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CALIFORNIA  
*Governor's*  
**BUDGET  
SUMMARY**



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GRAY DAVIS, GOVERNOR

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STATE OF CALIFORNIA

2001-02



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## Governor's Education Initiatives (Dollars in Millions)

Longer Year for Middle Schools	\$100.0
Professional Development in Reading and Math	335.0
Principal Training	15.0
Intensive Algebra Preparation	30.0
Using Assessment Data to Improve Student Achievement	25.0
High Tech High Grant Program	20.0
Math and Science Challenge Grant	5.0
Provide STAR Testing Workbooks to Students	27.5
Public School Accountability Act--Third Cohort	21.5
Fully Fund Governor's Performance Awards	123.0
Expand After School and Safe Neighborhood Program	20.0
Expand Academic Volunteer and Mentor Program	5.0
Loaned Teacher Tax Credit Program	<u>1.0</u>
Total	\$728.0

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## EDUCATION

### THE PATH TO EXCELLENCE: EXPECTATIONS, ACCOUNTABILITY, COMMITMENT

The Governor's 2001-02 Budget continues on the path to higher achievement and greater accountability in California's public schools. The Governor's Budget proposes initiatives in the following areas:

- More instructional time for middle schools
- Training for all teachers and principals in academic standards-based instruction
- Intensive algebra preparation for students and teachers
- Development of a method to easily monitor and analyze student achievement
- Funding for ten High Tech High Schools

### HELPING STUDENTS, TEACHERS, AND SCHOOLS MEET HIGHER EXPECTATIONS

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**Increased Instructional Time: Longer Year**—The Budget proposes a \$1.45 billion, three-year initiative that would add 30 days of instruction to reach a 210 day year for middle schools. The Budget provides funding increases of almost 17 percent per student (about \$770) for qualifying middle schools teaching at least two of grades 6, 7, 8, or 9 to lengthen the school year. This will ensure greater opportunities for rigorous, standards-based instruction for pupils in these schools.

**Intensive Professional Development in Reading and Mathematics**—The Budget includes \$335 million to provide 252,000 teachers and 22,000 instructional aides with standards-based professional development training in mathematics and reading. Modeled after the existing Professional Development Institutes, but structured as a \$2,500 per teacher/\$1,000 per instructional aide incentive payment to school districts, this three-year professional development program will provide mathematics and reading training to 140,000 multiple subject K-6 teachers, 28,000 special education teachers, and 22,000 instructional aides statewide. It will also provide mathematics training to 21,000 mathematics teachers and 15,000 science teachers, and reading training to 26,000 English teachers and 22,000 social science teachers.

**Principal Training**—The Budget includes \$15 million to improve the leadership skills and content knowledge of principals and vice principals through the provision of a new standards-based professional development training program. This program will provide principals with a solid foundation in academic standards, use of student assessments, school financial and personnel management, and instructional leadership.

**Intensive Algebra Initiative**—The Budget proposes \$30 million to upgrade the quality of algebra instruction while adding capacity to ensure all students take algebra. Schools will be provided \$50 for each student currently taking both algebra and the algebra standards-based test, and \$100 for each additional student beyond the current year number of pupils who take the algebra standards-based test. These funds may be used in any manner to attract and retain Algebra teachers, including providing salary differentials, training, or reducing class loads. These funds also may be used to implement programs to improve the pre-Algebra skills of students falling behind in mathematics. This initiative will help to meet the 2004 algebra graduation requirement enacted in Chapter 1024, Statutes of 2000.

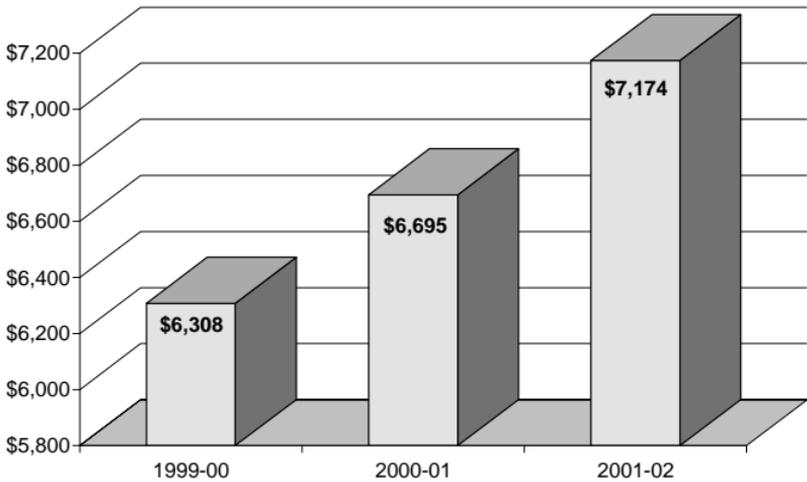
**Using Assessment Data to Improve Student Achievement**—The Budget sets-aside \$5 million to be used for the establishment of an incentives-based system to monitor student-level scores and provides an additional \$20 million in incentive funding for schools to purchase or develop software, and obtain related training, to analyze data from the Standardized Testing and Reporting (STAR) exam. Each of these proposals will pay immediate dividends for students, teachers, and administrators by providing the tools necessary to evaluate the strengths and weaknesses of students' performance on the STAR exam, thereby permitting resources to be targeted to best assist students in mastering the State adopted standards. These proposals will be used to develop a student-level longitudinal database, which will allow principals and teachers to better track the effectiveness of efforts to improve students' performance over time, while maintaining student confidentiality and privacy.

**High Tech High Grant Program**—To foster opportunities for students to meet the rigorous demands of the high-technology field and provide students with the resources necessary to achieve success, the Budget proposes \$20 million for the Office of the Secretary for Education to establish 10 new High Tech High Schools throughout the state. The \$2 million grants will be awarded on a competitive basis and require a 1:1 local match.

**Mathematics and Science Challenge Grants**—The Budget provides \$5 million for an incentive program for California businesses, education agencies, and community-based organizations to foster technology-friendly education and entrepreneurial development. Matching grants will be provided to promote public-private partnerships that increase the interest of K-12 students and at-risk youth in mathematics and science, and to develop new, or expand existing, school and community partnerships for mathematics and science-based careers.

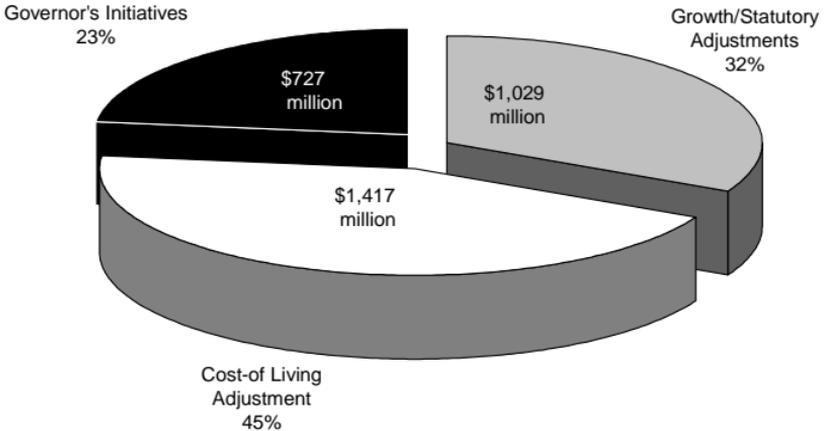
**Loaned Teacher Tax Credit**—To assist in easing the shortage of qualified mathematics and science teachers in the State, the Budget proposes a 50 percent credit for employers who lend employees to public schools to teach these subjects. This credit would apply to mathematics and science taught in middle and high schools, and community colleges, and will result in a revenue reduction of about \$1 million per year.

### K-12 Education Spending Per Pupil Proposition 98



- Total 2001-02 K-12 funding from all sources is now \$53.3 billion, an increase of \$2.9 billion over the revised 2000-01 level.
- Total 2001-02 per pupil expenditures from all sources are \$9,267, up \$1,253 from the revised 1999-00 level.
- Proposition 98 per-pupil spending for the budget year will increase to \$7,174, which is \$866 over the 1999-00 level. This translates to approximately a 6.9 percent average annual increase over the two-year period.
- Total Proposition 98 support for K-12 education will increase 8.3 percent in 2001-02, over the 2000 Budget Act level, for a two-year total increase of \$3.2 billion. The amount by which the Budget exceeds the minimum required funding level under Proposition 98 is \$555.1 million in 2000-01 and \$1,868.6 million in 2001-02.

**What the Two-Year Proposition 98 Increase Buys  
in 2001-02  
(Total = \$3,173 Million)**



- The most significant use of new K-12 Proposition 98 General Fund is \$727 million for new Governor's Initiatives which are detailed earlier in this document, as well as expansions of previous initiatives. (The Loaned Teacher Tax Credit is a revenue reduction.)
- Enrollment growth funding of \$462.5 million, which provides \$323.6 million for school district and county offices of education apportionments, \$41.5 million for special education, and \$97.4 million for all other summer school and categorical programs. An additional \$567 million is included for other statutory adjustments to various educational programs (special education settlement, mandate costs, annualizing partial year funding levels, and backfilling lost federal or one-time funds).
- A 3.91 percent COLA increase at a total cost of \$1,417.1 billion, which includes \$1.037 billion for apportionments, \$126.5 million for special education, and \$253.6 million for summer school and categorical programs.

## OTHER SIGNIFICANT PROGRAM IMPROVEMENTS AND CONTINUATIONS

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**Special Education**—The special education program continues the fourth year of the per-pupil funding formula enacted by Chapter 854, Statutes of 1997. An increase of \$159.6 million is proposed for statutory adjustments to the special education formula including growth (\$41.5 million) and COLA (\$126.5 million), a \$22 million reduction to reflect an increase in property taxes, and \$13.6 million to fund a current year deficiency in the special education program due to 2000-01 Average Daily Attendance (ADA) increases. The Budget also fully funds the equalization and low incidence disabilities adjustments, and provides \$97.9 million to increase the per ADA funding level in the special education program.

**Special Education Settlement**—In November 2000, a settlement was reached with the claimants in the 20-year-old Riverside Special Education Mandate Case. This agreement also includes settlement of the Long Beach Mandate Case regarding provision of services to students, ages 3 to 5 and 18 to 21. The Budget includes \$270 million in one-time funding for retroactive payments, the first \$25 million in one-time funds that will be provided on an annual basis for 10 years, and \$100 million in 2001-02 on a permanent basis.

**Kindergarten Readiness Pilot Program**—The Budget includes \$13.9 million to implement the first year of the Kindergarten Readiness Pilot Program established by Chapter 1022, Statutes of 2000. The program provides funding to school districts that agree to raise the minimum age of admission of kindergarten pupils by three months and agree to provide pre-kindergarten readiness instruction. Included in the amount budgeted is \$500,000 to fund initial evaluation activities.

**California School Information Services (CSIS)**—The Budget includes \$16.5 million to continue development of CSIS based on additional school information system vendor packages, and to expand voluntary school district use of the system.

**State Mandated Education Programs**—The Budget includes \$461 million in Proposition 98 General Fund to pay for State mandated education programs. Of this amount, \$233.1 million is for total ongoing program costs (an increase of \$78.5 million over last year) and \$227.9 million is for prior-year education mandate claims.

**Regional Occupational Centers and Programs Equipment**—The Budget proposes \$10 million in one-time funds for Regional Occupational Centers and Programs equipment, which will improve technical training for Californians in specialty areas such as information technology and automotive technology.

## **K-12 SCHOOL FACILITIES**

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- **Proposition 1A**—In November 1998, voters passed Proposition 1A, which provides \$6.7 billion in general obligation bond funds for K-12 school construction over four years. The funds have been apportioned to school districts in a timely and efficient manner. As of December 13, 2000, \$1.6 billion of the funds remain to be apportioned. These funds will be available for apportionment to school districts through July 2002.
- **Deferred Maintenance**—The Budget includes \$185 million General Fund, an increase of \$8.8 million, for the K-12 Deferred Maintenance Program to fully fund the statutory one-half of one percent state match.

- **Proposition 39**—Voters passed Proposition 39 (School Facilities—55 Percent Local Vote, Bond, Taxes, and Accountability Requirements) in November of 2000, which makes it easier for local communities to pass school bonds by lowering the vote requirement to 55 percent. As a result, and subject to voter approval of local bonds, additional resources could become available to assist school districts in meeting their facility needs.

## CHILD CARE AND DEVELOPMENT PROGRAMS

Child Care services are a critical part of the State's effort to assist families who are working toward self-sufficiency. Accordingly, the Budget includes funding increases for a variety of child care services and related activities, as follows:

- Last spring, the Administration initiated a review of the State's child care policies, with the goal of determining how existing resources may be more efficiently used to equitably serve the State's neediest families. Issues under review include current eligibility standards, family fees, and federal and State subsidy levels. This policy review will continue into the early part of 2001, with results and recommendations expected in the spring.
- \$41.7 million in additional Stage 3 Setaside funding to serve California Work Opportunity and Responsibility to Kids (CalWORKS) families who exceed the two-year transitional child care benefit before the end of July 2001. This fully funds the Administration's one-year commitment to the Stage 3 population, pending completion of the child care policy review effort. Total CalWORKS related child care funding is over \$700 million in the State Department of Education (SDE). While the Stage 1 budget increases from the current year by \$98, Stage 2 funding is reduced by \$98 million to reflect families moving from Stage 1 to Stage 2 at a slower rate than anticipated. Stage 1 caseload increases are included for the Department of Social Services (DSS) in the Health and Human Services section.

