

# **The Budget Unplugged: The Social and Economic Context of the Governor's Proposed 2001-02 Budget**

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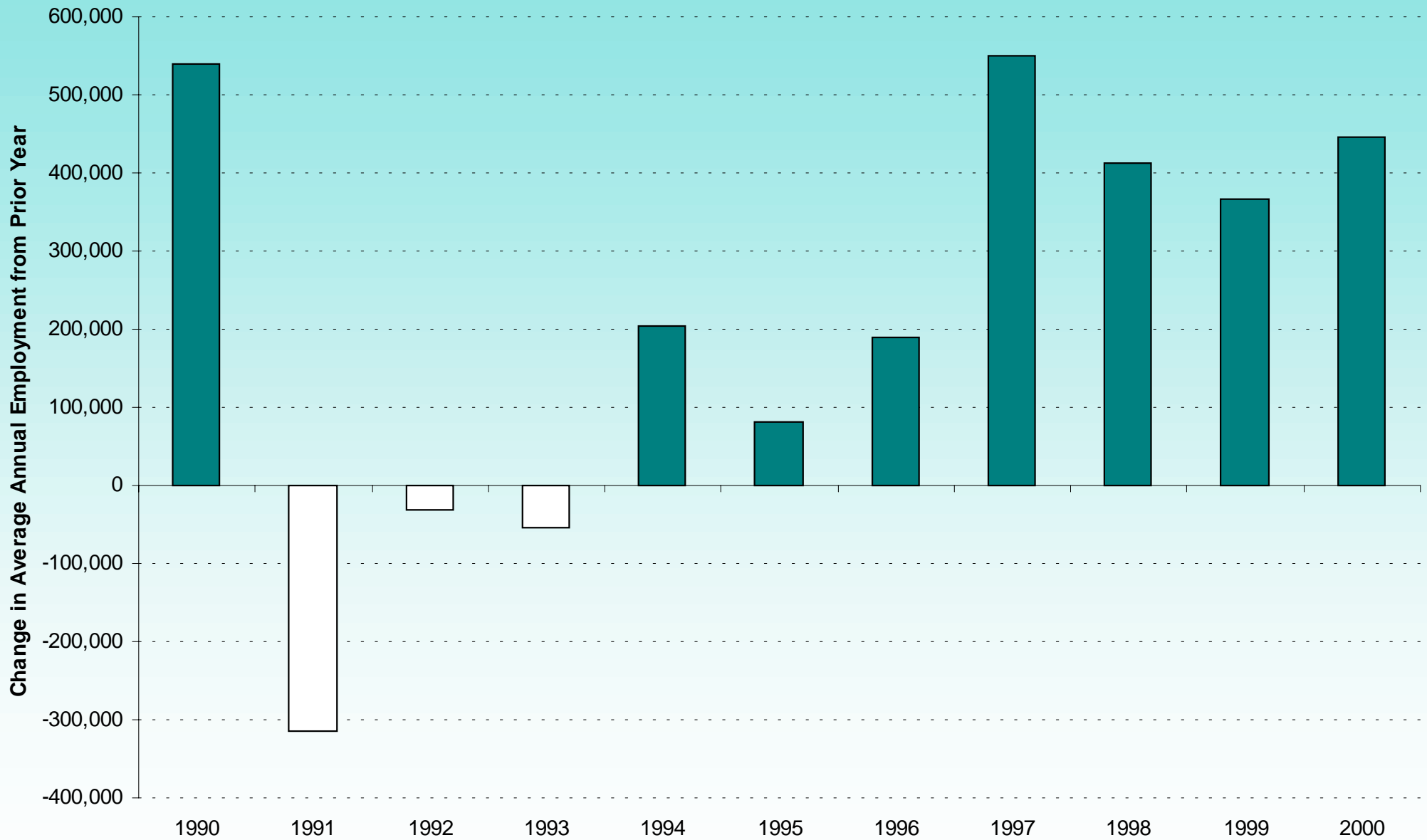
# What are the Major Policy Issues Confronting California?

- ▶ What does the future hold for the California economy? Slower growth? A downturn? What will the power crisis mean for Californians and the state's economy?
- ▶ What will changes in the condition of the economy mean for California's revenue base?
- ▶ Are current and proposed policies adequate to meet the needs of California's growing and diverse population? Is the state doing all that it can to maximize opportunities for all Californians?
- ▶ How does the Budget address the needs of those Californians who have fallen behind in today's new economy? How does the economic well-being of Californians compare to that of the nation?
- ▶ How does the Budget allocate available revenues between one-time and ongoing investments?

