

CALIFORNIA

State Budget Highlights

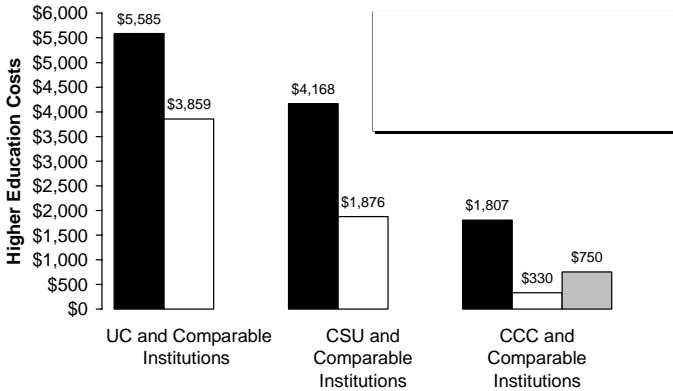


2002-03

GRAY DAVIS, GOVERNOR
STATE OF CALIFORNIA

OCTOBER 2002

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



California Community Colleges

The Budget includes total funding of \$6.6 billion for the California Community Colleges (CCC). This amount is 5.5 percent above the 2001-02 total, with the \$115.6 million Proposition 98 deferred appropriation. The Budget includes a 2.0 percent COLA and 3.0 percent growth for apportionments and all major categorical programs. During this Administration, CCC funding from all sources has increased by \$1.6 billion, or 33.5 percent. The General Fund share has grown by 33.0 percent, representing \$750 million of the total increase.

Enrollment Growth—The CCC will be able to accommodate over 32,000 additional FTE students, bringing the estimated level to 1,105,000 FTE students, the highest level yet. The 3.0 percent funded growth in enrollments exceeds the 2.21 percent increase in adult population to reflect other factors such as high school graduation rates, the economy, and the availability of funds. Over

the past four years, CCC enrollment has increased by over 140,000 FTE students, or 14.9 percent, nearly twice the increase over the eight years before this administration took office.

Partnership for Excellence—The Budget maintains \$300 million for the Partnership for Excellence. The increase of \$200 million for this program since the start of this Administration reflects its commitment to improving student outcomes. In return for these funds, the CCC has set specific accountability goals for transfers, degrees, and certificates completed, successful course completions, workforce development, and basic skills improvement. Results from the 2000-01 fiscal year indicate improved student outcomes in most goal areas.

Other Augmentations—In addition to increases for growth and COLA, the Budget includes \$32.0 million for Scheduled Maintenance and Special Repairs and \$34.0 million for Instructional Equipment and Library Materials, bringing both programs to the \$49 million level. These funds help districts ensure that community college students have access to properly maintained facilities with modern equipment to learn the skills that California's industries demand. The Budget includes \$35 million to continue services, aimed at increasing self-sufficiency, to CalWORKs recipients (to be matched on a one-to-one basis by local districts).

Capital Outlay—The Budget includes \$146.2 million 1998 Higher Education Capital Outlay Bond Fund and proposed general obligation bonds for 3 new and 69 continuing projects on community college campuses throughout the state. In addition, the Administration sponsored an economic stimulus package which provided \$170.5 million in lease revenue bonds for projects on eleven community college campuses.



Public Safety

Department of Justice

The Budget includes total expenditures of \$600.3 million for the Department of Justice. This amount includes an unallocated reduction of \$10.0 million General Fund, which is not expected to affect the ability of the Department to fulfill its law enforcement mission. In addition, the Budget proposes the following augmentations for 2002-03:

California Anti-Terrorism Information Center (CATIC)—An increase of \$6.7 million as reimbursements from the Office of Criminal Justice Planning, to expand funding for the CATIC program, which provides investigative assistance to local and federal law enforcement, intelligence gathering, and a statewide informational database to analyze terrorist activities in the State. These expenditures will eventually be funded from future allocations of federal security-related funds.

Armed Prohibited Persons Database—\$1 million General Fund to implement Chapter 944, Statutes of 2001, which creates a database containing information on persons identified as prohibited from possessing a firearm.

Hate Crime Analysis Tracking and Evaluation Database (HATE)—\$596,000 General Fund to expand the HATE crime database to provide timely criminal intelligence information via a state-level automated crime database.

Anti-Reproductive Rights Crime Reporting—\$433,000 General Fund to collect and analyze information related to anti-reproductive rights crimes, as well as develop plans to apprehend and prosecute such crimes pursuant to Chapter 944, Statutes of 2001.

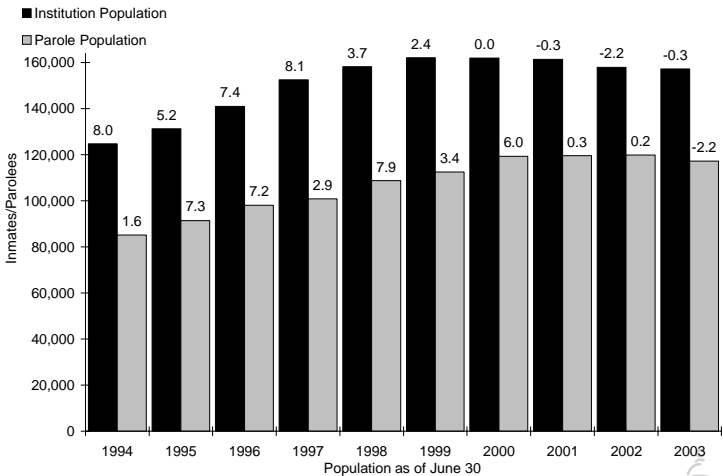
Recreational Entities Fingerprint Submissions—\$441,000

General Fund to implement Chapter 777, Statutes of 2001, which requires cities, counties, and special recreational districts to obtain state-level criminal offender record information prior to the employment of persons who will supervise or discipline minors.

Predatory Lending Fraud—\$606,000 in reimbursements to prevent predatory lending fraud and ensure California consumers are protected against consumer fraud and deceptive and unfair business practices.

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—Prison inmate population is projected to decrease from 157,881 on June 30, 2002, to 157,331 by June 30, 2003, a decrease of 550 inmates, or 0.3 percent. In 2002-03, incarceration and parole services will be provided through 33 institutions, 11 reception centers, 38 camps, and 16 community correctional facilities.

Parole Population—The State parole population is projected to decrease from 119,848 on June 30, 2002, to 117,233 by June 30, 2003, a decrease of 2,615 parolees, or 2.2 percent.

Inmate Medical Services—The Budget includes \$22 million to enhance the Department's inmate health care system by establishing a pilot Hepatitis C treatment program at Pelican Bay State prison and by implementing various health care program improvements at institutions statewide.

Mental Health Services Delivery System—The Budget contains an augmentation of \$8 million to enhance and expand the Department's mental health services program. Funding is also included to contract for health services at three institutions to enable the Department to reduce high vacancy rates for various clinical mental health classifications.

Incarceration of Undocumented Persons

The State of California currently spends approximately \$585 million in the Departments of Corrections and Youth Authority related to the incarceration of undocumented persons. The Budget anticipates that the State will receive approximately \$147 million in 2001-02 and \$205 million in 2002-03 from the federal government as part of the State Criminal Alien Assistance Program as a partial reimbursement of these costs. This reflects anticipation of an additional \$50 million in federal funds in 2002-03.