- A reserve of \$100 million is separately budgeted and available to both SDE and DSS to ensure sufficient funding for CalWORKs Stage 1 and Stage 2 child care services.
- \$22 million to expand the After School Learning and Safe Neighborhoods Partnerships Program, including \$20 million for mid-year expansion of After School grants and \$2 million in one-time funds for increased technical assistance. These funds are targeted to middle schools, giving priority to programs with high academic assistance standards, and will provide services to approximately 350 additional schools serving at least 44,000 additional students. Full funding of \$40 million will be provided in the following year.
- \$66.8 million to annualize the half-year expansions initiated in the current year for General Child Care targeted to 0-5 year olds (\$40 million), State Preschool (\$23.8 million), and Migrant Day Care (\$3 million).
- \$53.8 million in one-time funding for transfer to the Child Care Facilities Revolving Fund for the purchase and installation of new portable child care facilities and for renovating and improving existing buildings for licensure. These funds will help meet overall demand for new child care facilities and support the CalWORKs Center-Based Pilot initiated in the 1999 Budget Act.
- \$5 million in one-time funds to expand upon the Pre-Kindergarten Guidelines for child care centers completed in the current year and strengthen the quality of care delivered by family child care homes and exempt providers.
- \$1 million to continue the Home Instruction Program for Preschool Youngsters (HIPPY) to support the involvement of parents in their preschoolers' early childhood development.
- \$45.5 million for a 3.91 percent COLA for eligible child care programs.

- \$5.4 million to help compensate child care and development contractors for increased costs associated with State minimum wage increase requirements.

## CALIFORNIA STATE LIBRARY

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The 2000-01 Governor's Budget includes the following augmentations for the California State Library:

- **Library of California**—\$3.2 million to continue implementation of the Library of California, which promotes information, technology, and resource sharing among public, private, academic, and special libraries through a system of regional library networks.
- **Families for Literacy Program**—\$500,000 for the Families for Literacy Program, which provides literacy and pre-literacy services focusing on families with illiterate adults and young children. The augmentation will allow service to about 3,000 more families (about 8,000 more children) and distribution of an additional 30,000 books annually.
- **Public Library Foundation**—\$2.1 million for the Public Library Foundation, which allocates State funds to local public libraries for the provision of basic library services such as maintaining service hours and purchasing books.
- **Transaction Based Reimbursements**—\$1.25 million to support increased participation in the Transaction Based Reimbursements program, which provides reimbursement for handling costs when a public library lends materials to another library or to a resident of another library's jurisdiction.
- **Digital Library of Historic Photographs**—\$157,000 to begin digitizing the California State Library's collection of original photographs that document the state's history from the late 1840s to the present.

## HIGHER EDUCATION

This Budget supports California's systems of higher education in providing universal access and high quality learning experiences, while remaining affordable to all qualified students and accountable to the public. The Budget continues the Administration's focus on quality, accessibility, affordability, and accountability.

**Institutes for Science and Innovation**—The California Institutes for Science and Innovation will spark a new generation of key technologies to speed innovation from the laboratory into daily life. The Budget continues funding for three institutes launched in 2000 to provide world-class research centers at the University of California (UC) (\$75 million), and provides an additional \$33 million to launch a fourth institute. These resources will be matched with at least \$2 of non-State funding for each \$1 of State funding.

**Affordability**—California scored an "A" in affordability in a recent report on higher education from the National Center for Public Policy and Higher Education. The state's top grade was boosted by its exceptionally low tuition—\$11 per unit—at California's Community Colleges (CCC). Fees and tuition at California State University (CSU) and UC remain 10 percent below 1997-98 levels; the Budget provides for a seventh consecutive year with no fee increases.

**Cal Grants**—The Budget provides a \$127.9 million augmentation to fund the recent historic expansion of the Cal Grant program, so that every financially needy high school senior with good grades can receive financial assistance for higher education.

**Partnership Agreement**—To support the Partnership Agreement developed between the Administration and UC and CSU, the Budget includes an average annual increase of four percent from the prior

year, another one percent for core areas such as equipment, maintenance, and libraries, and full funding for enrollment growth, capital outlay debt service, and annuitant health benefits.

**Year-Round Operation**—Because several UC and CSU campuses are approaching enrollment capacity, the Budget provides \$33.1 million for conversion of those campuses to year-round operation, ensuring additional enrollment space for the growing number of students at UC's Berkeley, Los Angeles, and Santa Barbara campuses, and CSU's Long Beach, San Diego, Fullerton, and San Francisco campuses.

**Merced**—UC remains on track to open its Merced campus by fall 2004. The Budget provides \$160.4 million in capital outlay funding: \$158.6 million to construct library, lecture, laboratory, and support facilities and the first phase of infrastructure, plus \$1.8 million for planning instructional and faculty office facilities. In addition, \$2 million in one-time funds are provided for start-up expenses associated with recruiting faculty in time for the accelerated opening date.

**Accountability**—UC and CSU are meeting accountability goals by improving student outcomes with respect to graduation and retention rates; increasing enrollments in teacher credentialing programs, engineering, and computer science in order to meet the State's workforce needs; and assuming a greater responsibility in working with K-12 schools to improve student and teacher performance. UC and CSU are also expanding the number of joint programs among the higher education segments, including more joint doctoral degree programs between UC and CSU, and improving productivity and utilization of existing facilities.

**K-12 Linkages**—The Budget provides an additional \$37 million augmentation for K-12 linkages, including \$17.5 million for Governor's Teaching Fellowships at CSU, which provide nonrenewable graduate teaching fellowships to students who agree to teach at

low-performing schools; \$18.5 million for the Governor's K-12 Technology Training Initiative at CSU to train teachers to use technology in the classroom to improve student performance; and \$1 million to expand CSU's Diagnostic Writing Service, which provides feedback to high school students about the strengths and weaknesses of their writing skills.

**Core Budget Needs**—In 1999-00, the Governor supported the first year of a four-year plan to address chronic funding shortfalls in core areas of the budget. The UC budget plan includes funding for the third year of this four-year plan, providing \$11 million for ongoing building maintenance, \$12 million for instructional technology, \$2 million for instructional equipment replacement, and \$5 million for library materials. All four of these core areas of the budget are critical to maintaining the quality of education at UC. The Budget provides an additional \$20 million in one-time funding beyond what is called for under the Partnership for deferred maintenance, instructional equipment, and library materials.

**Capital Outlay**—In addition to funding for UC Merced and the Institutes for Science and Innovation, the Budget proposes \$243.3 million for capital outlay expenditures at UC and \$207 million for those at CSU, to support projects geared toward planned enrollment growth; correction of seismic and life-safety deficiencies; and other infrastructure, renovation, and modernization projects.

## Higher Education Funding

## Total Funds

(Dollars in Millions)

	1999-00	2000-01	2001-02	One-Year Change	
				Amount	Percent
University of California <sup>1/</sup>	\$3,694.6	\$4,242.2	\$4,465.0	\$222.7	5.3%
California State University <sup>1/</sup>	2,813.1	3,134.6	3,354.9	\$220.3	7.0%
Community Colleges	5,327.6	5,801.1	6,248.5	\$447.4	7.7%
Student Aid Commission	385.4	531.7	669.5	\$137.8	25.9%
Other Higher Education <sup>2/</sup>	205.4	232.7	242.0	\$9.3	4.0%
<b>Total Funds</b>	<b>\$12,426.1</b>	<b>\$13,942.4</b>	<b>\$14,979.9</b>	<b>\$1,037.5</b>	<b>7.4%</b>

<sup>1/</sup> 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.

<sup>2/</sup> 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 7.4 percent. General Fund increases average 9.5 percent.
- The Budget provides UC with \$202.5 million and CSU with \$215.9 million of new General Fund resources.
- The Budget funds enrollment increases of 5,700 (3.3 percent) for UC and 8,760 (3.0 percent) for CSU. These increases will bring total enrollments (including summer full-time equivalent [FTE] students at campuses converted to Year-Round Instruction) to 179,688 FTE students for UC and 303,878 FTE students for CSU—the highest ever.

## UC AND CSU

### OTHER SIGNIFICANT INCREASES

**UC Outreach**—The Budget includes \$1.5 million for UC to increase its graduate and professional schools' outreach efforts to help students from educationally disadvantaged backgrounds.

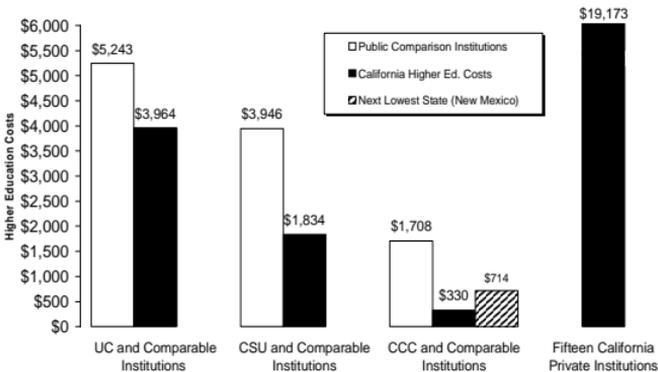
**UC Research**—The Budget includes \$35 million in one-time funding for UC to invest in research aimed at areas of key economic importance to the State, including:

- Engineering and computer science research (\$5 million).
- Environmental science research (\$5 million).
- Research into long-term solutions to Pierce's disease, an insect-transmitted bacterium that threatens California's wine, table, and raisin grape industry (\$3 million).
- Continuation of the development of Internet2 (\$18 million), a high-speed national data transmission network, to assure that faculty and students have the access they need to encourage cooperative research initiatives within UC and with other countries.
- Neurodevelopmental research through the Center for the Medical Investigation of Neurodevelopmental Disorders (the MIND Institute), including biomarker research (\$4 million) to attempt to determine whether specific biomarkers are present at birth in children who later develop certain neurodevelopmental disorders, and related investigations in the areas of animal models, immunology, brain damage, molecular biology, and genetics (\$2 million).

**CSU**—The Budget includes \$44.2 million in permanent funding above the partnership for the following CSU activities:

- Fully fund 1,000 annual Governor’s Teaching Fellowships (\$17.5 million).
- Expand the Governor’s K-12 Technology Training Initiative (\$18.5 million) to train teachers to use technology in the classroom to improve student performance.
- Fully fund permanent fixed costs (\$3 million) for start-up of the Channel Islands campus.
- Expand applied research efforts (\$3 million) in the areas of agricultural research, biotechnology (CSUPERB), and marine studies (\$1 million each).
- Expand the Diagnostic Writing Service (\$1 million).
- Create a Central Valley Economic Incubator (\$650,000) at CSU Fresno to develop a high-technology industry base in the region.
- Backfill federal Goals 2000 funds (\$500,000) for the California Center for Teaching Careers (CalTeach).

**Fee Levels Remain Low at California’s Public Higher Education Institutions Compared to Tuition Levels in Other States and California’s Private Institutions**



## CALIFORNIA COMMUNITY COLLEGES

- An increase of \$447.4 million, or 7.7 percent, is proposed for the California Community Colleges (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 30,800 additional full-time equivalent (FTE) students, bringing the estimated level to nearly 1,060,000 FTE students, the highest level yet. The 3 percent funded growth in enrollments exceeds the projected growth in adult population change of 1.82 percent in order to meet projected demand and ensure greater access.
- To assist districts in making part-time faculty salaries more comparable to full-time faculty for similar work, the Budget proposes \$62 million for part-time faculty compensation. In addition, the Budget provides \$7.9 million (\$3.2 million for 2000-01 and \$4.7 million for 2001-02) to expand the number of part-time office hours funded at a 1:1 state-to-local match.

The Budget also includes funding for the expansion of existing programs. These programs provide residents with the ability to attend college, train California's future workforce, and ensure that CCC students have access to a properly maintained facility with modern equipment. Specific augmentations include:

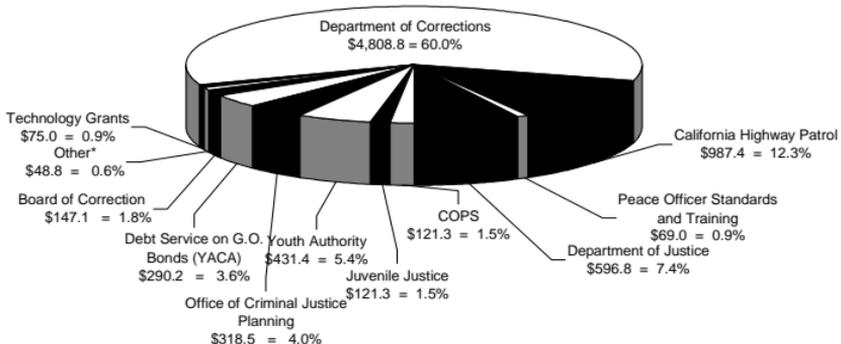
- \$11 million for Student Financial Aid Administration to ensure that all eligible students have access to Cal Grants.
- \$5 million for the Teacher and Reading Development Program.
- \$5 million for the Economic Development Program's industry-driven regional collaboratives.

- \$800,000 for an additional 170,000 hours of apprenticeship instruction.
- \$800,000 for Disabled Students Programs and Services.
- \$10 million for Scheduled Maintenance and Special Repairs.
- \$10 million for Instructional Equipment and Library Materials.
- \$1 million for San Mateo Community College District to form a joint baccalaureate program between Cañada College and San Francisco State University.

## PUBLIC SAFETY

A total of \$8.0 billion is proposed for various programs within the Youth and Adult Correctional Agency, Department of Justice, 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 2.2 percent increase over the revised 2000-01 Budget amount. The more significant funding changes for these programs are noted below.

**Public Safety Proposed Expenditures for 2001- 02**  
**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

**California Methamphetamine Strategy (CALMS)**—The Budget provides \$10.5 million to continue the CALMS program, in anticipation that federal funds may no longer be available for this purpose. The CALMS program is a multi-component, systematic approach targeting all facets of methamphetamine production and trafficking.

**Responding to the State's Energy Challenge**—The Budget adds \$2.4 million in 2000-01 and \$4 million in 2001-02 to investigate the current electricity and natural gas problems facing California and to provide legal advice to decision-makers in their efforts to restore competitive markets and reliable energy supplies to Californians on a long-term basis.

**Sexual Predator Apprehension Teams**—The Budget includes \$2.9 million to create Sexual Predator Apprehension Teams in San Diego and Orange County. Combined with teams in Los Angeles, Fresno, San Francisco, and Sacramento, these new teams will provide statewide coverage to monitor the activities of California's 86,000 registered sex offenders.

