet2 (\$8.0 million), a high-speed national data transmission network.
 - ▼ Collaborative research with Mexico (\$5.0 million) focusing on issues of critical interest to the State.
 - ▼ Engineering and computer science research (\$5.0 million).
 - ▼ Expansion of the Alcohol and Substance Research Program (\$1.0 million).



- ▲ The Budget proposes \$25.0 million in one-time funds for UC teaching hospitals to acquire state-of-the-art medical equipment that will be used for teaching, patient care, and research purposes.
- ▲ The Budget proposes \$9.0 million for CSU to assist with teacher recruitment through the California Center for Teaching Careers (CalTeach).
- ▲ The Budget proposes \$3.5 million for CSU to initiate the Governor's Teaching Fellowships, which will provide \$20,000 for graduate fellowships to 1,000 teaching candidates who commit to teach in low-performing schools. The \$3.5 million will provide 250 fellowships beginning January 2001, expanding to 1,000 fellowships in 2001-02.
- ▲ The Budget provides \$25 million for K12 teacher training on effective use of educational technology. The training will be provided by CSU, through a contract with the Secretary for Education.

Higher Education Fee Levels Remain Low Compared to Other States and Private Institutions



California Community Colleges

- ▲ An increase of \$348.3 million, or 6.5 percent, is proposed for the CCC, including the full statutory COLA for programs and growth above the statutory level for apportionments and all major categorical programs.
- ▲ The CCC will be able to accommodate over 29,700 additional full-time equivalent (FTE) students, bringing the estimated level to over 1,020,000 FTE students, exceeding one million FTE students for the first time. The three percent funded growth in enrollments exceeds the current statutory adult population change in order to meet projected demand and ensure greater access.
- ▲ To reflect a policy of increased accountability from higher educational institutions and to encourage improved student outcomes at CCC, \$25.0 million is set-aside for the Partnership



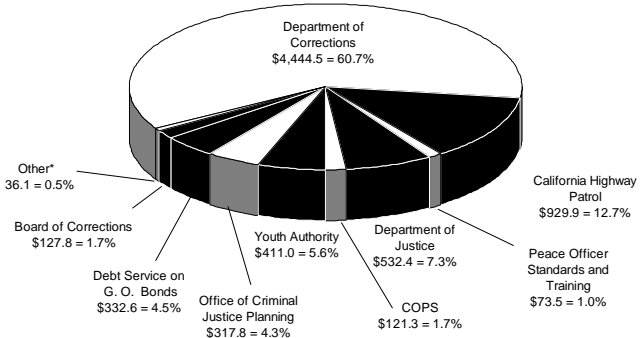
for Excellence Program. This money is contingent on the Board of Governors developing more rigorous goals and district-specific accountability for this program.

- ▲ The Budget also includes funding for the expansion of programs that improve access to California's neediest residents, maintains a high-tech infrastructure, and ensures that community college students have access to properly maintained facilities with modern equipment. Specific augmentations include:
 - ▼ \$6.0 million for Extended Opportunity Programs and Services.
 - ▼ \$1.0 million for the Puente Project.
 - ▼ \$5.1 million for Disabled Student Programs and Services.
 - ▼ \$6.3 million for Telecommunication and Technology Infrastructure expansion.
 - ▼ \$10.0 million for Scheduled Maintenance and Special Repairs.
 - ▼ \$5.0 million to institute competitive matching grants for workforce development instructional equipment.

PUBLIC SAFETY

A total of \$7.3 billion is proposed for various programs within the Youth and Adult Correctional Agency, Department of Justice, Citizens' Option for Public Safety (COPS), Office of Criminal Justice Planning, Commission on Peace Officer Standards and Training, Office of the Inspector General, and the California Highway Patrol. The amount proposed is a 2.6 percent increase over the revised 1999-00 budget amount. The more significant funding changes for these programs are noted below.

Public Safety Proposed Expenditures for 2000-01
All Funds
 (Dollars in Millions)



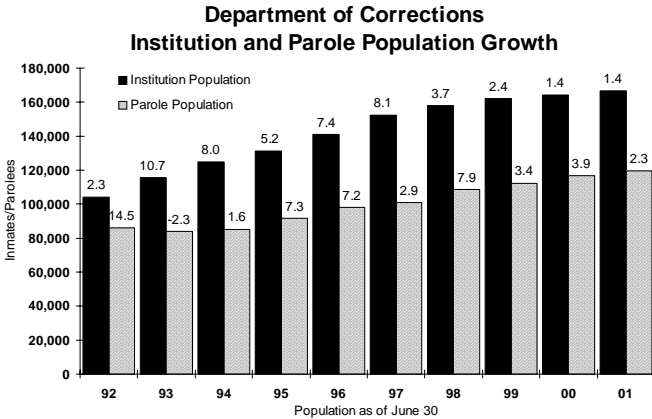
* Includes the Youth and Adult Correctional Agency, Office of the Inspector General, Youthful Offender Parole Board, Board of Prison Terms, and the Commission on Correctional Peace Officer Standards and Training.



Department of Justice

- ▲ The Budget includes an augmentation of \$5.5 million for the DNA Laboratory to ensure the elimination of the existing backlog of DNA specimens and to enhance the laboratory's ability to analyze and solve cases.
- ▲ The Budget provides an increase of \$1.0 million to crack down on sales of illegal firearms at gun shows throughout the State.
- ▲ An increase of \$823,000 is included to address workload related to the enforcement of environmental laws and Proposition 65.
- ▲ The Budget adds \$793,000 to provide a state-level presence on regional High Technology Crime Task Forces and to provide ongoing support of the Department's High Technology Crime Database.
- ▲ The Budget proposes an additional \$6 million False Claims Act Fund for ongoing investigations and prosecutions of false claims cases.
- ▲ The Budget adds \$1.9 million Dealer Record of Sale Account and \$355,000 Firearm Safety Account to implement a variety of firearms legislation related to assault weapons, safety standards for firearms and firearm safety devices, and licensing requirements for gun show promoters.

Department of Corrections



Figures above the bars represent the percentage change from the previous year

Prison Population—The prison inmate population is projected to increase from 164,288 on June 30, 2000, to 166,521 by June 30, 2001, an increase of 2,233 inmates, or 1.4 percent. Incarceration services will be provided through 33 institutions, 11 reception centers, 38 camps, and 16 community correctional facilities, and 30 community correctional reentry centers.

Parole Population—The state parole population is projected to reach 116,908 by June 30, 2000. This population is projected to increase to 119,602 by June 30, 2001, an increase of 2,694 parolees, or 2.3 percent.

Urinalysis Testing—An increase of \$1.5 million is included to establish a random urinalysis testing program for all inmates confined in the state prison system.

Substance Abuse Treatment Program Expansion—The Budget proposes \$12.3 million General Fund for implementation of a 1,500-bed therapeutic community substance abuse treatment



program expansion, including community based residential aftercare treatment for 50 percent of the program graduates. This is in addition to a \$15.9 million General Fund augmentation and \$500,000 in Federal Byrne Block Grant reimbursements provided for the full-year cost of a 1,500 bed therapeutic community substance abuse treatment program expansion that will begin in the latter part of 1999-00 utilizing partial year funding provided in the 1999 Budget Act.

Second Striker Task Force—The Budget includes \$10.4 million and 105 parole agents to reduce the parolee to parole agent ratio from 70:1 to 40:1, thereby almost doubling the supervision of parolees that have two serious or violent felony convictions.

Parolee-at-Large Apprehension Program—The Budget proposes \$2.0 million for 23 additional parole agents to intensify efforts to apprehend serious and violent parolees who have failed to maintain the required contact with their parole agents.

Increased Mentally Ill Parolee Supervision—The Budget contains \$1.9 million and 22 parole agents to provide increased supervision of mentally ill parolees and to assist them in obtaining community-based services to facilitate their successful re-integration into the community.

Reducing Mentally Ill Parolee Recidivism—An additional 63 personnel years are included to enhance the current Parole Outpatient Program for parolees diagnosed as mentally ill.

Correctional Sergeant Staffing—The Budget provides an augmentation of \$2.3 million to increase the level of supervision at Security Housing Units at California State Prison-Corcoran and Pelican Bay State Prison.



Correctional Officer and Medical Technical Assistant Recruitment—The Budget proposes augmentations of \$512,000 for 1999-00 and \$1.5 million in 2000-01 to enhance the recruitment effort for Correctional Officers and Medical Technical Assistants needed to reduce departmental vacancies and increase the employee applicant pool.

Inmate Mental Health Services—The Budget includes \$10.0 million for 1999-00 and \$18.8 million for 2000-01 for clinical, custody, and support staff to provide additional mental health services for inmates in administrative segregation as well as funding to recruit and retain mental health clinicians.

Contract Medical and Utilization Management—The Budget includes \$6.9 million to implement a centralized utilization management function and provide additional funding for contracted medical services.

Medical and Psychiatric Supplies—The Budget provides \$2.4 million in 1999-00 and \$6.5 million in 2000-01 for increased costs of medical and psychiatric supplies. The proposed funding level provides a five percent increase each year above prior year actual per capita costs.

Inmate Medical Services—The Budget includes augmentations of \$1.1 million for 1999-00 and \$6.4 million for 2000-01 to improve the quality of health care at the women's facilities and assess the quality of health care at all institutions.

Incarceration of Undocumented Felons—The State of California currently spends approximately \$569.0 million related to the incarceration of undocumented felons. In 1999-00 and 2000-01, the Budget anticipates that the State will receive approximately \$178.0 million from the federal government as part of the State Criminal Alien Assistance Program as an offset to these costs.

DEPARTMENT OF THE YOUTH AUTHORITY

- ▲ **Institution and Parole Population**—The Youth Authority projects an institution population of 7,420 on June 30, 2001, which is a decrease of 10 wards from the anticipated population of 7,430 on June 30, 2000. The Parole caseload is expected to be 5,155 by June 30, 2001, which is an increase of 20 cases over an estimated caseload of 5,135 on June 30, 2000.
- ▲ **Expanded Peace Officer Academy**—The Budget includes \$2.1 million and nine personnel years to expand the current correctional peace officer basic training academy from five to ten weeks.
- ▲ **Security Improvements**—The Budget provides \$1.5 million to implement security enhancements in 2000-01, which include the installation of video recording cameras in selected housing units, and the upgrade of the radio system at the Northern Youth Correctional Reception Center and Clinic.
- ▲ **Expansion of the Internal Audits Unit**—The Budget includes \$614,000 and four personnel years to augment the existing staffing to enhance internal oversight within the department.
- ▲ **Ombudsperson Program**—The Budget provides \$184,000 and two personnel years to establish an Ombudsperson program to investigate complaints, issue reports regarding the complaints, and make recommendations for resolving issues.



