

CALIFORNIA BUDGET PROJECT

Email Update

January 11, 1999

On Friday January 8, Governor Gray Davis introduced his first budget to the legislature. The Governor's Proposed 1999-00 Budget includes a 3.8 percent overall increase in General Fund spending, a 7.1 percent increase in revenues, and a \$415 million reserve (equivalent to 0.7 percent of General Fund spending). Policy proposals in the budget, as promised by the Governor in his inaugural and state of the state addresses, focused on education. K-12 and Higher Education received the largest dollar funding increases (General Fund), \$2.0 billion and \$249 million, respectively. K-12 education funding, however, is only slightly above the level required by the Proposition 98 school-spending guarantee.

The following is a brief and preliminary review key highlights of the budget. Additional details will be available at CBP's budget briefing and in forthcoming publications. The 1999-00 Proposed Budget includes:

REVENUES

- \$432 million in savings, contingent upon future federal action. This figure includes \$100 million for the incarceration of undocumented felons, \$210 million from increasing the federal government's share of Medi-Cal costs, and \$122 million of federal support for state funded family planning programs.
- No new tax increases or decreases. However, tax cuts enacted in 1997 and 1998 will reduce 1999-00 revenues by an estimated \$2.4 billion -- approximately equal to the gap in this year's budget.
- \$560 million in revenues from the recent settlement received between State Attorneys General and the tobacco industry. These moneys are deposited in the General Fund.

HEALTH

- \$2.7 million to support adoption of the income disregards by Medi-Cal for purposes of determining eligibility for the Healthy Families program. This change is expected to extend coverage to 17,500 children in 1999-00.
- Elimination of the \$20 million state contribution for the County Medical Services Program (CMSP), which provides indigent health services to adults in small rural counties.
- Full funding for prenatal and long-term care services for undocumented persons pending outcomes of state lawsuits.

- In response to federal law that requires states to provide a low-level radioactive waste disposal site, the budget allocates \$1.2 million in General Funds toward finding an acceptable solution for the development of a site in California, either at Ward Valley or elsewhere.

K-12 EDUCATION

The Governor's K-12 education budget proposes \$32.8 billion in Proposition 98 funding for California's 5.5 million pupils, a 4.8 percent increase over 1998-99 spending. Of the \$32.8 billion total, \$23.1 billion is state General Fund support, while the balance is funded by local property taxes. The Governor's budget proposes Proposition 98 funding of \$5,944 per pupil, slightly higher than the \$5,752 per pupil spending figure for 1998-99. K-12 education funds account for over 42 percent of the General Fund budget. The budget also proposes to revise the method used to calculate cost-of-living adjustments (COLA) for school district apportionments. The revised calculation, which uses the most recent available economic data, yields a 1.83 percent COLA for school districts, or a \$570 million increase for both general purpose funds and categorical programs.

The \$1.7 billion increase in Proposition 98 spending breaks down as:

- \$544 million for statutory growth, which includes \$344 million for apportionments (1.4 percent growth in average daily attendance (ADA)) and special education, and \$200 million in statutory growth for all other categorical programs.
- \$571 million for a 1.83 percent cost-of-living adjustment (COLA), which includes \$459 million for apportionments and special education and \$112 million for all other categorical programs.
- \$365 million for the Governor's READ in Schools initiative. The READ initiative also includes \$79 million in non-Proposition 98 funds.
- \$200 million for deficit reduction to restore purchasing power to school districts and county offices of education that was lost during the recession years of the early 1990's.

The Governor's \$444 million READ in Schools initiative includes numerous measures to improve reading skills, enhance the professional quality of school faculty, and increase accountability in schools. The READ initiative includes:

- \$75 million to establish Intensive Reading Instruction Academies for K-4 students who have difficulty reading.
- \$60 million to assist English Language Learners (ELL) and their teachers and an additional \$14 million to administer an English Language Development test (ELD).
- \$25 million for the purchase of literature books for K-4 classroom libraries.
- \$6 million for a Reading Call To Action and Recognition Campaign and to initiate the Governor's Reading Awards Program.
- \$5 million in federal funds for the State Department of Education to develop, identify, and disseminate instructional models to teach reading to secondary school students.

- \$1 million from the federal Child Care and Development Block Grant to develop and distribute pre-kindergarten reading and development guidelines.

Other significant education proposals include:

- \$250 million for new textbooks aligned with statewide standards. This is the second \$250 million installment of a four-year, \$1 billion investment in instructional materials.

- \$72 million for the Beginning Teacher Support and Assessment System (BTSA) aimed at increasing teacher effectiveness and retention through a system of support and assessment during their first two years.

- The budget assumes \$6.7 billion in school facilities funds made available by passage of Proposition 1A in November 1998. These funds include \$2.9 billion for new construction, \$2.1 billion for modernization, \$1 billion for hardships, and \$700 million for K-3 class-size reduction facilities.

HIGHER EDUCATION

University Of California (UC)

The Governor's 1999-00 budget provides a \$119.2 million General Fund increase for UC. Increases include:

- \$94.2 million for a four percent increase in general purpose funds.

- \$24.6 million for enrollment growth, estimated to be 4,600 full-time equivalent students, a 2.9 percent increase.

- \$16.6 million to account for the fact that the budget, for the fifth consecutive year, does not contain a fee increase for UC students.

- \$13 million for teacher and administrator quality improvement programs that are part of the Governor's education initiative.

- \$9.9 million for the further development of a tenth UC campus in Merced.

- The budget also assumes \$209.8 million from General Obligation bond funds for capital outlay expenditures at UC, made available by the passage of Proposition 1A in November of 1998.

California State University (CSU)

The Governor's 1999-00 budget provides a \$110.9 million General Fund increase for CSU, and includes:

- \$78.6 million for a four percent increase in general purpose funds.