Department of the Youth Authority

Institution and Parole Population—The Youth Authority projects an institution population of 5,340 on June 30, 2003, which is a decrease of 507 wards from the population of 5,847 on June 30, 2002. The parole caseload is projected to be 4,040 by June 30, 2003, which is a decrease of 120 cases from the caseload of 4,160 on June 30, 2002.

Mental Health Reorganization—The Budget includes \$1.025 million to enable the Department to begin the reorganization of its mental health delivery system from a custody-based model to a clinical-based case management model.

Board of Corrections

Community Law Enforcement And Recovery (CLEAR) Program—The Budget includes \$3 million (\$1 million General Fund and \$2 million reappropriated funds) for the CLEAR program, which provides funding to various agencies in Los Angeles for a multi-agency gang intervention program.

Juvenile Crime Prevention Administration—The Budget includes \$275,000 for the Board to administer an additional \$116.3 million proposed for local juvenile crime prevention programs for at-risk youth and juvenile offenders.



Office of Criminal Justice Planning

War on Methamphetamine—The Budget provides \$15 million to assist local law enforcement in the effort to eliminate production and distribution of methamphetamine in California.

High Technology Theft Apprehension and Prosecution Program and Identity Theft—The Budget includes \$14.2 million (\$13.5 million local assistance and \$913,000 state operations) to provide resources to local task forces to apprehend and prosecute offenders of high technology crimes and identity theft.

Other Local Public Safety Programs

Citizens' Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Programs—The Budget includes \$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 and retention of additional sworn peace officers. County juvenile justice crime prevention programs will provide for a continuum of responses to juvenile crime and delinquency to ensure a swift, certain, and graduated response for at-risk youth and juvenile offenders.

Technology Funding for Local Law Enforcement—The Budget provides \$18.5 million to local law enforcement agencies for the purchase of high-technology equipment. Local agencies will receive a minimum of \$15,000 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.

Rural and Small County Law Enforcement Assistance—The Budget contains \$18.5 million for grants of \$500,000 each for rural and small county sheriffs' departments. These grants will be allocated to 37 specified counties to provide enhanced public safety resources.

Booking Fees—The Budget provides \$38.2 million to cities and special districts for reimbursement of jail booking fees paid to counties and other cities in 1997-98.

California Highway Patrol

The 2002 Budget Act includes \$1.2 billion and 10,444 personnel years for support of the California Highway Patrol (CHP).

State Homeland Security—The Budget includes \$93.4 million in 2002-03 from federal funds for terrorism-related safety and security, including:

- ❖ \$32.5 million for twelve-hour shifts during periods when placed on alert for response to possible terrorist activities.
- ❖ \$26.5 million and 24 officers for increased air patrol of state infrastructure and event surveillance, including five additional aircraft.
- ❖ \$16.5 million and 166 officers and staff at key truck inspection stations for 24-hour, seven-day-a-week operation.
- ❖ \$4.3 million for 53 officers to protect State facilities.
- ❖ \$6.1 million for 55 officers to protect bridges and other landmarks and public facilities.



- ❖ \$1.9 million for 24 officers to staff emergency information and command operations and participate in multi-agency task forces.
- ❖ \$5.6 million for equipment including specialized protective gear and nuclear detection devices for cargo containers.



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Department of Health Services

Public Health

The Budget provides \$3.1 billion (\$713.7 million General Fund) for various public health programs administered by the Department of Health Services. This represents an increase of \$112.5 million, or 3.7 percent above revised 2001-02 funding levels.

Child Health and Disability Prevention Program Gateway to Comprehensive Health Care—The Budget provides \$8.8 million for the Child Health and Disability Prevention (CHDP) Gateway program. The CHDP currently provides health assessments to approximately 1.1 million children each year. However, the program does not directly provide follow-up treatment for conditions found during the health assessment or provide dental or vision services. Most of the children covered by the CHDP program are also eligible for comprehensive health care under Medi-Cal or the Healthy Families Program. The Budget provides for the use of the CHDP program as a gateway to streamline enrollment into these comprehensive health care programs. Under this plan, pre-enrolled children will be immediately eligible, for up to two months, for a CHDP health assessment and for comprehensive medical care provided through the Medi-Cal or Healthy Families programs.

Childhood Lead Poisoning Prevention Program—To better protect California's children from the adverse effects of lead exposure and to help improve educational outcomes among these children, the Budget provides \$22 million, an increase of \$7.2 million, to implement a comprehensive programmatic restructuring of the Childhood Lead Poisoning Prevention Program. As a result, more lead-exposed children will be identified, treated, and the source of their lead poisoning eliminated, and more sources of lead in the

environment will be properly identified and managed, thus preventing future lead exposure and poisoning. The Budget provides funding for universal reporting of blood lead testing results, improved accountability measures, increased enforcement provisions, and improved case management services to be performed by local health jurisdictions.

Public Health Preparedness and Response—The Budget reflects \$50.8 million in federal grant funding, provided by the federal Centers for Disease Control and Prevention and the Health Resources and Services Administration, to support anti-bioterrorism activities by the State and all its counties, except Los Angeles County, which has been provided direct grant funding. Specifically, \$16.3 million will be available to develop and enhance State-level preparedness, \$9.1 million to be distributed to the Emergency Medical Services Authority to upgrade hospital preparedness planning, and \$25.4 million to counties for development of local anti-bioterrorism activities.

These funds will be used to:

- ❖ Upgrade infectious disease surveillance and investigation.
- ❖ Enhance the readiness of hospital systems to deal with large numbers of casualties.
- ❖ Expand public health laboratory and communications systems capability.

AIDS Drug Assistance Program—The Budget provides total funding of \$184 million (\$67.4 million General Fund), which includes an augmentation of \$19.9 million (\$9.6 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 has provided drugs to HIV/AIDS infected individuals who lack medical insurance but who have:

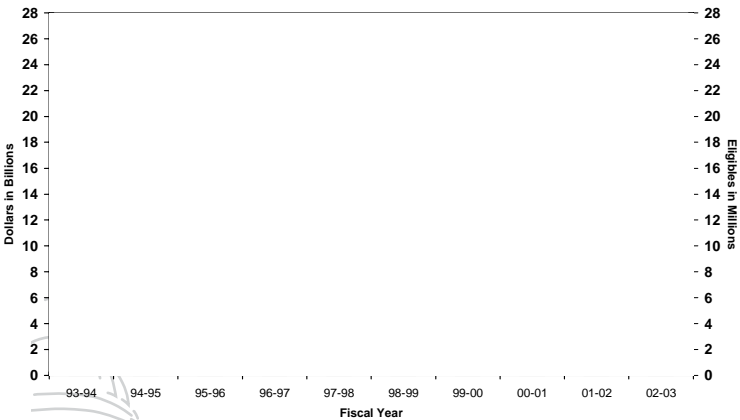
(1) adjusted gross incomes that do not exceed \$50,000 per year, or (2) incomes higher than \$50,000 per year if the estimated cost of those drugs in one year is expected to exceed 20 percent of the person's adjusted gross income. The ADAP provides financial assistance to these individuals to purchase the often extraordinarily expensive, but life-sustaining, drugs necessary to manage their disease. Based on an average cost per case of \$6,515 for the year 2001, a total of 28,242 cases will be served. The increased funding will provide services to an additional 3,054 cases in 2002-03.

Medi-Cal

The Budget includes \$26.8 billion (\$9.8 billion General Fund), a decrease of \$252,200 below the revised 2001-02 Budget level for the Medi-Cal program.