**Post-Conviction DNA Testing**—The Budget adds \$1.8 million to implement Chapter 821, Statutes of 2000, which allows specified incarcerated felons to petition the court for the performance of a DNA test. These resources will enable the DOJ to represent the State on those petitions not handled by district attorneys, and to perform half of the DNA tests anticipated to be granted.

**Missing Persons DNA Data Bank**—The Budget provides \$2.9 million to implement Chapter 822, Statutes of 2000, which provides for the comparison of DNA samples of missing persons against DNA samples taken from unidentified human remains.

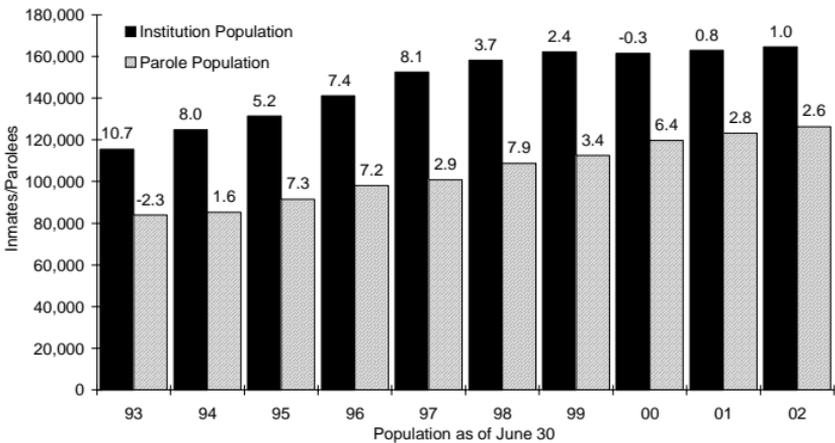
**Elder Abuse Public Awareness Campaign**—The Budget adds \$2 million to implement Chapter 559, Statutes of 2000, which requires the Attorney General, in conjunction with the Health and Human Services Agency, to establish a statewide elder and dependent abuse awareness media campaign.

**Cal-Photo**—The Budget includes \$1.2 million to expand the Cal-Photo image index application pilot to ten additional law enforcement agencies and to provide for continued statewide expansion of the system, including connectivity with the Department of Motor Vehicles' Drivers License Image application. The Cal-Photo project will enable law enforcement agencies to identify suspects quickly, to protect individuals who have had their identification stolen and used by criminals, and to provide photographic "lineups" for victims and witnesses of crime to more quickly identify offenders.

**Rape Kit Analysis**—The Budget adds \$5.3 million in 2000-01 and \$13 million in 2001-02 to assist local law enforcement agencies with the development of DNA profiles for 18,000 unsolved sexual assault cases pursuant to the Administration's \$50 million DNA Rape Kit initiative in the 2000-01 Budget.

## DEPARTMENT OF CORRECTIONS

Department of Corrections  
Institution and Parole Population Growth



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

**Prison Population**—The prison inmate population is projected to increase from 162,846 on June 30, 2001, to 164,473 by June 30, 2002, an increase of 1,627 inmates, or 1 percent. Incarceration services will be provided through 33 institutions, 11 reception centers, 38 camps, and 16 community correctional facilities.

**Parole Population**—The State parole population is projected to reach 123,058 by June 30, 2001. This population is projected to increase to 126,316 by June 30, 2002, an increase of 3,258 parolees, or 2.6 percent.

**Substance Abuse Treatment Program Expansion**—The Budget includes \$3.9 million General Fund to implement a 500-bed therapeutic community substance abuse treatment program expansion, including community-based residential aftercare treatment for 50 percent of the program graduates.

**Violence Control Pilot Program**—The Budget proposes \$8.4 million for security enhancements at CDC institutions. This includes \$3.2 million to implement a Violence Control Pilot Program intended to alter inmate behavior and reduce violence, and \$5.2 million for equipment to enhance security at CDC institutions.

**Increased Security for Condemned Inmates at San Quentin State Prison**—The Budget includes \$1.1 million to address the increasingly violent nature of condemned inmates held at San Quentin State Prison. The Department is redirecting existing resources in the current year to address this issue.

**Preventative Maintenance Program for Door Operating System**—The Budget includes \$58.3 million to repair or replace electromechanical security door operating systems at several institutions, and to establish a preventative maintenance program for these systems.

**Workers' Compensation Shortfall**—The Budget includes \$10.9 million in 2000-01 and \$21.8 million in 2001-02 to provide resources for workers' compensation costs, and to perform fraud investigation for workers' compensation claims.

**Increase Budgeted Relief for Posted Positions**—The Budget includes \$16.2 million in 2000-01 and \$28.2 million and 479 personnel years in 2001-02 to increase the budgeted relief factors for posted positions. This will allow employees in posted positions the opportunity to take off accrued time in a timely manner, reduce the liability for excess leave balances, and reduce staff overtime.

**Inmate Medical Services**—The Budget includes \$15.9 million and 153 personnel years to enhance the Department's inmate health care system by establishing a reception center diagnostic program and by implementing various health care program improvements at four high security institutions.

**Mental Health Services Delivery System**—The Budget provides for an increase of \$4.2 million in 2000-01 and an augmentation of \$16.0 million in 2001-02 to enhance and expand the Department's mental health services program. Funding is also included to contract for health services at three institutions to enable the Department to reduce high vacancy rates for various classifications of clinical mental health staff.

**Medical and Psychiatric Supplies**—The Budget includes \$30.1 million in 2000-01 and \$56.9 million in 2001-02 to accommodate cost increases for pharmaceuticals and medical supplies.

**Contract Medical**—The Budget contains augmentations of \$14.9 million in 2000-01 and \$25.8 million in 2001-02 to address increased costs for contracted medical and psychiatric services.

**Incarceration of Undocumented Felons**—The State of California currently spends approximately \$571.2 million related to the incarceration of undocumented felons. The Budget anticipates that the State will receive approximately \$190.9 million in 2000-01 and \$189.2 in 2001-02 from the federal government as part of the State Criminal Alien Assistance Program as a partial reimbursement of these costs.

## DEPARTMENT OF THE YOUTH AUTHORITY

**Institution and Parole Population**—The Youth Authority projects an institution population of 6,975 on June 30, 2002, which is a decrease of 165 wards from the anticipated population of 7,140 on June 30, 2001. The parole caseload is projected to be 4,585 by June 30, 2002, which is a decrease of 20 cases from an estimated caseload of 4,605 on June 30, 2001.

**High Security Level Staffing**—The Budget includes \$549,000 to provide increased supervision and educational programming for the most violent wards under the care of the Youth Authority.

**Sex Offender Specialized Counseling**—The Budget includes \$2.8 million for 50 additional sex offender treatment beds and 35 parole transitional beds.

**Internal Affairs Staffing Increase**—The Budget provides an augmentation of \$342,000 in the Internal Affairs Division to address an increased number of internal investigations of alleged employee misconduct or violations of the law.

**Mental Health Resources**—The Budget provides \$4.3 million to expand the Department's mental health treatment program by 75 inpatient beds and 20 transitional parole beds, and to provide aftercare counseling for 350 parolees. This augmentation also funds a comprehensive assessment of the Department's mental health services program and ward treatment needs.

**Substance Abuse and Aftercare Service Expansion**— The Budget contains an increase of \$720,000 for a 50-slot expansion of the Substance Abuse Treatment Program and 25 contracted aftercare beds.

**Health Care Delivery Assessment Team**—The Budget includes \$392,000 to establish a team of experts from various health care fields to assess the quality of the medical, dental, and mental health services provided by the Department.

## OFFICE OF CRIMINAL JUSTICE PLANNING

**War on Methamphetamine**—The Budget adds \$40 million for disbursement to High Intensity Drug Trafficking Areas throughout the state to intensify current efforts to eliminate production and distribution of methamphetamine in California. This funding will be used to purchase specialized equipment to improve suppression activities and provide more investigators, agents, and prosecutors specializing in methamphetamine offenses.

**Local Crime Laboratory Funding**—The Budget proposes a one-time augmentation of \$30 million to be disbursed on a competitive basis for construction and for facilities and equipment upgrades of local crime labs.

**Identity Theft and High Technology Theft Program**—The Budget includes \$10.9 million for the High Technology Theft Apprehension and Prosecution Program. Of these funds, \$7.6 million will provide additional staff, training, and equipment to the five existing High Technology Crime Task Forces and \$3.3 million will be used to create an Identity Theft program within the task forces to combat identity theft and fraud statewide.

## CALIFORNIA HIGHWAY PATROL

**Urban Congestion Relief**—The Budget includes \$8.9 million for 76 additional motorcycle officers to provide traffic congestion relief during peak periods on the most congested freeways. Together with the 96 motorcycle officers provided by the 2000 Budget Act for this effort, these officers will reduce congestion in urban areas by clearing disabled vehicles and other traffic problems off the highways in less time.

**Racial Profiling**—The Budget proposes \$7 million for grants to local law enforcement agencies to collect and report data on the race of persons stopped for traffic offenses. This represents the second year of funding for a program begun in the 2000 Budget Act with \$5 million.

## CITIZENS' OPTION FOR PUBLIC SAFETY (COPS) AND JUVENILE CRIME PREVENTION PROGRAMS

The Administration proposes to provide \$242.6 million for 2001-02 to extend funding for the COPS program (\$121.3 million) and county juvenile crime prevention programs (\$121.3 million). The COPS program supports local front-line law enforcement, sheriffs' departments for jail construction and operations, and district attorneys for prosecution. County juvenile crime prevention programs will provide for a continuum of responses to juvenile crime and delinquency to provide a swift, certain, and graduated response for at-risk youth and juvenile offenders.

## **TECHNOLOGY GRANTS FOR LOCAL LAW ENFORCEMENT**

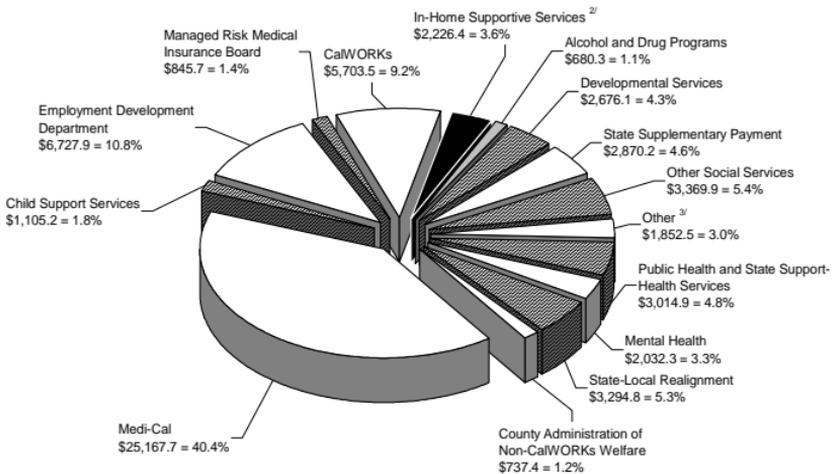
The Budget proposes a second year of funding at \$75 million for local law enforcement agencies to purchase high-technology equipment for crime prevention and suppression. Local agencies will receive a minimum allocation of \$100,000 and an additional per-capita amount to purchase high-technology equipment such as mobile computers, radios, and video imaging equipment.

## HEALTH AND HUMAN SERVICES

Health and human services programs provide medical, dental, mental health, and social services to California's most needy citizens. For the 2001-02 fiscal year, expenditures for all Health and Human Services Agency budgets total \$62.3 billion in combined State and federal funds. This includes expenditures for approximately 42,300 personnel years.

Figure 1 displays the allocation of funding by major health and human services program area.

**Figure 1**  
**Health and Human Services Proposed 2001-02 Expenditures<sup>1/</sup>**  
**All Funds**  
**(Dollars in Millions)**



<sup>1/</sup> Includes support and local assistance.

<sup>2/</sup> This figure includes reimbursements of \$1,347.6 million and excludes county funds of \$34.1 million that do not flow through the State budget.

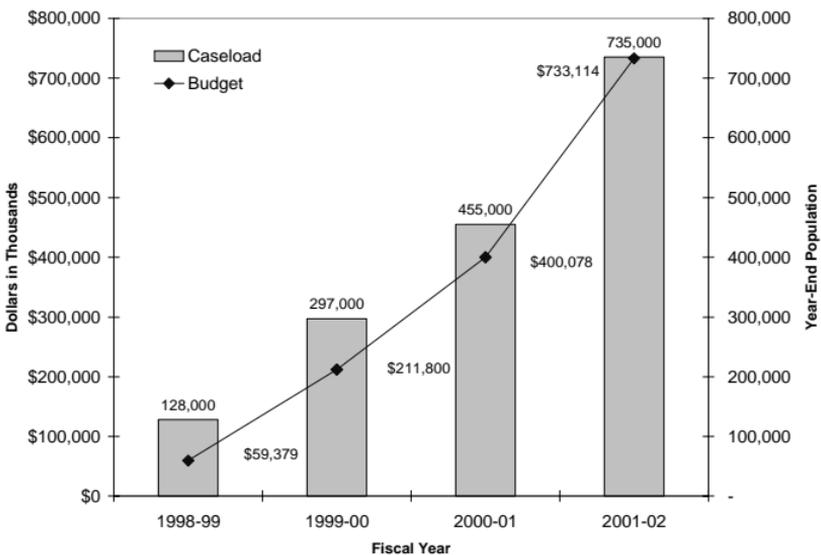
<sup>3/</sup> Includes Health and Human Services Agency, Departments of Aging, Rehabilitation, Community Services and Development, Health and Human Services Agency Data Center, Office of Statewide Health Planning and Development, State Independent Living Council, Emergency Medical Services Authority,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

## HEALTHY FAMILIES PROGRAM EXPANSION

**Healthy Families Program –Children**—The 1999 Budget Act expanded Healthy Families Program (HFP) coverage to uninsured children in families with income between 200 and 250 percent of the federal poverty level (FPL). Due to expanded eligibility, increased outreach efforts, and application simplification, enrollment is estimated to reach 455,000 children by June 2001, and 561,000 children by June 30, 2002.

