

CALIFORNIA

State

BUDGET

SUMMARY



GRAY DAVIS, GOVERNOR
STATE OF CALIFORNIA

2001-02

TABLE OF CONTENTS

OVERVIEW	1
THE ECONOMY	5
REVENUE ESTIMATES	11
TAX RELIEF	15
PROGRAM EXPENDITURES	19
EDUCATION	21
PUBLIC SAFETY	35
HEALTH AND HUMAN SERVICES	42
ENERGY, RESOURCES AND ENVIRONMENTAL PROTECTION	60
JUDICIAL BRANCH	63
BUSINESS, TRANSPORTATION, AND HOUSING	66
TECHNOLOGY, TRADE AND COMMERCE AGENCY	70
GENERAL GOVERNMENT	72
STATE-LOCAL ASSISTANCE	78
CAPITAL OUTLAY	82
SUMMARY CHARTS	85
STAFF ASSIGNMENTS	92

OVERVIEW

OVERVIEW

This \$103.3 billion Budget, which reflects a softening of California's economy and slowing tax revenues, contains an overall year-to-year General Fund expenditure decrease of 1.7 percent, yet still makes major new investments in public education aimed at improving the performance of California's schools. The Budget also underscores this Administration's continued commitment to protecting the public safety, addresses the state's pressing transportation needs, and expands health care coverage. It assumes continuation of over \$4 billion in recently enacted ongoing tax relief, new tax relief for agriculture, and increased tax assistance for seniors. The Budget contains a prudent reserve of \$ 2.6 billion.

Major Funding Increases for Education—Proposition 98 spending for K-12 education is \$45.4 billion, an increase of \$2.5 billion, or 5.9 percent, over the previous year. Per pupil spending increases by \$324, or 4.9 percent, to \$7,002. Total combined spending on K-12 and higher education accounts for 53.8 percent of the General Fund budget. The Budget funds Governor's initiatives to provide math and reading professional development for teachers, provide leadership and management training for principals, and increase achievement in under-performing schools. The Budget also increases funding for higher education, fully funding enrollment and avoiding any fee increases.

THE
ECONOMY

THE ECONOMY

Key Economic Indicators

(Annual Percent Change)

	Actual	Forecast	
	2000	2001	2002
U.S. Gross Domestic Product	5.0	1.3	2.5
California Nonfarm Employment	3.8	2.3	1.7
California Personal Income	11.5	2.0	5.6
California Consumer Price Index	3.7	4.5	2.4
California New Housing Units (Thousands of Total Units)	150	160	166

California's economy continues to grow, but the effects of the national economic slowdown are now being felt. This, coupled with a downturn in various high technology sectors, has slowed the state's growth rate considerably from the extraordinary pace achieved in 2000.

THE NATION

- After four years of robust growth, the national economy slowed markedly starting beginning in mid-2000. Real, or inflation-adjusted, gross domestic product (GDP) growth averaged only 1.3 percent at an annual rate during the second half of 2000 and the first half of 2001. The remainder of 2001 is expected to see a continuation of recent slow growth of less than 2 percent at an annual rate.
- The economy is being buoyed almost solely by sustained consumer confidence, and thus consumer spending. Reflecting past over-investment in information technology, business

spending has weakened considerably. Similarly, economic weakness among the nation's chief international trading partners has led exports to fall steadily since the fourth quarter of 2000.

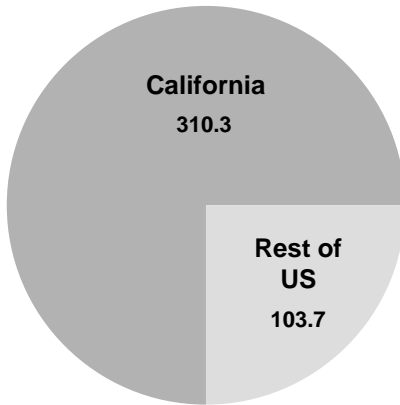
- Aggressive Federal Reserve interest rate cuts should begin to stimulate the economy by late this year or early 2002. In addition, federal tax rebates will provide a temporary boost to consumers in time for the holiday season. These should help foster a measured pickup in the economy, with quarterly GDP growth gradually returning to the 3 percent range next year.

Although the Budget assumes that the U.S. will avoid a recession, the national forecast is at the low end (bottom ten) of the July 10, 2001, Blue Chip Consensus for both 2001 and 2002.

CALIFORNIA

- The California economy entered 2001 with strong momentum and has accounted for three-fourths of all new jobs created in the nation since June 2000.

Industry Jobs Created Since June 2000
1,000s of Nonfarm Jobs



- While employment continues to grow, the state's growth moderated sharply early in 2001, demonstrating that the state is not immune to the nationwide slowdown. Gains in nonfarm employment, which averaged nearly 49,000 each month during 2000, slowed to an average of only 9,700 per month during the first six months of 2001.
- The most dramatic softening occurred in the high-tech sector, highlighted by a series of poor earnings reports and layoff announcements by several of the state's major high-tech employers. On the positive side, California companies specialize in product design, research, and development, rather than actual manufacturing, and since most technology-oriented firms are

reluctant to cut future product development, the effects of the weakness in high-technology goods and services are likely to be somewhat muted.

- Given the recent slowing, non-farm employment growth will continue to slide throughout 2001 and is expected to slowly improve through the course of 2002, but should still be under 2 percent for the year as a whole.
- The year 2000 saw extraordinary income growth that principally reflected a surge in stock option incomes that resulted from the “bubble” in the technology-oriented stocks, as evidenced by the doubling of the NASDAQ index between mid-October 1999 and early March 2000. As a result of the collapse of this bubble, personal income growth is projected to slow much more dramatically than warranted by the moderation in job growth—from 3.8 percent in 2000 to 2.3 percent in 2001. Reflecting the expected drop in gains from the exercise of stock options, personal income growth is expected to drop from more than 11 percent in 2000 to just 2 percent in 2001.

REVENUE ESTIMATES

REVENUES

2001-02 Revenue Sources

(Dollars in millions)

	<u>General Fund</u>	<u>Special Fund</u>
Personal Income Tax	\$42,144	--
Sales Tax	21,949	\$2,619
Bank and Corporation Tax	5,938	--
Highway Users Taxes	--	3,178
Motor Vehicle Fees	14	3,735
Insurance Tax	1,452	--
Estate Taxes	922	--
Liquor Tax	291	--
Tobacco Tax	125	1,014
Horseracing Fees	1	41
Other	<u>2,269</u>	<u>5,578</u>
Total	\$75,105	\$16,165

General Fund revenues are estimated to be \$78.0 billion for 2000-01 and \$75.1 billion for 2001-02. These estimates were based on the 2001 May Revision forecast which decreased by \$3.4 billion from the 2001-02 Governor's Budget over the two years combined. The May estimates were then adjusted for the following changes since that forecast was prepared:

- Elimination of the federal estate tax will reduce California's pick-up tax by \$100 million in 2001-02.
- As part of the effort to maintain a prudent General Fund reserve, the Governor's proposal to increase the manufacturers' investment credit was deferred, increasing revenues by \$65 million.
- Approximately \$73 million in tobacco settlement revenue will remain in the General Fund in 2001-02, instead of the entire amount being deposited in a special fund.

- Sales tax relief measures of \$39.7 million were enacted.
- Transfers were increased by \$270 million, and other budgetary changes added another \$8.1 million.

TAX
RELIEF

TAX RELIEF

In addition to the \$4.3 billion of continuing tax relief from vehicle license fee reductions and measures enacted under this Administration, the Budget provides ongoing relief above the traditional level for low-income senior citizens, as well as sales tax relief for taxpayers involved in agriculture.

Senior Citizens' Property Tax and Renters' Tax Assistance Programs—Property tax assistance for low-income homeowners and renters who are either senior citizens (age 62 and older), disabled, or blind was increased by 45 percent from the 1999 level on an ongoing basis. This will provide \$75 million in additional property tax assistance in 2001-02.

Sales Tax Exemption for Liquefied Petroleum Gas (LPG)—Persons living in rural areas that rely on LPG will no longer be subject to the State and local sales tax on those purchases for household use. LPG used by a farming business for producing and harvesting agricultural products will also be exempt. This exemption will provide \$11 million in State and local tax savings in 2001-02.

State Sales Tax Exemption for Farm and Forestry Equipment—Farm machinery and equipment purchased for use by a person engaged in agricultural production will be exempt from the 5 percent State sales and use tax. Equipment used primarily for off-road commercial timber harvesting operations will also be exempt. These provisions will provide \$20.1 million in 2001-02 tax relief to the affected industries.

State Sales Tax Exemption for Diesel Fuel Used for Agriculture—Diesel fuel used in the production, harvest, and transportation, and delivery of agricultural products will be exempt from the State sales and use tax, resulting in \$18.6 million of tax relief in 2001-02.

State Sales Tax Exemption for Racehorse Breeding Stock—

Racehorse breeding stock will be exempt from the State sales and use tax rate, for \$1.3 million in tax savings.

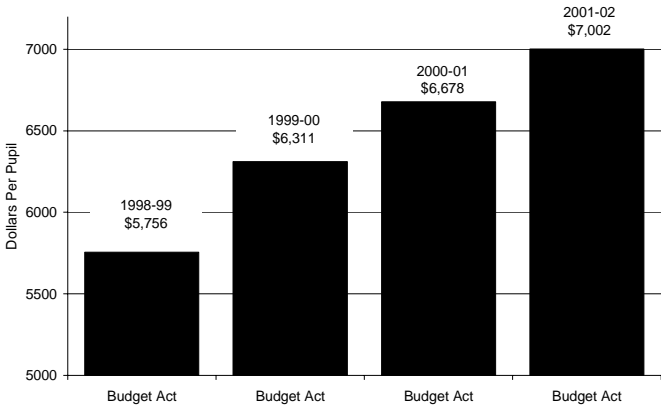
Sales Tax Trigger—Under the 2001-02 Budget agreement reached between the Administration and the Legislature, the formula that provides for a one-quarter cent reduction in the State sales and use tax rate has been revised, in order to make the rate reduction easier to achieve. Instead of the test being based on the current and prior years' reserve levels, it will now be based only on the current year reserve. Also, the reserve level required to trigger the reduction was cut from 4 percent to 3 percent of current year revenues, with the additional requirement that actual General Fund revenues for the May through September period, prior to the annual November 1 certification of the current year reserve, be at least equal to the amount forecast.