Significant adjustments include the following:

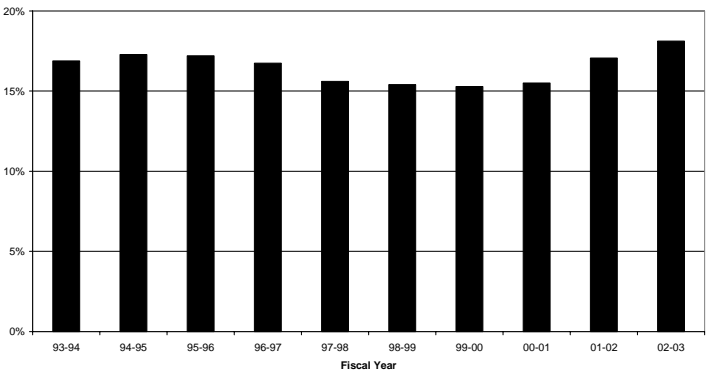
Figure HHS-1
Medi-Cal Caseload and Costs, 1993-94 through 2002-03
 (Eligibles in Millions, Dollars in Billions)



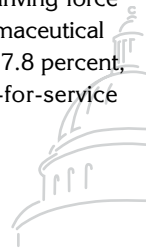
Note: The large non-General Fund portion of total expenditures reflects disproportionate share and voluntary governmental transfers for hospitals; as well as federal Medicaid funds that flow through the Department of Health Services' budget to other departments.

- ❖ Medi-Cal average monthly caseload is expected to increase by 8 percent above 2001-02, due primarily to the recently-enacted eligibility expansions. The average monthly number of persons enrolled in Medi-Cal is approximately 6.4 million.

Figure HHS-2
Average Monthly Medi-Cal Eligibles as a Percentage of
California Population



- ❖ Overall, the Budget reflects Medi-Cal costs decreasing in 2002-03 primarily due to a projected increase in revenue as a result of additional drug rebate contracting, provider fraud savings, the disproportionate share hospital administrative fee, and a partial rescission of the 2000 Medi-Cal provider rate increases. However, increases in the frequency of services and higher cost per unit of service continue to be the driving force behind increased expenditures. In particular, pharmaceutical costs per prescription are projected to increase by 7.8 percent, resulting in an increase of \$472.6 million in fee-for-service drug costs.



- ❖ The Administration has provided funding to facilitate enrollment in both Medi-Cal and the Healthy Families Program (HFP) by using the Child Health and Disability Prevention Program as an enrollment gateway to the HFP and Medi-Cal. For 2002-03, the Administration has provided \$8.8 million (\$4.2 million General Fund).

The 2002 Budget Act includes the following:

- ❖ \$91.5 million to increase hospital outpatient reimbursement rates for 2002-03, pursuant to the settlement of the Orthopaedic Hospital lawsuit. Additionally, \$255.1 million General Fund was provided in 2001-02 to provide a one-time payment to hospitals to address previous years' reimbursement levels and to increase hospital outpatient reimbursement rates.
- ❖ \$58.3 million to continue no-cost Medi-Cal for low-income seniors and disabled individuals. This expansion, effective January 1, 2001, was part of the Governor's Aging with Dignity Initiative. By June 30, 2003, approximately 20,500 individuals are expected to receive services through this program.
- ❖ \$34.2 million to maintain the Medi-Cal nursing facility nurse-to-patient staffing ratios, which were revised beginning January 1, 2000.
- ❖ \$21 million to provide a supplemental payment to applicant long-term care facilities with a collectively bargained agreement to increase wages of direct care staff.
- ❖ \$12.6 million for activities related to compliance with the federal Health Insurance Portability and Accountability Act.
- ❖ \$2.2 million to implement the provisions of Chapter 684, Statutes of 2001 (AB 1075), which requires nurse-to-patient ratios by August 1, 2003, and a revised reimbursement methodology by August 1, 2004, for skilled nursing facilities.

- ❖ \$9.1 million to increase the reimbursement rate for long-term care facilities, including a 0.5 percent increase for nursing homes.
- ❖ \$2.2 million to expand the Medical Case Management Program, which generates savings by allowing severely ill or injured Medi-Cal beneficiaries to receive in-home care instead of institutional care.
- ❖ \$643,000 to perform various activities, including rebate contracting, to reduce expenditures for Medi-Cal drugs and medical supplies.

Health Insurance Portability and Accountability Act

The Health Insurance Portability and Accountability Act (HIPAA) reforms the health care industry with provisions that: (1) improve portability and continuity of health insurance coverage for groups and individuals, (2) combat waste, fraud, and abuse in health insurance for health care delivery, and (3) simplify the administration of health insurance. To accomplish these objectives, the HIPAA requires specific national standards for coding and tracking medical information, administrative simplification, and security and privacy of individual patient records. Appropriations in support of HIPAA compliance activities total \$79.2 million (\$20.7 million General Fund), and are contained in either individual departmental Budget Act items or Item 9909, the statewide HIPAA item.

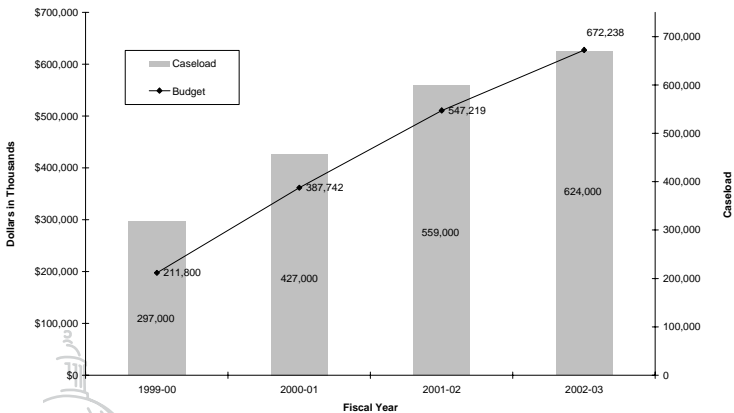


Managed Risk Medical Insurance Board

The Budget includes \$759.4 million (\$257.8 million General Fund/ Tobacco Settlement Fund), an increase of \$67.6 million above the revised 2001-02 Budget level, for the Managed Risk Medical Insurance Board. Significant adjustments include the following:

Healthy Families Program—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). For 2002-03, the Administration has provided a total of \$672.2 million (\$229.9 million Tobacco Settlement Fund, \$20.3 million General Fund) for the HFP. Due to expanded eligibility and application simplification, enrollment is expected to reach 624,000 children by June 30, 2003.

Figure HHS-3
Healthy Families Program Enrollment



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The Budget includes the following for the HFP:

- ❖ \$1.5 million Tobacco Settlement Fund and \$18,000 General Fund to provide two months of HFP coverage for children who are transitioning into the Medi-Cal Program.
- ❖ \$403,000 General Fund to provide a 25 percent discount on monthly HFP premiums for families who pay through an electronic funds transfer.

Access for Infants and Mothers—This program provides comprehensive care to pregnant women up to 60 days post-partum and their infants up to two years of age with family incomes up to 300 percent of the FPL. An average of 562 women per month are estimated to enroll in this program. The Administration has provided a total of \$84 million (\$71.6 million Perinatal Insurance Fund) for this program. A total of 115,138 infants are expected to enroll in this program in 2002-03.

Department of Social Services

The Budget provides \$16.1 billion (\$8 billion General Fund) for 2002-03, an increase of \$833.4 million above the revised 2001-02 Budget level.

