



























































































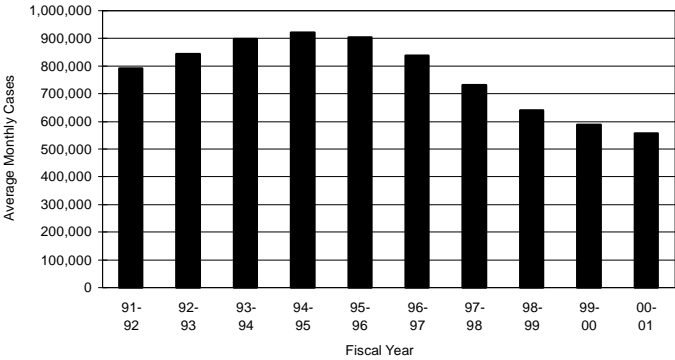
## DEPARTMENT OF SOCIAL SERVICES

### California Work Opportunity and Responsibility to Kids (CalWORKs)

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

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

**CalWORKs Caseload Trend**  
1991-92 through 2000-01



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

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

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

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

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

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

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

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

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

### **Supplemental Security Income/State Supplementary Payment Program**

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

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

## In-Home Supportive Services

The 2000-01 average monthly In-Home Supportive Services (IHSS) caseload is projected to be 242,000 cases, an increase of 5.2 percent over 1999-00. Total IHSS General Fund expenditures are projected to be \$666.8 million, an increase of 13.8 percent above 1999-00 expenditures.

The Budget includes \$28.5 million General Fund for a 65 percent state share of public authority provider wages up to \$6.25 per hour. As part of the Administration's Aging with Dignity Initiative, the Budget includes an additional \$20.0 million General Fund for a further 35-cent increment to provide a state share for public authority provider wages up to \$6.60 per hour in 2000-01. Public authority provider wage increases up to \$8.00 per hour are proposed to be phased in over five years, contingent on growth in General Fund revenues.

## DEPARTMENT OF DEVELOPMENTAL SERVICES

### Developmental Centers

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

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

\$3.7 million (\$283,000 General Fund) and 89.1 positions for the full-year implementation of the new Sierra Vista facility in northern California.

\$13.2 million (\$5.2 million General Fund) and 123.5 positions in 2000-01 to acquire and operate one or more facilities in southern California. These new facilities are to house and treat approximately 135 clients with severe behavior problems.

\$15.8 million (\$1.4 million General Fund) and 43.0 positions are included in 2000-01 for the third year of the four-year plan to increase DC staffing levels to help the department address federal concerns and restore lost federal funding. In total, the four-year plan adds approximately 1,700 positions at a cost of \$106.5 million.

\$822,000 General Fund and 13.0 limited-term positions to identify DC residents who need conservators and to provide legal services related to securing and maintaining these conservatorships.

## Regional Centers

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

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

\$105.2 million for increased utilization of services and cost per client.

\$24.7 million for the full-year cost of salary increases implemented in 1999-00 for Community Care Facilities.

\$6.5 million to reduce client intake assessments from 120 to 60 days.

\$1.2 million for rate increases for shift nurses serving developmentally disabled adults.

\$1.1 million for contracts to develop and implement new rate-setting methodologies for residential, day, in-home respite, and supported living services programs.

## DEPARTMENT OF MENTAL HEALTH

**State Hospitals**—The 2000-01 Budget includes \$541.9 million (\$393.1 million General Fund), a net increase of \$44.9 million (\$59.4 million General Fund), or 9 percent, over revised 1999-00 expenditures. This funding will support a caseload of 4,421 patients. Total funding is less than the General Fund increase as a result of decreases in reimbursements mainly due to the transfer of developmentally disabled patients to Developmental Centers.

**Sexually Violent Predators**—The 1999-00 revised Budget includes funding for 340 Sexually Violent Predator (SVP) commitments. The 2000-01 Budget provides for an SVP population increase of 65 patients, to a total of 405 commitments by June 30, 2001.