Office of the Inspector General

- ▲ The Budget adds \$2.7 million and 27 personnel years for the Inspector General to implement recent legislation that expands the Inspector General's responsibilities for retaliation investigations required by Chapter 806, Statutes of 1999 and baseline management audits required by Chapter 918, Statutes of 1999.

Commission on Correctional Peace Officers Standards and Training

- ▲ The Budget includes an additional \$1.7 million and 16 personnel years to develop standards for correctional peace officer training curriculum as required by Chapter 762, Statutes of 1998.

Office of Criminal Justice Planning

- ▲ **Technology Grants for Local Law Enforcement**—The Budget includes \$100.0 million General Fund for one-time grants to local law enforcement agencies. Of these funds, \$75.0 million will be provided to local law enforcement for high-technology equipment, and \$25.0 million will be provided to local law enforcement for school safety, juvenile crime, and anti-gang efforts.



Commission on Peace Officer Standards & Training

- ▲ The Budget provides an increase of \$12.0 million to establish five new Regional Skills Training Centers throughout California in order to expand the availability of training, testing, and requalification of skills for peace officers and to provide increased reimbursements to local law enforcement agencies for peace officer training.
- ▲ The Budget includes \$346,000 to develop an audit program to ensure the quality and effectiveness of POST-certified training courses.

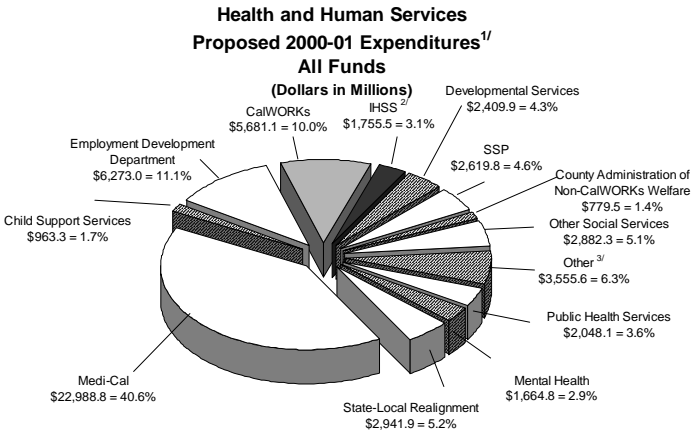
Citizens' Option for Public Safety (COPS)

- ▲ The Administration will propose legislation to extend the \$100.0 million COPS program through fiscal year 2004-05. An additional \$21.3 million will be provided to local law enforcement agencies to ensure that all local law enforcement agencies receive at least \$100,000. The long-term extension of the program and the guaranteed minimum funding level of \$100,000 will encourage the hiring of additional sworn peace officers—an Administration priority.

HEALTH AND HUMAN SERVICES EXPENDITURES

Departments within the Health and Human Services Agency provide medical, dental, mental health, and social services to California's most needy citizens. For 2000-01, expenditures for all Health and Human Services Agency budgets total \$56.6 billion in combined state and federal funds. This includes expenditures for approximately 43,000 personnel years. Total expenditures include funding for three Governor's initiatives: Aging with Dignity; Medi-Cal Fraud and Fiscal Integrity; and enhanced outreach for the Healthy Families and Medi-Cal for Children programs.

The following figure displays the allocation of funding by major Health and Human Services program area.



1/ Includes support and local assistance.

2/ Reimbursements comprise \$1,044.7 million of this figure.

3/ Includes Health and Human Services Agency, Departments of Aging, Alcohol and Drug Programs, Rehabilitation, Community Services and Development, California Health and Human Services Agency Data Center, Office of Statewide Health Planning and Development, State Independent Living Council, Emergency Medical Services Authority, Child Development Policy Advisory Committee, California Children and Families Commission, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, Managed Risk Medical Insurance Board, California Workforce Investment Board, and state support for the Department of Health Services. Also included are the costs associated with Health and Human Services mandates, debt service, and set-asides.



Aging with Dignity Initiative

The 2000-01 Budget commits \$271.5 million (\$140.4 million General Fund) to help seniors remain at home and lead independent lives in the community, and to enhance the quality of care in California nursing homes. This initiative will:

- ▲ Improve regulatory enforcement by increasing unannounced inspections, guaranteeing rapid response to complaints, and intensifying review of the poorer performing homes. Fines will be increased for repeat or serious violations of quality of care standards.
- ▲ Increase wages of Medi-Cal nursing home caregivers (5 percent) and In-Home Supportive Services public authority caregivers (65 percent state share-of-cost of wages up to \$8.00 per hour, to be phased in over five years).
- ▲ Establish the Senior Housing Information and Support Center to disseminate information regarding home modification and housing options to allow seniors to remain at home, and the Senior Wellness Education Campaign to educate the public on innovative community-based and in-home care alternatives to institutional care.
- ▲ Establish the Long-Term Care Innovation Grant Program to provide onetime challenge grant funding to implement and expand community-based adult care alternatives to nursing homes. Through this program, the Administration challenges foundations and the private sector to partner with the State to provide ongoing private funding.



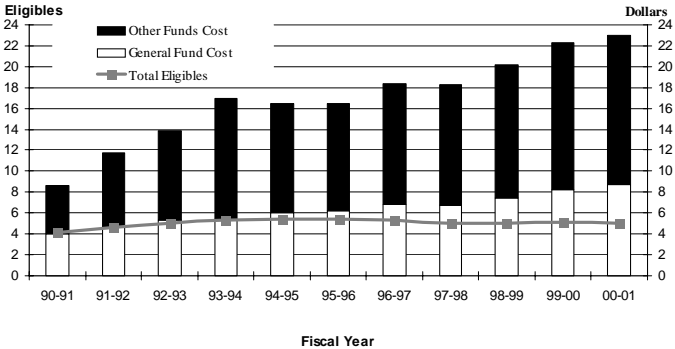
DEPARTMENT OF HEALTH SERVICES

The 2000-01 Budget includes total expenditures of \$25.8 billion (State Operations \$0.8 billion, Medi-Cal \$23.0 billion, and Public Health \$2.0 billion).

Medi-Cal

Medi-Cal expenditures for 2000-01 are projected to be \$23.0 billion (\$8.7 billion General Fund). This includes a General Fund increase of \$540.6 million above revised 1999-00 expenditures.

Medi-Cal Caseload and Costs, 1990-91 through 2000-01
(Eligibles in Millions, Dollars in Billions)



▲ Overall caseload is expected to decline by 1.8 percent in 2000-01 compared to a 1.6 percent increase in the state population. The average monthly number of persons enrolled in Medi-Cal remains at about five million, representing just over one in every seven Californians.



- ▲ Medi-Cal expenditures increase from the 1999-00 revised level due to changes in cost and utilization of services. For example, estimated General Fund fee-for-service drug costs for 2000-01, after rebates, increase by \$166.7 million, reflecting an increased number of prescriptions per user and increased costs per prescription.

- ▲ The 2000-01 Budget includes an increase of \$87.8 million General Fund to continue the Medi-Cal expansion to two-parent working poor families, establish a new eligibility category for the working disabled, and reduce the amount aged and disabled persons spend on their health care costs by increasing income eligibility levels.

- ▲ The Budget includes an increase of \$26.2 million and 255 positions for the Medi-Cal Fraud and Fiscal Integrity Initiative, to crack down on provider fraud and abusive treatment and billing practices. This initiative will:
 - ▼ Double the size of the provider Fraud Prevention Bureau.
 - ▼ Tighten the provider enrollment process.
 - ▼ Strengthen field audit capabilities and activities.
 - ▼ Use advanced computer technology to detect shifting patterns of fraud and abuse.

- ▲ The 2000-01 Budget provides an additional \$10.0 million for increased Healthy Families and Medi-Cal for Children Outreach. This media effort will seek to enroll “hard-to-reach” children whose parents and guardians have not yet responded to existing outreach efforts, and reduce the number of California children lacking comprehensive health care coverage. This augmentation brings the total outreach budget to \$31.8 million.



- ▲ As part of the Aging with Dignity Initiative, the Budget includes increases of \$65.8 million (\$32.5 million General Fund) for a 5 percent wage increase for caregivers in long-term care facilities, \$10.0 million (\$8.0 million General Fund) for nursing home quality awards, and \$15.9 million (\$8.2 million General Fund) and 202.5 state and county nursing home standards enforcement staff to guarantee rapid response to complaints and implement various other measures to improve quality of care.

Other 2000-01 General Fund augmentations include:

- ▲ \$43.1 million for Early Periodic Screening, Diagnosis, and Treatment mental health benefits.
- ▲ \$30.0 million to reduce administrative fees paid by public disproportionate share hospitals toward Medi-Cal benefit costs; alternatively, a portion could be used for rate increases for emergency room physician services.
- ▲ \$36.2 million in increased Medicare buy-in costs.
- ▲ \$28.1 million for increased county administrative costs.

Public Health

- ▲ **HIV/AIDS Program Expansion**—The Budget provides \$258.2 million (\$115.9 million General Fund) for HIV/AIDS prevention, education, care and treatment programs, including an increase of \$9.1 million (\$2.2 million General Fund) for rising AIDS Drug Assistance Program demand and increased drug costs.



▲ **Proposition 99 Expenditure Plan**—Although tobacco taxes are declining annually, revenues are higher than previously estimated. In addition, the Budget proposes to release \$32.5 million in litigation reserves over three years (\$12.0 million in 2000-01). Thus, additional resources are available for allocation.

The Budget funds caseload-driven programs, including the Access for Infants and Mothers (AIM) Program caseload.

The Budget proposes the following program augmentations and continues the base level of services for all remaining programs:

- ▼ \$24.8 million for emergency room physician services.
- ▼ \$25.7 million for the anti-tobacco media campaign.
- ▼ \$1.0 million for the California Cancer Registry.
- ▼ \$1.0 million for program administration.