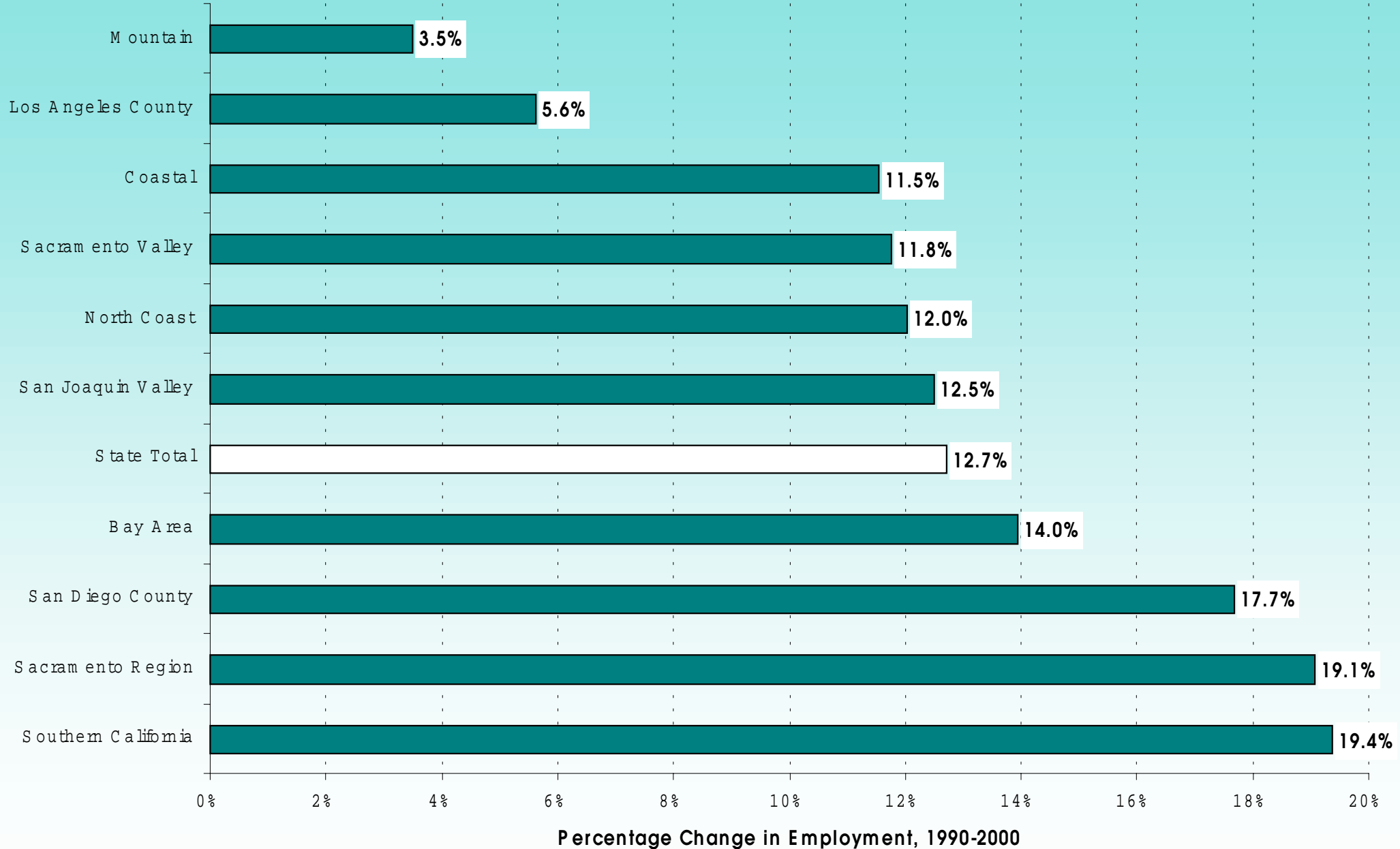
# The California Economy: Are Storm Clouds on the Horizon?