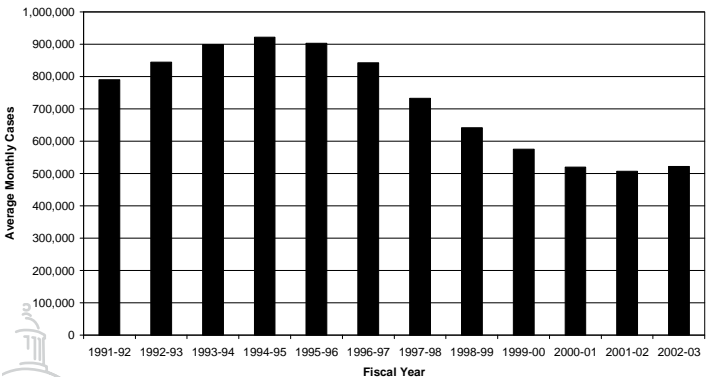
California Work Opportunity and Responsibility to Kids

Temporary Assistance to Needy Families Block Grant and Maintenance-of-Effort—The Budget includes total California Work Opportunity and Responsibility to Kids (CalWORKs) expenditures of \$7.4 billion; \$6.3 billion budgeted within the Department of Social Services (DSS), and the remaining \$1.1 billion budgeted in other State programs and county budgets.

In addition, \$60 million is set aside as a general Temporary Assistance to Needy Families reserve for unanticipated program needs. A program reserve allows the State to deal with unforeseen pressures that otherwise could drive program costs above the federally-required General Fund match level.

Caseload Trends—After seven consecutive years of decline, caseload is projected to increase by 2.9 percent above the 2001-02 level, primarily due to the economic downturn. The revised caseload projections are 507,000 cases in 2001-02 and 522,000 cases in 2002-03. This represents a major improvement from the rapid growth of the early 1990s, when caseload peaked in 1994-95 at 921,000 cases. Policy reforms that promote self sufficiency and encourage job skills training coupled with increased child care services and financial incentives encouraging work have assisted recipients and potential recipients in finding employment.

Figure HHS-4
CalWORKs Caseload
1991-92 Through 2002-03



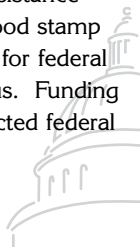
Maintenance-of-Effort Reduction—The 2002-03 CalWORKs budget reflects California's success in having recipients meet the federally-mandated work participation requirements. With that goal being met, the federally-required spending level for California has been reduced from \$2.9 billion to \$2.7 billion.

Grant Levels—The Budget includes \$12.5 million for a June 2003 cost-of-living adjustment (COLA) of 3.74 percent based on the California Necessities Index. The monthly cash grant level for a family of three in Region I will increase from \$679 to \$704, and in Region II from \$647 to \$671. A family of three living in Region I will be able to earn up to \$1,633 per month before its entire grant is reduced to zero.

CalWORKs Child Care—The Budget funds the projected child care need for CalWORKs recipients. A total of \$1.2 billion will be available to provide CalWORKs child care services in 2002-03. Of that amount, \$455.3 million is to be allocated by the DSS to counties for CalWORKs child care. In addition, the budgets for the State Department of Education (SDE) and the California Community Colleges include \$639 million and \$15 million, respectively, to provide CalWORKs child care services. There also is a \$108 million reserve to be used for either the DSS or SDE child care providers, as needed.

Food Assistance Programs

California Food Assistance Program—The Budget includes \$92.2 million General Fund for the California Food Assistance Program (CFAP) in 2002-03. The program provides food stamp coupons to documented persons who are not eligible for federal Food Stamps solely because of their immigration status. Funding for CFAP in 2002-03 reflects the effect of recently-enacted federal



Food Stamp legislation, which will restore federal eligibility for a small number of recipients in October 2002 and approximately 75 percent of recipients in April 2003.

Quarterly Reporting—The Budget reflects the Administration's proposal to address the State's Food Stamp error rate by shifting reporting requirements for Food Stamp and CalWORKs beneficiaries from a monthly reporting system to a quarterly system. Forty-two other states no longer require monthly reporting for Food Stamp recipients. A quarterly reporting system will reduce county administrative paperwork and costs, and will decrease the likelihood of administrative errors that contribute to the Food Stamp error rate. The Budget includes \$557,000 General Fund to implement quarterly reporting in 2002-03. The DSS anticipates that quarterly reporting will result in county administrative savings of \$11.1 million General Fund annually beginning in 2003-04.

Supplemental Security Income/ State Supplementary Payment Program

Caseload is projected to increase to 1,126,400 recipients in 2002-03, a 2.1 percent increase over 2001-02. Total Supplemental Security Income/State Supplementary Payment (SSI/SSP) General Fund expenditures are projected to be \$3.1 billion, compared to \$2.8 billion in 2001-02.

In January and June 2003, SSI/SSP recipients will receive COLAs based on the Consumer Price Index and the California Necessity Index, respectively. Combined, the two COLAs will bring the SSI/SSP monthly grant levels up by a net 3.74 percent. Monthly grants for aged/disabled recipients will increase by a total of \$28 (including \$9 effective in January and \$19 effective in June) to \$778 for an individual and by a total of \$50 (including \$15 effective in January and \$35 effective in June) to \$1,382 for a couple. Monthly grants for blind recipients will increase by a total of \$30 (including \$9

effective in January and \$21 effective in June) to \$842 for an individual and by a total \$58 (including \$15 effective in January and \$43 effective in June) to \$1,602 for a couple.

In-Home Supportive Services

The 2002-03 average monthly caseload is projected to be 296,800 cases, an increase of 8.3 percent above the 2001-02 caseload of 274,000. Total In-Home Supportive Services (IHSS) expenditures are projected to be \$2.6 billion (\$995.7 million General Fund), an increase of 11.3 percent above estimated 2001-02 expenditures.

To continue to improve the quality of provider services and strengthen recruitment and retention, beginning 2002-03, the State will share costs for the IHSS public authority providers' wages and benefits up to \$10.10 per hour. This represents a \$1 per hour increase compared to the 2001-02 level.

Cash Assistance Program for Immigrants

The Budget includes \$102.2 million General Fund for the Cash Assistance Program for Immigrants (CAPI) in 2002-03. The base program (\$78.1 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. The extended program (\$24.1 million) serves documented persons arriving on or after August 22, 1996. The sunset for the extended CAPI was eliminated in 2001-02.



Children's Services

Child Welfare System Social Workers—The Budget continues to provide \$233.2 million (\$121 million General Fund) for social workers on an interim basis, pending an evaluation of a potential redesign of the Child Welfare System (CWS) and budgeting methodology.

Child Abuse Prevention Program—The Budget continues to provide \$20 million (\$13.4 million General Fund) to fund prevention and intervention services for children at risk of abuse and/or neglect.

Foster Care Program—The Budget includes \$900.2 million (\$422.5 million General Fund) for payments to foster care providers and financial aid to emancipating foster youth.

Department of Mental Health

The Budget includes \$2.1 billion (\$820.4 million General Fund) for the Department of Mental Health. The Budget for state mental health hospitals includes the following:

State Hospital Population—\$588.9 million (\$451.1 million General Fund), a net decrease of \$13.6 million (an increase of \$3.1 million General Fund), or 2.3 percent below revised 2001-02 expenditures for state hospitals. This funding will support a total caseload of 4,600 commitments, a decrease of 87 patients, or 1.9 percent, from the 2001-02 population level.