Consistent with the intended purposes of Proposition 99, the additional funds will assist all counties in meeting their required indigent health care responsibilities, help reduce the use of tobacco products, enhance effective tobacco-related disease research efforts, and restore administration to the level authorized in 1998-99 to provide adequate tobacco-control oversight.

▲ **Breast Cancer Early Detection Program**—The Budget includes \$27.4 million, an increase of \$8.6 million above the revised 1999-00 Budget, for screening, mammography, clinical examinations, and diagnostic services for an estimated 209,400 low-income, uninsured women. These services are paid for with available Breast Cancer Control Account (\$18.4 million) and Proposition 99 (\$9.0 million) funds.



- ▲ **County Medical Services Program**—This program provides health care to medically indigent adults in small counties. Although county funds primarily support the program, the State has contributed \$20.2 million General Fund and an allocation from Proposition 99 funds to assist counties in providing services. Due primarily to the availability of substantial local reserves and expanded health care coverage by the State, the 2000-01 Budget proposes the permanent elimination of the General Fund contribution for this program.
- ▲ **Childhood Lead Poisoning Prevention Program**—The Budget provides \$17.8 million, an increase of \$1.2 million above the 1999 Budget Act, for enhanced lead screening and case management services. The Budget also provides approximately \$600,000 (fee-supported General Fund) to certify workers who identify and eradicate lead hazards.
- ▲ **Teen and Out-of-Wedlock Pregnancy Prevention**—The Budget provides \$40.2 million (\$37.9 million General Fund) for the Partnership for Responsible Parenting. This includes a net increase of \$4.5 million for the Mentoring Program. In addition, the Budget proposes \$20.0 million in available onetime federal funds to continue the Community Challenge Grant Program, which provides local grants for pregnancy prevention services.

MANAGED RISK MEDICAL INSURANCE BOARD

- ▲ **Healthy Families Program**—The 2000-01 Governor's Budget proposes a total of \$336.0 million (\$121.4 million General Fund) for Healthy Families Program (HFP) caseload. HFP enrollment is projected to grow by 91,000, to 370,000 children by June 30, 2001, including over 4,900 recent legal immigrant children.



- ▲ **Access for Infants and Mothers**—This program provides health care for pregnant women and their infants, up to age two. Beginning February 2000, Medi-Cal income deductions will be applied to AIM eligibility, eliminating the overlap in coverage between Medi-Cal and AIM. This will shift approximately 1,300 beneficiaries to Medi-Cal annually, maximizing federal funding. The Budget includes \$44.9 million (\$2.0 million General Fund) for an average of 315 new beneficiaries per month.

DEPARTMENT OF CHILD SUPPORT SERVICES

Chapters 478 and 480, Statutes of 1999, established the Department of Child Support Services (DCSS) and authorized implementation of a single statewide child support system comprised of local child support agencies under the direction of the new Department. Effective January 2000, the DCSS will begin:

- ▲ Implementing the statewide program for securing child and spousal support, medical support, and determining paternity.
- ▲ Administering all federal and state laws and regulations pertaining to the administration of child support enforcement obligations.
- ▲ Reducing the cost of and increasing the efficiency of child support enforcement operations.
- ▲ Monitoring local child support agency operations and performance, and providing technical assistance and training as necessary.

The 2000-01 Budget includes \$963.3 million (\$355.8 million General Fund) and 229.7 positions for DCSS.



At the local level, each county will establish a new child support agency to assume the responsibilities that now are carried out by the district attorney.

County Administration—The counties will continue to receive federal financial participation and incentive payments for administrative expenses. Reasonable costs in excess of federal reimbursements and incentives will be eligible for state incentive funds, subject to Budget Act appropriation.

Federal Incentives—Effective October 1999, the method of allocating federal child support performance incentives changed, lowering the amount paid to California. The incentive formula provides total state and federal incentive funding of 13.6 percent of distributed collections. Because state funds provide the difference between the federal incentives and the 13.6 percent rate, General Fund costs increase by \$14.0 million in 1999-00 and \$39.0 million in 2000-01.

Child Support Automation—As the agent of DCSS, the Franchise Tax Board will procure, develop, implement, and operate the California Child Support Automation System. The State will assume all nonfederal costs associated with developing, implementing and transitioning all counties onto this new single, statewide system.

Pending the single statewide system, the California Health and Human Services Agency Data Center is responsible for the county interim automation systems. Counties will receive funding under an annual automation cooperation agreement.

The Budget also includes \$103.9 million General Fund in 1999-00 and \$101.6 million in 2000-01 to offset the federal penalty resulting from delayed implementation of the single statewide automated child support system.



DEPARTMENT OF SOCIAL SERVICES

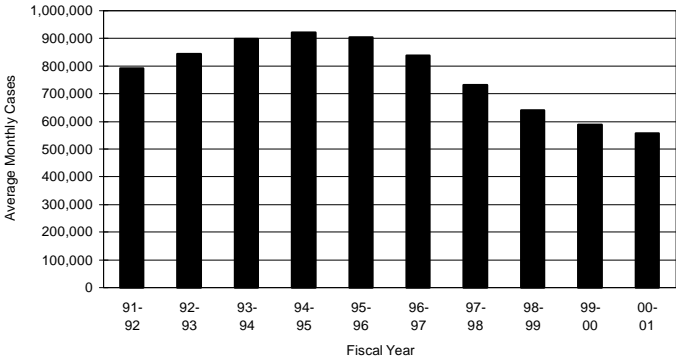
California Work Opportunity and Responsibility to Kids (CalWORKs)

Temporary Assistance to Needy Families (TANF) Block Grant and Maintenance-of-Effort—The Budget includes total CalWORKs expenditures of \$6.9 billion, \$5.7 billion budgeted within the Department of Social Services (DSS), and the remaining \$1.2 billion budgeted in other state programs and county budgets.

Caseload Trends—Caseload is projected to decrease for the sixth consecutive year in 2000-01, a significant turnaround from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000. Full implementation of CalWORKs and continued job growth in 2000-01 are expected to result in a decline to 557,000 cases from 589,000 in 1999-00.



CalWORKs Caseload Trend 1991-92 through 2000-01



Maintenance-of-Effort Reduction—The 2000-01 CalWORKs budget reflects California’s success in having recipients meet the federally-mandated work participation requirements. With that goal being met, the federally required spending level for California has been reduced from \$2.9 billion to \$2.7 billion.

County Block Grant—The Budget provides counties a block grant for use to divert recipients from public assistance or to provide employment services, child care, and other supportive services to help transition aid recipients to unsubsidized employment. The block grant available to counties in 2000-01 is projected to exceed \$1.3 billion.

Grant Levels—The Budget includes \$112.1 million for an October 2000 cost-of-living adjustment of 3.61 percent based on the California Necessities Index. The monthly cash grant level for a family of three in Region I will increase from \$626 to \$649, and in Region II from \$596 to \$618.



CalWORKs Child Care—The Budget funds projected child care needs for CalWORKs recipients. A total of \$1.2 billion will be available to provide CalWORKs child care services in 2000-01. Of that amount, \$431.2 million is to be allocated by the DSS to counties for CalWORKs child care. In addition, the budgets for the Department of Education and the Community Colleges include \$624.6 million and \$15.0 million, respectively, to provide CalWORKs child care services. There also is a \$150.4 million reserve to be used for either DSS or Department of Education child care providers, as needed.

Performance Incentives—The CalWORKs statute provides for performance incentive payments to counties equal to savings resulting from case exits due to employment, grant reductions due to increased earnings, and diversion of applicants from entering the program. Counties are expected to earn more than the \$1.1 billion appropriated for incentive payments in 1998-99 and 1999-00, but had spent only \$5.3 million as of September 30, 1999.

The Budget includes \$251.6 million for incentive payments, an amount that will be applied first to pay prior year incentive claims from counties. The present statutory framework for incentive payments jeopardizes future funding for grant payments, employment services, child care, and other CalWORKs program demands, thus, the Health and Human Services Agency will propose changes to the incentives statute for the May Revision of the Governor's Budget.

TANF Bonus Awards—The Budget includes \$20.0 million federal TANF funds. These funds were awarded to the State as California is one of the top five states with the largest reduction in the ratio of out-of-wedlock births to total births. This onetime bonus funds continuation of the Community Challenge Grant Program for teen pregnancy prevention. Recently, California was informed that it also will receive a onetime TANF High Performance Bonus award of \$45.5 million for its successes in moving welfare recipients to



work and sustaining their participation in the workforce. Its use will be addressed in the spring.

Welfare-to-Work—The federal Balanced Budget Act of 1997 established the Welfare-to-Work program to provide grants to states and local communities to help them meet the goals of the federal TANF program. California uses these funds to supplement the CalWORKs program. The State has received a total of \$367.6 million. The State is required to match every \$2 of this funding with \$1 in state funding. The 2000-01 Budget includes \$60.0 million General Fund as part of this match. To address the pressing need for caregivers in the health care industry, the Budget targets \$35.0 million of the matching funds for recruitment, retention and training of workers in nursing homes and for the In-Home Supportive Services Program.

Supplemental Security Income/State Supplementary Payment Program

Caseload is projected to increase to 1,101,000 recipients in 2000-01, a 3.1 percent increase over 1999-00. Total Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program General Fund expenditures are projected to be \$2.6 billion, compared to \$2.5 billion in 1999-00.

In January 2001, SSI/SSP recipients will receive an estimated 3.61 percent COLA. This will increase monthly grants for aged/disabled recipients by \$25 to \$717 for an individual and by \$44 to \$1,273 for a couple. The monthly grants for blind recipients will increase by \$27 to \$776 for an individual and by \$51 to \$1,475 for a couple.



In-Home Supportive Services

- ▲ The 2000-01 average monthly In-Home Supportive Services (IHSS) caseload is projected to be 242,000 cases, an increase of 5.2 percent over 1999-00. Total IHSS General Fund expenditures are projected to be \$666.8 million, an increase of 13.8 percent above 1999-00 expenditures.
- ▲ The Budget includes \$28.5 million General Fund for a 65 percent state share of public authority provider wages up to \$6.25 per hour. As part of the Administration's Aging with Dignity Initiative, the Budget includes an additional \$20.0 million General Fund for a further 35-cent increment to provide a state share for public authority provider wages up to \$6.60 per hour in 2000-01. Public authority provider wage increases up to \$8.00 per hour are proposed to be phased in over five years, contingent on growth in General Fund revenues.