- ▶ By many measures, the California economy is outperforming that of the nation. Job growth remains strong, with the state adding 446,025 jobs and total personal income, a measure of aggregate wealth of the state, rising by 11.7 percent in 2000.
- ▶ Slowdowns in a number of key national indicators, coupled with the state's mounting energy problems and the sharp drop in the NASDAQ stock index, suggest a more modest level of growth for California in the year ahead.
- ▶ While electric power accounts for less than 2 percent of the state's economy and a small fraction of consumer expenditures, a stable power supply is critical to the state's economic base and future economic well-being. Lost wages and productivity are likely to have a negative impact on state revenue collections.
- ▶ A sizeable fraction of the total growth in wages has come in the form of stock options, which predominantly go to high wage earners. The Governor's Budget Summary notes that stock options accounted for between one-quarter and one-half of annual wage growth in 1998, 1999, and 2000. Taxes paid on stock options and capital gains are expected to provide one out of five General Fund dollars in 2001-02.

## Employment Growth Remains Strong



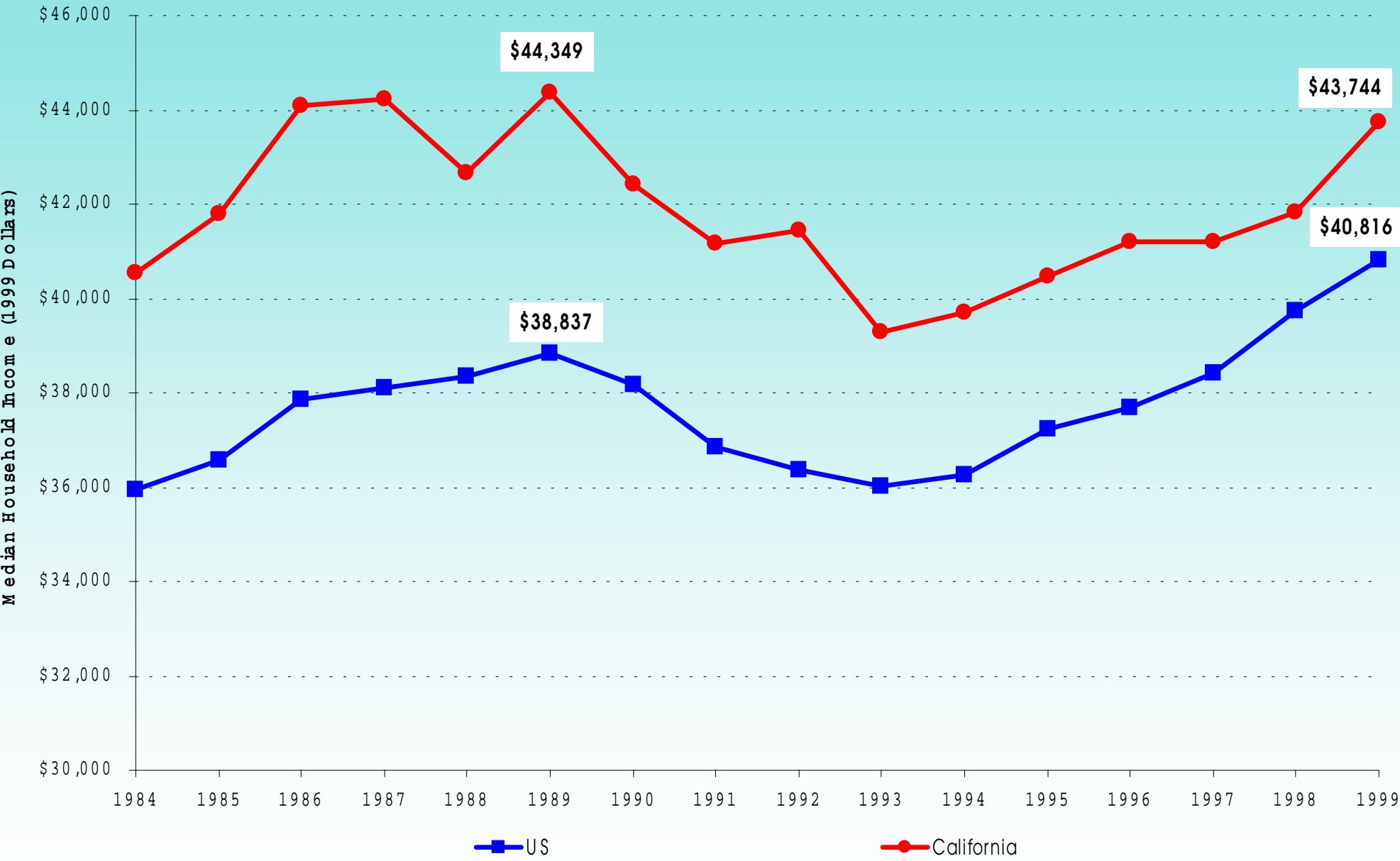
## Employment Growth Varies by Region



# Not All Californians Have Shared in the State's Recent Prosperity

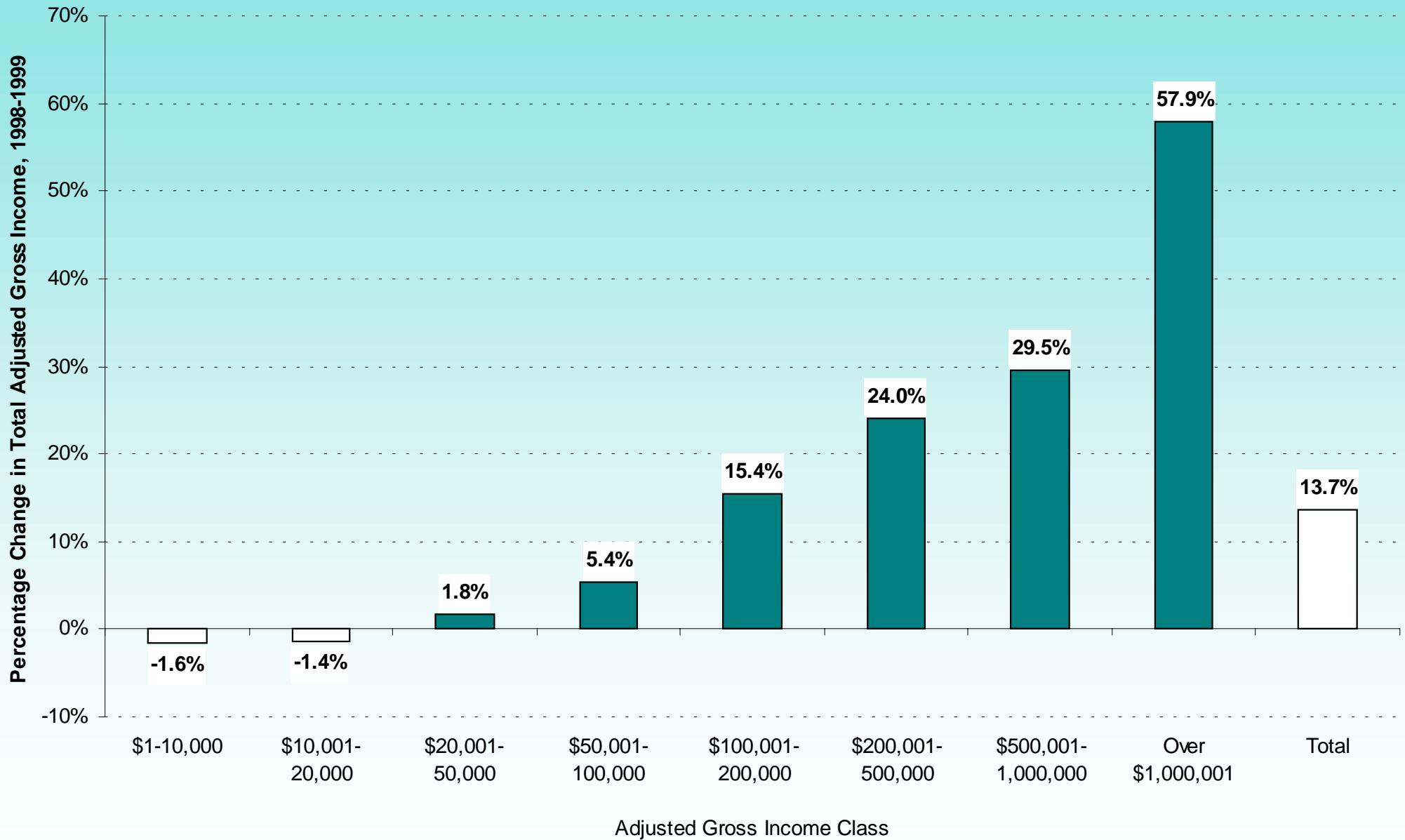
- ▶ California's median household income -- the income of the household exactly at the middle of the income distribution -- was lower in 1999 than a decade before, after adjusting for inflation. Perhaps even more striking, hourly wages at the bottom seven deciles were lower in 1999 than they were a decade before.
- ▶ California's poverty rate remains substantially higher than that of the nation as a whole (13.8 percent vs. 11.8 percent). The state's child poverty rate is substantially higher, with one out of five (20.3 percent) California children living in families with incomes below the federal poverty threshold in 1999.
- ▶ The state's relatively high cost of living exacerbates the lack of investment in many programs critical to the state's well-being. Only 31 percent of California households, for example, could afford to purchase the median priced home in November 2000, as compared to 36 percent just a year before.
- ▶ While the number of Californians with job-based health coverage rose by 1.1 million in 1999, 6.9 million of the state's residents remained without health coverage. While recent expansions in the Healthy Families and Medi-Cal programs are a good first step, much more remains to be done.
- ▶ Rising housing costs are forcing many California families to pay more than the recommended 30 percent of their income for shelter. In 1999, the number of low income renter families exceeded affordable housing units by 581,304 in the state's metropolitan areas.