Department of Developmental Services

The Budget includes \$2.9 billion (\$1.8 billion General Fund), an increase of \$143.2 million (\$44.9 million General Fund) above the revised 2001-02 Budget, for programs for the developmentally disabled. This increase reflects serving an additional 9,706 clients.

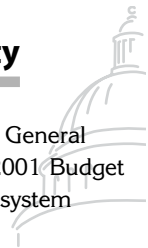
Developmental Centers—The Budget provides \$644.9 million (\$353.3 million General Fund) for the Developmental Centers, a net increase of \$1.4 million (\$8.9 million General Fund decrease) above the revised 2001-02 Budget level primarily due to an aging Developmental Center population with changing level-of-care needs. The Budget supports a population of 3,691, a decrease of 19 clients below 2001-02.

Regional Centers—The Budget includes \$2.2 billion (\$1.5 billion General Fund) for the Regional Centers, an increase of \$141.7 million (\$53.9 million General Fund) above the 2001-02 level. The Budget supports a Regional Center population of 182,230, an increase of 9,725 clients above 2001-02.

Home and Community-Based Services Waiver—The Budget includes a \$106.7 million increase in federal financial participation as a result of the Administration's successful proposal to maximize enrollment of developmentally disabled consumers under the Home and Community-Based Services Waiver. Increased federal funds will reduce General Fund costs, and allow California to maintain its commitment to developmentally disabled individuals under the Lanterman Act.

Emergency Medical Services Authority

Trauma Support—The Budget continues \$20 million General Fund, originally provided on a one-time basis in the 2001 Budget Act, to assist California's trauma care system. Trauma system



providers have experienced increasing fiscal pressure, and this funding is intended to partially reimburse trauma centers for the costs associated with uninsured patients.

Department of Child Support Services

The Budget proposes total expenditures approximating \$974.9 million and 220 personnel years for the Department of Child Support Services (DCSS).

Chapters 478 and 480, Statutes of 1999, established the DCSS and authorized implementation of a single statewide child support system comprised of local child support agencies under the direction of the new Department. As of June 30, 2002, all counties have successfully transitioned from the former district attorney-managed system to the single statewide system. In addition, as of June 30, 2002, all counties have successfully transitioned to one of six federally-approved child support automation systems.

The Budget includes the following significant adjustments:

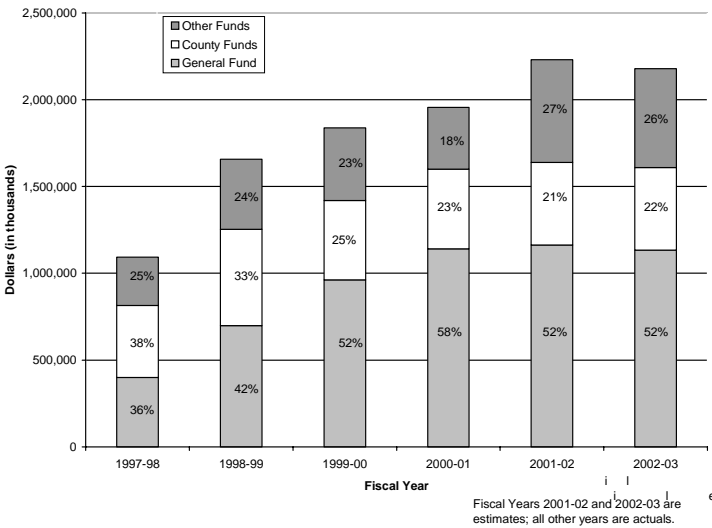
- ❖ **California Insurance Intercept Project**—\$1.1 million (\$383,000 General Fund) to implement a new program, the California Insurance Intercept Project, to increase collections of child support obligations by enabling the Department to locate and retrieve funds from child support obligors who file and receive an award in personal injury cases.
- ❖ **Child Support State Hearings**—\$550,000 (\$187,000 General Fund) to increase the amount of the DCSS contract with the Department of Social Services to conduct child support State hearings and to add additional DCSS positions to review State hearings decisions.

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Judicial Branch

State Trial Court Funding

Trial Court Expenditures



Trial court expenditures for 2002-03 total approximately \$2.2 billion, 52 percent from the State General Fund, 22 percent from county funds, and 26 percent from other funds including fines, penalties, and fees remitted to the Trial Court Trust Fund and Trial Court Improvement Fund.

Trial Court Employee Negotiated Salary Increases—The Budget contains \$51.7 million in additional resources to meet various needs of the trial courts, including salary increases that result from local bargaining agreements.

Court Security—The Budget includes \$23 million for increased costs to provide security at trial court facilities.

County-Provided Services and Benefits—The Budget provides \$14.4 million to fund increased costs associated with services and benefits provided to the trial courts through the counties, such as mail and janitorial services, health benefit increases, and retirement rate increases.

Court Interpreters—The Budget contains \$2.3 million to address increased costs of providing court interpreters to assist non-English speaking defendants in trial court proceedings.

Family and Children Services—The Budget includes \$802,000 for court services provided to children and families throughout the State, including funding for case processing, mediators, investigators, and evaluators.



Business, Transportation, and Housing

Department of Housing and Community Development

The Budget includes \$202.1 million for the Department of Housing and Community Development's activities, including \$11.0 million for the Farmworker Housing grant and loan program and \$5.3 million for Emergency Shelter grants.

Housing Bond—In past years, funding for housing programs, such as multi-family housing loans, downtown housing, and down payment assistance, was provided primarily through general obligation bonds, tax credits, and the California Housing Finance Agency's lending programs. Higher General Fund revenues in 2000-01 allowed over \$370 million of funding from the General Fund for housing programs. This year the Budget anticipates the passage of the housing bond on the November 2002 ballot (Chapter 26, Statutes of 2002). The housing bond includes, for example, funding for multifamily housing (\$910 million), Emergency Housing Assistance programs (\$195 million), farmworker housing (\$200 million), and single-family down payment assistance (\$290 million).

Department of Managed Health Care

The Budget includes \$32.5 million for the Department of Managed Health Care and the Office of Patient Advocate.



Health Maintenance Organization (HMO) Report Card—The Budget provides a one-time augmentation of \$500,000 to expand the information presented in the HMO Report Card. The new content will include medical group reporting as well as information on cultural and linguistic services provided by HMOs.

Department of Transportation

The Budget includes nearly \$8.4 billion in expenditures by the Department of Transportation (Caltrans), including nearly \$2.2 billion for programs that assist local governments in constructing and operating highway, road, and transit systems, and nearly \$3.1 billion in capital outlay expenditures for state highway construction projects.

Transportation Refinancing Plan—The Traffic Congestion Relief Act of 2000 provided significant funding for transportation by shifting the sales tax revenues on gasoline from the General Fund to the Traffic Congestion Relief Fund from 2001-02 through 2005-06. Chapter 113, Statutes of 2001 (AB 438), refinanced the Traffic Congestion Relief Program by deferring the shift of sales tax revenues from the General Fund to the Traffic Congestion Relief Fund for two years and extending the program for two years, which recaptured over \$2.2 billion in resources for General Fund use over 2001-02 and 2002-03.

Legislation accompanying the Budget continues the refinancing of the Traffic Congestion Relief Program to recapture an additional \$1.2 billion in resources for General Fund use while ensuring that cash is available for Traffic Congestion Relief Program projects and the currently programmed projects funded by the State Highway Account and the Public Transportation Account. The refinancing plan authorizes an additional loan from the State Highway Account to the Traffic Congestion Relief Fund, to be repaid with interest by June 30, 2007, and a \$173 million loan from the State Highway

Account to the General Fund, to be repaid with interest no later than June 30, 2005. The refinancing plan also includes short-term loan authority to meet the cash flow needs of the State Highway Account, provides authority to account and report various transportation funds in a manner that maximizes available cash, and includes various reporting and review requirements.