DEPARTMENT OF DEVELOPMENTAL SERVICES

Developmental Centers

The 2000-01 Budget for the Developmental Centers (DCs) is \$612.7 million (\$71.4 million General Fund). The Budget supports a population of 3,818, a decrease of 35 clients from 1999-00. Major changes in the Developmental Center budget include:

- ▲ \$1.8 million General Fund savings to reflect the shift of 115 developmentally disabled clients from Napa State Hospital, a Department of Mental Health facility, to the DCs.



- ▲ \$3.7 million (\$283,000 General Fund) and 89.1 positions for the full-year implementation of the new Sierra Vista facility in northern California.
- ▲ \$13.2 million (\$5.2 million General Fund) and 123.5 positions in 2000-01 to acquire and operate one or more facilities in southern California. These new facilities are to house and treat approximately 135 clients with severe behavior problems.
- ▲ \$15.8 million (\$1.4 million General Fund) and 43.0 positions are included in 2000-01 for the third year of the four-year plan to increase DC staffing levels to help the department address federal concerns and restore lost federal funding. In total, the four-year plan adds approximately 1,700 positions at a cost of \$106.5 million.
- ▲ \$822,000 General Fund and 13.0 limited-term positions to identify DC residents who need conservators and to provide legal services related to securing and maintaining these conservatorships.

Regional Centers

For 2000-01, the Regional Center budget is \$1.8 billion (\$895.9 million General Fund). The Budget supports a Regional Center population that is projected to increase by 9,200 clients, from 157,400 to 166,600. The Budget is increased \$147.4 million (\$53.0 million General Fund) over the revised 1999-00 Budget. Budget adjustments for 2000-01 include:

- ▲ \$33.5 million General Fund savings and a commensurate increase in reimbursements due to recertification of some Home- and Community-based programs decertified in October 1997.



- ▲ \$105.2 million for increased utilization of services and cost per client.
- ▲ \$24.7 million for the full-year cost of salary increases implemented in 1999-00 for Community Care Facilities.
- ▲ \$6.5 million to reduce client intake assessments from 120 to 60 days.
- ▲ \$1.2 million for rate increases for shift nurses serving developmentally disabled adults.
- ▲ \$1.1 million for contracts to develop and implement new rate-setting methodologies for residential, day, in-home respite, and supported living services programs.

DEPARTMENT OF MENTAL HEALTH

- ▲ **State Hospitals**—The 2000-01 Budget includes \$541.9 million (\$393.1 million General Fund), a net increase of \$44.9 million (\$59.4 million General Fund), or 9 percent, over revised 1999-00 expenditures. This funding will support a caseload of 4,421 patients. Total funding is less than the General Fund increase as a result of decreases in reimbursements mainly due to the transfer of developmentally disabled patients to Developmental Centers.
- ▼ **Sexually Violent Predators**—The 1999-00 revised Budget includes funding for 340 Sexually Violent Predator (SVP) commitments. The 2000-01 Budget provides for an SVP population increase of 65 patients, to a total of 405 commitments by June 30, 2001.
- ▼ **Other Court Commitments**—The 2000-01 year-end population of court commitments to the state hospitals,



other than sexually violent predators, is estimated to be 3,166, an increase of 190 above the 1999-00 revised population. The Budget includes \$3.1 million General Fund for this increase in population.

CALIFORNIA DEPARTMENT OF AGING

The Budget proposes three new programs to be administered by the California Department of Aging as part of the Aging with Dignity Initiative to help seniors and dependent adults live as independently as possible. A Senior Housing Information and Support Center budgeted at \$1.0 million General Fund will provide information concerning housing options and home modification alternatives to allow seniors to live independently or with their families. A Senior Wellness Education Campaign budgeted at \$1.0 million General Fund will provide information on innovative community-based and in-home care alternatives to institutional care. A Long-Term Care Innovation Grant program budgeted at \$20 million onetime General Fund will provide challenge grant funding to implement and expand community-based adult care alternatives to nursing homes. Foundations and the private sector are challenged to fully fund these innovative grants at \$50 million each year for ten years.

OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

▲ **Seismic Retrofit**—The 2000-01 Budget includes 18.0 new positions and \$1.6 million (Hospital Building Fund) for the Office of Statewide Health Planning and Development to review seismic evaluations, compliance plans, and construction schedules required to bring hospitals into compliance with mandated seismic safety standards; conduct field reviews; and review and approve seismic safety assessments and corrective actions to ensure the State's hospitals remain safe and operational after earthquakes.



- ▲ **Cal-Mortgage Program**—The 2000-01 Budget includes an augmentation of 6.5 positions and \$1.8 million in reimbursements to improve Cal-Mortgage loan risk assessment and enable Cal-Mortgage to coordinate federally required feasibility studies for hospitals, thereby enabling California hospitals to qualify for new federal hospital construction loans.

- ▲ **Rural Health Development Grant**—The 2000-01 Budget includes a onetime continuation of \$3.0 million General Fund for the Rural Health Development Grant program for an additional year to provide grants to licensed non-profit and public rural health care providers for capital improvements and equipment, and to recruit health professionals for rural areas.

DEPARTMENT OF REHABILITATION

The 2000-01 Budget for the Department of Rehabilitation totals \$429.5 million (\$127.0 million General Fund). Expenditures for the Vocational Rehabilitation program, which provides basic rehabilitation services, are \$314.9 million (\$45.1 million General Fund). Expenditures for the Habilitation Services program, which provides employment services to developmentally disabled clients, are \$98.7 million (\$78.0 million General Fund).



DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

- ▲ The 2000-01 Budget provides \$2.5 million General Fund to replace expiring federal funding to maintain the level of comprehensive services currently provided to pregnant and parenting substance abusing women and their children by the Women and Children's Residential Treatment Services program.
- ▲ The Budget includes a onetime increase of \$5.0 million in 1999-00 and \$49.6 million in 2000-01 from the federal Substance Abuse Prevention and Treatment block grant. These funds will be used to provide increased substance abuse prevention and treatment services for youth and pregnant parenting women.

MENTORING AT-RISK YOUTHS

The Budget includes \$19.6 million (\$17.3 million General Fund, including \$15.0 million Proposition 98), a net increase of \$4.5 million, for various state agencies involved in the Mentoring Program. This increase will serve approximately 10,000 more at-risk youths. Mentoring helps at-risk youths to become productive members of society while reducing juvenile crime, teenage pregnancy, gang association, and the school dropout rate.



DEPARTMENT OF VETERANS AFFAIRS

The Administration is committed to assuring that the Veterans Homes of California provide top quality health care to our veteran residents. The Governor's Budget proposes improvements to the Barstow and Yountville Veterans Homes to ensure that our resident veterans receive top-notch nursing and medical care, and that each resident's quality of life is enhanced by plentiful recreational and rehabilitative activities.

Recruitment and Retention of Patient Care Staff—The Budget includes \$4.5 million to provide various recruitment and retention incentives for specified patient care staff positions.

Quality Assurance and Staff Training—The Budget proposes \$886,000 for a program-wide quality assurance team, a nursing-specific quality assurance function at the Barstow Home, a nursing staff training and coordination program, and information services for medical staff.

Additional Medical and Related Staff—The Budget includes \$3.3 million to provide additional medical and related staff, including nurse practitioners, dentists, and physicians, as well as support staff for sanitation and evening maintenance functions.

Program Supplements and Expansions—The Budget proposes \$658,000 for additional therapeutic and recreational activity staff, a pilot program for Barstow Home residents with Post Traumatic Stress Disorder, and an on-site clinical laboratory to enhance Barstow Home services.



Infrastructure Improvements—The Budget also includes \$3.8 million for environmental and facility improvements in the veterans homes including special repairs at the Yountville Home cemetery and chapel, automatic faucets at the Barstow Home, lifting devices to prevent healthcare worker injuries, and additional environmental maintenance staff for the upkeep of the Yountville Home.

Capital Outlay—The Budget proposes \$9.2 million for capital outlay needs in the Barstow and Yountville Homes. The proposals for the Barstow Home include funding to convert an existing building into a residential care facility for the elderly, to provide a secured “wandering” area for dementia patients, and to install a cement foundation for trailers that will house recreational and rehabilitation programs. The Yountville Home proposals include funding for the construction phase of the Holderman Rehabilitation Activity Area remodel, the construction phase to correct Jefferson Hall deficiencies, a remodel of the Laundry Building, and new projects to enhance the quality of life and meet needs for improved accessibility, emergency water supply and storage, and increased fire/life safety.



TRANSPORTATION 2000: THE FUTURE IS NOW

Billions of transportation dollars are sitting unused. It is unconscionable that these dollars sit idle while taxpayers are sitting in traffic. The Administration's message is simple: Every available dollar should be put to work to get Californians moving.

Transportation 2000 puts to work over \$3 billion in unused transportation funds according to the following investment priorities:

- ▲ Relieving gridlock in congested commuter corridors
- ▲ Increasing the safety of roads
- ▲ Providing connections between cities and regions
- ▲ Providing connections between different modes of transportation, such as commuter rail/bus terminals or park and ride lots
- ▲ Moving goods and products more quickly and efficiently
- ▲ Providing alternatives to highways where feasible

The Administration proposes a **use-it-or-lose-it policy** for existing unspent transportation funds. If a local agency responds to the use-it-or-lose-it challenge by completing its transportation projects more quickly and reducing its reserves, the public wins. If the agency cannot spend quickly, the State will direct that funds be used for projects in that geographic area that (1) meet the six priorities described above and (2) can be accomplished quickly. Either way, the public wins.



Transportation 2000 also proposes both short- and long-term changes in funding restrictions to allow a **better balance between transit and highways** at both the state and local levels.

Sources for the \$3 billion in new spending are as follows:

- ▲ **\$1.9 billion**—Extending the State Transportation Improvement Program from four to seven years to speed up project selection, design and construction; putting unused state cash balances to work; using short-term borrowing as necessary to generate any additional cash needed; and using transportation funds that are not restricted by the Constitution to fund transit. The State's share for interregional projects will be used in regions that agree to provide matching funding.
- ▲ **\$1.1 billion**—Use-it-or-lose-it for local federal funds (\$800 million) and local gas tax reserves (\$300 million).