PROGRAM EXPENDITURES

EDUCATION

K-12 EDUCATION

K-12 Funding Per Pupil Increases



OVERVIEW

- Total K-12 funding from all sources is now \$53.7 billion, an increase of \$3.8 billion over 2000-01.
- Total 2001-02 per-pupil expenditures from all sources are \$9,293.
- The Budget provides an additional \$3.98 billion in funding in 2001-02 above the Proposition 98 minimum guarantee. For 2000-01, the final Budget provides \$414.6 million above the minimum guarantee.
- Proposition 98 per-pupil spending has increased to \$7,002, which is \$1,246 more than the 1998-99 level. This funding level translates into a 7.2 percent average annual increase over the three-year period.

Enrollment Growth—The Budget provides \$650 million to provide statutory growth increases for apportionments (\$469.0 million), Special Education (\$49.2 million), Adult Education (\$14.3 million), Regional Occupation Centers/Programs (\$9.2 million), and all other categorical programs (\$108.0 million).

Cost-of-Living-Adjustment—The Budget includes a revision to the statutory cost-of-living adjustment (COLA) calculation for school apportionments by using the most recent available economic data. This results in a 3.87 percent COLA, at a cost of \$1.460 billion, which includes \$1.156 billion for apportionments and Special Education, \$36.2 million for Adult Education and Regional Occupation Centers/Programs, and \$267.8 million for all other categorical programs.

School Energy Cost Assistance—The Budget includes \$250 million for allocation to school districts, county offices of education, and charter schools on a per-pupil basis for school energy costs and energy conservation measures.

Special Education—The Budget includes \$97.9 million, half of which will be used to provide a permanent increase to the base funding level for the special education program. The other half will be used to provide equalization funding for special education.

Special Education Mandate Settlement—The Budget includes \$270 million for retroactive payments, \$100 million on a permanent basis, the first \$25 million in one-time funds that will be provided on an annual basis for 10 years, for settlement of the 20-year-old Riverside Special Education Mandate Case. This agreement also includes settlement of the Long Beach Mandate Case.

Increase in Discretionary Funding—The Budget provides \$75 million in increased discretionary spending for local education agencies. Included in this figure are \$40 million in ongoing increases for the purpose of providing greater equalization of school district revenue

limits, and \$35 million to partially mitigate the PERS offset to school district and county office of education revenue limits. This is the third consecutive budget in which the Administration has increased discretionary spending beyond growth and COLA.

Mandate Funding—The Budget includes \$330.2 million for reimbursable mandates. Of this amount, \$164.3 million is for on-going costs of existing mandates and \$103.4 million is for the following newly adopted mandates: Annual Parent Notification-Staff Development (\$5.4 million), School Bus Safety II (\$66.8 million), School Crimes Reporting II (\$31.2 million), and \$62.5 million is to provide contingency funding for prior year claims.

AJOR INITIATIVES

Mathematics and Reading Professional Development Program—The Budget includes \$80 million in the first of a four-year program for the Mathematics and Reading Professional Development Program, which will provide 249,000 K-12 teachers and 22,000 teaching aides with 40 hours of intensive, initial training in mathematics and/or reading instruction, and 80 hours of follow-up training over the course of the program. Schools will receive \$2,500 for each teacher trained and \$1,000 for each teaching aide trained.

Principal Training Program—The Budget provides \$15 million for the first year of the three-year Principal Training Program, which will provide 15,000 principals and vice principals in each of the three years with training in instructional standards and effective school management techniques. Schools will receive \$3,000 per person trained, which must be matched by \$1,000 from the school district.

High Priority Students Block Grant—The Budget includes \$200 million to provide up to \$400 per pupil to improve student achievement in low-performing schools. Although this grant will be

available to all schools in the bottom five deciles of the Academic Performance Index, priority will be given to the lowest scoring schools.

Immediate Intervention/Underperforming Schools

Program (II/USP)—The Budget includes an augmentation of \$47.2 million for the II/USP to increase implementation grants to participating schools from \$168 to \$200 per pupil, to improve pupil academic achievement.

Targeted Instructional Improvement Grant—The Targeted Instructional Improvement Grant, nearly \$1.2 billion, will provide districts with flexibility in meeting the educational goals of those students with the greatest needs. The program allows districts that in the past, received funds from the Court-Ordered and Voluntary Desegregation and the Economic Impact Aid programs, to receive the funds as a per-pupil grant. To the extent that a district has a court-ordered desegregation program still in force, it must first use these funds to cover the costs of that program. The remainder of the funds will more importantly allow districts greater flexibility to provide instructional improvement for the lowest achieving pupils. This redirection will provide schools with a stable source of funding to target students most in need of assistance in order to improve their academic achievement.

High Tech High Schools—To foster opportunities for students to meet the rigorous demands of the high-technology field and provide students with the resources necessary to achieve greater technological skills, the Budget allocates \$10 million for the first year of a two-year project to establish 5 High-Tech High Schools throughout the state. Grants of \$2 million will be awarded to districts on a competitive basis and require a 1:1 local match.

TER SCHOOL PROGRAMS

- The Budget includes \$29.7 million to expand the After School Learning and Safe Neighborhoods Partnerships Program, with one-half of this amount for legislation establishing a Before School component. This expansion will increase the existing program by 16,500 new after school slots and create 24,750 before school slots, thus providing a safe and academically enriching environment for approximately 139,000 children in kindergarten through 9th grade.

CHILD CARE AND DEVELOPMENT PROGRAMS

Child care services are a vital 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:

- This spring, the Administration released a report examining policy options which could be used to reform California's child care system more in line with that of other large states in order to more efficiently utilize existing resources to equitably serve the state's neediest families. The Administration has committed \$300,000 in the budget of the State and Consumer Services Agency for consulting services to further analyze data, model, and develop recommendations to revise eligibility standards, family fees, subsidy levels, and related policy issues for comprehensive reform legislation which may be enacted by January 31, 2002.
- \$24 million of additional funding has been set aside, to be used as necessary, for the Stage 3 population pending legislation described above to reform child care policy in line with the Administration's objectives.
- Over \$97 million increase for child care for working families, including \$64 million in additional Stage 3 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 January 2002 for a total level of \$236 million for this population. Funding has also increased by \$33.7 million to fully support the Stage 2 caseload estimate. Total CalWORKs related child care funding is over \$859 million in the State Department of Education (SDE).

- A reserve of over \$153 million is separately budgeted and available to both the SDE and the Department of Social Services to ensure sufficient funding for CalWORKs Stage 1 and Stage 2 child care services.
- \$10 million increase in one-time and on-going federal funds to increase quality in child care for infants and toddlers. This increase reflects the higher funding level of the federal infant and toddler quality earmark included in the recent Federal budget.
- \$10 million increase in the allocation to schools for school safety purposes. These funds allow for broad local discretion in supporting activities to promote a safe school environment, such as teaching pupils techniques for resolving conflicts without violence, improving school safety infrastructure, training staff and administrators to promote conflict resolution and to identify at-risk students, providing counseling to students, and establishing relationships with local law enforcement.
- \$3 million to develop and validate research-based school readiness assessment instruments for the School Readiness Initiative. This effort is being undertaken in cooperation with the Children and Families (Proposition 10) Commission.
- \$4 million increase in one-time funds to expand upon the Pre-Kindergarten Guidelines for child care centers completed in the 2000-01 fiscal year, and to strengthen the quality of care delivered by family child care homes and exempt providers through additional training.

- \$1 million to continue the Home Instruction Program for Preschool Youngsters (HIPPIY) to support the involvement of parents in their preschoolers' early childhood development.
- \$45 million for a 3.87 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 income requirements.

CALIFORNIA STATE LIBRARY

The Budget provides the following augmentations for the State Library:

- \$1.25 million for Transaction-Based Reimbursements. This program supports equal access to library materials for all Californians by funding and facilitating the exchange of materials among the state's public libraries.
- \$157,000 to digitize historic photographs. The Budget includes funding to begin digitizing the State Library's collection of original photographs documenting the state's history from the late 1840s to the present. The project will focus first on 15,000 historic photographs of Southern California, making them searchable via the Library's online and web catalogs, so educators, historians, students, publishers, and other library patrons can access them at any time via computer.

HIGHER EDUCATION

OVERVIEW

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 \$20 million to establish a fourth institute. These resources will be matched with at least \$2 of non-State funding for each \$1 of State funding.

Medical Investigations of Neurodevelopmental Disorders (MIND) Institute—\$33 million for MIND Institute facilities. This project will provide an international clinical and research center focused on the systematic evaluation of the causes of neurodevelopmental disorders and potential cures.

K-12 Linkages—The Budget provides an additional \$23.5 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; and \$6 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.

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.

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.

Capital Outlay—In addition to funding for UC Merced, the Institutes for Science and Innovation and the Mind Institute the Budget funds \$242.9 million for capital outlay expenditures at UC and \$225 million for those at CSU and \$141 million for Community Colleges to support projects geared toward planned enrollment growth; correction of seismic and life-safety deficiencies; and other infrastructure, renovation, and modernization projects.

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 \$92.9 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 2 percent from the prior year, and full funding for enrollment growth, capital outlay debt service, and annuitant health benefits.

Accountability—UC and CSU are meeting accountability goals under the Partnership Agreement by improving student outcomes with respect to graduation and retention rates, increasing enrollments in teacher credentialing programs, and 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.

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

	1999-00	2000-01	2001-02	One-Year Change	
				Amount	Percent
University of California ^{1/}	\$3,694.6	\$4,226.2	\$4,414.7	\$188.5	4.5%
California State University ^{1/}	2,813.1	3,134.6	3,281.5	\$146.9	4.7%
Community Colleges	5,326.6	5,807.7	6,157.4	\$349.7	6.0%
Student Aid Commission	385.4	496.7	634.6	\$137.9	27.8%
Other Higher Education ^{2/}	205.4	225.0	239.5	\$14.5	6.4%
Total Funds	\$12,425.1	\$13,890.2	\$14,727.7	\$837.5	6.0%

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

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

- Total higher education funding increases by an average of 6.0 percent. General Fund increases average 6.7 percent.
- The Budget provides UC with \$168.2 million and CSU with \$142.6 million of new General Fund resources.
- The Budget funds enrollment increases of 7,100 (4.2 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 181,088 FTE students for UC and 303,878 FTE students for CSU—the highest ever.