- \$31.1 million for enrollment growth, estimated to be 8,381 new full-time equivalent students, a 3.1 percent increase.

- \$13.6 million to account for the fact that the budget, for the fifth consecutive year, does not contain a fee increase for CSU students.

- The budget also assumes \$209.5 million General Obligation bond funds for capital outlay at CSU, made available by the passage of Proposition 1A in November 1998.

California Community Colleges (CCC)

The Governor's 1999-00 budget proposes a 6.9 percent, or \$158 million, increase in state General Fund support for community colleges. Significant adjustments include:

- \$84.9 million for a 2.5 percent growth in enrollment, estimated to be 23,740 new full-time equivalent students.

- \$62.8 million for a 1.83 percent cost-of-living adjustment for both general purpose and categorical programs.

- \$10 million for the Partnership For Excellence program, which ties future funding to meeting rigorous standards including student achievement. The Partnership For Excellence program was created last year and system-wide goals are currently in development.

- \$10 million for a new Reading and Teacher Development partnership in conjunction with the Governor's READ initiative.

- \$2.5 million to enhance the transfer function between community colleges and four-year institutions.

- \$153.1 million for 93 capital outlay projects at 69 campuses.

Student Aid

The Governor's 1999-00 budget increases General Fund spending for the Student Aid Commission by \$35 million, a 10.2 percent increase over 1998-99. The Student Aid Commission that administers the Cal Grant program. Specific proposals include:

- \$5 million to fund approximately 1,672 new Cal Grants, a four percent increase in awards over 1998-99.

- \$30 million in baseline increases in the Cal Grant program to reflect the continued costs of phasing in the 1996-97, 1997-98, and 1998-99 increases in both the number of awards and the maximum amount of the awards for students attending private institutions.

CalWORKs AND SOCIAL SERVICES

- The budget includes \$25 million in state funds to match available federal Welfare-to-Work grant funds. The state must allocate \$182 million before September 30, 2000 in order to match \$363 million in federal grant funds received over the past two years.

- Proposes \$88.9 million to fund the statutory CalWORKs cost-of-living adjustment (COLA) of 2.08 percent. CalWORKs grants will increase for a family of three in Region I from \$611 to \$624 and in Region II from \$582 to \$595 on July 1, 1999.

- Proposes approximately the same overall funding level for the CalWORKs program (\$7.4 billion versus \$7.5 billion in 1998-99) despite a 8.2 percent decline in caseloads.
- Proposes to spend the minimum amount of local and state funds, \$2.9 billion, required to meet the federal Temporary Assistance for Needy Families (TANF) maintenance of effort requirement.
- Assumes savings of \$15 million from the effect of diversion payments and savings of \$125.1 million for recipients leaving aid due to employment in 1999-00.
- Assumes savings of \$95.5 million from recipients failing to participate in the work requirements.
- Proposes \$479 million for CalWORKs county incentive payments, \$70.5 million for substance abuse services, and \$51.8 million for mental health services.
- Proposes \$59.5 million (\$25.5 million General Fund) to 1) continue the six percent statutory rate increase for foster family homes given on July 1, 1998 and 2) provide a six percent statutory rate increase to group homes and certified family homes of foster family agencies retroactive to July 1, 1998. The budget includes an additional \$13 million (\$5.2 General Fund) for a 2.08 percent COLA effective July 1, 1999 for foster family and group homes.
- Proposes \$19.3 million (\$11.3 million General Fund) to fund monthly visits by social workers to all foster care children placed in group home care.
- Proposes \$2.4 billion General Fund for Supplemental Security Income/State Supplemental Payment (SSI/SSP), an 8.1 percent increase over the 1998-99 level, for caseload growth and a 2.08 percent COLA on January 1, 2000. On January 1, 2000, grants would increase for an aged or disabled individual from \$676 to \$690 and for an aged or disabled couple from \$1,201 to \$1,226.

EMPLOYEE COMPENSATION

- The budget includes \$28.1 million (\$10.7 million General Fund) in 1998-99 and \$190 million (\$100 million General Fund) in 1999-00 to fund employee compensation adjustments agreed to through collective bargaining. The budget also includes \$6.0 million (\$5.0 million General Fund) to fund previously negotiated compensation increases. In addition, the budget allocates \$140.3 million (\$53.5 million General Fund) for full-year costs of any increases agreed to in 1998-99.

HOUSING

Allocates an additional \$10 million for housing programs, including:

- \$2.5 million to the Department of Housing and Community Development (HCD) with instructions to the Secretary of the Business, Transportation, and Housing and yet-to-be announced Director to HCD to develop a plan to spend these funds. The budget cites to

upcoming loss of federal housing support as a motivation for this allocation.

- \$1 million from the General Fund to continue the homeless shelter programs at National Guard armories during the winter months.
- \$5 million for the Families Moving to Work Program, which was vetoed out of the 1998-99 budget, to support housing for families transitioning from welfare to work.
- \$2 million for farmworker housing programs.
- \$1 million for self-help housing.
- \$1 million for develop supportive housing focused on CalWORKs families with special needs.
- The budget announced the Governor's plan to establish a state housing task force to look at permanent sources of income for affordable housing, growth management strategies, the distribution of tax revenues between the state and local government, and the so-called fiscalization of land use.

DEPARTMENT OF INDUSTRIAL RELATIONS

- The budget proposes \$429,000 to restore funding for the Industrial Welfare Commission.

LOCAL GOVERNMENT

- The budget reduces the state's share of trial court funding below the level adopted in legislation approved at the end of the 1998 legislative session. Counties will receive \$48 million in additional trial court funding assistance in 1999-00, less than the previously authorized \$96 million payment.