Department of Transportation

The Governor's Budget proposes over \$7.5 billion in expenditures for Caltrans and 22,129 personnel years, including \$1.4 billion for programs that assist local governments in constructing and operating highway, road, and transit systems and nearly \$3.4 billion in capital outlay expenditures for state highway construction projects.



Prudent Use of Onetime Funds for Transit Projects

The capital outlay budget contains \$121.0 million from the General Fund for transit projects including:

- ▲ \$30.0 million for two new sets of cars and engines for use on the State's Los Angeles to San Diego intercity rail route.
- ▲ \$15.0 million for track and signal improvements on the Metrolink Los Angeles to San Bernardino line.
- ▲ \$20.0 million for track improvements on the State's San Joaquin line from Oakland and Sacramento to Bakersfield.
- ▲ \$36.0 million for Altamont Commuter Express to upgrade the track, purchase an additional train, and expand service from Modesto through Stockton to the Silicon Valley.
- ▲ \$5.0 million for the Caltrain Coyote Valley Station and \$15.0 million for the Winchester Station Light Rail Station, both serving commuters in San Jose.

The Budget also includes \$12.0 million for planning, environmental and feasibility studies for the Bay Area Water Transportation Authority high-speed ferry system.



Department of Housing and Community Development

Down payment assistance for teachers—To recruit and retain teachers working in hard-to-staff schools, the Administration proposes \$50.0 million for down payment assistance. The program will provide loans up to \$10,000 to an eligible teacher to purchase a home. The loan will be forgiven after five years if the teacher continues to work in the school.

Child Care—To assist with the development and expansion of licensed child care centers in the state, the Budget includes \$26.0 million for the Child Care Facilities Direct Loan Program, on a onetime basis.

Ongoing Support for Housing—The Budget continues the Administration's commitment to housing creation and preservation by proposing ongoing funding for the following programs:

- ▲ **Multifamily housing**—\$11.0 million for low-interest loans for a variety of multifamily housing activities, including new construction, acquisition, and rehabilitation.
- ▲ **Farmworker housing**—\$3.5 million for grants to build or rehabilitate owner-occupied and rental housing for farmworker households.
- ▲ **Self-help housing**—An increase of \$1.2 million for technical assistance grants to housing sponsors who train and supervise groups of 8 to 12 households that work together to build each others' homes.
- ▲ **Housing preservation**—\$2.5 million for preserving the affordability of federally-subsidized units that may otherwise convert to market rents.



▲ **Cold-weather shelter**—\$773,000 to continue the cold-weather shelter program for counties without military armories that can provide shelter.

▲ **Migrant worker housing**—\$6.1 million to continue the multi-year project of reconstructing state-owned housing for migrant farm workers. Funds will complete rehabilitation of 319 housing units in Colusa, Kern, and Stanislaus counties and begin rehabilitation of another 153 units in Merced and Yolo counties.

Housing tax credit—To reduce the cost to develop low-income housing, the Administration proposes legislation to permanently raise the \$35.0 million annual ceiling for these credits to \$50.0 million.

Department of Managed Care

In 1999, the Governor signed into law a historic package of comprehensive health care reforms that increased California consumer protections and rights. Legislation also created a new department focused only on health care plans.

The Governor established the Department of Managed Care effective January 10, 2000. The Budget includes a total of \$13.9 million for 1999-00 and \$27.9 million for 2000-01 for the new Department of Managed Care. Of this, \$6.1 million in 1999-00 and \$14.9 million in 2000-01 is shifted from the Department of Corporations, which previously regulated managed care companies.



TRADE AND COMMERCE AGENCY

The Trade and Commerce Agency promotes business development, job creation, and job retention efforts. The Governor's Budget proposes \$318.9 million and 356 personnel years for the Agency.

Initiatives to Foster the New Economy

- ▲ **Next Generation Internet**—The Budget includes \$5.0 million for the State to match federal and private funds to develop two “Next Generation Internet” centers. These incubators/centers will provide resources to small companies and individual researchers for developing new software and new applications for the next generation of the Internet.
- ▲ **Connecting rural communities**—The Administration proposes \$2.1 million for a demonstration grant program to develop electronic commerce in rural regions.
- ▲ **Commercial space and aircraft**—The Budget proposes \$4.1 million for assistance to the commercial space and aerospace industries, including: \$2.4 million for competitive grants to companies developing new space-related technology and \$1.4 million to market California sites for launch and production facilities for the VentureStar reusable launch vehicle and the Joint Strike Fighter.
- ▲ **Biomass conversion**—The Budget includes \$10.0 million to assist companies that convert agricultural waste to clean energy.
- ▲ **Technology development**—The Budget augments the California Technology Investment Partnership program by \$2.0 million for grants to firms accelerating the development and commercialization of new products and services.



- ▲ **Manufacturing technology**—The Budget proposes \$1.2 million for grants to manufacturing businesses to assist them in developing new manufacturing technology.

Other Business/Job Retention and Expansion Proposals

- ▲ **Infrastructure Bank**—In the last two budgets, the Bank received \$475.0 million in capital from the General Fund, providing a significant source of financial assistance for public infrastructure projects that support economic development. The Bank's board approved loan guidelines in December 1999 and will begin approving loans shortly. The Budget projects loans of \$295 million in 1999-00 and 2000-01.
- ▲ **Small business loan guarantees**—The Budget provides \$3.0 million in annual operating expenses to enable the Agency to expand loan guarantees from the current level of \$99.0 million to \$124.0 million. These guarantees help small companies grow from the start-up/venture capital stage to being eligible for regular commercial finance.

Economic Development In Other Departments

- ▲ **California Institutes for Science and Innovation**—To ensure that California remains in the vanguard of technological and scientific innovation in the next century, the Administration commits \$75.0 million, annually for the next four years, to the University of California (UC) to launch three California Institutes for Science and Innovation. This new initiative will give rise to world-class centers for strategic innovation that combine excellence in cutting-edge research with collaboration and training for our next generation of scientists and technological leaders.



- ▲ **Education Technology Funding**—To prepare our students to use the developing technology of the new economy and to take advantage of the power of that technology in an instructional setting, the Budget includes \$364.0 million for K-12 schools for computer acquisition, teacher training and the completion of The Digital High School program.

- ▲ **Internet2**—The UC budget includes \$8.0 million to support continued development of this next generation of Internet technology to expand and maintain the campus network connections needed to provide direct access to Internet2.

- ▲ **UC Merced**—The Administration continues its commitment to rapidly develop the new campus. In addition to \$9.9 million for continuing operational support, the Budget contains \$14.3 million for initial site development and infrastructure at Merced, as well as planning funds for the first complement of academic buildings, including library, classroom, laboratory and academic support facilities. To further accelerate the opening of the campus by one year to the fall of 2004, the Governor has created a “UC Merced Red Team” co-chaired by the Secretary for State and Consumer Services and the Chancellor of UC Merced.



PROTECTING THE ENVIRONMENT

Resources Agency California Environmental Protection Agency

The Governor's Budget includes approximately \$3.5 billion for natural resources and \$1.0 billion for environmental protection. This funding supports a number of key policy initiatives that integrate and maximize the resources of the various boards and departments within the Resources and California Environmental Protection (CalEPA) Agencies to better preserve and protect the state's natural heritage. Major program initiatives include:

Natural Heritage Preservation Tax Credit

The Budget proposes \$100 million for a new tax credit program to encourage the preservation of natural habitats and open space. The tax credits will be available as an incentive to owners of unique properties who are willing to enter into a public-private partnership to protect California's natural legacy.

Replacement of High-Polluting School Buses

The Budget proposes \$50.0 million to replace older school buses with buses that use less-polluting fuels such as compressed natural gas. With these funds, the state will exchange clean alternative fuel buses for pre-1977 dirty school buses.

Alternative Fuels

The Budget proposes a \$31.9 million initiative to significantly increase the state's use of alternative fuels to power motor vehicles.



Children's Health

Increasingly, scientific evidence has shown that children are physiologically more susceptible to environmental pollutants than adults. To address the unique needs of children, the Budget proposes:

- ▲ \$2.8 million to assist in the investigation and provide technical assistance in the clean up of hazardous substances at school sites.
- ▲ \$1.0 million to assess indoor air quality in portable classrooms.
- ▲ \$843,000 to evaluate the cancer risk to children from exposure to non-air pollutants and to develop school risk assessment guidelines.
- ▲ \$608,000 to implement pest management plans at schools to reduce the use of chemical pesticides and exposure of children to those chemicals.

CALFED

The Budget proposes \$136.1 million to implement various phases of the CALFED process. This represents continued commitment to address environmental restoration and water management in the San Francisco Bay and the Sacramento-San Joaquin River Delta through the CALFED program.

North Coast Watershed Assessment

The Budget proposes \$11.3 million to develop baseline information on watershed conditions that will be used to develop a scientific framework for improving a range of watershed protection, conservation, and restoration programs.



Inland and Coastal Wetlands

The Budget proposes \$46.5 million to continue rebuilding the state's wetlands inventory through restoration and acquisition activities.

Lake Tahoe

The Budget proposes \$19.5 million to reaffirm California's commitment to protect and restore the environmental quality of Lake Tahoe and the Tahoe Basin.

Water Quality

The Budget proposes \$9.7 million to implement a Water Quality initiative to restore the quality of water in impaired water bodies throughout the state. This funding will allow the Water Resources Control Board to evaluate all 160 watersheds in the state every five years.

Environmental Enforcement

The Budget proposes an increase of \$4.9 million to strengthen environmental protection efforts through an integrated statewide enforcement program that will shorten the amount of time needed between indentifying a problem and taking action, and increase criminal and civil legal actions when necessary.

Bonds

The Administration supports two major natural resources bond issues that will appear on the March 2000 ballot—"The Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000" (\$2.1 billion), and "The Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act" (\$1.97 billion).



BUILDING FOR THE 21ST CENTURY

California's economy and quality of life rest on a foundation of the state's infrastructure. The Governor's Budget strengthens that foundation with over \$4.6 billion targeted at the state's most critical capital outlay needs.