**Healthy Families Program Adult Expansion**—The 2001-02 Budget proposes \$201.5 million to expand the HFP to include the uninsured adult parents of children covered by either the HFP or the Medi-Cal program with family incomes between 100 and 200 percent of the FPL. This expansion of the HFP will increase affordable health care coverage to low-income, uninsured adults and will improve efforts to enroll all eligible children by offering family-based coverage. It is estimated that 174,000 adults will receive health care benefits by June 30, 2002 under this expansion, bringing total HFP enrollment to 735,000 by that date (see Figure 2).

**Figure 2**  
**Healthy Families Program Expansion**



## TOBACCO SETTLEMENT FUND

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The 1998 Master Tobacco Settlement requires tobacco companies to make payments to the states totaling an estimated \$206 billion nationally through 2025. In 2001-02, the State will receive an estimated \$468 million. The Budget proposes to establish the Tobacco Settlement Fund to target the State's share of the tobacco settlement for expansion of health care services in California, particularly aimed at providing additional health care coverage for children and adults. These program expansions include the following:

- Healthy Families – children with family incomes from 200 to 250 percent of the FPL (\$74.4 million).
- Healthy Families – parent expansion (\$76.1 million)
- Medi-Cal – Section 1931 (b) and aged, blind, and disabled eligibles with incomes below 133 percent of the FPL (\$170 million).
- Youth Anti-Tobacco (\$20 million).
- Breast Cancer Treatment (\$20 million).
- Prostate Cancer (\$20 million).
- Child Health and Disability Prevention – children above age six (\$64.9 million).

## STRENGTHENING LONG-TERM CARE

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For 2000-01, the Governor's Aging with Dignity Initiative is providing approximately \$495 million (\$240 million General Fund) to help seniors remain at home and lead independent lives in the

community, and to improve the quality of care in California's nursing homes. For 2001-02, the Budget includes the following proposals to further strengthen long-term care resources for seniors:

**Quality of Care**—\$1.9 million (\$1 million General Fund) and staff to expand upon current-year efforts (\$9.1 million General Fund) to improve the quality of care in the State's nursing homes by enhancing State oversight of nursing facilities, improving responsiveness to consumer complaints, developing a new quality assurance process for State surveys, and assisting facilities to improve programs and services.

**Institutions for Mental Disease Transition Pilot Project**—\$1 million General Fund for pilot projects to expand community-based options for long-term care for patients currently placed in Institutions for Mental Disease. This proposal will fund these pilots at \$1 million annually for three years.

**Assisted Living Waiver for Long-Term Care Alternatives**—\$1 million (\$508,000 General Fund) on a one-time basis to develop an assisted living waiver that would ultimately yield more cost-neutral alternatives to nursing homes. This waiver would allow Medi-Cal beneficiaries to receive medical care in a more home-like environment.

**Pilot Projects to Expand Community Options for Long-Term Care**—\$1 million (\$500,000 General Fund) for the development of an assessment tool for individuals who qualify for long-term care in a community setting. These funds would be used by the Department of Health Services to explore strategies for assessing which individuals could be better placed in residential facilities.

**Senior Wellness Education Campaign**—\$1 million to continue, on a permanent basis, the Senior Wellness Education Campaign to educate seniors and their families on innovative community-based and in-home care alternatives to institutional placement.

**Linkages Program**—\$1.5 million General Fund to expand the Linkages Program by adding approximately 900 client slots and increased staffing to improve case management and supportive services to seniors who may not qualify for other state or federal programs, but still need assistance in order to remain in their homes.

**Adult Day Health Care**—\$982,000 (\$484,000 General Fund) and staff for the Adult Day Health Care Program to strengthen certification, oversight, and monitoring activities.

**Elder Abuse Public Awareness Campaign**—\$2 million General Fund to implement Chapter 559, Statutes of 2000, which requires the Attorney General, with the assistance of the Health and Human Services Agency, to establish a statewide elder and dependent abuse awareness media campaign.

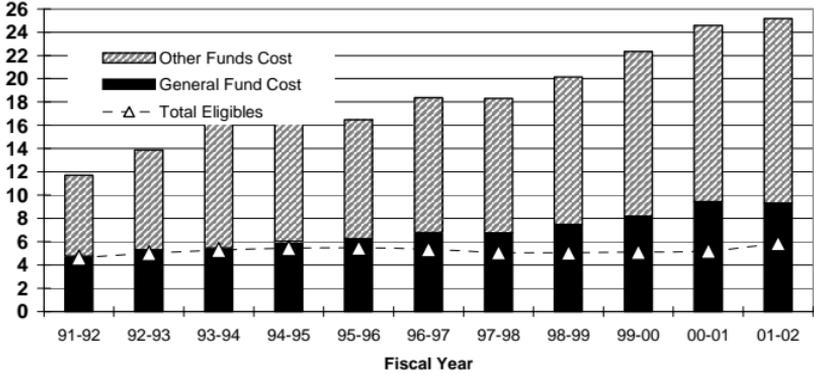
## DEPARTMENT OF HEALTH SERVICES

The 2001-02 Budget for the Department of Health Services includes total expenditures of \$28.2 billion—\$25.2 billion for Medi-Cal and \$3 billion for Public Health and State Administration.

### MEDI-CAL

Medi-Cal expenditures for 2001-02 are projected to be \$25.2 billion (\$9.3 billion General Fund) (see Figure 3). Continuing the Administration's strong commitment to provide a greater number of families and children with health care coverage, an additional 800,000 people will receive benefits through growth, expansion, and simplification of the Medi-Cal program between now and the end of 2001-02.

**Figure 3**  
**Medi-Cal Caseload and Costs, 1991-92 through 2001-02**  
(Eligibles in Millions, Dollars in Billions)



The large non-General Fund portion of total expenditures reflects disproportionate share and voluntary governmental transfers for hospitals, as well as federal Medicaid funds which flow through the DHS budget to other departments.

- Overall Medi-Cal caseload is expected to increase to 5.85 million eligibles, or by 12.3 percent, in 2001-02 compared to a 1.7 percent increase in the state population. The average monthly number of persons enrolled in Medi-Cal is about one in every six Californians.
- The 2001-02 Budget proposes \$42.2 million (\$18.4 million General Fund), or an increase of \$7.9 million, to expand outreach activities for the Healthy Families and Medi-Cal for Children programs. These outreach activities will improve the ability of eligible children and their parents to learn about and access program benefits.
- The 2001-02 Budget includes \$340.7 million (\$170 million Tobacco Settlement Funds and \$0.4 million General Fund) to continue the Medi-Cal expansion to two-parent working poor

families; provide no-cost Medi-Cal to aged, blind, and disabled persons with income below 133 percent of the FPL; and expand Medi-Cal coverage to the working disabled.

Additional eligibility expansions include:

- **Eliminating Quarterly Eligibility Status Reports**—Many Medi-Cal families were previously discontinued for failure to complete and return these reports. Eliminating this paperwork will result in about 218,000 adults retaining coverage at a cost of \$142 million (\$71 million General Fund) in 2001-02.
- **Providing Continuous Eligibility to Children**—To reduce the number of uninsured children in California and ensure continuity of care, the Budget includes \$269.5 million (\$134.8 million General Fund) to provide 12-month continuous eligibility to children 19 years of age or younger.
- **Continuing Eligibility to Persons leaving CalWORKs until their Annual Redetermination Date**—The Budget includes \$17.9 million (\$9 million General Fund) to ensure that persons terminated from CalWORKs will no longer be redetermined for Medi-Cal eligibility unless a clear reason exists for such a redetermination, such as a significant increase in family income.

Other 2001-02 augmentations include:

- \$128.4 million (\$64.2 million General Fund) to increase hospital outpatient reimbursement rates effective July 1, 2001.
- \$19.8 million (\$9.9 million General Fund) to pay premiums for Medi-Cal eligible beneficiaries enrolled in Medicare health maintenance organizations.

- \$19.6 million General Fund to continue permanently State-only funding for ancillary medical services provided to individuals in Institutions for Mental Disease.
- \$18.7 million (\$2 million General Fund) for health care systems changes required by the federal Health Insurance Portability and Accountability Act.

### PUBLIC HEALTH

- **HIV/AIDS Program**—The Budget provides \$270 million (\$120.6 million General Fund) for HIV/AIDS prevention, education, care, and treatment programs, including an increase of \$5.1 million for rising AIDS Drug Assistance Program demand and increased drug costs.
- **Proposition 99 Expenditure Plan**—The Budget proposes to release \$11 million in remaining litigation reserves to be used for the anti-tobacco media campaign. The Budget also funds caseload-driven programs.

Using available resources, the Budget proposes the following program augmentations:

- \$11 million for increased caseload in the Access for Infants and Mothers program.
- \$11.5 million for the Breast Cancer Early Detection Program.

In addition, the Budget continues the base level of services for all remaining programs and proposes continuation of the following program increases initiated in 2000-01:

- \$45.2 million for the anti-tobacco media campaign.

- \$24.8 million for emergency room physician services.

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 help provide adequate tobacco-control oversight.

- **County Medical Services Program**—This program provides health care to medically indigent adults in 34 rural counties. The State has historically contributed \$20.2 million General Fund. Due primarily to the availability of substantial local reserves, estimated at nearly \$132 million, as well as expanded health care coverage by the State, the 2001-02 Budget proposes the permanent elimination of the General Fund contribution for this program.

- **Childhood Lead Poisoning Prevention Program**—The Budget provides \$19.5 million, an increase of \$1.1 million above the 2000 Budget Act, for enhanced preventive 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. Further, the Budget provides \$853,000 in one-time General Fund to upgrade and modernize California's childhood lead exposure database system and \$250,000 for an outreach program to continue to expand the screening of at-risk children.

- **Community Challenge Grant Program**—This program provides community-based grants to reduce the number of teenage and out-of-wedlock pregnancies. The Budget proposes to use \$20 million one-time federal funds to continue this program.

- **Prostate Cancer**—The Budget provides an augmentation of \$10 million (Tobacco Settlement Fund), doubling the current program, to provide additional prostate cancer treatment to uninsured or underinsured individuals with incomes below 200 percent of the FPL.
- **Breast Cancer**—The Budget provides \$20 million (Tobacco Settlement Fund) to continue the Administration's commitment to fighting breast cancer. The funds will provide breast cancer treatment to uninsured or underinsured individuals with incomes below 200 percent of the FPL.
- **Childhood Asthma Initiative**—The Budget provides \$4 million to continue the Childhood Asthma Initiative. The program is funded by reimbursements from the California Children and Families Commission, and provides treatment to asthmatic children, provider education, and program evaluation.
- **Public Health Subvention**—The Budget provides \$3 million General Fund to be allocated to local health departments for various communicable and infectious disease control, surveillance, tracking, and treatment activities.

## MANAGED RISK MEDICAL INSURANCE BOARD

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The 2001-02 Budget for the Managed Risk Medical Insurance Board includes total expenditures of \$845.7 million (\$128.9 million General Fund), an increase of \$335.5 million, or nearly 66 percent above revised 2000-01 funding levels. The Budget reflects the following significant changes:

**Healthy Families Program**—The number of insured children will increase by 106,000. The parent expansion is expected to serve 174,000 presently uninsured adults by June 30, 2002. Total HFP enrollment is expected to reach 735,000 by June 30, 2002.

**Access for Infants and Mothers**—This program provides health care to uninsured pregnant women and their infants with family incomes between 200 and 300 percent of the FPL. The 2001-02 Budget proposes a total of \$65.3 million (\$1.4 million General Fund, \$61.1 million Perinatal Insurance Fund, \$2.8 million federal funds). This includes a funding increase of \$5.1 million to maintain an average of 527 women per month in the program.

## DEPARTMENT OF CHILD SUPPORT SERVICES

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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.

At the local level, activities to transition from the former district attorney-managed system will occur between January 2001 and January 2003.

The 2001-02 Budget proposes total expenditures approximating \$1.1 billion and 229.1 personnel years for DCSS.

**County Administration**—Under the new statewide system, the counties will receive federal financial participation and capped federal incentives for administrative expenses, with the remaining share of cost funded by state incentive funds up to the amount appropriated in the annual Budget Act.

**Federal Incentive Structure**—Under the performance-based federal incentive methodology, each state receives federal incentive funds based on certain performance categories. A revised federal incentive methodology will be fully implemented in federal fiscal year 2001 rather than federal fiscal year 2002 as previously estimated. This will result in a \$12 million loss of federal incentive funds in 2000-01.

**Child Support Collections**—In 2001-02, the Department estimates total collections of over \$2.3 billion, including payments to families and collections made in California on behalf of other states. The General Fund share of assistance collections, which is included in statewide revenue projections, is estimated at \$385.1 million in 2001-02.

**Child Support Automation**—Chapter 479, Statutes of 1999, designated the Franchise Tax Board (FTB) as the agent of the Department for the procurement, development, implementation, and maintenance and operation of the California Child Support Automation System. When in place, the system will protect California from the imposition of penalties for not having a federally approved system for collection and distribution of child support payments. California's delay in implementing a single, statewide automated system has resulted in significant federal penalties. The federal penalty anticipated in 2001-02 is estimated to be \$163.2 million General Fund.

As the statewide system is not yet in place, FTB will contract for an interim system that meets legislative requirements and is expected to result in over \$70 million of increased child support collections. Current FTB funding levels are adequate to implement this alternative in 2001-02; however, additional State funds will be required by DCSS for associated implementation costs, and by FTB in future years, to offset an anticipated loss of federal funds.