California Twenty-First Century Infrastructure Investment Fund—As part of the budget agreement reached between the Administration and the Legislature, Assembly Constitutional Amendment 11, which will be proposed to voters statewide in 2004, amends the California Constitution to require a specified percentage of General Fund revenues to be transferred annually to this fund beginning in 2006-07. These funds would be used to finance infrastructure projects, including projects to acquire, construct, rehabilitate, modernize, or renovate the State's transportation network, of which 50 percent would be for local government projects and 50 percent would be available for State projects.

Clean Water Enforcement—The Budget includes \$25.5 million and 167.5 personnel years to implement new activities required by the Storm Water Management Plan and to comply with the requirements of the federal Clean Water Act. With this increase, the Budget includes a total of \$87 million in support costs for storm water clean up.

Fleet Greening—The Budget also contains \$10 million to continue Caltrans' program of retrofitting diesel vehicles to use cleaner-burning fuels and increasing the number of vehicles using propane.

Freeway Service Patrol—The Budget provides \$5 million for a competitive Freeway Service Patrol Grant Program created in legislation accompanying the Budget for Caltrans to provide funds specifically for new or expanded service based on specified criteria, including the cost/benefit ratio based on traffic congestion relief.

Assistance for Local Transportation Projects—The Budget includes \$3 million for a Transportation Finance Bank Revolving Loan Program created in legislation accompanying the Budget for Caltrans to disburse loans to public entities and public/private partnerships for transportation projects.

Department of Motor Vehicles

Customer Service—The Budget provides \$4.5 million for projects to enhance customer service, including \$2.5 million to continue the replacement of obsolete terminals in field offices and \$2 million to finish a two-year project by installing queuing systems in 33 additional field offices to improve customer service.

Motor Vehicle Account Reductions—To minimize the financial pressure on the Motor Vehicle Account, the Department's budget has been reduced by a total of \$17.7 million including: \$7.1 million by reducing operating expenses including costs of printing; \$3.2 million by increasing automated processing of registration transactions; \$2.5 million by eliminating certain specialized support units and staff for special projects; and \$5 million by eliminating the use of certified mail for notices of suspension or revocation.



General Government

California Labor and Workforce Development Agency

Agency Implementation—The Budget provides \$1.8 million to support the California Labor and Workforce Development Agency, pursuant to the Governor's Reorganization Plan No. 1 of 2002. The Agency, which is supported entirely with redirected, existing funding and positions, will be comprised of the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board, and the California Workforce Investment Board.

The Agency will coordinate and oversee the State's numerous job training and labor-related programs to better meet the needs for workforce education, development, and retraining; address violations related to lost revenue in the underground economy; and develop new information and data on the workforce and economy.

Department of General Services

The Budget includes total expenditures of \$818 million (\$23 million General Fund) for the Department of General Services.

Enhanced Emergency Telephone Services—The Budget provides \$10.4 million from the State Emergency Telephone Number Account (SETNA) to reimburse local service providers for increased equipment, network, and database costs associated with providing enhanced emergency telephone services to landline telephone users in California. It also includes \$40 million SETNA to reimburse service providers for costs associated with implementing the Enhanced Wireless 911 Program.

Office of Emergency Services

State Strategic Committee on Terrorism (SSCOT)—The Budget includes \$562,000 and three personnel years for support and coordination of the SSCOT, which was established to address and carry out emergency preparedness and response and recovery activities related to acts of terrorism. This augmentation will provide OES with the necessary resources to coordinate federal, state, and local anti-terrorism programs; conduct assessments of the risks associated with terrorist threats; and provide support to the existing statewide regional mutual aid anti-terrorism working groups.

Department of Food and Agriculture

Specialty Crop Support Program—The Budget includes an augmentation of \$34.5 million in federal funds in 2002-03. These funds will support market promotion and development programs such as “Buy California,” agricultural research and pest management, and competitive grants in areas such as food safety, consumer education, and nutrition.

Plant Pest Prevention Comprehensive Strategy—The Budget continues \$11.3 million General Fund for the Plant Pest Prevention Comprehensive Strategy to reduce the threat to California agriculture from invasive pests.

Microbiological Data Program—The Budget includes \$700,000 in federal funds for California to participate in a new federal program testing fresh fruits and vegetables for contaminants at the retail sale level.



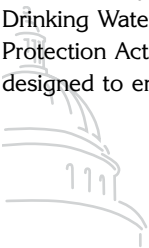
Resources and Environmental Protection

Substantial funding has been provided over the course of this Administration to improve the management of California's diverse fish, wildlife, and plant resources, and to enhance parks, beaches, trails, and wildlife areas. This Administration has also made significant progress in advancing California's internationally recognized environmental standards. The Budget makes the following commitments to protect our natural resources and the environment:

CALFED—\$476.7 million from various funding sources for the State's share of CALFED Bay Delta Program, including:

- ❖ \$147.8 million for ecosystem restoration programs and projects.
- ❖ \$102.1 million for surface and groundwater storage.
- ❖ \$41.3 million for Delta conveyance projects.
- ❖ \$34.6 million for drinking water quality projects.
- ❖ \$150.9 million for water use efficiency, environmental water account, science, water transfers, watershed management, and Delta levees.

Water Quality—\$61.9 million in grant funding from the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000 (Proposition 13) for various projects designed to enhance and protect the state's water quality.



Total Maximum Daily Loads—\$19 million (\$11.4 million General Fund and \$7.6 million federal funds) for Total Maximum Daily Load (TMDL) development and implementation, which is crucial to determining the extent of pollution in water bodies and identifying measures to ensure that standards are not exceeded.

Conservancies—\$297.3 million from various bond and special funds for the State's seven conservancies and the Wildlife Conservation Board to protect and rehabilitate California's habitats and open spaces.

Local Parks—\$172.9 million from Proposition 40 Park Bond funds for various local park grant programs to expand recreational opportunities in the State's population centers.

Parks Maintenance—\$10 million from Proposition 40 Park Bond funds for urgently needed maintenance projects in the state park system.

River Parkways—\$64.3 million from Propositions 13 and 40 bond funds for various river parkway projects located throughout the state.

Salmon and Steelhead Preservation—\$8 million from Proposition 40 Park Bond funds to continue efforts to protect and improve conditions for this valuable resource.

California Environmental Quality Act Review—\$2.9 million General Fund and Environmental License Plate fund for the Department of Fish and Game to conduct environmental reviews pursuant to the California Environmental Quality Act to ensure the protection of fish and wildlife resources.



Sudden Oak Death—\$2 million General Fund for management, research, and treatment to mitigate the impacts of Sudden Oak Death, a disease that has killed thousands of oak trees throughout California.

Waste Reduction—\$31 million California Tire Recycling Management Fund to reduce waste and used tire stockpiling, \$27.4 million California Used Oil Recycling Fund for used oil recycling grants, and \$9.4 million Recycling Market Development Revolving Loan Subaccount for loans to develop markets for products manufactured from recycled materials.

Air Quality—\$25 million from Proposition 40 Bond funds for diesel engine retrofits and clean fuel school buses.