Transportation

The Governor's Budget proposes \$3.4 billion for transportation-related infrastructure. Additionally, the Governor proposes an integrated package of transportation proposals to make more timely and effective use of existing transportation. Taken together, these proposals would accelerate the spending of over \$3 billion in existing revenues for critically needed transportation projects. The Budget also includes \$121.0 million in one-time funds from the General Fund for intercity and urban/commuter rail projects in both Northern and Southern California.

Housing

The Governor's Budget expands upon the Administration's first-year housing initiatives. It proposes to permanently increase tax credits allocated for low-income housing development from \$35.0 million to \$50.0 million annually. The Budget also provides \$50.0 million for a one-time down payment assistance program for teachers. The program will help recruit teachers for hard-to-staff schools by helping them become homeowners. In addition, the Budget includes \$20.0 million for ongoing programs that assist communities in providing affordable housing.



Other Critical Infrastructure

In addition to the resources for transportation and housing, the Budget includes an investment of \$1.2 billion in the state's infrastructure.

Included in this amount is \$756.6 million for continuing phases of previously approved projects, such as:

- ▲ \$479.2 million for various projects at the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC).
- ▲ \$106.6 million for various Department of Corrections (CDC) projects, including mental health facilities and the second phase of the correctional treatment centers.
- ▲ \$56.8 million for the Department of Forestry and Fire Protection (CDF) to replace and renovate various fire stations and air attack bases.

Also included is \$418.9 million for the initial phases of new projects, such as:

- ▲ \$252.0 million for various projects at UC, CSU, and CCC, including \$75.0 million for UC to construct three Institutes for Science and Innovation.
- ▲ \$14.7 million for various acquisitions and renovation projects for the California Highway Patrol.
- ▲ \$14.2 million for acquisition and renovation projects at various state parks.
- ▲ \$10.5 million for critical CDC projects.



Bonds

The March ballot contains five bond measures that together provide an historic opportunity for California to meet the needs of its future. The Administration supports those bond measures.

Proposition 12—\$2.1 billion for parks, habitat acquisition and restoration, and farmland protection.

Proposition 13—\$1.97 billion for improved water supply, flood protection, and safe drinking water.

Proposition 14—\$350 million to update existing and build new libraries.

Proposition 15—\$220 million to update existing and build new crime laboratories.

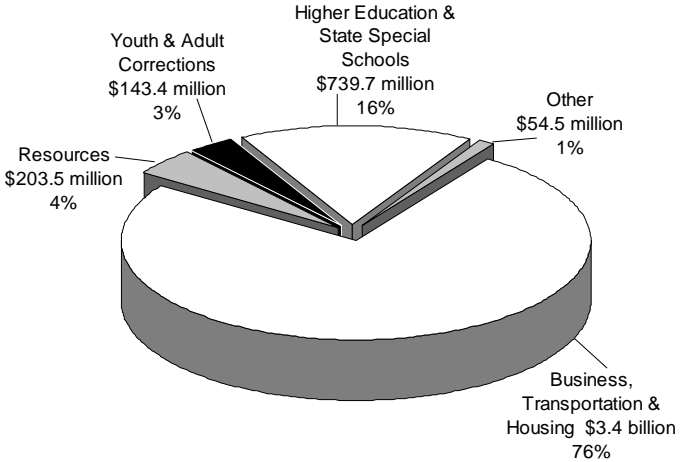
Proposition 16—\$50 million to renovate existing veterans' homes and develop future homes.

Planning for the Future

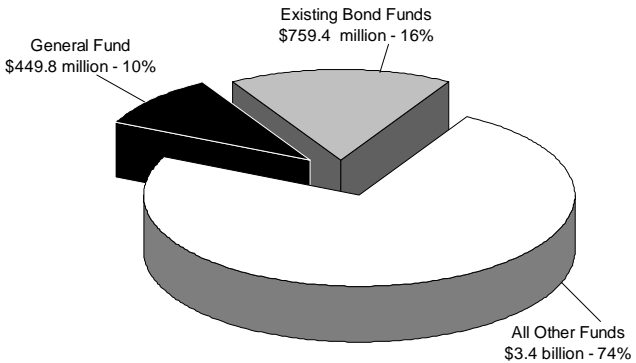
With the Governor's signature of Chapter 606, Statutes of 1999 (AB 1473), the State will be identifying long-term infrastructure needs and for the first time, laying out a funding strategy to address those needs. This legislation requires development of a five-year capital outlay needs and financing plan that is to be updated annually. The lengthy process for developing the first five-year plan will begin this year. That first plan will be presented in conjunction with the 2002-03 Governor's Budget.



Proposed Capital Outlay Expenditures by Agency (All Funds)



Total Recommended Capital Outlay





JUDICIAL BRANCH

The Budget provides a total of \$2.428 billion (\$1.436 billion General Fund) for the Judicial Branch:

(Dollars in Millions)

	<u>Totals</u>	<u>General Fund</u>
State Judiciary	\$334	\$280
Commission on Judicial Performance	\$4	\$4
Trial Courts	\$1,984	\$1,050
Retirements Costs	\$106	\$102

The 2000-01 Budget for the Judiciary has been increased by \$26.3 million (\$25.8 million General Fund), including \$10.2 million General Fund to the state court system to address workload growth and to fund court-appointed counsel costs for indigent defense at the appellate level. This amount will also fund administrative assistance to the trial courts in the areas of negotiation, procurement and asset management, technical and educational training for the 38 smallest county trial court systems, and fiscal management.

For the Trial Courts, the Budget includes the following:

- ▲ \$20 million to address trial court employee salary increases agreed upon between the trial courts and the counties.
- ▲ \$16.8 million to provide for a \$7 increase per day in juror compensation and for additional program needs in one-day/one-trial implementation.
- ▲ \$58 million to address case processing issues, family and children court program needs, court interpreter compensation



and caseload growth, compensation adjustments for judicial officers, and other high priority workload issues.

- ▲ \$2.1 million for the Judicial Administration Efficiency and Modernization Fund to annualize the cost of the Complex Litigation Center pilot project and the Alternative Dispute Resolution Program pilot project, both established in 1999-00.



DEPARTMENT OF GENERAL SERVICES

Alternative Fuel Vehicles—Consistent with the Administration’s goal of reducing both air pollutant levels and California’s dependency on declining petroleum reserves, the Budget includes \$12.3 million from the Petroleum Violation Escrow Account for the purchase, operation, and maintenance of 584 alternative fuel vehicles. Additionally, \$1.9 million is proposed from the Petroleum Violation Escrow Account to construct three refueling stations for these vehicles in Sacramento, Oakland, and Los Angeles.

Ensuring the Reliability of Emergency Communications—Effective communication between public safety agencies during disasters, emergencies, and the commission of crimes saves lives and property. However, state public safety agencies currently use separate and often incompatible radio systems, putting public safety officers and citizens at risk. The proposed Public Safety Radio Integrated Systems Management (PRISM) project would make one integrated communication system available to all major state public safety agencies.

The Budget includes \$1.8 million from various funds for the engineering and design of the PRISM public safety radio system, as a precursor to a potential pilot project in the six-county Sacramento area to test the feasibility of the system.

One Stop E-Business Center—At the present time, businesses spend excessive time and financial resources to navigate reference sources and websites to comply with regulatory requirements. The goal of this effort is to create an environment that enables direct and easy access to government. The Budget includes \$2.1 million General Fund for Phase I in 2000-01, and anticipates an investment of up to \$90 million over five years, to provide a single Internet portal to a variety of governmental and information services.



DEPARTMENT OF CONSUMER AFFAIRS

The Governor's Budget includes the following to enhance services to protect and assist California consumers:

- ▲ \$1 million from the General Fund to provide toll-free telephone service to Californians seeking information on consumer related issues.
- ▲ \$766,000 and eight personnel years to provide on-site consumer assistance in selected field offices in southern California.
- ▲ \$22 million to support a restructured Repair Assistance and Vehicle Retirement program funded with the revenue collected from a smog abatement fee. This program is being restructured as a result of the significant loss of revenue from the Smog Impact Fee that is no longer collected. Details of the restructured program will be presented in the spring.

DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Governor's Budget provides enhancements for the Department to increase its services to the citizens and employers of California:

- ▲ \$1 million to establish a pilot Mediation Unit to offer employees and employers assistance in resolving employment complaint cases outside of the existing investigation and litigation process.
- ▲ \$113,000 to establish a Public Information and Technical Assistance Unit to enhance public awareness of the rights and remedies available under California's civil rights laws, and to improve the delivery of assistance to employers and housing providers.



OFFICE OF EMERGENCY SERVICES

- ▲ The Budget proposes \$64.7 million in 1999-00 and \$51.2 million in 2000-01 for payment of disaster response and recovery costs incurred by local governments for various past disasters, including the Northridge Earthquake.
- ▲ The Budget also includes \$1.8 million to purchase seven new fire engines to replace older vehicles, thereby helping local fire and rescue teams function at maximum efficiency to preserve lives and property.
- ▲ In order to provide a more reliable means of communication in emergency response situations, an additional \$2.6 million is included to purchase certain equipment, including base station radios for the dispatch and deployment of mutual aid fire engines and hand-held radios used on-site during emergencies.

CALIFORNIA ARTS COUNCIL

- ▲ The Budget includes \$10.0 million for the Arts Education Program, which will focus on K-12 arts education, classroom teacher development, and adopt-a-school partnerships.
- ▲ The Budget also provides \$2.0 million for the Simon Wiesenthal Center, Museum of Tolerance which will provide training to approximately 5,000 teachers in K-12 public schools on tolerance and diversity.



DEPARTMENT OF INDUSTRIAL RELATIONS

- ▲ The Budget provides \$3.1 million reimbursements to implement the provisions of Chapter 554, Statutes of 1999, which establishes the Garment Manufacturers Inspection Program. This legislation requires the Department to establish new procedures for the resolution of claims for unpaid wages and overtime for workers in the garment industry.
- ▲ The Budget includes \$2.4 million for increased enforcement of occupational safety and labor standards to implement the provisions of Chapter 615, Statutes of 1999. This legislation requires the Department to increase civil and criminal penalties for violations of occupational health and safety standards, and extend the period in which discrimination complaints can be filed against employers.
- ▲ The Budget provides \$2.1 million to establish the Permanent Amusement Ride Safety Inspection Program. This program requires mechanical and operational inspections of all permanent amusement rides, and requires owners of these rides to submit an annual certificate of compliance to the Department.
- ▲ The Budget includes \$600,000 for the Division of Labor Statistics and Research to conduct prevailing wage reviews, labor market investigations, and area practices investigations.