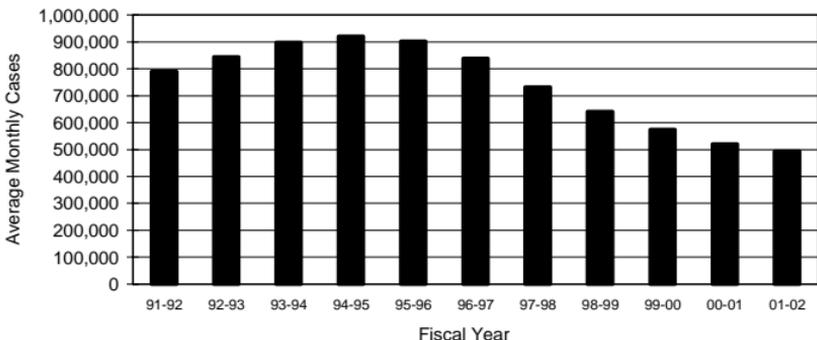
**DEPARTMENT OF SOCIAL SERVICES****CALIFORNIA WORK OPPORTUNITY  
AND RESPONSIBILITY TO KIDS (CALWORKS)**

**Temporary Assistance to Needy Families (TANF) Block Grant and Maintenance-of-Effort**—The Budget includes total CalWORKS expenditures of \$7 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.

In addition, \$84.9 million is set aside as a general TANF reserve for unanticipated program needs. A program reserve allows the State to deal with unforeseen pressures that otherwise could drive program costs above the federally required General Fund match level.

**Caseload Trends**—Caseload is projected to decrease for the seventh consecutive year in 2001-02, a significant turnaround from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 (see Figure 4). Policy reforms promoting work skills and encouraging job skills training, increasing child care services, increasing financial incentives encouraging work, and an improved private sector economy have assisted recipients and potential recipients in finding work. These factors are anticipated to result in a decline to 494,000 cases from 521,000 in 2000-01.

**Figure 4**  
**CalWORKs Caseload Trend**  
**1991-92 Through 2001-02**



**Maintenance-of-Effort Reduction**—The 2001-02 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.

In addition, the Administration has successfully appealed a federal decision that California did not meet the 1997 TANF work participation rate requirement. As a result, the State's maintenance-of-effort requirement is reduced on a one-time only basis by an additional \$153.9 million General Fund for 2000-01.

**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 recipients to unsubsidized employment. The block grant available to counties in 2001-02 is projected to exceed \$1.6 billion.

**Grant Levels**—The Budget includes \$128.3 million for an October 2001 cost-of-living adjustment (COLA) of 4.85 percent based on the California Necessities Index. The monthly cash grant level for a family of three in Region I will increase from \$645 to \$676, and in Region II from \$614 to \$644. A family of three, living in Region I, can earn up to \$1,577 per month, 134 percent of the FPL, before its entire grant is reduced to zero.

**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 2001-02. Of that amount, \$565.9 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 \$491.4 million and \$15 million, respectively, to provide CalWORKs

child care services. There also is a \$100 million reserve to be used for either DSS or Department of Education child care providers, as needed.

**Employment Services Funding Reconsideration**—The 2000 Budget Act included a general TANF reserve and authorizes the allocation of funds from this reserve to counties that successfully appeal disallowances from their CalWORKs employment services budget requests. The DSS has conducted a reconsideration process and approved \$91.6 million in appeals. As a result, the entire \$50.4 million available reserve funding will be allocated to counties prorated on the basis of the successful appeals. In addition, the Budget includes an augmentation of \$91.6 million above the 2000 Budget Act level for additional employment services expenditures in 2001-02.

**Performance Incentives**—Prior-year earned incentives are now estimated at \$93 million of the 2000 Budget Act appropriation of \$250 million, leaving \$153 million for other purposes. As there is increased demand for employment services in 2001-02, the Administration is proposing urgency legislation to allow the \$153 million to be carried over into the budget year to augment county employment services by \$91.6 million and the general TANF reserve by \$61.4 million.

**TANF Bonus Award**—The Budget includes \$36.1 million federal TANF funds awarded by the U.S. Department of Health and Human Services to California as a bonus award for its high job retention rate and earnings gain rate among current and former CalWORKs recipients. Of the \$36.1 million, \$20 million will be appropriated to the Department of Health Services for continuation of the Community Challenge Grant Program for teen pregnancy prevention. The remaining \$16.1 million will be used to fund the general TANF reserve for unanticipated program needs.

**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 2001-02 Budget includes \$88.6 million General Fund, as part of this match, to supplement CalWORKs employment services.

#### **SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT**

Caseload is estimated to increase to 1,111,000 recipients in 2001-02, a 2.2 percent increase over 2000-01. Total Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program General Fund expenditures are projected to be \$2.9 billion, compared to \$2.6 billion in 2001-02.

In January 2002, SSI/SSP recipients will receive an estimated 4.85 percent COLA based on the California Necessities Index. This will increase monthly grants for aged/disabled recipients by \$35 to \$747 for an individual and by \$61 to \$1,326 for a couple. The monthly grants for blind recipients will increase by \$37 to \$808 for an individual and by \$71 to \$1,537 for a couple.

#### **IN-HOME SUPPORTIVE SERVICES**

The 2001-02 average monthly caseload is projected to be 265,000 cases, an increase of 6.4 percent over 2000-01. Total In-Home Supportive Services (IHSS) General Fund expenditures are projected to be \$843.3 million, an increase of 13 percent above revised 2000-01 expenditures. This includes a \$22.2 million General Fund increase representing the remaining half-year cost of the

\$0.50 increase in California's minimum wage of \$5.75 per hour, effective January 1, 2001, and the half-year cost of a second \$0.50 increase, effective January 1, 2002.

The 2000 Budget Act included \$143.8 million General Fund to implement the Administration's initiative for State participation in significant wage and benefit increases for IHSS workers in Public Authority (PA) counties. The revised General Fund expenditure level for 2000-01 is \$48.1 million because: counties negotiated PA wage rates at levels lower than the maximum rates in which the State would participate (\$7.50 for wages, \$0.60 for benefits); two counties delayed adoption of the PA mode of service; and an accounting shift is now carrying \$15.1 million as part of the cost of recent State minimum wage increases.

For 2001-02, the Budget now estimates that General Fund revenues will grow by less than 5 percent, and thus, the PA compensation rate in which the State participates will not be increased by \$1 as would have occurred if revenue growth were forecast to exceed that target. The Budget, however, includes an increase of \$9.3 million General Fund for the PA rate increase to fund growth in the estimated number of cases to be served through the PA mode of service delivery and further phase-in by counties of the provider rate increases.

## **DEPARTMENT OF DEVELOPMENTAL SERVICES**

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The 2001-02 Budget includes \$2.7 billion (\$1.8 billion General Fund), an increase of \$122.9 million (\$55.5 million General Fund) above the 2000-01 revised Budget for programs for the developmentally disabled. This increase reflects an additional 8,300 clients.

### DEVELOPMENTAL CENTERS

The 2001-02 Budget for the Developmental Centers is \$617.8 million (\$338.5 million General Fund). The Budget supports a population of 3,686, a decrease of 158 clients below 2000-01. Other than the population decrease, the major change in the developmental center budget is an augmentation of \$1.2 million General Fund for the full-year cost of the new 63-bed Canyon Springs facility in southern California for residents with behavior problems. The Department began placing clients from Porterville Developmental Center into the new Canyon Springs facility in December 2000. The transfers make space available at Porterville Developmental Center for forensic clients transferring from Napa State Hospital.

### REGIONAL CENTERS

The 2001-02 Budget for Regional Centers is \$2 billion (\$1.5 billion General Fund). The Budget supports a Regional Center population of 171,400, an increase of 8,460 clients above the 2000-01 level. The Budget is increased \$166 million (\$157.4 million General Fund) above the 2000-01 Budget. Major changes in the Regional Center budget include:

- \$140.8 million (\$133.9 million General Fund) for increased population, utilization of services, and cost per client.
- \$9.2 million (\$7.5 million General Fund) for additional Regional Center staff to improve the Special Incident Reporting system.
- \$5.6 million General Fund for the second of three phases to implement a statewide fiscal accounting and program monitoring system, which will replace two existing systems. The five-year project is expected to cost approximately \$14 million General Fund.

- \$4.6 million General Fund to pass through SSI/SSP rate increases to community care facility providers.
- \$2.6 million General Fund to increase Regional Center personnel in the Early Start program. This augmentation will increase clinical staff for necessary evaluations and service coordination and add personnel for speech, physical, and occupational therapy as well as audiology services to meet federal Office of Special Education program requirements and ensure continued federal funding.
- \$1.9 million General Fund to convert ten community care facilities and two intermediate care facilities to smaller, more homelike, four- to six-bed facilities.

## DEPARTMENT OF MENTAL HEALTH

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The 2001-02 Budget includes \$2 billion (\$953.2 million General Fund), an increase of \$210.5 million (\$75.4 million General Fund) above the 2000-01 revised Budget for State mental health hospital and community mental health programs. The Budget includes the following significant adjustments:

- **State Hospital Population**—\$598.1 million (\$450.7 million General Fund), a net increase of \$49.6 million (\$52.1 million General Fund), or 9 percent over revised 2000-01 expenditures for State hospitals. This funding level will support a total caseload of 4,593 commitments.
- The 2001-02 year-end State hospital population of sexually violent predators (SVP) and other court commitments to the State hospitals is estimated to be 3,488, an increase of 233 above the 2000-01 revised population estimate. The Budget includes \$6.7 million General Fund for this population increase.

- The Budget assumes that the SVP population will increase by 46 patients, from the revised 2000-01 level, to a total of 405 commitments by June 30, 2002.
- **Mental Health Managed Care Program**—\$21.2 million (\$20.2 million General Fund) augmentation for mental health services to be provided by the counties through the Mental Health Managed Care Program.
- **Early Periodic Screening, Diagnosis, and Treatment Program Caseload and Service Expansion**—\$117.3 million (reimbursements) for continued increases in Early Periodic Screening, Diagnosis, and Treatment services. This augmentation provides for a program increase of 27 percent.
- **Salinas Valley State Prison New Mental Health Facility**—\$2.3 million (reimbursements) to staff a new 64-bed inpatient mental health facility at Salinas Valley State Prison, scheduled for completion in March 2002.
- **Improvements to State Hospital Facilities**—\$34.5 million in one-time General Fund for deferred maintenance and security improvement projects in the four State hospitals.
- **Therapeutic Behavioral Services**—\$12 million increase (reimbursements) for Therapeutic Behavioral Services (TBS), up from \$1 million in 2000-01. TBS is an intensive one-on-one, short-term outpatient treatment intervention for children and youth who are seriously disturbed and need additional short-term support to prevent higher-level placement or to enable transition to a lower level of residential care.
- **Psychiatric Technician Training School**—\$650,000 for one-time start-up costs to develop a Psychiatric Technician Training School at West Hills Community College in Coalinga. This effort is to help ensure that sufficient qualified psychiatric technicians are

available to staff the new SVP facility scheduled to open in Coalinga in October 2004 and to provide opportunities to local residents to receive training and employment in the new facility.

### **MENTAL HEALTH CAPITAL OUTLAY PROJECTS**

The 2001-02 Budget includes \$352.5 million (\$3.2 million General Fund) for construction of the new SVP facility in Coalinga and new construction and minor remodeling projects in the four State hospitals.

### **EMPLOYMENT DEVELOPMENT DEPARTMENT**

The Budget provides \$5 million General Fund for an additional year of competitive grants to faith-based organizations for the provision of employment services to individuals facing barriers to their assimilation into the workforce.

### **DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

The Budget includes \$4.9 million (Petroleum Violation Escrow Account) to provide energy assistance and energy saving services to low-income households. This augmentation will allow approximately 6,625 additional households to be served and will save an estimated \$769,000 in energy costs during 2001-02. A comparable level of savings should continue in future years, depending on the price of energy.

### **CALIFORNIA DEPARTMENT OF AGING**

The Budget includes augmentations for three programs administered by the Department of Aging as part of the Administration's effort to strengthen long-term care.

- \$1 million General Fund to continue first-year efforts of the Senior Wellness Education Campaign. The campaign will educate seniors and their families on innovative community-based and in-home care alternatives to institutional placement.
- \$1.5 million General Fund to expand the Linkages Program by adding, for each of the 36 sites, 25 client slots (900 statewide) and a half-time registered nurse to provide case management and health improvement services for clients.
- \$982,000 (\$484,000 General Fund) and staff for the Adult Day Health Care Program to provide additional certification, oversight, and monitoring activities. These activities will help provide a more safe and secure environment in which seniors may receive important health, therapeutic, and social services that will allow them to remain in their homes longer.

## OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

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**Medical Information Reporting for California**—The Budget includes an augmentation of \$540,000 (California Health Data and Planning Funds) to implement Phase 3 of the Medical Information Reporting for California (MIRCal) project. This project will improve California's health care data system by expanding its patient information database and providing more timely reporting and public disclosure.

**Rural Health Development Grants**—The Budget includes \$3 million General Fund to continue, for one year, the Rural Health Development Capital Grants Program to provide grants to licensed nonprofit and public rural healthcare providers for capital improvements and equipment. Also included is \$1 million Proposition 99 funds to continue, for one year, the Rural Health Policy Council Small Grants Program which provides grants to partially offset the uncompensated cost of providing health care services to low-income individuals.

## DEPARTMENT OF REHABILITATION

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**Vocational Rehabilitation Program**—The Budget includes \$314.7 million (\$44.2 million General Fund) for basic rehabilitation services. As the late federal budget for this program prevented the Department from reliably projecting its federal funding level for 2001-02, the Budget includes no increases for caseload. This issue will be addressed as part of the May Revision of the Budget.

**Work Activity and Supported Employment Programs**—The Budget includes an additional \$7.2 million (an increase of \$9.4 million General Fund, offset by a decrease of \$2.2 million from various sources) for 2001-02 changes in Work Activity Program and Supported Employment Program caseload. The Budget also contains \$12.2 million in federal reimbursements for 2001-02 to pay for services provided to developmentally disabled clients. Also included is an additional \$5.3 million General Fund for 2000-01 in order to address current-year entitlement caseload changes.

## DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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The 2001-02 Budget includes \$680.3 million (\$273 million General Fund), an increase of \$72.3 million (\$69.3 million General Fund) above the 2000-01 revised Budget for substance abuse treatment programs. The Budget includes the following major adjustments:

- **Proposition 36**—\$60 million (General Fund) for the Substance Abuse and Crime Prevention Act (Proposition 36). The Proposition requires substance abuse treatment services in lieu of incarceration, for persons convicted of specified nonviolent drug possession charges and appropriates General Fund through 2005-06 to implement its provisions. The 2000-01 funding has been distributed to counties or provided to the Department for

program administration. The 2001-02 appropriation of \$120 million (\$60 million above the 2000-01 level) will be distributed on July 2, 2001.

- **Drug Medi-Cal Caseload Expansion**—\$20.9 million (\$10.2 million General Fund) to provide case management and expand the Day Care Habilitative program to all Medi-Cal eligibles and to establish a new relapse prevention program.
- **Indian Health Clinic CalWORKs Services**—\$2.8 million (reimbursements) to implement CalWORKs Mental Health and Substance Abuse Services for Native Americans at 33 Indian Health Clinics and provide transportation services to allow tribal participants to engage in program activities.
- **Other Adjustments**—\$11.8 million (\$1.1 million General Fund) in reductions to reflect revised estimates of federal funds and reimbursements.

#### MENTORING AT-RISK YOUTH

The Budget includes \$28.4 million (\$17.3 million General Fund, including \$15 million Proposition 98), an increase of \$4.5 million over the Budget Act of 2000, for various State agencies involved in the Mentoring Program. These programs are designed to assist at-risk youth to become productive members of society while reducing juvenile crime, teenage pregnancy, gang association, and the school dropout rate.

## TRANSPORTATION PROGRAMS

The 2001-02 Budget provides over \$11.6 billion for transportation programs, including \$2.6 billion for programs that assist local governments in constructing and operating highway, road, and transit systems, and \$4.0 billion for capital projects for state highways and intercity rail.

### TRAFFIC CONGESTION RELIEF PROGRAM

In 2000, historic legislation created a six-year funding plan that dedicates a total of \$8.2 billion from the General Fund to support transportation programs, as follows:

- \$5 billion for 142 designated transportation projects that will relieve traffic congestion and improve goods movement. The Budget reflects spending of \$1.1 billion on these projects in 2000-01 and 2001-02.
- \$1.5 billion over six years to cities and counties to repair local streets and roads. The Budget includes \$571 million for this purpose in 2000-01 and 2001-02.
- \$1.1 billion over five years for State Transportation Improvement Program (STIP) projects to be selected in the next STIP planning cycle.
- \$564 million over five years for local transit and intercity rail operations and mass transportation capital projects.

## **INTERCITY RAIL AND PUBLIC TRANSPORTATION**

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Due in part to resources made available by the 2000 transportation legislation, the Budget proposes substantial increases in funding as follows:

- \$189 million for local transit operations, an increase of \$88 million over the previous budget.
- \$9.5 million for intercity rail operations to increase trip frequencies on the San Joaquin and Capitol Corridor Routes.
- \$98 million for three intercity rail track improvement projects.
- \$18 million for competitive grants to rural public agencies for transit capital improvement projects and equipment.

## **MOBILE FLEET GREENING**

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- \$20.3 million for Caltrans to retrofit 680 diesel vehicles to use cleaner-burning fuels and increase the number of vehicles using propane by 1,424. Converting a portion of the fleet to cleaner fuels reduces emissions and creates mobile emission reduction credits.

## **TRAFFIC OPERATIONS MANAGEMENT**

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- \$1.8 million to develop methods for choosing the most effective mix of capital and traffic management projects to reduce traffic congestion.
- \$7.6 million to complete installation of automated toll collection (FasTrak) on all seven Bay Area toll bridges.

## DEPARTMENT OF MOTOR VEHICLES

- \$13.3 million and 31 personnel years to curtail identity theft and other fraud connected with drivers' licenses and vehicle registrations. The Department will use computer-assisted facial recognition and thumbprint processes to verify the identity of applicants for replacement licenses. The Department will also hire additional investigative staff and increase video surveillance in field offices.
- \$3.4 million and 48 personnel years in 2000-01 and \$4 million and 28 personnel years in 2001-02 is proposed to comply with an international compact on methods for calculating fees for commercial vehicles. Chapter 861, Statutes of 2000, requires that these vehicles be registered based on the maximum allowable weight, rather than on unloaded weight. Additionally, instead of weight fees, a fee of no more than \$20 for a permanent identification plate and an annual plate renewal fee of \$25 will be charged for commercial trailers.

## HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

The Budget proposes \$531.3 million for the Department of Housing and Community Development's activities including:

- \$200 million added to the existing \$100 million in the Jobs-Housing Balance Improvement Program, for incentive grants to localities that increase the number of housing permits.

- \$20 million for grants to Central Valley communities for infrastructure improvements (e.g., for water, sewer, streets, telecommunications lines) to encourage regional economic development.
- \$7.5 million to rehabilitate 206 migrant farm worker housing units in Merced and Yolo counties, and \$1.2 million for playground renovations at migrant centers to meet new safety requirements.

**Housing Bonds and Tax Credits**—Recent federal legislation supported by the Administration increases the statewide cap on revenue bonds for housing from \$50 to \$75 per capita and available housing tax credits from \$1.25 to \$1.75 per capita. The higher bond cap will allow the California Housing Finance Agency and other lenders to finance 7,500 additional rental units and 4,000 new home purchases each year. The Tax Credit Allocation Committee will allocate credits facilitating construction of 2,400 rental units per year.

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## CALIFORNIA'S NEW ECONOMY

The Administration proposes the following initiatives to keep California the world's leader of the New Economy.

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### HIGH-TECH TRAINING AND RESEARCH

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**California Institutes for Science and Innovation**—\$75 million for the University of California (UC) to develop three world-class centers for cutting-edge research in science and technology, plus \$33 million to develop a fourth institute, a Center for Information Technology at UC Berkeley.

**Internet2**—\$18 million in one-time funding to continue expansion of Internet2, the high-speed national data transmission network. In addition, \$32 million in ongoing funding to expand Internet connectivity and network infrastructure to K-12 schools and county offices of education.

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### E-GOVERNMENT

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**One Stop E-Business Center**—\$3 million to continue the development of the E-Business Center and complete pilot projects initiated in the current fiscal year.

**California Home Page**—\$1.7 million to upgrade the California Home Page for improved public access.

## TAX INCENTIVES

### Targeted tax changes to reduce the tax burden on businesses and consumers—\$108 million.

- A three-day State and local sales tax holiday for the fourth weekend in August for up to \$200 in purchases of clothing and footwear, and up to \$1,000 for computers and related equipment.
- An increase in the manufacturers' investment credit from 6 percent to 7 percent and an extension of the sunset test date until January 1, 2008.
- An expansion of those who can claim the manufacturers' investment exemption to include software developers.
- An increase in the small business capital gains exclusion from 50 percent to 100 percent.
- An expansion of the current sales tax exemption for qualified property used for the purpose of space flight, to include property used for the purpose of assembly, launch, or transport, and property used in spaceport operations.
- A graduated credit of 20 percent to 80 percent for employers who purchase subsidized transit passes or other commuter-fare media for their employees.
- A 50 percent credit for employers who loan employees to teach math and science courses, and to employers who open their in-house training courses to local educators.

## TECHNOLOGY, TRADE AND COMMERCE AGENCY

The Technology, Trade and Commerce Agency supports business development, and job creation and retention throughout California. The Budget proposes \$331.2 million for the Agency, including:

- **Technology Development**—The Budget increases the California Technology Investment Partnership Program by \$6.2 million, to a total of \$12 million. New funds include \$5 million for grants to accelerate development and market introduction of new products and services, and \$1.2 million for Regional Technology Alliances to assist high technology businesses, including resources for four new alliances that will assist businesses in previously underserved areas—the Central and San Joaquin Valleys, the Inland Empire and southern California.
- **Military Base Reuse and Retention**—The Budget includes \$3 million in base reuse grants to communities experiencing base closures, and \$500,000 for consultants to assist with statewide planning to retain military bases.
- **Replacement of Underground Storage Tanks**—To help small businesses comply with environmental requirements for petroleum underground storage tanks, the Budget provides an additional \$3 million in grants for improvements such as leak detection systems and under-dispenser containment systems.

## PROTECTING THE ENVIRONMENT

### RESOURCES AGENCY CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

The Budget includes approximately \$5.5 billion for natural resources, including \$1 billion for new Energy proposals, and \$1.6 billion for environmental protection. Major program initiatives include:

#### ENERGY INITIATIVES

The Budget proposes \$1 billion for energy initiatives to address California's energy challenge. These initiatives will reduce the demand for energy through improved conservation and efficiency, and increase supply by adding new generating capacity. Specific proposals will be developed in part from recommendations of the Governor's Clean Energy Green Team.

The Budget also includes \$21.1 million to speed up the energy facility siting, reduce consumption, and promote renewable energy sources.

#### CALFED

The Budget proposes \$294.5 million to implement the CalFed Bay-Delta Program. Specific projects include ecosystem restoration programs, an environmental water account, and water quality activities. These proposals reflect the Record of Decision and Final Environmental Impact Statement/Environmental Impact Report, which set forth the framework for a 30-year program.

## COASTAL PROTECTION

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The Budget proposes \$100 million to clean up Southern California beaches and reduce the number of closure days by 50 percent at the most severely affected beaches. Funding also will be used to identify sources of pollution and restore related wetlands.

The Budget also includes approximately \$50 million from Proposition 12 Park Bond Funds for habitat and wetlands restorations, San Francisco and Santa Monica Bays, public access and trails, and the Laguna Coast Wilderness Park. An additional \$5 million General Fund also is provided for the Southern California Wetlands Recovery Program.

## LAKE TAHOE

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The Budget includes \$29.1 million to continue California's commitment to improving the environmental quality of Lake Tahoe and the Tahoe Basin.

## RIVER PARKWAYS

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The Budget proposes \$60 million for acquisition and restoration, and increased public access and recreational opportunities along the Los Angeles, Tuolumne, San Joaquin, Sacramento, and Guadalupe rivers. An additional \$10 million is available for restoring other rivers throughout the state as opportunities arise.

## CLEAN AIR

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The Budget proposes \$100 million for a diesel nitrogen oxide (NO<sub>x</sub>) reduction program. It is estimated that 5,000 to 6,000 diesel engines will be replaced.

The Budget also proposes \$50 million for a zero-emission vehicle incentive program. This funding augments the \$18.5 million already appropriated for this purpose.

The Budget also includes \$7.5 million to purchase clean, energy efficient vehicles to be used by the departments of the Resources Agency, and \$20.3 million to retrofit diesel vehicles used by the Department of Transportation to use cleaner-burning diesel fuels and propane.

## JUDICIAL BRANCH

The Budget provides a total of \$2.6 billion (\$1.5 billion General Fund) for the Judicial Branch:

(Dollars in Millions)

	Totals	General Fund
State Judicial	\$351	\$298
Commission on Judicial Performance	4	4
Trial Courts	2,170	1,161
Retirement Costs	103	78

The 2001-02 Budget for the Judiciary provides an increase of \$20.9 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 contracting and procurement, statistical information, and personnel and employee administration. Specifically, the Judiciary's Budget includes:

- \$1.9 million to provide resources for trial court fiscal accountability through a permanent Judicial Council audit program.
- \$832,000 to fund a pilot project testing five different delivery models of self-help centers in the courts, which will assist low income litigants in the adjudication of their cases.
- \$5 million to augment the Judicial Council's Equal Access Fund, resulting in total funding of \$15 million in 2001-02.

- \$2.2 million to provide personnel and equipment to fund centralized assistance to the trial courts in response to the passage of the Trial Court Employee and Governance Act, Chapter 1010, Statutes of 2000.

For the Trial Courts, the Budget includes the following:

- \$22.5 million for additional court security personnel and equipment to secure perimeter safety of trial courts statewide.
- \$3 million for additional staffing and resources in family trial court programs.
- \$7.5 million to address cost increases and provide additional resources for court-appointed representation when minors become wards of the courts.
- \$4.2 million for the final year of implementation of One-Day/One-Trial Jury Service programs in the trial courts statewide.
- \$3.5 million to begin implementation of the Trial Court Employee and Governance Act in the trial courts, pursuant to Chapter 1010, Statutes of 2000.
- \$3.7 million for increased court interpreter caseload.
- \$4.6 million for one-time facility improvements in the trial courts allowable under Rule of Court 810.
- \$11.1 million to address various trial court workload increases.

## DEPARTMENT OF CONSUMER AFFAIRS

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

- \$1.4 million General Fund to establish an Office of Privacy Protection, pursuant to Chapter 984, Statutes of 2000, which will implement a statewide education campaign and telephone and website assistance program, and will assist in the investigation of privacy related crimes.
- \$1.1 million to establish a two-year pilot project, pursuant to Chapter 867, Statutes of 2000, to inspect insured vehicles that have undergone auto body repair in an effort to establish fraud against facilities determined to have performed fraudulent repairs.

## DEPARTMENT OF GENERAL SERVICES

**Natural Gas Purchases and Utilities Rates**—The Budget includes \$50 million for the Department of General Services (DGS) to purchase natural gas for its customers and to pay its own natural gas cost increases.

The Budget also includes \$50 million from various funds for allocation to State agencies to purchase natural gas from DGS or other suppliers, and for potential increases in electricity costs.

**One-Stop E-Business Center**—The Budget proposes an additional \$3 million to continue e-business pilot projects through the E-Business Center, which is designed to be a one stop web portal for government services and information.

**Enhanced Wireless Emergency Telephone Services**—The Budget adds \$31.6 million from the State Emergency Telephone Number Account to reimburse service providers for costs associated with providing the same emergency telephone services to wireless customers as those provided to landline customers.