Clandestine Drug Laboratories—\$13.8 million (\$11.9 million General Fund and \$1.9 million Illegal Drug Lab Cleanup Account) for emergency hazardous substance removal cleanup activities at an increasing number of former illegal drug manufacturing sites.

Energy

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

California Energy Commission—\$22.7 million Energy Resources Program Account (ERPA), Federal Trust Fund, and Reimbursements to enable the Commission to plan, site, permit, and monitor the construction of new electric facilities throughout the State.

Electricity Oversight Board (EOB)—\$3.5 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) and ERPA to represent the State in proceedings before the Federal Energy

Regulatory Commission and in federal courts as the EOB continues to pursue approximately \$9 billion in refunds from electricity generators who engaged in unfair market practices.

California Consumer Power and Conservation Financing Authority—\$4.4 million Renewable Resource Trust Fund loan to implement a “clean growth” strategy that would develop distributed generation, renewable energy resources, and energy efficiency in key areas around the State.

Rate-Setting Proceedings for Department of Water Resources (DWR) Energy Procurement Costs—\$950,000 PUCURA to assist the Public Utilities Commission (PUC) in its responsibility to perform analyses and rate-setting proceedings that will enable the DWR to recover its electricity procurement costs from retail electric customers.

Power Plant Performance Reviews—\$2.1 million PUCURA to adopt, implement, enforce, and monitor uniform operating practices and procedures for electric generation facilities to maintain the reliability of California’s electric supply system.

Pacific Gas and Electric Bankruptcy—\$5.8 million PUCURA for a financial advisor and legal counsel to assist the PUC with representing the State’s interests in federal bankruptcy court.



Capital Outlay

The Budget includes over \$1.360 billion for the capital outlay program, not including funding for transportation, K-12 schools, and State conservancies. Of this amount, \$23.7 million is from the General Fund, \$466.0 million is from lease-revenue bonds, and \$495.4 million is from an education bond (Proposition 47) for higher education facilities, which has been placed on the November 2002 statewide ballot. The balance of funding is provided from various other bond funds, special funds, and reimbursements.

In addition, the Administration sponsored an economic stimulus package, enacted in April 2002 (Chapter 33, Statutes of 2002) that provided \$651.3 million from lease-revenue bonds to accelerate capital outlay projects and stimulate the creation of additional jobs.

The Budget includes:

- ❖ \$536.4 million in 1998 Higher Education Capital Outlay Bond Fund and proposed general obligation bonds for numerous construction projects for the University of California (UC), the California State University (CSU), the California Community Colleges (CCC), and Hastings College of Law.
- ❖ \$96.9 million (\$19.1 million lease-revenue bonds and \$77.8 million from non-state sources) for Phase II of the California Science Center. The project is a four-story addition to the existing Science Center that combines science exhibits with live animal exhibits, including a two-story reef tank.
- ❖ \$72.6 million in lease-revenue bonds to replace the Caltrans San Diego District Office building.

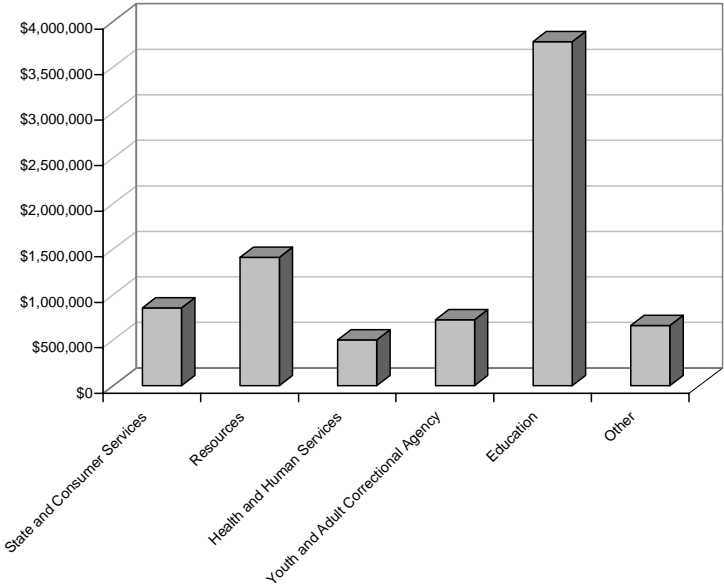
- ❖ \$68.6 million in lease-revenue bonds to replace and renovate various facilities for the Department of Forestry and Fire Protection (CDF).
- ❖ \$9.1 million Motor Vehicle Account to replace California Highway Patrol offices in Williams, Monterey, and South Lake Tahoe.
- ❖ \$7.3 million General Fund for two new armories as well as various security projects for the Military Department .

The economic stimulus package includes:

- ❖ \$308.5 million to shift funding to lease-revenue bonds for UC projects establishing Institutes for Science and Innovation.
- ❖ \$279.0 million for several UC projects including Veterinary Medicine 3A at the Davis campus, Natural Science Unit 2 at the Irvine campus, and Infrastructure Phase 2 at the proposed Merced site.
- ❖ \$191.3 million for three CSU projects, including replacement of Physical Sciences classrooms and laboratories at the Los Angeles campus.
- ❖ \$170.5 million for several CCC projects, including academic buildings at the Los Rios Folsom Lake Center, Math and Science replacement classrooms at Citrus College, and Science classrooms and laboratories at Mendocino College.



Figure CO-3
Total Capital Outlay Funding For 1999-2002 By Agency
(dollars in thousands)



- ❖ \$10.5 million for a joint library project between the California State Library and the Sutro Library in San Francisco.
- ❖ Over the course of this Administration, \$7.9 billion has been appropriated for capital outlay projects.



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Statewide Issues

Employer Contributions to California Public Employees' Retirement System (CalPERS)—The Budget includes \$654.3 million General Fund (\$1.2 billion total funds) for the 2002-03 State employer's retirement contributions to CalPERS. The 2002-03 General Fund payment to CalPERS, which is made on a quarterly basis, one quarter in arrears, will be \$583.8 million (\$1.1 billion total funds). This reflects an increase of \$75.9 million General Fund (\$154.5 million total funds) over 2001-02. This increase is attributable to stock market declines and other economic factors affecting the interest earnings for CalPERS' investment portfolio.

Health and Dental Benefits for Annuitants—The Budget includes \$553.6 million General Fund for annuitants' health and dental benefits. The increase of \$67.8 million over the 2001-02 appropriation is a result of both health premium increases and growth in the number of annuitants eligible for health and dental benefits.

Position Reductions—The Budget requires the Director of Finance to abolish 6,000 positions, not directly involved in public safety or providing 24-hour care, that were vacant on June 30, 2002, for a total savings of up to \$150 million. Over its tenure, this Administration has already eliminated over 6,600 excess vacant positions.