OTHER SIGNIFICANT INCREASES—UC AND CSU

UC Research—The Budget includes \$17 million in one-time funding for UC to invest in research aimed at areas of key economic importance to the State, including:

- Continuation of the development of Internet2 (\$14 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, 140 colleges and universities across the nation, and universities in Mexico.
- Neurodevelopmental research through the Center for the Medical Investigation of Neurodevelopmental Disorders (the MIND Institute), including investigations in the areas of animal models, immunology, brain damage, molecular biology, and genetics (\$2 million).
- Spinal cord injury research (\$1 million)

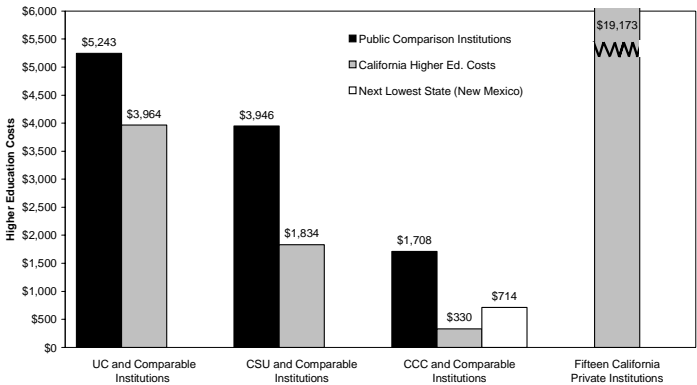
CSU—The Budget includes \$27.9 million in permanent funding above the partnership for the following CSU activities:

- Fully fund 1,000 annual Governor's Teaching Fellowships (\$17.5 million), which provide nonrenewable graduate teaching fellowships to students who agree to teach at low-performing schools for four years.
- Expand the Governor's K-12 Technology Training Initiative (\$6 million) to train teachers in the use of 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 (\$200,000) in the area of biotechnology (CSUPERB).
- 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).

CALIFORNIA COMMUNITY COLLEGES

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

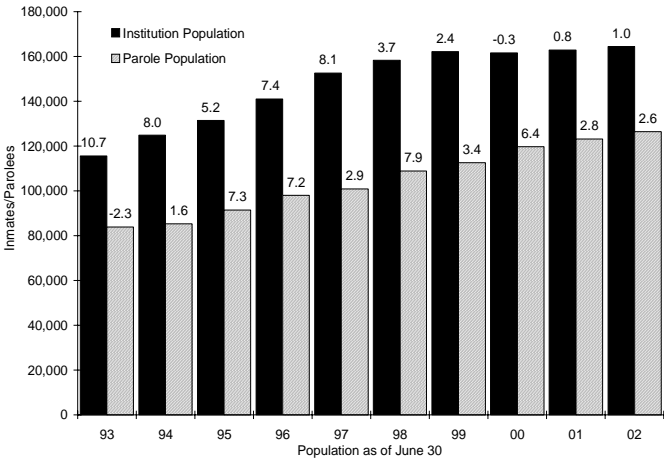


- For CCC, the Budget provides an increase of \$349.7 million, or 6.0 percent, including 3.87 percent for COLA and 3.0 percent for growth. The 3.0 percent growth rate exceeds the statutory growth amount by 0.76 percent, thereby providing access to quality education services for an additional 30,900 full-time equivalent students (FTEs). Total projected CCC enrollment of 1,060,000 FTEs is the highest level yet.

- To assist districts in making part-time faculty salaries more comparable to full-time faculty for similar work, the Budget provides \$57 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 includes \$49 million in one-time funds to assist colleges in covering a portion of their natural gas and electricity costs for 2000-01 and 2001-02. These funds would also be used to promote conservation efforts consistent with the Governor's goal of reducing peak-load use by state agencies by 20 percent.
- The Budget also includes \$2.6 million to augment successful programs striving to expand student access and meet California's workforce demands. Specifically, \$800,000 provided for Disabled Students Programs and Services to provide live captioning of text, \$800,000 for an additional 170,000 hours of apprenticeship instruction, and \$1.0 million for San Mateo Community College District to form a joint baccalaureate program between Cañada College and San Francisco State University.

PUBLIC SAFETY

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 budgeted prison inmate population is projected to decrease to 155,706 on June 30, 2002, representing a decrease of 5,365 inmates, or 3.3 percent from the June 30, 2001, budgeted prison inmate population of 161,071. The decrease is largely due to the projected impact of Proposition 36, which requires substance abuse treatment services in lieu of incarceration for persons convicted of certain types of offenses. Incarceration services are provided through 33 institutions, 38 camps, 16 community correctional facilities, and 26 community correctional reentry centers.

Parole Population—The parolee population is projected to increase to 126,390 on June 30, 2002, an increase of 4,542, or 3.7 percent over the June 30, 2001, budgeted parole population of 121,848.

INMATE HEALTH SERVICES

The Budget contains the following augmentations related to inmate health services:

Inmate Medical Services—\$15.9 million 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. Additionally, the project includes \$7.9 million to enhance inmate health care at Pelican Bay State Prison through the implementation of a patient appointment management system.

Medical and Psychiatric Supplies—\$56.9 million to accommodate actual and projected cost increases for pharmaceuticals and medical supplies.

Contract Medical—\$25.8 million to address increased costs for contracted medical and psychiatric services.

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

Mental Health Services Delivery System—\$16.0 million to enhance and expand the Department's mental health services program. The project also includes funding to contract for health services at three institutions to enable the Department to reduce high vacancy rates for various clinical mental health classifications.

Mental Health Care for Parolees—\$2.8 million for psychotropic medication for the Parole Outpatient Clinics to provide mental health care to mentally ill parolees.

SECURITY AND SAFETY IMPROVEMENTS

The Budget includes funding increases for various security and safety measures, as follows:

Enhanced Safety—\$5.2 million for stab vests and other equipment to enhance security at Level III and IV institutions.

Increased Security for Condemned Inmates at San Quentin State Prison—\$1.1 million to address the increasingly violent nature of condemned inmates incarcerated at San Quentin State Prison.

Preventative Maintenance Program for Door Operating System—\$33.5 million to repair or replace electromechanical security door operating systems at several institutions, and to establish a preventative maintenance program for these systems.

Increase Budgeted Relief for Posted Positions—\$28.2 million in overtime funding to increase the budgeted relief factors for posted positions. This will allow employees in posted positions the opportunity to take accrued time off and reduce the liability for excess leave balances. The Budget also provides the authority to convert this funding to 504 permanent positions when CDC fills vacancies in certain classifications.

INCREASED FUNDING FOR TRAINING

The Budget provides the following augmentations for training-related purposes:

Expansion of Parole Agent Academy—\$1.1 million to expand the Parole Agent Academy from six weeks to ten weeks in accordance with the standards established by the Commission on Correctional Peace Officer Standards and Training.

Correctional Officer Cadet Pay—\$5.8 million to fund pay increases for correctional officer cadets to improve cadet recruitment and retention.

OTHER AUGMENTATIONS

The Budget includes additional augmentations for the following:

DNA Data Base and Post-Conviction Testing—\$1.8 million to perform case records searches and DNA and palm print collection for specified inmates.

Workers' Compensation Shortfall—\$21.8 million to provide resources for workers' compensation costs, and to perform fraud investigation for workers' compensation claims.

Financial Process Redesign—\$1.4 million to initiate a redesign of the Department's financial management practices, including expanded training and an examination of information technology solutions.

Incarceration of Undocumented Felons—Assumption of federal reimbursement of \$189.3 million to partially offset the costs of incarcerating adult and juvenile undocumented felons in 2001-02. The total cost to California to incarcerate these individuals is estimated to be approximately \$611.1 million.

DEPARTMENT OF THE YOUTH AUTHORITY

Institution and Parole Population—The Youth Authority projects an institution population of 6,740 on June 30, 2002, which is a decrease of 32 from the actual June 30, 2001, population of 6,772. The parole population is expected to be 4,320 on June 30, 2002, a decrease of 35 from the actual June 30, 2001, population of 4,355.

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 325 parolees. This augmentation would also fund a comprehensive assessment of the Department’s mental health services program and ward treatment needs.

Sex Offender Specialized Counseling—The Budget provides an increase of \$2.8 million for 50 additional formal sex offender treatment beds and 35 parole transitional beds.

Formal Substance Abuse and Aftercare Service Expansion—The Budget includes an augmentation 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 contains \$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.

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

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

DEPARTMENT OF JUSTICE

Energy Investigations and Litigation—The Budget provides \$9.4 million to provide litigation services in a number of pending energy-related legal actions, investigate the current electricity and natural gas problems facing California, and provide legal advice to decision-makers in their attempts to restore competitive markets and reliable energy supplies to California on a long-term basis.

High Technology Antitrust Activities—The Budget includes \$3.7 million to support the investigation and litigation of antitrust law violations in the high technology industry.

California Methamphetamine Strategy (CALMS)—The Budget provides \$10.5 million to continue the CALMS program which is a formerly federally funded, multi-component, systematic approach targeting all facets of methamphetamine production and trafficking.

Sexual Predator Apprehension Teams—The Budget contains \$2.9 million to create Sexual Predator Apprehension Teams in San Diego and Orange County. These teams, combined with teams in Los Angeles, Fresno, San Francisco, and Sacramento, will provide statewide coordination and leadership in monitoring, tracking, and apprehending serious and high-risk sex offenders.

DNA Laboratory Expansion—The Budget includes an augmentation of \$2.1 million to acquire additional DNA laboratory space in Richmond. This facility will accommodate DNA staff for the Rape Kit Analysis Program, the Missing Persons DNA Databank, the Post Conviction DNA Program, and other positions currently housed in the existing Berkeley DNA laboratory.

OFFICE OF CRIMINAL JUSTICE PLANNING

War on Methamphetamine—The Budget includes \$30 million for local law enforcement entities to purchase specialized equipment to enhance suppression activities, and to hire additional personnel to combat methamphetamine production and distribution.

High-Technology Theft Apprehension and Prosecution Program Expansion—The Budget includes \$7.6 million to increase the effectiveness of law enforcement in high-technology crimes. This funding will increase personnel and equipment resources for five High-Technology Task Forces, support the development of a computer crime and forensics training program, and provide coordination between industry, the task forces, law enforcement, and the State.

High-Technology Identity Theft—The Budget contains \$3.3 million to establish High-Technology Theft Units within each of the High-Technology Task Forces, to implement training courses, and to fund case development and prosecution of identity theft cases by state law enforcement agents and Deputy Attorneys General.

Local Forensic Laboratory Improvement Program—The Budget provides \$25 million for competitive grants to local forensic laboratories to construct and renovate laboratory facilities, purchase new equipment, and replace or upgrade existing equipment.

Regional Law Enforcement Training Centers—The Budget provides \$5 million for local assistance grants to regional law enforcement training centers for facility planning, renovation, and construction costs.

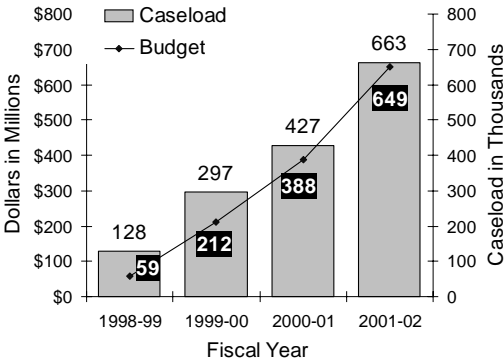
HEALTH AND HUMAN SERVICES

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 expected to reach 525,000 children by June 30, 2002.