**Other Court Commitments**—The 2000-01 year-end population of court commitments to the state hospitals,

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

## CALIFORNIA DEPARTMENT OF AGING

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

## OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

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



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

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

## DEPARTMENT OF REHABILITATION

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

## DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

The 2000-01 Budget provides \$2.5 million General Fund to replace expiring federal funding to maintain the level of comprehensive services currently provided to pregnant and parenting substance abusing women and their children by the Women and Children's Residential Treatment Services program.

The Budget includes a onetime increase of \$5.0 million in 1999-00 and \$49.6 million in 2000-01 from the federal Substance Abuse Prevention and Treatment block grant. These funds will be used to provide increased substance abuse prevention and treatment services for youth and pregnant parenting women.

## MENTORING AT-RISK YOUTHS

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

## DEPARTMENT OF VETERANS AFFAIRS

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

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

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

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

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

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

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

## TRANSPORTATION 2000: THE FUTURE IS NOW

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

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

Relieving gridlock in congested commuter corridors

Increasing the safety of roads

Providing connections between cities and regions

Providing connections between different modes of transportation, such as commuter rail/bus terminals or park and ride lots

Moving goods and products more quickly and efficiently

Providing alternatives to highways where feasible

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

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

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

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

## Department of Transportation

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

## Prudent Use of Onetime Funds for Transit Projects

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

\$30.0 million for two new sets of cars and engines for use on the State's Los Angeles to San Diego intercity rail route.

\$15.0 million for track and signal improvements on the Metrolink Los Angeles to San Bernardino line.

\$20.0 million for track improvements on the State's San Joaquin line from Oakland and Sacramento to Bakersfield.

\$36.0 million for Altamont Commuter Express to upgrade the track, purchase an additional train, and expand service from Modesto through Stockton to the Silicon Valley.

\$5.0 million for the Caltrain Coyote Valley Station and \$15.0 million for the Winchester Station Light Rail Station, both serving commuters in San Jose.

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

## Department of Housing and Community Development

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

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

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

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



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

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

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

## Department of Managed Care

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

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

## TRADE AND COMMERCE AGENCY

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

### Initiatives to Foster the New Economy

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

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

### Other Business/Job Retention and Expansion Proposals

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

### Economic Development In Other Departments

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

- ▲ **Education Technology Funding**—To prepare our students to use the developing technology of the new economy and to take advantage of the power of that technology in an instructional setting, the Budget includes \$364.0 million for K-12 schools for computer acquisition, teacher training and the completion of The Digital High School program.
  
- ▲ **Internet2**—The UC budget includes \$8.0 million to support continued development of this next generation of Internet technology to expand and maintain the campus network connections needed to provide direct access to Internet2.
  
- ▲ **UC Merced**—The Administration continues its commitment to rapidly develop the new campus. In addition to \$9.9 million for continuing operational support, the Budget contains \$14.3 million for initial site development and infrastructure at Merced, as well as planning funds for the first complement of academic buildings, including library, classroom, laboratory and academic support facilities. To further accelerate the opening of the campus by one year to the fall of 2004, the Governor has created a “UC Merced Red Team” co-chaired by the Secretary for State and Consumer Services and the Chancellor of UC Merced.

## PROTECTING THE ENVIRONMENT

### Resources Agency California Environmental Protection Agency

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

#### *Natural Heritage Preservation Tax Credit*

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

#### *Replacement of High-Polluting School Buses*

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

#### *Alternative Fuels*

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

### *Children's Health*

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

\$2.8 million to assist in the investigation and provide technical assistance in the clean up of hazardous substances at school sites.

\$1.0 million to assess indoor air quality in portable classrooms.

\$843,000 to evaluate the cancer risk to children from exposure to non-air pollutants and to develop school risk assessment guidelines.

\$608,000 to implement pest management plans at schools to reduce the use of chemical pesticides and exposure of children to those chemicals.