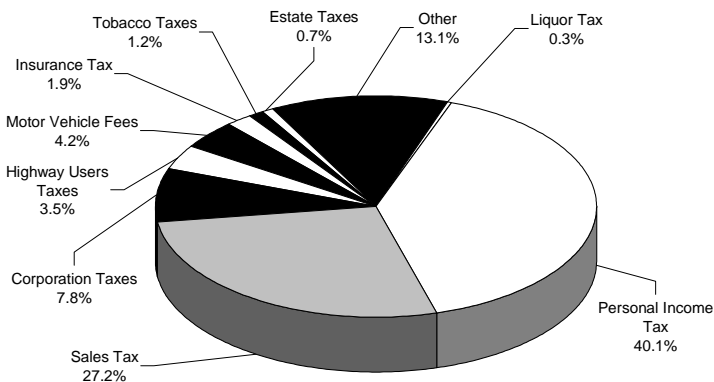
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Summary Charts

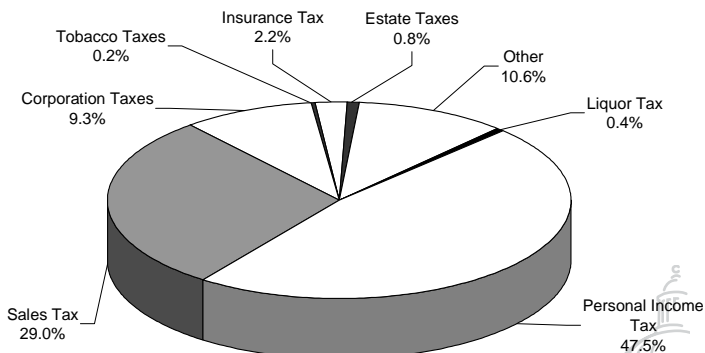


Revenues 2002-03 Fiscal Year

Total Revenues and Transfers



General Fund Revenues and Transfers

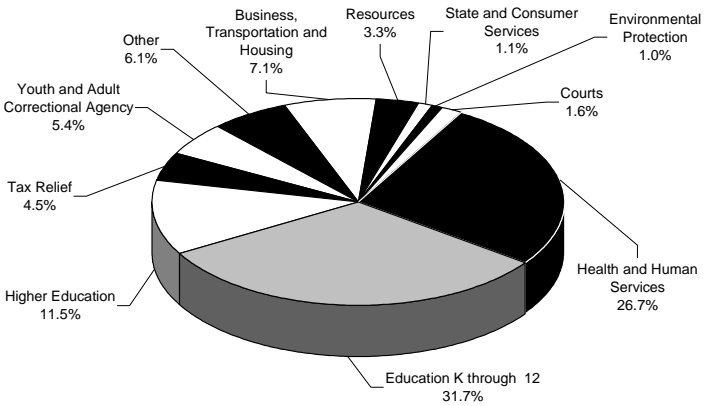


2002-03

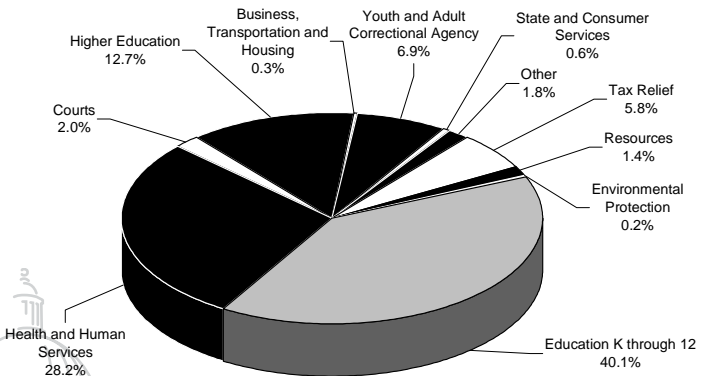
California State
Budget Highlights

Expenditures 2002-03 Fiscal Year

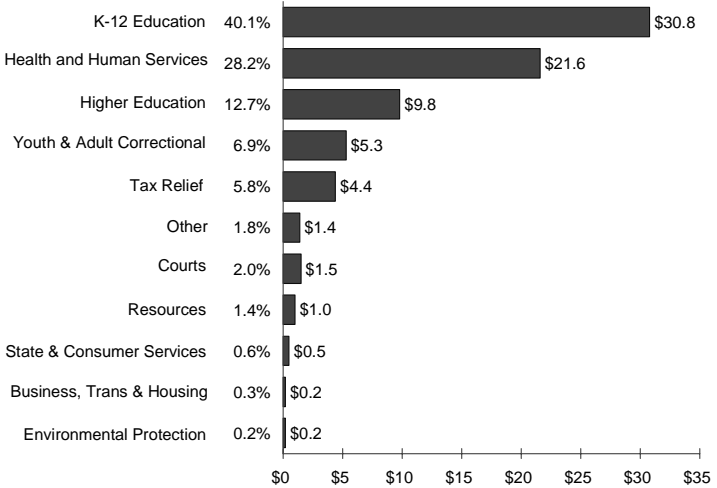
**Total Expenditures
(Including Selected Bond Funds)**



General Fund Expenditures



**2002-03 General Fund Expenditures
(Dollars in Billions)**



- ❖ K-12 education continues to be the State's top priority—over 40 cents of every General Fund dollar is spent on K-12 education.
- ❖ Combined with higher education funding, the State will spend almost 53 cents of every General Fund dollar on education.
- ❖ Education, health and human services and public safety expenditures constitute almost 88 percent of the State General Fund.



2002-03 Expenditures By Fund
(Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$30,769	\$63	\$473	\$31,305
Health and Human Services	21,633	4,799	--	26,432
Higher Education	9,759	762	807	11,328
Business, Transportation and Housing	228	6,643	188	7,059
Technology, Trade, and Commerce	42	9	--	51
Courts	1,519	79	--	1,598
Tax Relief	4,422	--	--	4,422
Local Government Subventions	438	2,353	--	2,791
Youth and Adult Corrections	5,285	20	4	5,309
Resources	1,041	1,147	1,110	3,298
Environmental Protection	173	638	182	993
State and Consumer Services	471	541	45	1,057
Other	942	2,300	3	3,245
Total	\$76,722	\$19,354	\$2,812	\$98,888

2002-03 Revenue Sources
(Dollars in millions)

	General Fund	Special Funds
Personal Income Tax	\$37,626	--
Sales Tax	22,958	\$2,516
Corporation Tax	7,327	--
Highway Users Taxes	--	3,244
Motor Vehicle Fees	15	3,915
Insurance Tax	1,759	--
Estate Taxes	646	--
Liquor Tax	288	--
Tobacco Taxes	121	980
Other	<u>8,418</u>	<u>4,007</u>
Total	\$79,158	\$14,662



2002-03
General Fund Expenditures
by Agency
(Dollars in Millions)

	<u>2001-02</u>	<u>2002-03</u>
Legislative, Judicial, Executive	\$2,685	\$2,464
State and Consumer Services	715	471
Business, Transportation & Housing	645	228
Technology, Trade, and Commerce Resources	75	42
Environmental Protection	1,545	1,041
Health and Human Services	437	173
Youth and Adult Correctional	22,093	21,633
K-12 Education	5,544	5,285
Higher Education	29,939	30,769
General Government	9,778	9,759
Tax Relief	327	435
Total	<u>\$76,863</u>	<u>\$76,722</u>



**2002-03 General Fund
Budget Summary**
(Dollars in Millions)

	<u>2001-02</u>	<u>2002-03</u>
Prior Year Balance	\$3,037	\$72
Revenues and Transfers	<u>\$73,898</u>	<u>\$79,158</u>
Total Resources Available	\$76,935	\$79,230
Expenditures	<u>\$76,863</u>	<u>\$76,722</u>
Fund Balance	\$72	\$2,508
Budget Reserves		
Reserve for Liquidation of Encumbrances	\$1,473	\$1,473
Special Fund for Economic Uncertainties	-\$1,401	\$1,035



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Education	Jeannie Oropeza	445-0328
Health and Human Services	Terrie Tatosian	445-6423
Youth and Adult Correctional, Justice, Judiciary, General Government, and State and Consumer Services	Calvin Smith	445-8913
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Employee Relations, Retirement Systems	Shelley Mateo	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>

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