Healthy Families Program Adult Expansion—The 2001-02 Budget includes \$150.2 million (\$61.8 million Tobacco Settlement Fund) 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 250 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 138,000 adults will receive health care benefits by June 30, 2002, under this expansion, bringing total HFP enrollment to 663,000 by that date.

Healthy Families Program Enrollment



TOBACCO SETTLEMENT FUND

The 1998 Master Tobacco Settlement requires tobacco companies to make payments to the states totaling an estimated \$206 billion nationally through 2025. California is projected to receive an estimated \$25 billion over 25 years. In 2001-02, the State expects to receive approximately \$475 million.

The Budget establishes the Tobacco Settlement Fund, into which will flow \$402 million of the State's share of 1998 Master Tobacco Settlement revenues in 2001-02. The programs funded from the Tobacco Settlement Fund include the following:

- **Healthy Families Program for Children**—\$52.4 million to expand the children's program to include children in families with income between 200 and 250 percent of the Federal Poverty Level (FPL). This will provide health and dental insurance coverage to an additional 69,000 children in 2001-02.
- **Healthy Families Program for Parents**—\$61.8 million to expand the program to provide insurance coverage to an estimated 138,000 working parents of children in either the Healthy Families or Medi-Cal program who have incomes up to 250 percent of the FPL.
- **Medi-Cal Eligibility and Benefit Expansions**—\$170 million to provide no-cost health care coverage to aged, blind, and disabled individuals with incomes below 133 percent of the FPL, and to poor or low-income families at or below 100 percent of the FPL.
- **Breast and Cervical Cancer Treatment Program**—\$14.4 million to provide breast and cervical cancer treatment to uninsured and underinsured Californians with incomes up to 200 percent of the FPL.

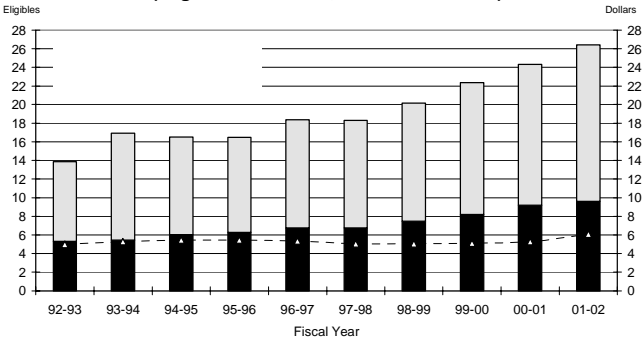
- Prostate Cancer Treatment Program—\$20 million to provide prostate cancer treatment to uninsured and underinsured Californians with incomes up to 200 percent of the FPL. This appropriation doubles the 2000-01 program level.
- Youth Anti-Tobacco Program—\$20 million to provide grants to local non-profit organizations to reduce smoking among teens and college-aged youth.
- Child Health and Disability Treatment Prevention (CHDP)—\$63.3 million to continue this program that provides preventive health assessments and immunizations to low-income children from the ages of 6 through 18.

DEPARTMENT OF HEALTH SERVICES

MEDI-CAL

- Projected Medi-Cal costs for 2001-02 are \$26.4 billion (\$9.6 billion General Fund).

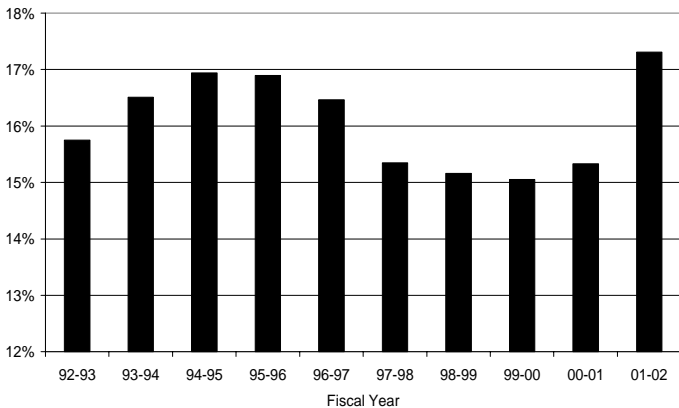
Medi-Cal Caseload and Costs, 1992-93 through 2001-02
(Eligibles in Millions, Dollars in Billions)



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.

- Medi-Cal average monthly caseload is expected to increase by 15.1 percent above 2000-01, due primarily to increased eligibility expansions. This compares to a 2.0 percent increase in the state population. The average monthly number of persons enrolled in Medi-Cal is approximately 6.1 million, representing over one in six Californians.

Average Monthly Medi-Cal Eligibles as a Percentage of California Population



- Medi-Cal cost increases continue, primarily due to the growth in the number of beneficiaries, increases in the frequency of services, and higher cost per unit of service used. In particular, pharmaceutical costs per unit are projected to increase by 10.8 percent, resulting in an increase of \$485 million in fee-for-service drug costs.

The Budget includes the following major General Fund augmentations:

- \$255.1 million to provide a one-time payment to hospitals to address previous years' reimbursement levels and to increase hospital outpatient reimbursement rates effective July 1, 2001, pursuant to the settlement of the Orthopedic Hospital lawsuit.
- \$46.1 million to provide a rate increase to long-term care providers, including a 2.15 percent rate increase for nursing homes, to improve the quality of care for California's low-income elderly population.
- \$8.4 million to simplify the administration of health care information and to implement the security and privacy provisions of the federal Health Insurance Portability and Accountability Act.
- \$7 million to provide a supplemental wage adjustment under specified conditions to long-term care facilities to assist them in recruiting and retaining qualified caregivers.
- \$2.6 million to implement a new prospective payment system for Federally Qualified Health Centers and Rural Health Clinics.

The Budget includes the following major Tobacco Settlement Fund augmentations:

- \$123 million to provide Medi-Cal benefits to two-parent working families with incomes at or below 100 percent of the federal poverty level (FPL), thus allowing parents to receive no-cost medical benefits while continuing to support their families after leaving CalWORKs.
- \$47 million to provide no-cost Medi-Cal benefits to aged, blind, or disabled individuals with incomes below 133 percent FPL.

- \$5.3 million to implement a Medicaid option providing breast and cervical cancer treatment to uninsured women with incomes up to 200 percent FPL, allowing them immediate access to care.

PUBLIC HEALTH

Bi-National Health Initiative—The Budget provides \$1 million General Fund to assist the California Office of Binational Border Health in its mission to facilitate cooperation between health professionals in California and Mexico as they seek to improve the health of communities affected by border or binational conditions and activities. This augmentation will provide \$720,000 for health education, promotion, and technical assistance activities, and training in the areas of immunizations, HIV/STDs, tuberculosis, and chronic disease prevention. It will also provide \$200,000 for drinking water program guidelines and environmental epidemiology activities, and \$80,000 for a binational migrant health week event.

AIDS Drug Assistance Program—The Budget provides total funding of \$162.9 million (\$59.9 million General Fund), which includes an augmentation of \$15.3 million General Fund, to fully fund increased AIDS Drug Assistance Program (ADAP) costs due to drug manufacturer price increases and rising caseload. Since 1987, the ADAP program has provided drugs to HIV/AIDS infected individuals who lack medical insurance but who have: (1) adjusted gross incomes that do not exceed fifty thousand dollars (\$50,000) per year, or (2) incomes higher than fifty thousand dollars (\$50,000) per year if the estimated cost of those drugs in one year is expected to exceed 20 percent of the person's adjusted gross income. The ADAP provides financial assistance to these individuals to purchase the often extraordinarily expensive, but life sustaining, drugs necessary to manage their disease. Based on an average cost per case for the year 2000 of \$5,659, approximately 2,260 new cases will be served by the funding increase.

Expanded Access to Primary Care (EAPC)—The Budget provides total funding of \$31.2 million (\$23.5 million General Fund), including an increase of \$10 million General Fund, to increase the EAPC program by 47 percent in recognition of the important health care services provided to vulnerable populations statewide under this program. This augmentation will provide increased primary health care services, including medical and dental services and preventive health care.

MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)

The Budget includes the following amounts for the programs administered by the MRMIB:

Healthy Families Program—\$648.7 million (\$114.2 million Tobacco Settlement Fund) to provide health care coverage to an estimated 663,000 children and parents by June 30, 2002. The Budget reflects the Administration's continuing commitment to serve as many uninsured children as possible by providing \$498.5 million (\$126 million General Fund, \$52.4 million Tobacco Settlement Fund) to serve an expected 525,000 children. The Budget also includes \$150.2 million (\$61.8 million Tobacco Settlement Fund) to expand the program to serve an expected 138,000 adult parents with incomes up to 250 percent of the Federal Poverty Level.

Access for Infants and Mothers (AIM)—\$68.2 million (\$64.7 million Perinatal Insurance Fund) for this program which provides health insurance coverage to women during pregnancy and up to 60 days postpartum, and to their infants up to two years of age. The AIM program is expected to serve an average of 524 new women per month.

Major Risk Medical Insurance Program—\$44.2 million, including a \$5 million one-time augmentation, for this program which provides health insurance to medically high-risk individuals and the medically uninsurable.

Health-e-App—\$1.3 million (\$240,000 General Fund) for the statewide implementation of the “Health-e-App” project. The Health-e-App is an Internet based application designed to simplify and automate the application and enrollment of families into either the Medi-Cal or Healthy Families Program (HFP). The Health-e-App will allow eligible applicants to find local health care providers and obtain a “real-time” preliminary eligibility determination for either the HFP or Medi-Cal.

DEPARTMENT OF SOCIAL SERVICES

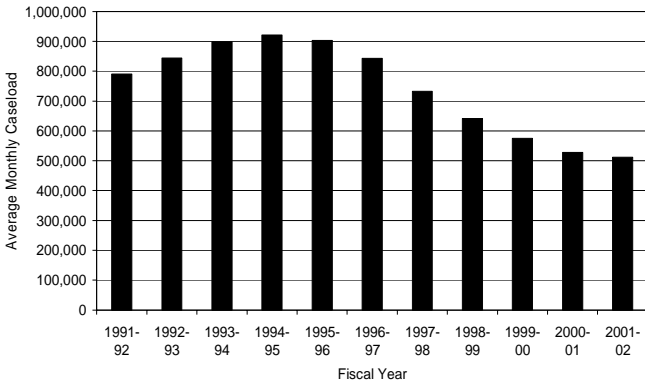
CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

Temporary Assistance to Needy Families (TANF) Block Grant and Maintenance-of-Effort—The Budget includes total CalWORKS expenditures of \$7.3 billion, \$6 billion budgeted within the Department of Social Services (DSS), and the remaining \$1.3 billion budgeted in other state programs and county budgets.