### *CALFED*

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

### *North Coast Watershed Assessment*

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

### *Inland and Coastal Wetlands*

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

### *Lake Tahoe*

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

### *Water Quality*

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

### *Environmental Enforcement*

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

### *Bonds*

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

## BUILDING FOR THE 21<sup>ST</sup> CENTURY

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

### Transportation

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

### Housing

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



## Other Critical Infrastructure

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

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

\$479.2 million for various projects at the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC).

\$106.6 million for various Department of Corrections (CDC) projects, including mental health facilities and the second phase of the correctional treatment centers.

\$56.8 million for the Department of Forestry and Fire Protection (CDF) to replace and renovate various fire stations and air attack bases.

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

\$252.0 million for various projects at UC, CSU, and CCC, including \$75.0 million for UC to construct three Institutes for Science and Innovation.

\$14.7 million for various acquisitions and renovation projects for the California Highway Patrol.

\$14.2 million for acquisition and renovation projects at various state parks.

\$10.5 million for critical CDC projects.

## Bonds

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

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

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

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

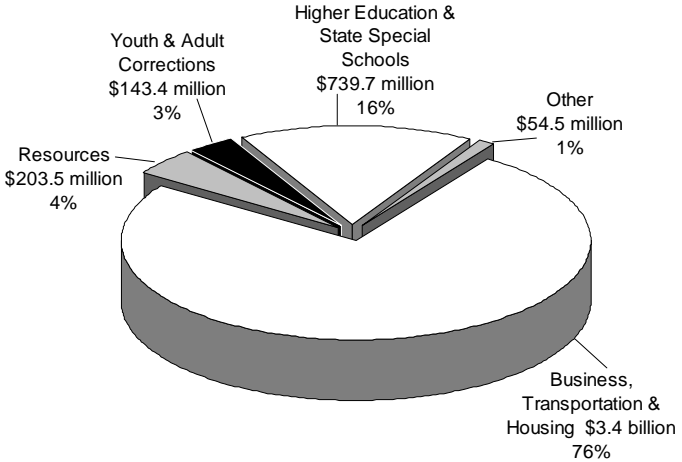
Proposition 15—\$220 million to update existing and build new crime laboratories.

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

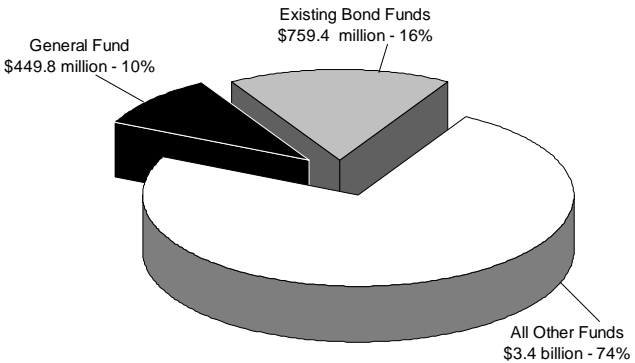
## Planning for the Future

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

### Proposed Capital Outlay Expenditures by Agency (All Funds)



### Total Recommended Capital Outlay



## JUDICIAL BRANCH

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

(Dollars in Millions)

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

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

For the Trial Courts, the Budget includes the following:

\$20 million to address trial court employee salary increases agreed upon between the trial courts and the counties.

\$16.8 million to provide for a \$7 increase per day in juror compensation and for additional program needs in one-day/one-trial implementation.

\$58 million to address case processing issues, family and children court program needs, court interpreter compensation

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

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

## DEPARTMENT OF GENERAL SERVICES

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

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

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

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

## DEPARTMENT OF CONSUMER AFFAIRS

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

\$1 million from the General Fund to provide toll-free telephone service to Californians seeking information on consumer related issues.

\$766,000 and eight personnel years to provide on-site consumer assistance in selected field offices in southern California.