## MILITARY DEPARTMENT

**Joint Forces Training Base-Los Alamitos**—The Budget provides \$4.5 million for significant deferred airfield maintenance at the Joint Forces Training Base at Los Alamitos. This is the only remaining military airfield in the greater Los Angeles/Orange County area, and it serves as a staging area during emergencies and disasters.

**National Guard Youth Programs- Headquarters Staff**—The Budget adds \$353,000 to provide oversight, management, and control for the California National Guard Youth Programs. These positions will provide administrative support for the numerous youth programs operated by the Military Department.

**Maintenance and Repairs-Camp San Luis Obispo**—The Budget includes \$2.5 million to perform deferred maintenance and repairs at Camp San Luis Obispo. This funding will be used to replace deteriorating roofs and dilapidated loading docks, assess the need for repairs of the sanitary system, and repair crumbling roadways.

## DEPARTMENT OF VETERANS AFFAIRS

**Quality Assurance and Staff Training**—The Budget proposes \$602,000 to expand the quality assurance program and improve employee training currently provided at the Chula Vista Veterans Home.

**Compensated Work Therapy Program**—The Budget includes \$264,000 for the Chula Vista Veterans Home to develop a compensated work therapy program designed to add fulfillment and purpose to the lives of residential veterans and to provide vocational rehabilitation training.

**Homeless and Disabled Veterans Advocates**—The Budget proposes \$154,000 to provide a Homeless Veterans Advocate and a Disabled Veterans Advocate at the Department.

**Homelike Environment**—The Budget also includes \$100,000 to create a more homelike environment at the Yountville Veterans Home through the redesign of common areas and the addition of gardens, animals, and individualized furnishings.

## OFFICE OF EMERGENCY SERVICES

**Emergency Operations Equipment**—The Budget includes \$11.4 million to improve the mutual aid system by purchasing 12 water tender trucks for fire fighting and 18 heavy rescue units, as well as replacing antiquated equipment.

**Tri-Net Seismic Safety Network**—The Budget includes \$6.8 million for the operation and maintenance of the existing Southern California Tri-Net Seismic Safety System (\$2.9 million) and first year funding for the expansion of the system to a statewide seismic safety network (\$3.9 million). The network provides seismic information for deployment of emergency response personnel.

**State Domestic Preparedness**—The Budget includes \$5.6 million Federal Trust Fund for 2000-01 and \$9.1 million Federal Trust Fund for 2001-02 for local jurisdictions and State agencies to conduct risk and capability assessments for terrorism response planning and to purchase specified types of equipment for terrorism response.

**Urban Search and Rescue Mobilization Exercises**—The Budget includes \$269,000 to conduct two urban search and rescue mobilization exercises annually.

## DEPARTMENT OF INDUSTRIAL RELATIONS

**Workers' Safety Training Grants**—The Budget provides \$2.5 million to establish a Workers' Safety Training Program in the Division of Occupational Safety and Health. This program will issue grants to provide training in employee safety and health.

**Education for Labor Law Compliance**—The Budget includes \$1.7 million to develop an educational program for employers to increase labor law compliance. This funding will provide employers with consistent, precise, and accessible information about labor and workplace safety and health laws with the goal of increased labor law compliance throughout the State.

## DEPARTMENT OF FOOD AND AGRICULTURE

**Pierce's Disease Control Program**—The Budget includes \$19.6 million (\$8.9 million General Fund and \$10.7 million other funds) to continue the State's aggressive response to Pierce's Disease and the Glassy-winged Sharpshooter. This program conducts host shipment inspections, statewide surveys to determine infestation status, and research to develop solutions and management approaches for dealing with this disease, as well as provide rapid response and treatment of infested areas.

**Plant Pest Prevention Comprehensive Strategy**—The Budget continues \$12.4 million for the Plant Pest Prevention Comprehensive Strategy to reduce threats to California from invasive pests.

**Protecting Consumers of Meat and Poultry Products**—The Budget includes \$501,000 to investigate illegal processing and distribution of meat and poultry products.

**Central Valley Assessment Study**—The Budget includes \$800,000 to build, over a three-year period, a comprehensive, user-friendly database that will consolidate information important for informed land use decisions in the Central Valley.

## CALIFORNIA ARTS COUNCIL

**Local Assistance Baseline Augmentation**—The Budget includes \$6.3 million to increase funding for the Arts in Education Program (\$3.0 million), the Organizational Support Program (\$1.5 million), the Public Art Program (\$500,000), and the Municipal Arts Program (\$1.0 million).

**Cultural Infrastructure Development Fund**—The Budget includes \$20.4 million to establish a fund for competitive grants, pursuant to a review process to be developed by the Administration in consultation with the Legislature, to various museums, arts organizations, and special projects.

## CALIFORNIA GAMBLING CONTROL COMMISSION

**Staffing, Operations and Infrastructure**—The Budget adds \$2.4 million in 2000-01 and \$3.5 million in 2001-02 to provide the Commission with funding for staff, operating expenses, and equipment. These augmentations enable the Commission to perform legal, administrative, legislative, public information, auditing, research, and licensing oversight activities, and to operate field offices in San Diego, Los Angeles, Sacramento, and the San Francisco Bay Area.

## LOCAL MANDATE FUNDING

Article XIII B, Section 6 requires the State to provide a subvention of funds to reimburse local governments for their costs whenever the Legislature or any State Agency mandates a new program or higher level of service on any local government entity. The Budget includes \$39 million set aside to fund deficient appropriations for reimbursable state mandated local programs anticipated to be funded in the 2001 Mandates Claims Bill, and an additional \$39 million for 2001-02.

## TOUCH SCREEN VOTING PILOT PROJECT

The Budget proposes a one-time augmentation of \$40 million General Fund to establish a touch screen voting pilot project in three California counties—one large, one medium, and one small—which will be chosen to ensure geographic representation.

## STATE-LOCAL ASSISTANCE

The Budget continues the Administration's efforts to support high priority programs of mutual concern to the State and local governments in the areas of public safety, health and human services, housing, transportation, and resources, including the following:

- **Financial Assistance to Local Governments**—\$250 million in one-time discretionary funding for local governments.
- **Public Safety (\$398.5 million)**
  - **Citizens' Option for Public Safety (COPS) and Juvenile Crime Prevention Programs**—\$242.6 million for 2001-02 to extend funding for the COPS program (\$121.3 million) and county juvenile crime prevention programs (\$121.3 million).
  - **Technology Grants for Local Law Enforcement**—\$75 million for local law enforcement agencies to purchase high-technology equipment for crime prevention and suppression.
  - **Local Crime Lab Funding**—\$30 million for the construction and upgrade of local crime labs.
  - **Fighting High Technology Crime**—\$10.9 million to augment the High Technology Theft Apprehension and Prosecution Program.
  - **War on Methamphetamine**—\$40 million for disbursement to High Intensity Drug Trafficking Areas throughout the state.

## ■ Health and Human Services Programs (\$617.4 million)

- **Healthy Families and Medi-Cal Programs**—\$464 million (\$246 million Tobacco Settlement Fund) for the expansion of these two programs.
- **Health Services Programs**—\$20.6 million for payment of ancillary services provided to residents of Institutions for Mental Disease, formerly a local funding responsibility.
- **Social Services Programs**—\$132.8 million for social service programs, including child welfare services emergency workload relief and funding for the Child Welfare Services program.

## ■ Housing and Community Development (\$220 million)

- **Housing**—\$200 million in new funding to reward cities and counties that increase the number of housing permits issued.
- **Central Valley Infrastructure**—\$20 million for infrastructure grants to communities in the Central Valley.
- **Transportation**—\$18 million for grants to rural transit agencies and \$171 million from the sales tax on gasoline to cities and counties.
- **Resources**—\$322.6 million for resource and environmental programs and \$323.7 million in park and water bond funds.
- **Touch Screen Voting Pilot**—\$40 million to establish a touch screen voting pilot project in three California counties, with a required local match.

- **Trial Court Funding**—The State will be assuming 78 percent of trial court funding costs, freeing up \$414 million in general purpose revenues to counties.
- **Other 2001-02 Funding that Benefits Local Governments**—Approximately \$10.8 billion is provided to local governments on an ongoing basis in the areas of transportation, housing and infrastructure, health and human services, criminal justice, resources, and library funding.

The Administration's Director of Intergovernmental Relations and the Director of Finance welcome further discussion with local government leaders and leaders in the Senate and the Assembly regarding proposals for long-range reform of the State-local fiscal relationship.

## CAPITAL OUTLAY

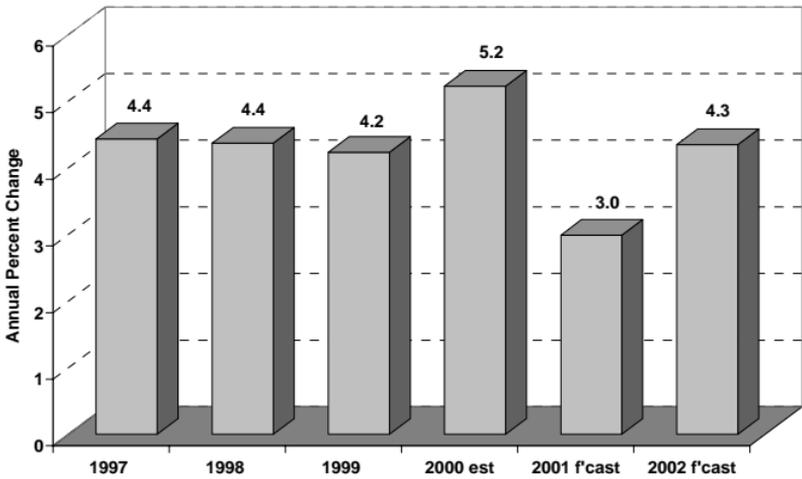
The Budget includes over \$1.9 billion for infrastructure statewide, excluding funding for transportation infrastructure. The General Fund contributes \$739.1 million of the total, and the balance is from various bond and special funds.

Most notable are:

- \$553.9 million from the 1998 Higher Education Capital Outlay Bond Fund to complete numerous construction projects for the UC, the CSU, and the CCCs.
- \$349.3 in lease revenue bonds to construct a permanent Department of Mental Health facility in which to confine and treat sexually violent predators.
- \$108 million General Fund to continue funding for three California Institutes for Science and Innovation, and for initial funding for a fourth institute. The Institutes will be centers for strategic innovation that combine excellence in cutting-edge research with collaboration and training for our next generation of scientists and technical leaders.
- \$160 million General Fund to complete the initial site development, infrastructure, and construction of library and laboratory facilities and begin the planning for classroom and office buildings at UC Merced.
- \$43 million from the 2000 Neighborhood and State Park Bond Fund for various capital outlay projects within the Department of Parks and Recreation.
- \$15 million General Fund to the Department of Justice for a new state DNA laboratory.

## ECONOMIC OUTLOOK

**Growth in Real Gross Domestic Product**

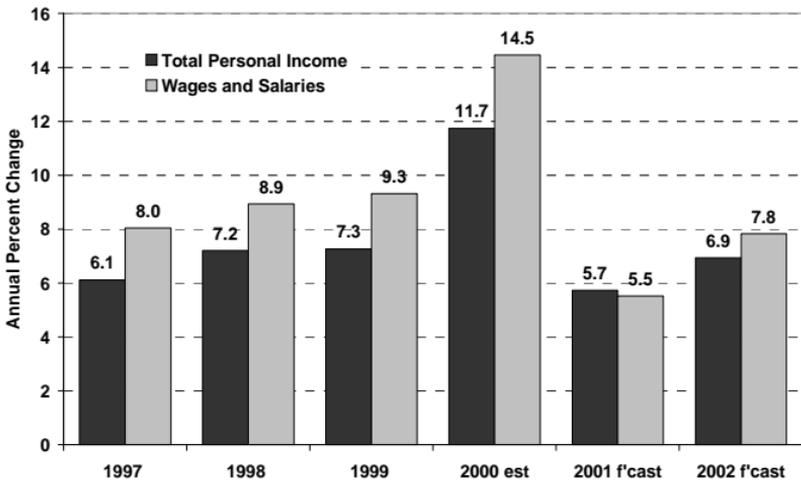


Following an exceptionally strong year in 2000, growth in the national and California economies is expected to moderate in 2001. Although a “soft landing” is the most likely outcome for the year ahead, there are significant risks to the forecast.

- U.S. real gross domestic product (GDP) growth is expected to slow to 3 percent in 2001 from more than 5 percent last year, and over 4 percent in each of three previous years. Unemployment nationally, which hit a 30-year low of 3.9 percent several times during 2000, is expected to rise modestly to 4.4 percent in the year ahead. Aided by gradually moderating energy costs, the rise in U.S. consumer prices should be closer to 2.5 percent this year, following the near 3.5 percent increase in 2000.

- The sudden November-December drop in consumer confidence, falling stock market prices and a high household debt burden are all elements of risk in the U.S. outlook.
- Declining interest rates—fixed-rate mortgages have fallen to 7 percent, from over 8.5 percent in the spring of 2000—which should aid household finances, and a somewhat weaker dollar that should help boost exports in the year ahead will offset these risks.

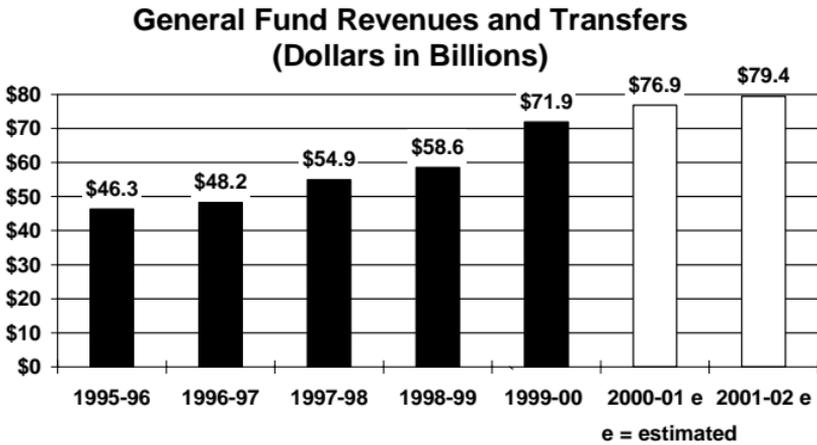
### California Personal Income and Wages



- California's economy enjoyed its best year since the mid-1980s in 2000. Employment grew an estimated 3.6 percent and, boosted by stock options, personal income jumped more than 11 percent. Wages and salaries, which incorporate gains on stock options when they are exercised, surged by more than 14 percent last year.