# California's Median Income Still Below 1989 Level

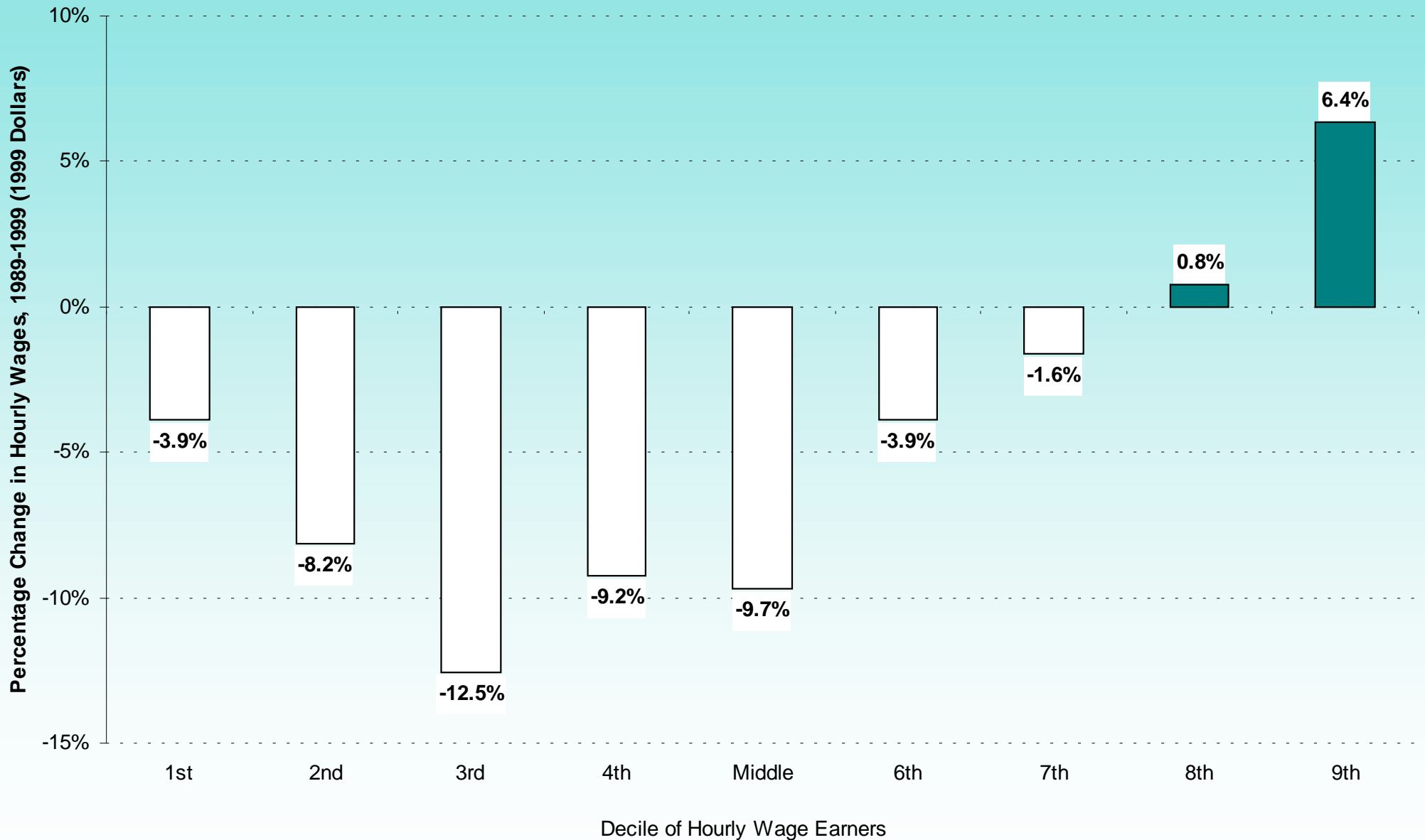