\$22 million to support a restructured Repair Assistance and Vehicle Retirement program funded with the revenue collected from a smog abatement fee. This program is being restructured as a result of the significant loss of revenue from the Smog Impact Fee that is no longer collected. Details of the restructured program will be presented in the spring.

## DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

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

\$1 million to establish a pilot Mediation Unit to offer employees and employers assistance in resolving employment complaint cases outside of the existing investigation and litigation process.

\$113,000 to establish a Public Information and Technical Assistance Unit to enhance public awareness of the rights and remedies available under California's civil rights laws, and to improve the delivery of assistance to employers and housing providers.

## OFFICE OF EMERGENCY SERVICES

The Budget proposes \$64.7 million in 1999-00 and \$51.2 million in 2000-01 for payment of disaster response and recovery costs incurred by local governments for various past disasters, including the Northridge Earthquake.

The Budget also includes \$1.8 million to purchase seven new fire engines to replace older vehicles, thereby helping local fire and rescue teams function at maximum efficiency to preserve lives and property.

In order to provide a more reliable means of communication in emergency response situations, an additional \$2.6 million is included to purchase certain equipment, including base station radios for the dispatch and deployment of mutual aid fire engines and hand-held radios used on-site during emergencies.

## CALIFORNIA ARTS COUNCIL

The Budget includes \$10.0 million for the Arts Education Program, which will focus on K-12 arts education, classroom teacher development, and adopt-a-school partnerships.

The Budget also provides \$2.0 million for the Simon Wiesenthal Center, Museum of Tolerance which will provide training to approximately 5,000 teachers in K-12 public schools on tolerance and diversity.



## DEPARTMENT OF INDUSTRIAL RELATIONS

The Budget provides \$3.1 million reimbursements to implement the provisions of Chapter 554, Statutes of 1999, which establishes the Garment Manufacturers Inspection Program. This legislation requires the Department to establish new procedures for the resolution of claims for unpaid wages and overtime for workers in the garment industry.

The Budget includes \$2.4 million for increased enforcement of occupational safety and labor standards to implement the provisions of Chapter 615, Statutes of 1999. This legislation requires the Department to increase civil and criminal penalties for violations of occupational health and safety standards, and extend the period in which discrimination complaints can be filed against employers.

The Budget provides \$2.1 million to establish the Permanent Amusement Ride Safety Inspection Program. This program requires mechanical and operational inspections of all permanent amusement rides, and requires owners of these rides to submit an annual certificate of compliance to the Department.

The Budget includes \$600,000 for the Division of Labor Statistics and Research to conduct prevailing wage reviews, labor market investigations, and area practices investigations.

## DEPARTMENT OF FOOD AND AGRICULTURE

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

The Budget also provides an additional \$2.4 million to reduce the growing threat to California from invasive pests, including \$1.3 million to expand the trapping of those pests, \$630,000 to expand the Preventative Med-fly Release Program in the Los Angeles basin, and \$500,000 to expand public outreach and education activities related to the Program.

An augmentation of \$250,000 is included for a two-year pilot program involving a coalition with New Mexico, Florida, Arizona, and Texas to gain attention and consideration at the national level of important agricultural issues in the areas of research, conservation, risk management, international trade, animal and plant health, pest prevention programs, and agricultural labor.

## MILITARY DEPARTMENT

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

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

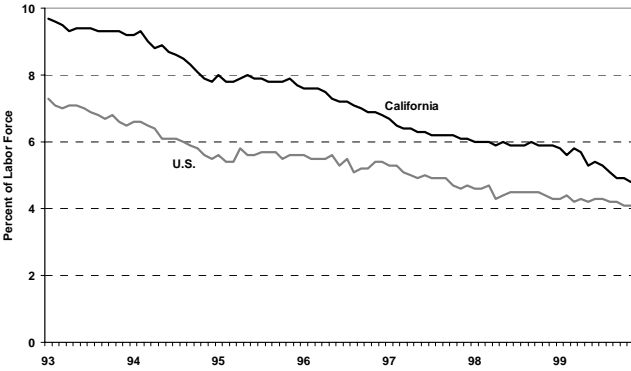
**Oakland Military Institute**—The Budget provides \$1.3 million General Fund and 17 personnel years to establish the first year of funding for the Oakland Military Institute in support of 162 seventh grade students in a non-residential environment. This partnership between the City of Oakland, the City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