DEPARTMENT OF FOOD AND AGRICULTURE

- ▲ The Budget includes \$705,000 General Fund and \$1.1 million Agriculture Fund for the Integrated Food Safety Program to conduct additional inspections related to enforcement of and compliance with milk and dairy food standards and to the illegal production of dairy products.



- ▲ The Budget also provides an additional \$2.4 million to reduce the growing threat to California from invasive pests, including \$1.3 million to expand the trapping of those pests, \$630,000 to expand the Preventative Med-fly Release Program in the Los Angeles basin, and \$500,000 to expand public outreach and education activities related to the Program.
- ▲ An augmentation of \$250,000 is included for a two-year pilot program involving a coalition with New Mexico, Florida, Arizona, and Texas to gain attention and consideration at the national level of important agricultural issues in the areas of research, conservation, risk management, international trade, animal and plant health, pest prevention programs, and agricultural labor.

MILITARY DEPARTMENT

Boot Camp Academy—The Budget includes \$9.2 million General Fund and 84 personnel years to establish a 12-month residential boot camp program at Camp San Luis Obispo for students who face expulsion for “zero tolerance” offenses.

California Cadet Corps—The Budget also includes \$1.5 million General Fund and six personnel years to reestablish state management and oversight of the Cadet Corps program for more than 6,500 middle and high school students. Students acquire healthy work habits, improved self-esteem and leadership skills, and become role models for other students.

Oakland Military Institute—The Budget provides \$1.3 million General Fund and 17 personnel years to establish the first year of funding for the Oakland Military Institute in support of 162 seventh grade students in a non-residential environment. This partnership between the City of Oakland, the City of Oakland Office of Education and the California Military Department will

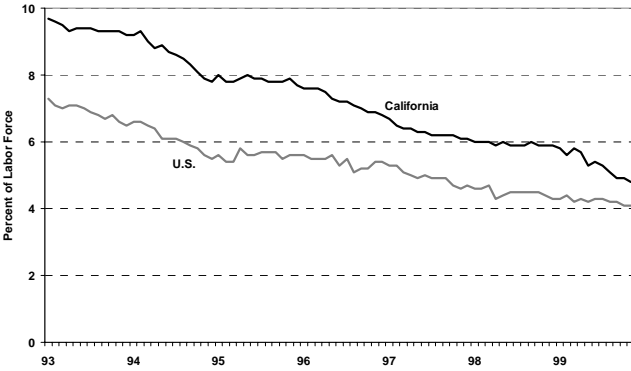


provide a college preparatory curriculum through a newly established charter school, with an emphasis on mathematics, literature, science, social studies, and foreign languages.

State Honor Guard Expenses—The Budget includes \$1.3 million General Fund and 27 temporary help personnel years to enable the California National Guard to render military honors at funerals for deceased veterans of all the armed services.

THE ECONOMY

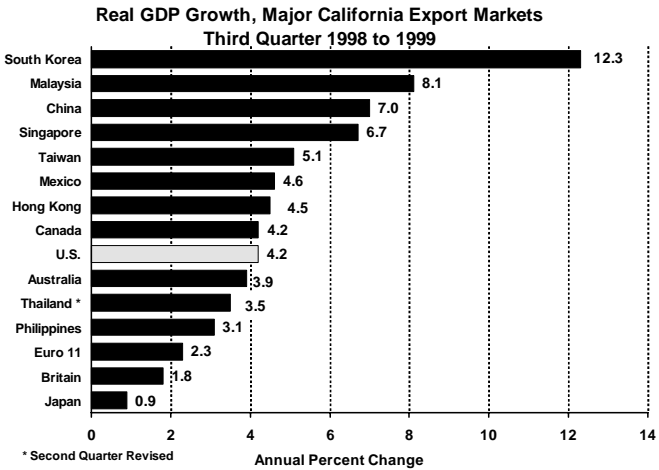
**Closing the Gap:
California and U.S. Unemployment Rates**



Growth in the U.S. and California economies exceeded expectations again in 1999. Prospects are good for continued robust economic growth in 2000 and 2001:

- ▲ The current economic upturn will become the longest in U.S. history at the beginning of February. U.S. economic growth is expected to moderate only slightly from the 4 percent annual increases of the last four years, to around 3 percent per year in 2000 and 2001.
- ▲ California's unemployment rate, at 4.8 percent in November 1999, was the lowest ever recorded on the current basis, dating from January 1970. The gap between the California and U.S. jobless rates fell from a peak of 2.8 percentage points in 1994 to 0.7 in November 1999.

▲ Revised U.S. economic data show much stronger gains in productivity (output per hour of work) than had previously been estimated. The new figures raise the nation's potential growth rate to as much as 4 percent, from the 2.5 percent pace estimated by Federal Reserve policy makers as recently as 1998. Strong productivity is also helping to keep inflation near 35-year lows.



▲ In 1999, California weathered the sharp economic contraction in Asia—the state's largest export market—posting the strongest employment and income gains in more than a decade.

▲ With much of Asia now in a strong recovery, continued solid growth in Mexico and Canada, and improved prospects for Europe, exports will be an important engine of California's economic growth in 2000 and 2001. In the third quarter of 1999, California-made exports increased 10 percent over the

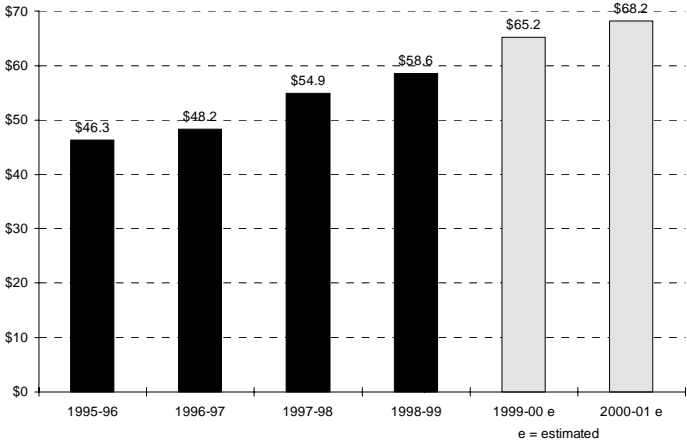


year-earlier period, led by a 48-percent surge in sales to East Asia (excluding Japan).

- ▲ Nonresidential construction is expected to remain strong, posting gains of 10 percent or more in 2000 and 2001. Homebuilding activity should also rise, although this year's expected 154,000-unit total remains very low by historic standards.
- ▲ Employment and income gains will continue, with nonfarm employment expected to increase by over 400,000 jobs or 2.9 percent this year, followed by 2.5 percent growth in 2001. Personal income is forecast to increase 6.5 percent in 2000, and 5.7 percent in 2001.

REVENUE ESTIMATES

General Fund Revenues and Transfers
(Dollars in Billions)



California's exceptional economic performance over the past year, coupled with continued strong stock market growth, led to robust revenue growth in fiscal year 1999-00 that is expected to largely continue in 2000-01. Since enactment of the final 1999-00 Budget, the General Fund revenue forecast over the past and current-year period has increased by \$2.9 billion. In addition, total General Fund revenues in 2000-01 are expected to be up \$3.1 billion, or 4.7 percent, from 1999-00, to reach \$68.2 billion.

The state's remarkable employment and income growth during 1999 were reflected strongly in revenues. At the time the Governor's Budget was prepared, personal income tax withholding paid in 1999 was over 14 percent above the year earlier. The first three estimated payments for the personal income tax were up over 15 percent. Taxable sales grew at a faster pace in inflation-adjusted terms than any time since the early 1980s.



Major Revenue Sources

Personal income tax revenues are expected to reach \$34.5 billion in 1999-00 and \$36.3 billion in 2000-01. Preliminary data indicate that 1998 was another impressive year for capital gains, increasing approximately 27 percent from the 1997 tax year. This forecast assumes capital gains will climb an additional 22 percent for 1999 from the 1998 level, before declining a modest 5 percent for 2000.

Sales and use tax revenue is forecast at \$20.2 billion in 1999-00 and \$21.4 billion in 2000-01. Taxable sales for 1999 are expected to be up by 8.8 percent over 1998. Revenue growth is expected to continue at a slightly more moderate pace during 2000 and 2001—up 5.7 percent and 6.0 percent, respectively.

Bank and corporation tax revenues are expected to total \$6.1 billion in 1999-00 and \$6.2 billion in 2000-01. Taxable profits are estimated to grow at a moderate rate throughout the forecast period, although revenue growth will be held down somewhat by credit usage and S-corporation activity.

Tax Initiatives

The Budget includes a number of Governor's tax initiatives designed to encourage conservation, aid the development of the New Economy, and assist those caring for the elderly and disabled. These proposals are estimated to provide \$167 million in tax relief during 2000-01 and include the following:

- ▲ A one-time personal income and bank and corporation tax credit in 2000 for land donated for conservation purposes. This credit is capped and will reduce revenue by \$100 million in 2000-01.



- ▲ A phased-in increase in the percentage of losses that businesses can carry forward to subsequent years from 50 percent to 60 percent. This is estimated to result in a revenue loss of \$1 million in 2000-01.
- ▲ An increase in the alternative incremental research and development credit to 90 percent of the June 30, 1999, federal credit. This is estimated to result in a revenue loss of \$4 million in 2000-01.
- ▲ A personal income and bank and corporation tax credit to encourage expansion of biomass conversion, effective for the 2001 and 2002 tax years, at a cost of \$10 million per year beginning with the 2001-02 fiscal year.
- ▲ A state sales tax exemption for qualified investment in rural areas. The revenue loss from this exemption will be capped at \$5 million per year beginning in 2000-01.
- ▲ A \$1,000 credit for each new employee who is hired by a small employer to perform aerospace work. The revenue loss from this credit is estimated to be less than \$1 million annually.
- ▲ A personal income tax exclusion for graduate school expenses paid by an employer at a cost of \$10 million per year beginning in 2000-01.
- ▲ A permanent increase in the amount of low-income housing credits that can be allocated annually from \$35 million to \$50 million. This proposal will not affect budget year revenues.
- ▲ A \$500 personal income tax credit for taxpayers who are or who care for elderly or disabled individuals in their homes. This is estimated to result in a revenue loss of \$47 million in 2000-01.