- In 2001, job growth is expected to moderate in line with the national outlook. Given the sharp drop in stock prices—especially in the technology-oriented NASDAQ market—a significant slowing in personal income growth related to a drop in stock option gains is expected. Personal income excludes capital gains on the sale of stocks actually owned, but lower stock prices and capital gains realizations will nonetheless further dampen household spending—and State tax revenues—in the year ahead.
- California's economy shares the nationwide risks, and in addition faces a very difficult situation in its energy markets. Maintaining reliable energy supplies at reasonable prices will be essential for the state's continued economic growth.

## REVENUE ESTIMATES



California's exceptional economic performance over the past year, coupled with accumulated gains in the stock market, led to another year of robust revenue growth in fiscal year 2000-01 that is expected to moderate in 2001-02. Since enactment of the 2000 Budget Act, the General Fund revenue forecast for the past and current-year period has increased by \$3.8 billion. In addition, General Fund revenues in 2001-02 are expected to be up \$2.5 billion or 3.3 percent from 2000-01, reaching \$79.4 billion.

California's remarkable employment and income growth during 2000 were reflected strongly in revenues. Through November, personal income tax withholding paid in 2000 was over 19 percent above the previous year. The first three estimated payments for the personal income tax were up 39 percent. Taxable sales grew at a faster pace in inflation-adjusted terms than at any time since the early 1980s.

## MAJOR REVENUE SOURCES

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Personal income tax revenues are expected to reach \$43.3 billion in 2000-01 and \$44.8 billion in 2001-02. Preliminary data indicate that 1999 was another impressive year for capital gains, increasing approximately 58 percent from the 1998 tax year. This forecast assumes capital gains will climb an additional 10 percent in 2000 from the 1999 level, before declining 10 percent in 2001.

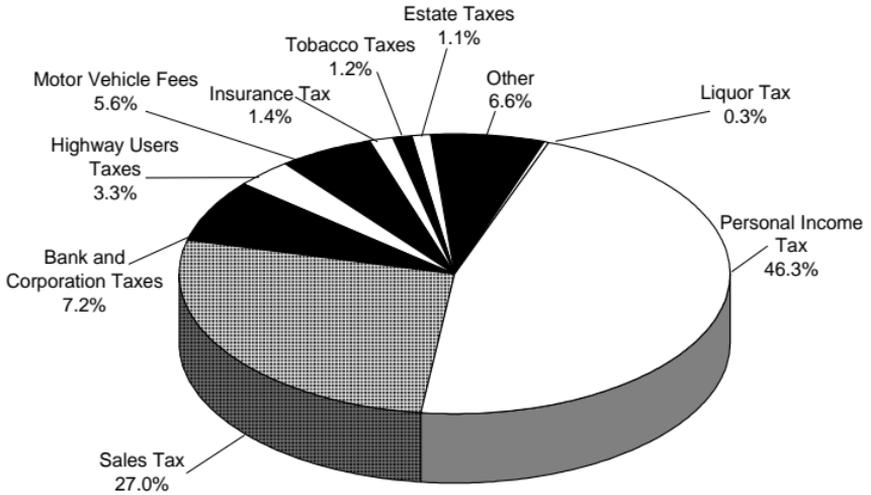
Sales and use tax revenue is forecast at \$22 billion in 2000-01 and \$23.4 billion in 2001-02. Taxable sales for 2000 are expected to be up by 11.3 percent over 1999. Revenue growth is expected to continue at a slightly more moderate pace during 2001 and 2002—up 4.9 percent and 6.4 percent, respectively.

Bank and corporation tax revenues are expected to total \$6.9 billion in both 2000-01 and 2001-02. Taxable profits are estimated to be essentially flat in 2001 before rebounding 12 percent in 2002. Revenue growth will be held down somewhat by credit usage and S-corporation activity.

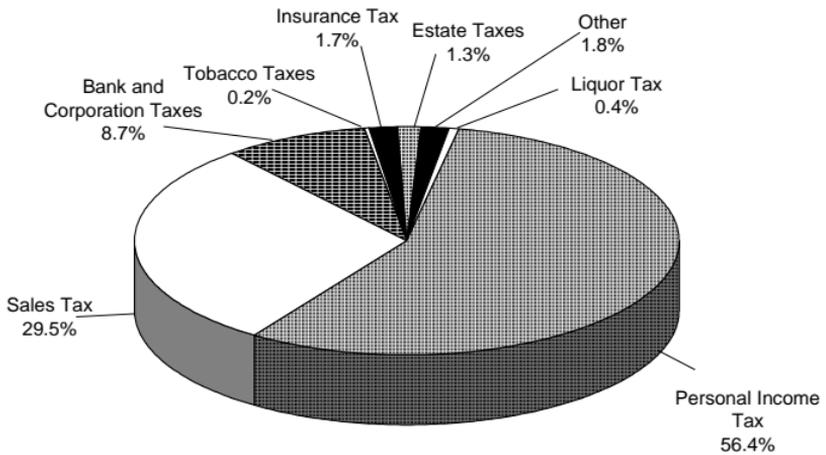
# SUMMARY CHARTS

## REVENUES 2001-02 FISCAL YEAR

### Total Revenues and Transfers

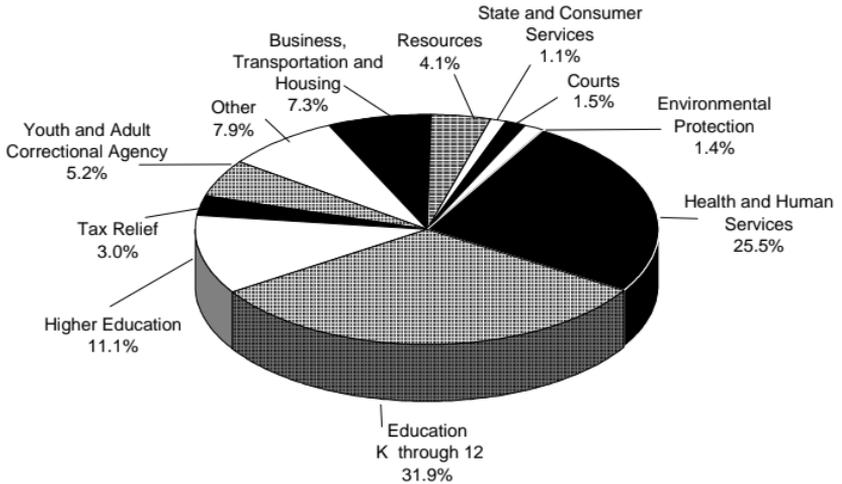


### General Fund Revenues and Transfers

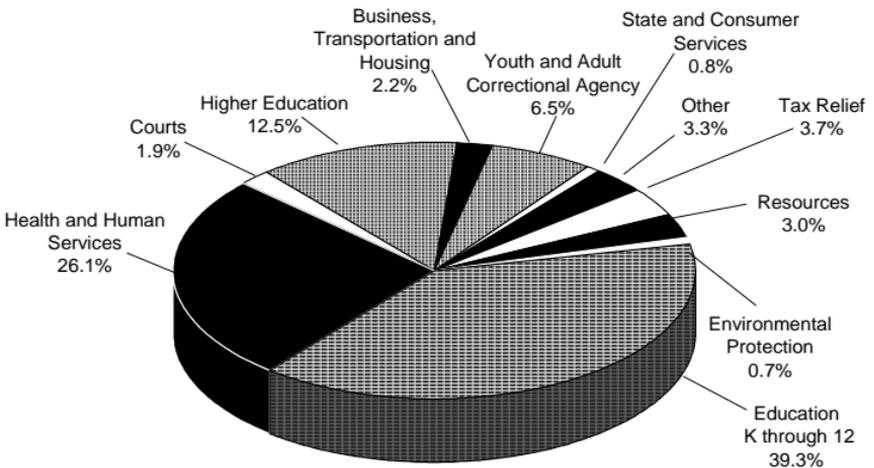


## EXPENDITURES 2001-02 FISCAL YEAR

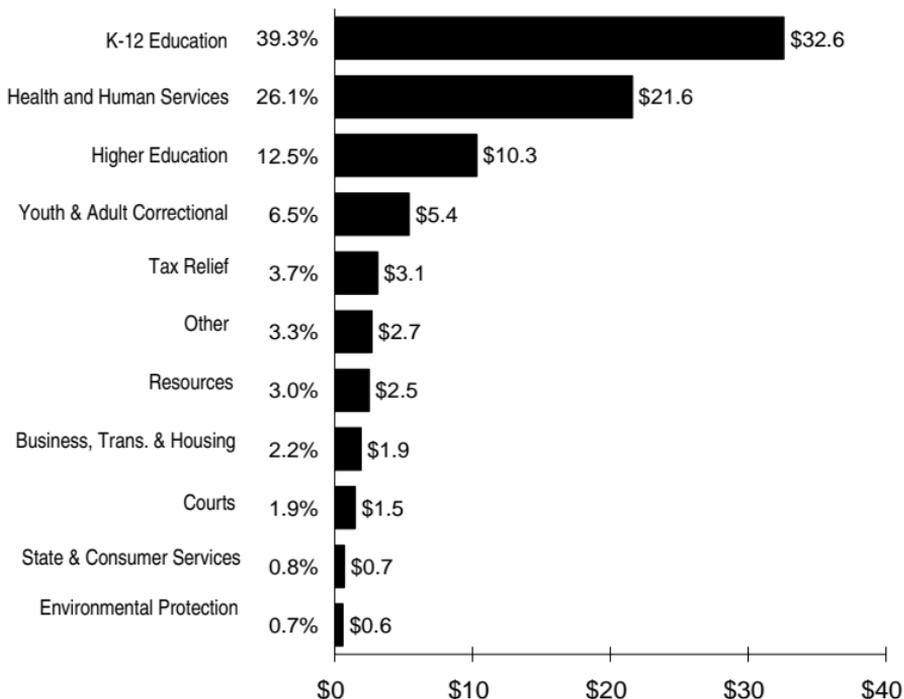
**Total Expenditures  
(Including Selected Bond Funds)**



**General Fund Expenditures**



## 2001-02 General Fund Expenditures (Dollars in Billions)



- K-12 Education continues to be the State's top priority—over 39 cents of every General Fund dollar is spent on K-12 education.
- Combined with higher education funding, the State will spend almost 52 cents of every General Fund dollar on education.
- Education, health and human services, and public safety expenditures constitute 84.4 percent of all State General Fund.

## 2001-02 Expenditures By Fund (Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$32,540	\$61	\$863	\$33,464
Health and Human Services	21,645	5,024	--	26,669
Higher Education	10,342	718	556	11,616
Business, Transportation, and Housing	1,870	5,500	249	7,619
Technology, Trade, and Commerce	101	7	--	108
Courts	1,542	83	--	1,625
Tax Relief	3,108	--	--	3,108
Local Government Subventions	876	4,624	--	5,500
Youth and Adult Corrections	5,389	19	--	5,408
Resources	2,494	1,049	740	4,283
Environmental Protection	563	615	282	1,460
State and Consumer Services	646	531	20	1,197
Other	1,737	932	1	2,670
<b>Total</b>	<b>\$82,853</b>	<b>\$19,163</b>	<b>\$2,711</b>	<b>\$104,727</b>

## 2001-02 Revenue Sources (Dollars in Millions)

	General Fund	Special Fund
Personal Income Tax	\$44,810	--
Sales Tax	23,441	\$2,717
Bank and Corporation Tax	6,931	--
Highway Users Taxes	--	3,221
Motor Vehicle Fees	14	5,434
Insurance Tax	1,353	--
Estate Taxes	1,022	--
Liquor Tax	291	--
Tobacco Taxes	128	1,043
Other	1,444	5,025
<b>Total</b>	<b>\$79,434</b>	<b>\$17,440</b>

**2001-02**  
**General Fund Expenditures**  
**by Agency**  
(Dollars in Millions)

	<u>2000-01</u>	<u>2001-02</u>
Legislative, Judicial, Executive	\$2,669	\$2,654
State and Consumer Services	527	646
Business, Transportation & Housing	2,582	1,870
Technology, Trade, and Commerce	109	101
Resources	2,040	2,494
Environmental Protection	424	563
Health and Human Services	20,362	21,645
Youth and Adult Correctional	5,181	5,389
K-12 Education	30,311	32,540
Higher Education	9,395	10,342
General Government	6,108	4,609
<b>Total</b>	<b>\$79,708</b>	<b>\$82,853</b>

**2001-02 Governor's Budget  
General Fund  
Budget Summary  
(Dollars in Millions)**

	<u>2000-01</u>	<u>2001-02</u>
Prior Year Balance	\$9,366	\$6,557
Revenues and Transfers	<u>\$76,899</u>	<u>\$79,434</u>
<b>Total Resources Available</b>	<b>\$86,265</b>	<b>\$85,991</b>
Expenditures	<u>\$79,708</u>	<u>\$82,853</u>
<b>Fund Balance</b>	<b>\$6,557</b>	<b>\$3,138</b>
<b>Budget Reserves and Set-Asides:</b>		
Reserve for Liquidation of Encumbrances	\$701	\$701
Set-aside for Legal Contingencies	\$7	\$500
Special Fund for Economic Uncertainties	\$5,849	\$1,937

## EXECUTIVE OFFICE

**B. TIMOTHY GAGE**  
DIRECTOR OF FINANCE  
445-4141

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CHIEF DEPUTY DIRECTOR  
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**ANNETTE PORINI**  
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445-4923

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DEPUTY DIRECTOR FOR  
LEGISLATION  
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**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, and Capital Outlay .....	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>