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

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

## THE ECONOMY

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

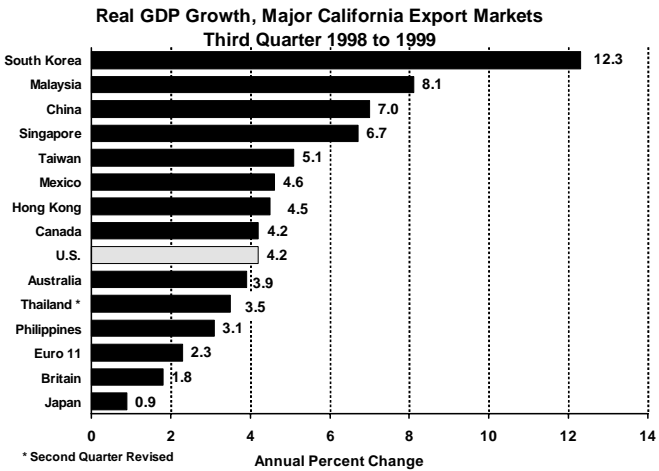


Growth in the U.S. and California economies exceeded expectations again in 1999. Prospects are good for continued robust economic growth in 2000 and 2001:

The current economic upturn will become the longest in U.S. history at the beginning of February. U.S. economic growth is expected to moderate only slightly from the 4 percent annual increases of the last four years, to around 3 percent per year in 2000 and 2001.

California's unemployment rate, at 4.8 percent in November 1999, was the lowest ever recorded on the current basis, dating from January 1970. The gap between the California and U.S. jobless rates fell from a peak of 2.8 percentage points in 1994 to 0.7 in November 1999.

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



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

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

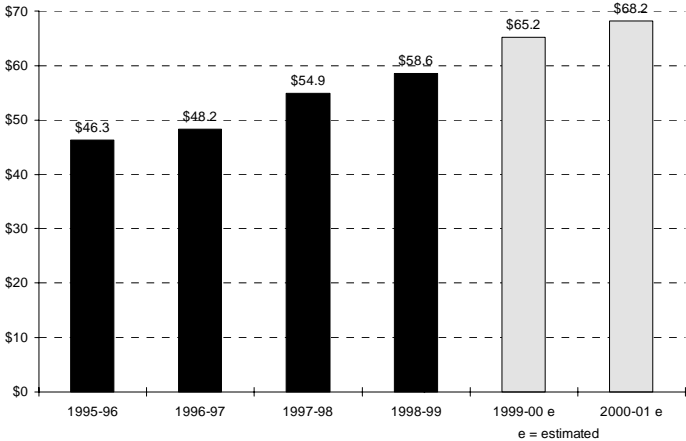
year-earlier period, led by a 48-percent surge in sales to East Asia (excluding Japan).

Nonresidential construction is expected to remain strong, posting gains of 10 percent or more in 2000 and 2001. Homebuilding activity should also rise, although this year's expected 154,000-unit total remains very low by historic standards.

Employment and income gains will continue, with nonfarm employment expected to increase by over 400,000 jobs or 2.9 percent this year, followed by 2.5 percent growth in 2001. Personal income is forecast to increase 6.5 percent in 2000, and 5.7 percent in 2001.

## REVENUE ESTIMATES

General Fund Revenues and Transfers  
(Dollars in Billions)



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

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

## Major Revenue Sources

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

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

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

## Tax Initiatives

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

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



A phased-in increase in the percentage of losses that businesses can carry forward to subsequent years from 50 percent to 60 percent. This is estimated to result in a revenue loss of \$1 million in 2000-01.