BUDGET RESERVE

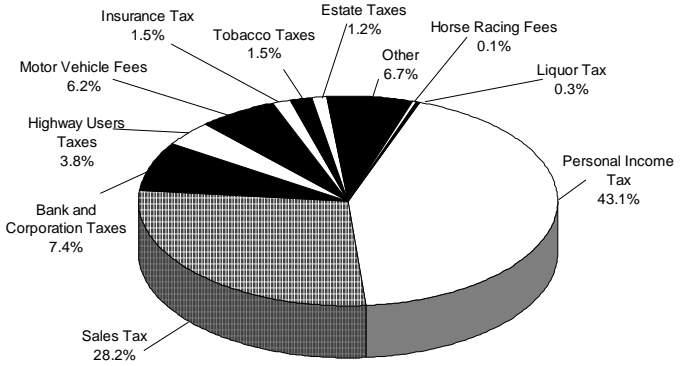
In recent years, General Fund revenue growth has been fueled by major increases in capital gains related to unprecedented growth in the stock market. This in turn has yielded significant revenue collections above budgeted levels. Maintenance of a budget reserve provides a cushion against the volatility of revenues, particularly those collections related to the performance of the stock market.

The Governor's Budget proposes \$3 billion in one-time expenditures and set-asides. A major component of one-time expenditures is a \$500 million set-aside against future legal contingencies. Also, the Budget includes \$665 million (\$562 million General Fund)—to respond to a recent court finding in the *Jordan v. Department of Motor Vehicles* case which invalidated the smog impact fee.

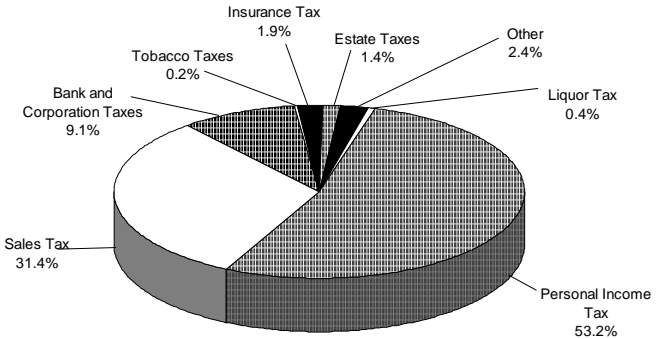
In addition, the Budget includes a General Fund Reserve of \$1.2 billion, or 1.8 percent of estimated 2000-01 revenues, to guard against unforeseen expenditure increases and revenue shortfalls.

REVENUES 2000-01 FISCAL YEAR

Total Revenues and Transfers

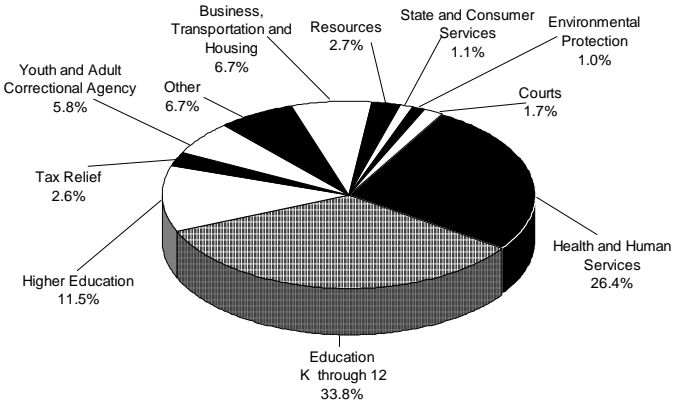


General Fund Revenues and Transfers

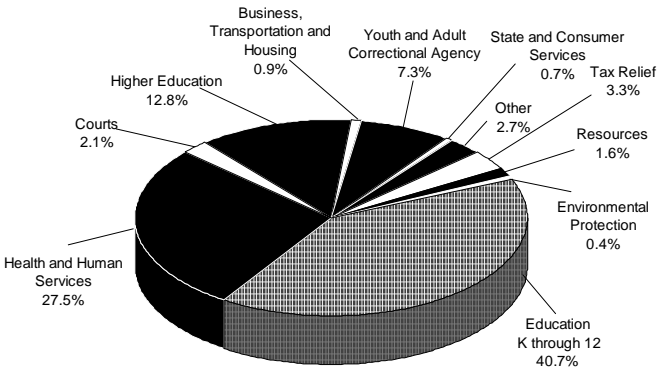


EXPENDITURES 2000-01 FISCAL YEAR

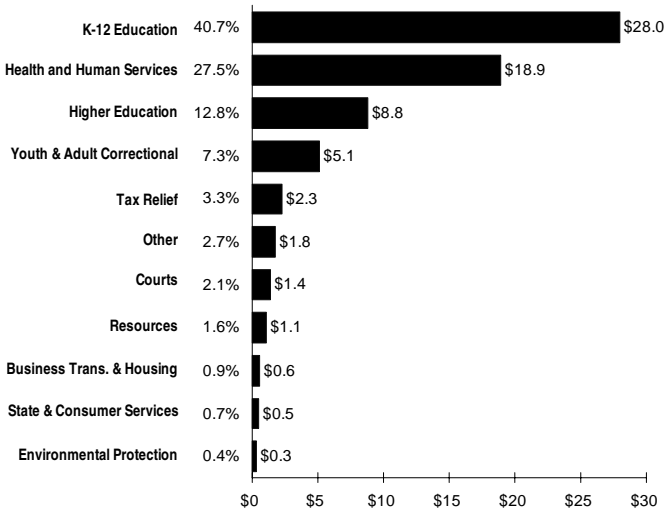
Total Expenditures
(Including Selected Bond Funds)



General Fund Expenditures



2000-01 General Fund Expenditures
(Dollars in Billions)



- ▲ K-12 Education continues to be the State’s top funding priority—over 40 cents of every General Fund dollar is spent on K-12 education.
- ▲ Combined with higher education funding, the State will spend more than 53 cents of every General Fund dollar on education.
- ▲ Education, public safety, and health and human services expenditures constitutes 88.3 percent of all State General Fund expenditures.

2000-01 Expenditures By Fund
(Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$28,014	\$45	\$1,705	\$29,764
Health and Human Services	18,920	4,321	--	23,241
Higher Education	8,775	690	657	10,122
Business, Transportation, and Housing	627	4,983	339	5,949
Trade and Commerce	82	9	--	91
Courts	1,440	66	--	1,506
Tax Relief	2,279	--	--	2,279
Local Government Subventions	227	3,232	--	3,459
Youth and Adult Corrections	5,054	18	--	5,072
Resources	1,132	1,080	144	2,356
Environmental Protection	256	569	71	896
State and Consumer Services	485	473	2	960
Other	1,528	825	6	2,359
Total	\$68,819	\$16,311	\$2,924	\$88,054

2000-01 Revenue Sources
(Dollars in Millions)

	General Fund	Special Fund
Personal Income Tax	\$36,319	--
Sales Tax	21,396	\$2,352
Bank and Corporation Tax	6,236	--
Highway Users Taxes	--	3,172
Motor Vehicle Fees	28	5,199
Insurance Tax	1,304	--
Estate Taxes	984	--
Liquor Tax	273	--
Tobacco Taxes	137	1,137
Horseracing Fees	1	33
Other	1,559	4,118
Total	\$68,237	\$16,011



2000-01
General Fund Expenditures
by Agency
(Dollars in Millions)

	<u>1999-00</u>	<u>2000-01</u>
Legislative, Judicial, Executive	\$2,319	\$2,395
State and Consumer Services	493	485
Business, Transportation & Housing	411	627
Trade and Commerce	483	82
Resources	1,465	1,132
Environmental Protection	179	256
Health and Human Services	17,842	18,920
Youth and Adult Correctional	4,868	5,054
K-12 Education	26,366	28,014
Higher Education	7,945	8,775
General Government	3,485	3,079
Total	\$65,856	\$68,819



**2000-01 Governor's Budget
General Fund
Budget Summary
(Dollars in Millions)**

	<u>1999-00</u>	<u>2000-01</u>
Prior Year Balance	\$3,708	\$3,012
Revenues and Transfers	<u>\$65,160</u>	<u>\$68,237</u>
Total Resources Available	\$68,868	\$71,249
Expenditures	<u>\$65,856</u>	<u>\$68,819</u>
Fund Balance	\$3,012	\$2,430
Budget Reserves and Set-Asides:		
Reserve for Liquidation of Encumbrances	\$592	\$592
Set-aside for Legal Contingencies	\$0	\$500
Set-aside for onetime Legislative Initiatives	\$0	\$100
Special Fund for Economic Uncertainties	\$2,420	\$1,238



EXECUTIVE OFFICE

B. TIMOTHY GAGE
DIRECTOR OF FINANCE
445-4141

BETTY T. YEE
CHIEF DEPUTY DIRECTOR
445-9862

ANNETTE PORINI
CHIEF DEPUTY DIRECTOR
445-8582

DENNIS HORDYK
ASSISTANT DIRECTOR FOR
BUDGETS AND OPERATIONS
445-4923

ROBERT MIYASHIRO
DEPUTY DIRECTOR FOR
LEGISLATION
445-8610

SANDY HARRISON
ASSISTANT DIRECTOR
323-0648

FLOYD SHIMOMURA
CHIEF COUNSEL
324-4856

BUDGET PROGRAM AREAS

Revenue Forecasting, Economic Projections, Demographic Research, Local Government, Business, Transportation and Housing, and Trade and Commerce Shelley Mateo 322-2263

Education Kathryn Gaither 445-0328

Health and Human Services Stan Cubanski 445-6423

Youth and Adult Correctional, Justice, Judiciary, General Government and State and Consumer Services Calvin Smith 445-8913

Resources, Environment, Energy, Capital Outlay and Legislation Fred Klass 324-0043

Employee Relations, Retirement Systems Robert Straight 327-0201

Budget Planning and Preparation, Cash Management, Statewide Issues Carl Rogers 445-5332

California's Budget on the Internet

This document is also available on the Internet at the California Department of Finance website—<http://www.dof.ca.gov>