In addition, \$30.1 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. As the current structure of the CalWORKS budget does not provide the State with sufficient flexibility to shift funding between CalWORKS program elements when mid-year corrections are needed, this reserve and the child care reserve reduce the need to shift funding between program elements in these instances.

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. 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 512,000 cases in 2001-02 from 528,000 in 2000-01.

CalWORKs Caseload
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.

Grant Levels—The Budget includes \$137.8 million for an October 2001 cost-of-living adjustment of 5.31 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 \$679, and in Region II from \$614 to \$647. A family of three, living in Region I, can earn up to \$1,583 per month before its entire grant is reduced to zero.

CalWORKs Child Care—The Budget funds projected child care needs for CalWORKs recipients. A total of \$1.4 billion will be available to provide CalWORKs child care services in 2001-02. Of that amount, \$575 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 \$622.9 million and \$15 million, respectively, to provide CalWORKs child care services. There also is a \$153 million reserve to be used for either the DSS or Department of Education child care providers, as needed.

Welfare-to-Work—The federal Balanced Budget Act of 1997 established the Welfare-to-Work (WtW) 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 Budget Act includes \$25.4 million General Fund, as part of this match, to supplement CalWORKs employment services.

Performance Incentives—The CalWORKs statute provides for performance incentive payments to counties, subject to funding in the annual Budget Act. The 2000 Budget Act included \$250 million for incentives earned prior to 2000-01, but none of this funding has been paid to counties to date. As there is increased demand for CalWORKs services in 2001-02, funds appropriated in the 2000 Budget Act shall be carried over and included in the 2001 Budget Act for CalWORKs employment services and child care. In addition, the 2001 Budget Act includes \$20 million in TANF Block Grant funds for county performance incentives earned prior to 2000-01.

PROGRAM CHANGES

Continuing Parental Eligibility for CalWORKs—Prior State statute and regulations allowed parents to remain CalWORKs-eligible for 30 days during which their children are absent from the home provided that they continue to have care and control of the children. The 2001-02 Budget continues parental eligibility for CalWORKs services for up to 180 days, if necessary for family reunification after the children are removed from the home by Child Protective Services.

Funding for Under-Equity Counties—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 2001-02 is projected to exceed \$1.7 billion. The 2001-02 Budget includes \$3.6 million General Fund match for the WtW Grant to be allocated to counties that are under equity with respect to the 2001-02 CalWORKs county block grant, according to a methodology to be developed by DSS. The Budget also reappropriates unspent funds appropriated in 2000-01 for the county block grant, mental health allocation, and substance abuse allocation for the same purpose.

CALIFORNIA FOOD ASSISTANCE PROGRAM

The Budget includes \$72.5 million General Fund for the California Food Assistance Program (CFAP) in 2001-02. The program provides food coupons to documented persons who entered this country before August 22, 1996, and who are not eligible for federal food stamps solely because of their immigration status. The CFAP was expanded for one year effective October 1999 and an additional year effective October 2000 to include documented persons who entered this country after August 22, 1996. The 2001-02 Budget makes this expansion permanent.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT PROGRAM

Caseload is projected to increase to 1,105,500 recipients in 2001-02, a 2 percent increase over 2000-01. Total Supplemental Security Income/State Supplementary Payment (SSI/SSP) General Fund expenditures are projected to be \$2.8 billion, compared to \$2.6 billion in 2000-01.

In January 2002, SSI/SSP recipients will receive an estimated 5.31 percent COLA, based on the California Necessities Index. This will increase monthly grants for aged/disabled recipients by \$38 to \$750 for an individual and by \$67 to \$1,332 for a couple. The monthly grants for blind recipients will increase by \$41 to \$812 for an individual and by \$78 to \$1,544 for a couple. California's SSI/SSP payment standards continue to be the highest among the ten most populous states.

IN-HOME SUPPORTIVE SERVICES

The 2001-02 average monthly caseload is projected to be 266,400 cases, an increase of 7.1 percent above the 2000-01 caseload of 248,700. Total In-Home Supportive Services (IHSS) expenditures are projected to be \$2.4 billion (\$914.8 million General Fund), an increase of 23.4 percent above estimated 2000-01 expenditures.

To further enhance the Administration's efforts to improve the quality of provider services and strengthen recruitment and retention, the Budget includes \$31.4 million General Fund to increase the State share-of-cost of employee wages and benefits for IHSS providers. For Public Authority (PA) providers, the Budget includes an increase of \$23.7 million to provide a discretionary increase in the State share-of-cost of employee wages and benefits to \$9.10 per hour. The Budget also includes \$6.4 million to provide a 2.31 percent

increase for non-PA individual providers. Thus, the total State share-of-cost for these providers equals minimum wage plus 5.31 percent. The Budget also contains \$1.3 million for a 5.31 percent increase in the current maximum allowable contract rate for that mode of service.

CASH ASSISTANCE PROGRAM FOR IMMIGRANTS

The Budget includes \$107.7 million General Fund for the Cash Assistance Program for Immigrants (CAPI) in 2001-02. The base program (\$86.7 million) provides benefits to documented persons in the country prior to August 22, 1996, who were not receiving SSI/SSP benefits on September 30, 1998. In addition, the sunset date for the “expansion” program serving documented persons arriving on or after August 22, 1996, has been eliminated (\$21 million).

CHILDREN’S SERVICES AUGMENTATIONS

The Budget provides an appropriation of \$221.7 million above the level of funding supported by the current caseload and caseload standards to assist counties with Child Welfare System (CWS) improvements. The Budget also provides \$75.1 million for improved benefits to children in foster care. These improvements and benefits are as follows:

CWS Social Workers—\$221.7 million (\$123.6 million General Fund) for additional social workers on an interim basis, pending an evaluation of potential redesigns of the CWS system and budgeting methodology which will be recommended by the CWS Stakeholders Group.

Foster Care Rate Increases—\$55.9 million (\$25.5 million General Fund) for a 4.85 percent rate increase for Foster Family Agencies, Foster Family Homes, and Group Homes.

Foster Care Services—\$19.2 million to expand services and benefits for emancipating foster youth.

- **Supportive Transitional Emancipation Program**—\$8 million General Fund for ongoing financial support to young adults who emancipate from the foster care system and are involved in training or educational pursuits, and for development, implementation, and evaluation of a limited pilot Internet-based health and education passport system in a portion of Los Angeles County. For the first time, funding is made available to support young adults between the ages of 18 and 21. When fully implemented, this expansion will cost \$64.7 million (\$25.9 million General Fund). It is intended that the passport system will improve the accuracy and reliability of information necessary to ensure receipt of appropriate services for children in foster care, to improve health and education outcomes, and to reduce and eliminate the risk of inadequate treatment by service providers, multiple immunizations, and other severe health and education problems.
- **Transitional Housing Placement Program**—\$11.2 million (\$10 million General Fund) to expand existing transitional housing services to include foster youth 16 to 18 years of age and young adults 18 to 21 years of age who are participating in the Supportive Transitional Emancipation Program.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The 2001-02 Budget includes \$2.7 billion (\$1.9 billion General Fund), an increase of \$156 million (\$88.2 million General Fund) above the 2000-01 revised Budget, for programs for the developmentally disabled. This increase reflects an additional 9,300 clients.

DEVELOPMENTAL CENTERS

The 2001-02 budget for the Developmental Centers is \$618 million (\$338.2 million General Fund), a decrease of \$41.9 million (\$98.7 million General Fund) below the 2000-01 revised Budget primarily due to decreased population, utilization of services, and cost per client. The Budget supports a population of 3,686, a decrease of 158 clients below 2000-01.

REGIONAL CENTERS

The 2001-02 budget for Regional Centers is \$2.1 billion (\$1.5 billion General Fund), an increase of \$195.5 million (\$184.3 million General Fund) above the 2000-01 level. The Budget supports a Regional Center population of 172,500, an increase of 9,500 clients above 2000-01. Of the total increase, \$172.1 million (\$165.4 million General Fund) is for increased population, utilization of services, and cost per client.

DEPARTMENT OF MENTAL HEALTH

The 2001-02 Budget includes \$2.1 billion (\$972.2 million General Fund), an increase of \$258.5 million (\$96.9 million General Fund) above the revised 2000-01 Budget for the Department of Mental Health. The Budget for State mental health hospital and community mental health programs includes the following:

- **State Hospital Population**—\$603.8 million (\$452.3 million General Fund), a net increase of \$22.1 million (\$24.1 million General Fund), or 3.8 percent above revised 2000-01 expenditures, for State hospitals. This funding will support a total caseload of 4,492 commitments, a decrease of 101 patients, or 2.2 percent, from the 2000-01 population level.
- **Integrated Services for Homeless Adults**—\$10 million General Fund increase, bringing the total funding for this program to \$65.6 million General Fund.

**DEPARTMENT OF
ALCOHOL AND DRUG PROGRAMS**

The 2001-02 Budget provides \$643.3 million (\$243.3 million General Fund) for the Department of Alcohol and Drug Programs. This represents an increase of \$55.9 million (\$49.7 million General Fund), or 9.5 percent over the revised 2000-01 Budget. The budget for the department includes the following:

- \$16 million (\$8 million General Fund) in increased funding for the Drug Medi-Cal program for additional caseload. Caseload is expected to be 136,400, an increase of 13,100 or 10.6 percent above the revised 2000-01 level.
- \$120 million General Fund for the Substance Abuse and Crime Prevention Act of 2000 (Proposition 36). This is \$60 million higher than 2000-01, pursuant to the requirements of Proposition 36. The Proposition requires substance abuse treatment services in lieu of incarceration, for persons convicted of specified nonviolent drug possession charges.
- \$8.5 million in federal Substance Abuse Prevention and Treatment funds are available, but not included in the Budget, for drug testing contingent upon enactment of future legislation.
- New programs, including residential treatment, case management, and aftercare services, are being delayed to 2002-03 because federal approval of a necessary State Plan amendment has not been granted, resulting in reduced expenditures of \$50 million (\$24.3 million General Fund) in 2001-02.

**EMPLOYMENT
DEVELOPMENT DEPARTMENT (EDD)**

Employment Assistance by Faith-Based Organizations—The Budget provides \$4 million General Fund for an additional year of competitive grants to community organizations, including faith-based and secular organizations, for the provision of employment services to individuals facing barriers to their assimilation into the workforce.

DEPARTMENT OF AGING

National Family Caregiver Support Program—The Budget includes \$19.5 million to implement the new National Family Caregiver Support program authorized under the Older Americans Act. Funding will be distributed to Area Agencies on Aging to provide support services, including information and assistance to caregivers, counseling, support groups, and respite and other home and community-based services to families caring for frail older members. The program also permits support for grandparents who are caregivers of grandchildren and other older individuals who are relative caregivers of minor children.