An increase in the alternative incremental research and development credit to 90 percent of the June 30, 1999, federal credit. This is estimated to result in a revenue loss of \$4 million in 2000-01.

A personal income and bank and corporation tax credit to encourage expansion of biomass conversion, effective for the 2001 and 2002 tax years, at a cost of \$10 million per year beginning with the 2001-02 fiscal year.

A state sales tax exemption for qualified investment in rural areas. The revenue loss from this exemption will be capped at \$5 million per year beginning in 2000-01.

A \$1,000 credit for each new employee who is hired by a small employer to perform aerospace work. The revenue loss from this credit is estimated to be less than \$1 million annually.

A personal income tax exclusion for graduate school expenses paid by an employer at a cost of \$10 million per year beginning in 2000-01.

A permanent increase in the amount of low-income housing credits that can be allocated annually from \$35 million to \$50 million. This proposal will not affect budget year revenues.

A \$500 personal income tax credit for taxpayers who are or who care for elderly or disabled individuals in their homes. This is estimated to result in a revenue loss of \$47 million in 2000-01.

## BUDGET RESERVE

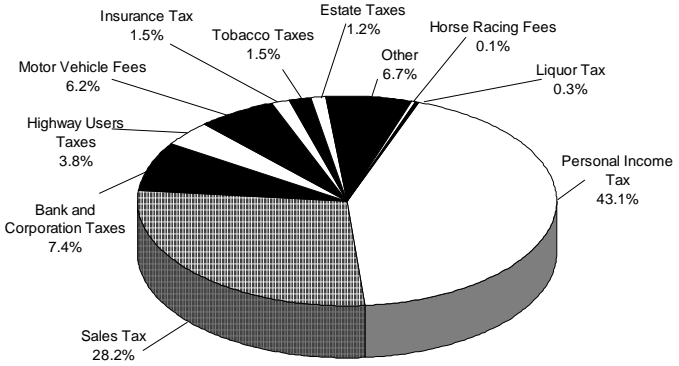
In recent years, General Fund revenue growth has been fueled by major increases in capital gains related to unprecedented growth in the stock market. This in turn has yielded significant revenue collections above budgeted levels. Maintenance of a budget reserve provides a cushion against the volatility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

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

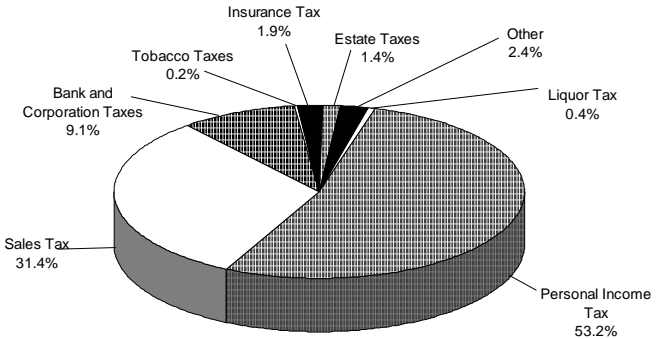
In addition, the Budget includes a General Fund Reserve of \$1.2 billion, or 1.8 percent of estimated 2000-01 revenues, to guard against unforeseen expenditure increases and revenue shortfalls.

# REVENUES 2000-01 FISCAL YEAR

**Total Revenues and Transfers**

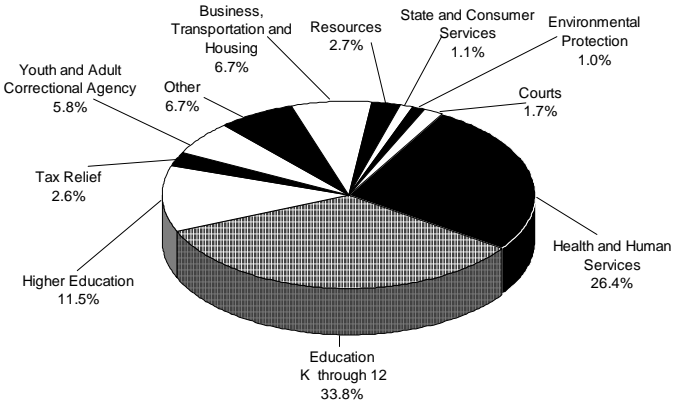


**General Fund Revenues and Transfers**

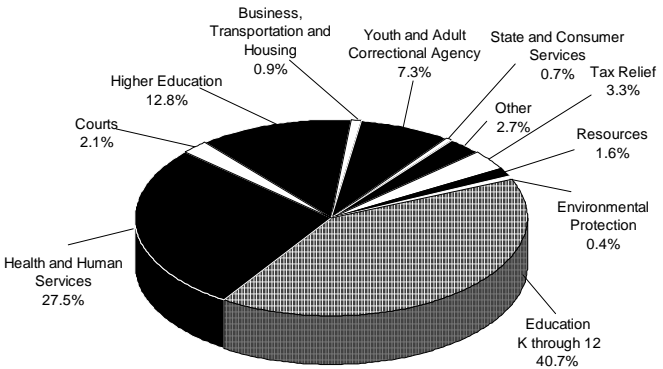


## EXPENDITURES 2000-01 FISCAL YEAR

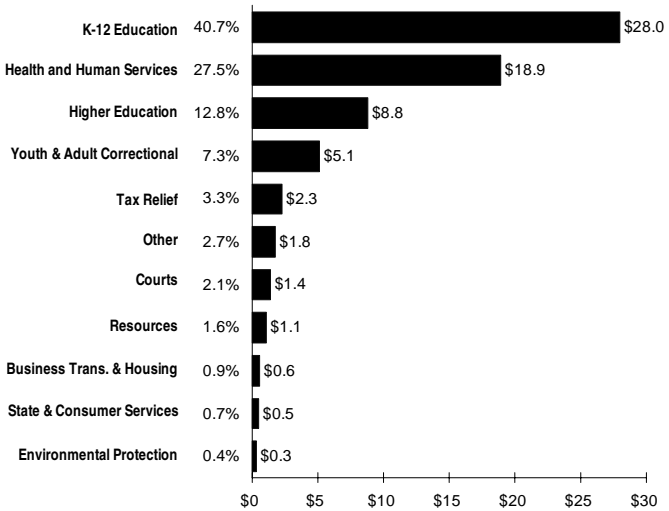
**Total Expenditures**  
(Including Selected Bond Funds)



**General Fund Expenditures**



### 2000-01 General Fund Expenditures (Dollars in Billions)



K-12 Education continues to be the State's top funding priority—over 40 cents of every General Fund dollar is spent on K-12 education.

Combined with higher education funding, the State will spend more than 53 cents of every General Fund dollar on education.

Education, public safety, and health and human services expenditures constitutes 88.3 percent of all State General Fund expenditures.

**2000-01 Expenditures By Fund**  
(Dollars in Millions)

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

**2000-01 Revenue Sources**  
(Dollars in Millions)

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

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

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

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

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



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## EXECUTIVE OFFICE

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**SANDY HARRISON**  
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CHIEF COUNSEL  
324-4856

## BUDGET PROGRAM AREAS

Revenue Forecasting, Economic Projections, Demographic Research, Local Government, Business, Transportation and Housing, and Trade and Commerce .....	Shelley Mateo .....	322-2263
Education .....	Kathryn Gaither .....	445-0328
Health and Human Services .....	Stan Cubanski .....	445-6423
Youth and Adult Correctional, Justice, Judiciary, General Government and State and Consumer Services .....	Calvin Smith .....	445-8913
Resources, Environment, Energy, Capital Outlay and Legislation .....	Fred Klass .....	324-0043
Employee Relations, Retirement Systems .....	Robert Straight .....	327-0201
Budget Planning and Preparation, Cash Management, Statewide Issues .....	Carl Rogers .....	445-5332

### California's Budget on the Internet

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