**EMERGENCY MEDICAL
SERVICES AUTHORITY (EMSA)**

Trauma Support and Planning—The Budget includes a one-time augmentation of \$30 million General Fund to enhance California's trauma care system. Of this amount, \$25 million is for allocation to existing Trauma Centers based on factors such as volume and acuity mix of uninsured trauma patients. An additional \$5 million for trauma system planning will be distributed to local emergency medical services agencies which currently do not have a trauma system.

MENTORING AT-RISK YOUTH

The Budget includes \$23.4 million (\$12.3 million General Fund, including \$10 million Proposition 98), a net decrease of \$500,000, for various state agencies involved in the Mentoring Program. Mentoring helps at-risk youth to become productive members of society while reducing juvenile crime, teenage pregnancy, gang association, and the school dropout rate.

ENERGY

To assist in continuing to address California's energy challenge, the Budget includes the following:

California Energy Commission—\$3.1 million to meet facility siting workload and conduct a coastal plant inventory, and \$2.5 million for energy efficiency measures, including energy efficiency building standards regulation and assistance to local building departments.

Electricity Oversight Board—\$750,000 to carry out various activities regarding transmission and generation equipment, subject to enactment of authorizing legislation. These activities would likely include investigating matters related to the wholesale market for electricity, preparing and adopting protocols for the scheduling of transmission and generation equipment outages for the purpose of maintenance, repair, or upgrade, and preparing a schedule of outages in accordance with the protocols.

California Consumer Power and Conservation Financing Authority—A \$10 million General Fund loan to implement the recently established Power Authority's responsibilities to finance, own, operate, and construct electric power plants, finance energy efficiency and renewable energy resources, and develop and implement strategies to facilitate a dependable, reasonably priced supply of natural gas.

RESOURCES AND ENVIRONMENTAL PROTECTION

The Budget makes the following commitments to protect our natural resources and the environment:

CalFed—\$571 million to continue the State’s commitment to address environmental restoration and water management in the San Francisco Bay and the Sacramento-San Joaquin River Delta.

Clean Beaches—\$33.8 million for coastal cleanup and research projects throughout the state to reduce the number of beach closure days caused by nonpoint source pollution.

River Parkway—\$18.4 million to acquire and restore seven key river parkways throughout the State.

Lake Tahoe Environmental Improvement Program—\$13.5 million to improve environmental quality and mitigate environmental degradation by preserving and restoring wetlands, enhancing public access and recreation, and protecting air and water quality.

Hazardous Waste Cleanup—\$114.5 million to fund cleanup costs at the Casmalia and Stringfellow hazardous waste sites.

Air Quality—\$68 million, including \$48 million for new clean fuel school buses, retrofit of diesel school buses, offset of peaker plant emissions, and mitigation of emissions from diesel-fueled generators, and \$20 million for a zero emission vehicles incentive program

Waste Reduction—\$26 million to expand enforcement, cleanup, research, market development, and waste hauler tracking activities to reduce waste and used tire stockpiling.

Water Quality—\$21.3 million to enhance water quality activities, including reducing the impact of storm water runoff in Southern California, reducing permit backlogs, reducing pollution from dairies, increasing public access to water quality information through an information management system, and investigating and identifying sources of chromium-6 contamination.

Park and Water Bonds—\$523.2 for park projects and \$443.4 million for water projects from Propositions 12 and 13, the parks and water bonds approved by California voters in March 2000.

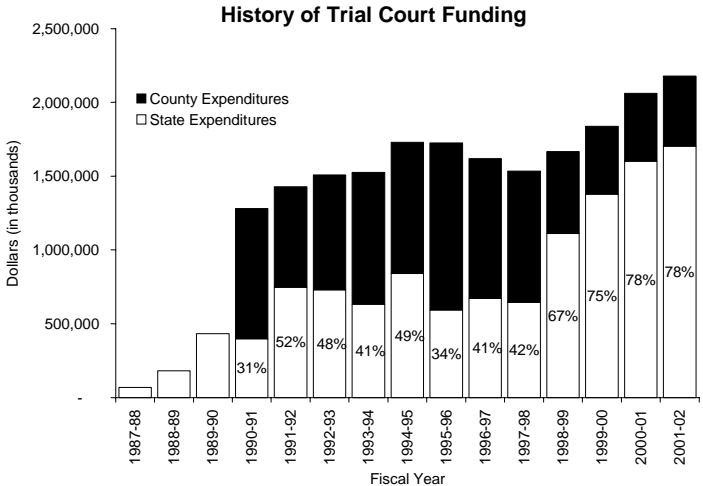
JUDICIAL BRANCH

JUDICIARY

Self-Help Centers Pilot Project—The Budget includes \$832,000 to provide five self-help centers in local courts that will assist low-income, unrepresented litigants in the adjudication of their cases and test delivery models for providing this type of service in a variety of court settings.

Court-Appointed Special Advocate Program—The Budget contains \$675,000 to expand the Court-Appointed Special Advocate program, which provides one-on-one advocacy for children who are under the jurisdiction of the courts due to abuse, neglect, or abandonment.

TRIAL COURT FUNDING



Trial court funding for 2001-02 totals approximately \$2.1 billion, with 78 percent of that comprised of state General Fund dollars as well as fines, penalties, and fees remitted to the Trial Court Trust Fund, and 22 percent from county funds.

Representation for Minors—The Budget contains \$7.5 million in additional resources for court-appointed representation of minors who become wards of the court.

Court Security—The Budget includes \$27.4 million for additional court security and salary increases for law enforcement providing security for the trial courts. This funding will provide for increased security measures at courts throughout the state, such as additional security personnel, increased security planning efforts, weapons screening equipment, and facility monitoring equipment.

Trial Court Employees—The Budget provides \$5.7 million for implementation of the Trial Court Employee and Governance Act, pursuant to Chapter 1010, Statutes of 2000, which established a trial court personnel system to govern issues such as employee requirements, classification and pay, labor relations, and employment protection.

Pay Equity Adjustments—The Budget includes \$4 million to address pay equity adjustments for trial court employees. This is the first year of a 3-year commitment to equalize pay between former municipal and superior court staff who previously received different pay for performing the same duties.

One-Day/One-Trial Jury Service—The Budget contains \$4.2 million for the final year of implementing the One-Day/One-Trial Jury Service programs in trial courts statewide.

BUSINESS, TRANSPORTATION, AND HOUSING

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The 2001 Budget Act includes \$290 million for the Department's various housing programs, including \$107 million in federal funds. The following programs will provide significant resources for housing and economic development in 2001-02.

Housing Incentive Funds—To help address California's shortage of housing of all types, \$60 million continues to be available for Jobs-Housing Balance Incentive Grants to be made based on increased local housing permitting activities in 2001. This program rewards communities permitting more infill, multifamily, and affordable housing.

Multifamily Housing Program—About \$90 million is available in 2001-02 for the construction, rehabilitation, and preservation of affordable rental housing throughout the State.

Farmworker Housing—Over \$17 million is budgeted to help finance rental and owner units for households engaged in agricultural work.

Central Valley Infrastructure Grants—The Budget provides \$15 million for grants to Central Valley communities for infrastructure improvements (e.g., for water, sewer, streets, and telecommunications lines) to facilitate economic development.

Homeless Shelters—\$13 million is available in the Emergency Housing and Assistance Program to construct, renovate, and operate shelters for the homeless.

DEPARTMENT O MANAGED HEALTH CARE

The 2001 Budget Act includes \$31.8 million for the Department of Managed Health Care and the Office of Patient Advocate, including a \$600,000 increase to allow more frequent financial examinations of health plans, and \$500,000 (one-time) for a targeted effort to educate plan enrollees and health care providers about the Independent Medical Review process available to them as of January 1, 2001.

DEPARTMENT OF TRANSPORTATION

The 2001 Budget Act includes nearly \$8.3 billion in expenditures by Caltrans and 23,426 personnel years, including nearly \$2.4 billion for programs that assist local governments in constructing and operating highway, road, and transit systems, and over \$3 billion in capital outlay expenditures for state highway construction projects.

Constitutional Dedication of Sales Tax on Gasoline—As part of the budget agreement, ACA 4 will be proposed to voters statewide to amend the California Constitution to permanently dedicate the sales tax on motor vehicle fuel to transportation purposes beginning in 2003-04. Until 2008-09, it preserves the existing statutory uses of these funds for the Traffic Congestion Relief Program projects and the Transportation Investment Fund. Beginning in 2008-09, the amendment would allocate the sales tax on motor vehicle fuel as follows: 40 percent for State Transportation Improvement Program projects, 40 percent for local street and highway maintenance and rehabilitation, and 20 percent for public transit operations and capital purposes. By 2008-09, this dedication of fuel sales taxes is projected to provide almost \$1.5 billion annually for transportation.

Transportation Refinancing Plan—When the Traffic Congestion Relief Act of 2000 was enacted last year, the General Fund's strong condition allowed a substantial initial deposit of \$2 billion toward what was envisioned as a six-year, \$6.9 billion plan. Beginning with 2001-02, the next five years of the plan were to be funded from a diversion of the sales tax on gasoline from the General Fund. Due to the declining General Fund revenue outlook and because there is more money in the plan's fund than will be needed for project expenditures in the next few years, the Budget Act and transportation trailer bill provide \$1.3 billion in 2001-02 and \$1.2 billion in 2001-02 to the General Fund by deferring the sales tax shift for two years and making the original plan whole by adding two additional years at the end of the plan.

- **Increases total transportation funding**—By adding two years (2006-07 and 2007-08) to the original six-year plan to replace the two deferred years, the refinancing plan adds an estimated \$516 million to transportation funding by 2007-08. Due to this and other revisions of fuel sales tax estimates, the plan is now projected to provide \$8.6 billion for transportation.
- **Increases resources for the next cycle of regular transportation project selection**—The refinancing plan reduces funding for the 2002 State Transportation Improvement Program (STIP) to a minor degree, but increases funds for the 2004 STIP. Even with this change, the 2002 Fund Estimate forecasts over \$3 billion from all sources for new projects for the regions and Caltrans to program for the State's transportation system over the next five-year period of the STIP.
- **Holds harmless local streets and roads maintenance** —Under the refinancing plan, State Highway Account funds are advanced for this program which otherwise would have been funded from the transportation funding plan enacted last year.

- **Maintains operating funds at a historically high level of \$171 million**—The plan provides State Transit Assistance with a sustainable level of funding, smoothing out a two-year spike in program revenues.
- **Increases transit capital funds**—Through 2007-08, the refinancing plan increases funds for future transit capital purposes by \$119 million. Public Transportation Account resources are also increased by regular Public Transportation Account revenue growth of \$228 million by 2007-08.
- **Uses existing uncommitted and unprogrammed cash balances of transportation funds and pays them back**—The plan provides additional cash by advancing \$534 million from the State Highway Account, \$280 million from the Public Transportation Account, and \$100 million from the Motor Vehicle Account. These loans are paid back no later than 2007-08.

Rural Transit Grants—The Budget also contains \$18 million for a Rural Transit System Grants program, to be created in legislation. Using a competitive process, this program will match local funds for new and rehabilitated facilities, equipment, and rights of way purchases.

TECHNOLOGY, TRADE, AND COMMERCE AGENCY

The 2001 Budget Act includes over \$101 million for the Technology, Trade, and Commerce Agency, including funding for the following programs:

Assistance for high technology businesses—\$6 million for the California Technology Investment Partnership (CalTIP) program that makes grants to high-technology businesses to accelerate the development and commercialization of new products. This funding is expected to leverage about \$15 million in federal funds and \$15 million in private funds.

Manufacturing technology—\$6 million is available for grants and technical assistance to help manufacturers improve the efficiencies and effectiveness of their business processes.

E-commerce—\$2 million for grants to develop e-commerce capabilities in rural communities, and \$2 million for centers and grants to develop business applications for the high-speed Internet.

Film California First—\$10 million for grants to encourage filming in California by offsetting the cost of local fees.

Biomass—\$8 million for grants to businesses converting biomass to electricity.

Klamath River—\$8 million for a special economic assistance program for those affected by the reduction of water supplies from the Klamath River.

Military base reuse and retention—\$500,000 to provide additional defense adjustment matching grants to communities affected by base closures in the 1990s. Also, in anticipation of new base reduction proposals by the federal government, the Budget provides \$400,000 for consultants to assist with statewide base retention planning.

Replacement of underground storage tanks—An additional \$3 million for grants to help small businesses comply with environmental requirements for petroleum underground storage tanks by the December 2003 statutory deadline (per Chapter 812, Statutes of 1999).

GENERAL GOVERNMENT

DEPARTMENT OF VETERANS AFFAIRS

Quality Assurance and Staff Training—The Budget contains \$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 also contains \$154,000 to provide a Homeless Veterans Advocate and a Disabled Veterans Advocate at the Department.

Homelike Environment—The Budget contains \$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.

Reduction in Member Fees—The Budget also includes a \$1,150,000 increase in General Fund as a result of a reduction in fees charged to members receiving domiciliary care at the Veterans Homes.

MILITARY DEPARTMENT

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

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 deteriorated and leaking roofs and dilapidated loading docks, assess the need for repairs of the sanitary system, and repair crumbling roadways.

DEPARTMENT OF GENERAL SERVICES

One-Stop e-Business Center—The Budget includes an additional \$3 million to continue e-Business pilot projects, including Licensing, e-Marketplace, “e-Jobs,” and Online Bidding, through the e-Business Center, which is designed to be a one-stop web portal for government services and information.

California Home Page—The Budget includes \$1.7 million to continue restructuring the California Home Page to make it universally accessible to all users, provide an automated public inquiry site, ensure data and content accuracy, allow easier navigation, and provide access to all types of State-maintained public information, including forms, departments, education sites, and multimedia sites.

Public Safety Radio Integrated Systems Management (PRISM)—Effective communication between public safety agencies during disasters, crimes, and other emergencies saves lives and property. The Budget includes \$1.6 million to continue engineering and design related to the PRISM system, as a precursor to a potential pilot project in a multi-county region centered in Sacramento.

DEPARTMENT OF CONSUMER AFFAIRS

Office of Privacy Protection—The Budget includes \$1.4 million General Fund to establish the Office of Privacy Protection, pursuant to Chapter 984, Statutes of 2000, which will implement a statewide education campaign, a telephone and website assistance program, and will assist in the investigation of privacy related crimes.

Auto Body Repair Pilot—The Budget provides \$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 to determine whether fraudulent repairs have been performed.

CALIFORNIA ARTS COUNCIL

“Finding our Families, Finding Ourselves”—The Budget includes \$3 million for the Simon Wiesenthal Museum of Tolerance project, “*Finding Our Families, Finding Ourselves*”, which is an exhibit designed to reach students and assist them in forming early opinions of tolerance and to encourage visitors to recognize the importance of their own family histories.

DEPARTMENT OF INDUSTRIAL RELATIONS

Labor Law Enforcement—The Budget provides \$2.0 million for the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards to increase their labor law enforcement efforts, focusing on industries with high levels of labor law violations.

Workers’ Safety Training Grants—The Budget provides \$1.0 million to establish a Workers’ Safety Training Program that will issue grants to provide statewide classroom and electronic training in employee safety and health.

Education for Labor Law Compliance—The Budget includes \$433,000 to develop an educational component for employers to increase labor law compliance throughout the State by providing employers with consistent, accurate, and accessible information about labor and workplace safety and health laws.

AGRICULTURAL LABOR RELATIONS BOARD

Staffing Increase—The Budget includes \$457,000 to provide additional staff to address workload, update outreach materials, and educate workers and growers about the Agricultural Labor Relations Act.

DEPARTMENT OF FOOD AND AGRICULTURE

“Buy California” Program—The Budget includes \$5 million for a strategic marketing effort to encourage Californians to buy California-grown products. This effort will be an industry-wide, multi-commodity marketing partnership between growers, retailers and the State of California.

Pierce’s Disease Control Program—The Budget provides \$19.1 million (\$8.5 million General Fund and \$10.6 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 the infestation status, and research to develop solutions and management approaches for dealing with this disease, as well as rapid response and treatment for infested areas.

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

Foreign Animal Disease—The Budget contains \$1.4 million for planning, media relations, outreach, and education for a foreign animal disease preparedness program.

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 provides \$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.

O I C E O F E M E R G E N C Y S E R V I C E S

Emergency Operations Equipment—The Budget includes \$2.5 million to enhance the mutual aid system by purchasing additional emergency operations equipment that will be used throughout the state.

Tri-Net Seismic Safety Network—The Budget contains \$3.9 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 (\$1.0 million). The network will provide seismic information for targeted deployment of emergency response personnel.

State Domestic Preparedness—The Budget provides \$9.1 million Federal Trust Fund 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.

CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CALPERS)

The Budget includes \$338.6 million General Fund (\$677.2 million total funds) for the 2001-02 State employer’s retirement contributions to CalPERS. As the General Fund payment to CalPERS is made on a quarterly basis, one quarter in arrears, the total General Fund payment for 2001-02 will be \$273.6 million (\$612.2 million total funds). This reflects an increase of \$195.2 million General Fund (\$455.5 million total funds) over 2000-01. This increase is attributable to the retirement benefit enhancements implemented by Chapter 555, Statutes of 1999 (SB 400), changes in the actuarial assumptions used by CalPERS in their June 30, 2000, actuarial evaluation of the retirement system, and other economic factors.

HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

The Budget includes \$485.8 million General Fund for annuitants’ health and dental benefits. This reflects an increase of \$75.6 million over the 2000-01 appropriation and is a result of both health premium increases and growth in the number of annuitants eligible for health and dental benefits.

STATE-LOCAL ASSISTANCE

The 2001 Budget Act provides significant assistance to local governments as described below:

Local Public Safety—The Budget provides significant funding for local public safety purposes as follows:

- **Citizens' Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Programs**—\$232.6 million for the COPS program (\$116.3 million) and county juvenile justice crime prevention programs (\$116.3 million). The COPS program supports local front-line law enforcement, sheriffs' departments for jail construction and operations, and district attorneys for prosecution. The Budget continues a level of funding so that all local law enforcement agencies can receive at least \$100,000, which will encourage the hiring of additional sworn peace officers. County juvenile justice crime prevention programs will provide for a continuum of response to juvenile crime and delinquency for at-risk youth and juvenile offenders.
- **Technology Funding for Local Law Enforcement**—\$35.4 million to local law enforcement agencies for the purchase of high-technology equipment. Local agencies will receive a minimum of \$30,000 and an additional per-capita amount. These funds will help local law enforcement agencies address crime prevention and suppression problems through the use of high-technology equipment.
- **War on Methamphetamine**—\$30 million for local law enforcement entities for the purchase of specialized equipment to enhance suppression activities, and to hire additional personnel to combat methamphetamine production and distribution.

- **Local Forensic Laboratory Improvement Program**—\$25 million to provide competitive grants to local forensic laboratories for construction and renovation of laboratory facilities and equipment purchases, replacement, or upgrades.
- **Regional Law Enforcement Training Centers**—\$5 million to provide local assistance grants to regional law enforcement training centers for facility planning, renovation, and construction costs.
- **High-Technology Theft Apprehension and Prosecution Program Expansion**—\$7.6 million to increase the effectiveness of law enforcement in addressing high-technology crimes. This funding will increase personnel and equipment resources for five High-Technology Task Forces, support the development of a computer crime and forensics training program, and provide coordination between affected industries, the task forces, law enforcement, and the State.
- **High-Technology Identity Theft**—\$3.3 million for establishment of High-Technology Theft Units within each of the High-Technology Task Forces to implement training courses, and to fund case development and prosecution of identity theft cases by state law enforcement agents and the Attorney General's office.
- **Rural and Small County Law Enforcement Assistance**—\$18 million in a budget trailer bill (AB 443) for grants of \$500,000 to rural and small county sheriffs' departments on an ongoing basis. These grants will be allocated to 36 specified counties to provide enhanced public safety resources.

Transportation—Although legislation accompanying the Budget suspends the dedication of the sales tax on gasoline to transportation for two years, funding provided in 2000-01 and loans from uncommitted balances in other funds will permit all of the Traffic

Congestion Relief projects to continue on schedule. Expenditures of \$468 million are expected on these projects in 2001-02. Additionally, funding for local street and road maintenance will be continued through a \$154 million appropriation from the State Highway Account in 2001-02, the same as if the transportation funding plan enacted last year were in full effect.

The Budget also contains \$18 million for a Rural Transit System Grants program to be created in legislation accompanying the Budget. Based on a competitive process, this program will match local funds for new and rehabilitated facilities, equipment, and to purchase rights of way.

Economic Development—\$15 million for the Central Valley Infrastructure Grant Program. This program, to be authorized in legislation, will provide grants, not to exceed \$400,000 each, to rural areas with a median income of 80 percent or less of the State median income, within the Counties of Fresno, Kings, Kern, Tulare, Madera, Merced, Stanislaus, and San Joaquin. Grants can be made to a city with a population of less than 100,000, or an unincorporated community with a population of less than 10,000. Priority for funding will be given to infrastructure projects such as streets, water, sewer, utilities, or telecommunication projects, or other necessary public infrastructure to facilitate business development, retention, or expansion.

Resources and Environmental Protection—\$523.2 million from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 to purchase and restore local and State parks lands and sensitive natural habitats, and enhance recreational and cultural opportunities for citizens of the State. The Budget also provides \$33.8 million from the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000 for various projects to reduce the number of beach closure days due to viral/bacteria contamination.

Mental Health—\$10 million for the Integrated Services for Homeless Adults Program, bringing total funding for this program to \$65.6 million, to actively seek out and provide treatment services to thousands of adults who are homeless or at-risk of criminal involvement and who do not request treatment.

Social Services—\$123.6 million for Child Welfare Services above the level of funding supported by current caseload and workload standards, including \$49.3 million for a base funding adjustment to maintain each county's 2000-01 staffing levels in recognition of the workload study completed pursuant to Chapter 785, Statutes of 1998, and \$74.3 million for an augmentation to Child Welfare Services for emergency workload relief.

The Budget also includes \$20 million for CalWORKS county performance incentives. This funding is provided to counties in addition to the funding they receive to administer the CalWORKS program. They may use it to provide assistance and services to needy families, encourage the formation of two-parent families, and prevent out-of-wedlock births. Counties have earned \$1.2 billion in performance incentives to date.

CAPITAL OUTLAY

The Budget includes over \$1.8 billion for infrastructure statewide, excluding funding for transportation infrastructure. The General Fund contributes \$209 million of the total, and the balance is from various bond and special funds. Major components of this funding include:

Mental Health—\$349.3 million to construct a 1,500-bed Department of Mental Health facility in Coalinga, Fresno County, in which to confine and treat sexually violent predators. The new mental health facility is the first to be constructed in nearly 50 years, since the completion of Atascadero State Hospital in 1954. Construction of the new facility is scheduled to begin in Fall 2001, and be completed in Fall 2004.

UC Merced—\$160.4 million 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.

California Institutes for Science and Innovation—\$95 million to continue funding for three California Institutes for Science and Innovation, and initiate 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.

Mind Institutes—\$33 million for the Medical Investigations of Neurodevelopmental Disorders (Mind) Institutes Facilities. This project will provide an international clinical and research center focused on the systematic evaluation of the causes of neurodevelopmental disorders and potential cures.

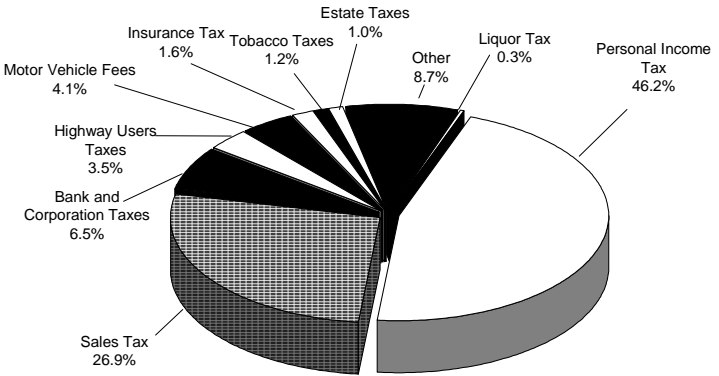
Other Higher Education Capital Outlay—\$609 million to fund 38 new projects and continuing phases of 106 additional projects for the UC, the CSU, and the CCC.

DNA Laboratory—\$2 million to fund the initial activities to locate and purchase a site for a new statewide DNA forensic laboratory. The DNA laboratory will be a state-of-the-art facility that will meet California's expanding need for strong technological resources to support DNA analysis, an essential part of the criminal justice system.

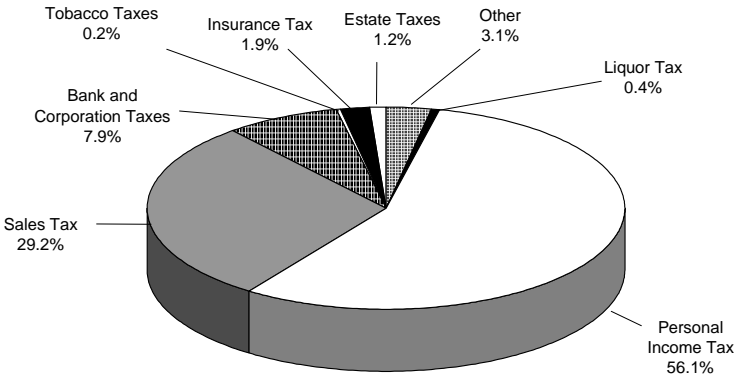
SUMMARY CHARTS

REVENUES 2001-02 FISCAL YEAR

Total Revenues and Transfers

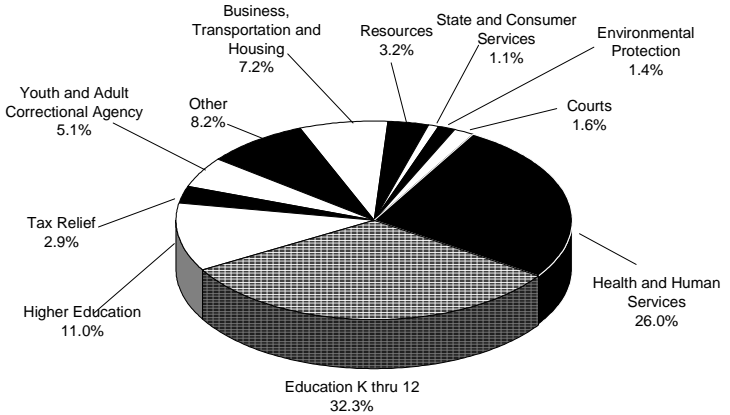


General Fund Revenues and Transfers

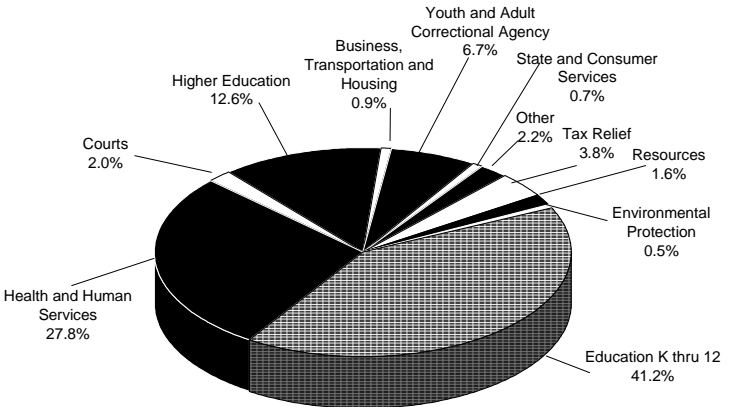


EXPENDITURES 2001-02 FISCAL YEAR

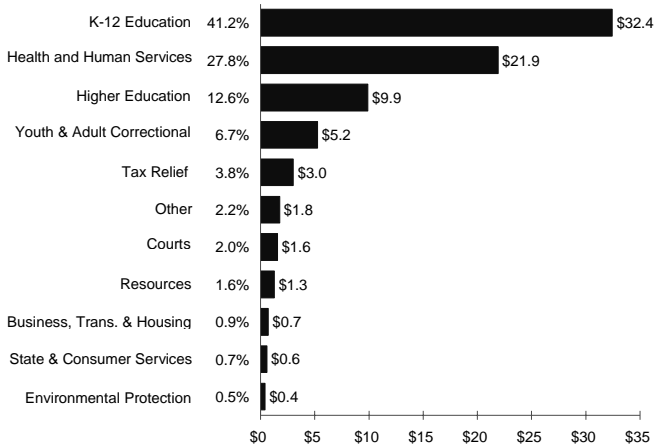
Total Expenditures
(General, Special, and Selected Bond Funds)



General Fund Expenditures



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



- K-12 education continues to be the State's top priority—over 41 cents of every General Fund dollar is spent on K-12 education.
- Combined with higher education funding, the State will spend almost 54 cents of every General Fund dollar on education.
- Education, health and human services, and public safety expenditures constitute 88.3 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)	\$32,437	\$63	\$862	\$33,362
Health and Human Services	21,898	4,972	--	26,870
Higher Education	9,901	718	745	11,364
Business, Transportation and Housing	696	6,497	245	7,438
Technology, Trade, and Commerce	82	15	--	97
Tax Relief	3,020	--	--	3,020
Local Government Subventions	420	4,421	--	4,841
Youth and Adult Corrections	5,242	19	2	5,263
Resources	1,272	1,056	968	3,296
Environmental Protection	411	685	314	1,410
State and Consumer Services	580	492	44	1,116
Other	2,804	2,397	1	5,202
Total	\$78,763	\$21,335	\$3,181	\$103,279

2001-02 Revenue Sources
(Dollars in Millions)

	General Fund	Special Fund
Personal Income Tax	\$42,144	--
Sales Tax	21,949	\$2,619
Bank and Corporation Tax	5,938	--
Highway Users Taxes	--	3,178
Motor Vehicle Fees	14	3,735
Insurance Tax	1,452	--
Estate Taxes	922	--
Liquor Tax	291	--
Tobacco Tax	125	1,014
Other	2,270	5,619
Total	\$75,105	\$16,165

**General Fund Expenditures
by Agency**
(Dollars in Millions)

	<u>2000-01</u>	<u>2001-02</u>
Legislative, Judicial, Executive	\$2,670	\$2,618
State and Consumer Services	600	580
Business, Transportation & Housing	2,577	696
Technology, Trade, and Commerce	149	82
Resources	2,496	1,272
Environmental Protection	492	411
Health and Human Services	20,126	21,898
Youth and Adult Correctional	5,179	5,242
K-12 Education	29,950	32,437
Higher Education	9,341	9,901
General Government	6,507	3,626
Total	\$80,087	\$78,763

2001-02 General Fund Budget Summary (Dollars in Millions)

	<u>2000-01</u>	<u>2001-02</u>
Prior Year Balance	\$9,139	\$7,055
Revenues and Transfers	<u>\$78,003</u>	<u>\$75,105</u>
Total Resources Available	\$87,142	\$82,160
Expenditures	<u><u>\$80,087</u></u>	<u><u>\$78,763</u></u>
Fund Balance	\$7,055	\$3,397
Budget Reserves:		
Reserve for Liquidation of Encumbrances	\$701	\$701
Set aside for Litigation	\$7	\$100
Special Fund for Economic Uncertainties	\$6,347	\$2,596

EXECUTIVE OFFICE

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 445-4141

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SANDY HARRISON
 ASSISTANT DIRECTOR
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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	Carl Rogers	445-3274
Budget Planning and Preparation, Cash Management, Statewide Issues	Yoshie Fujiwara	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>