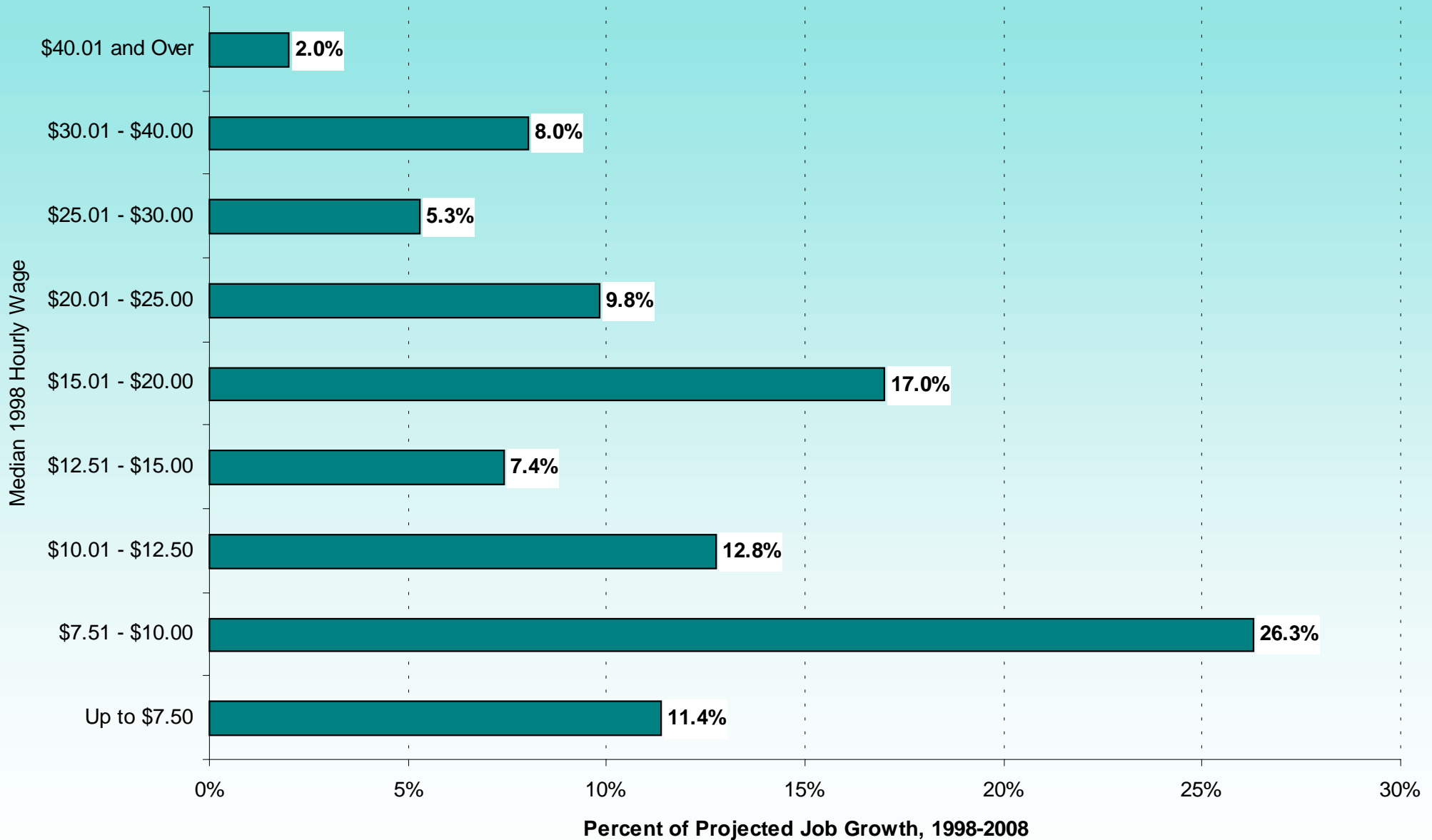
## Income Growth is Strongest at the Top



## Hourly Wages Still Down for Most Workers

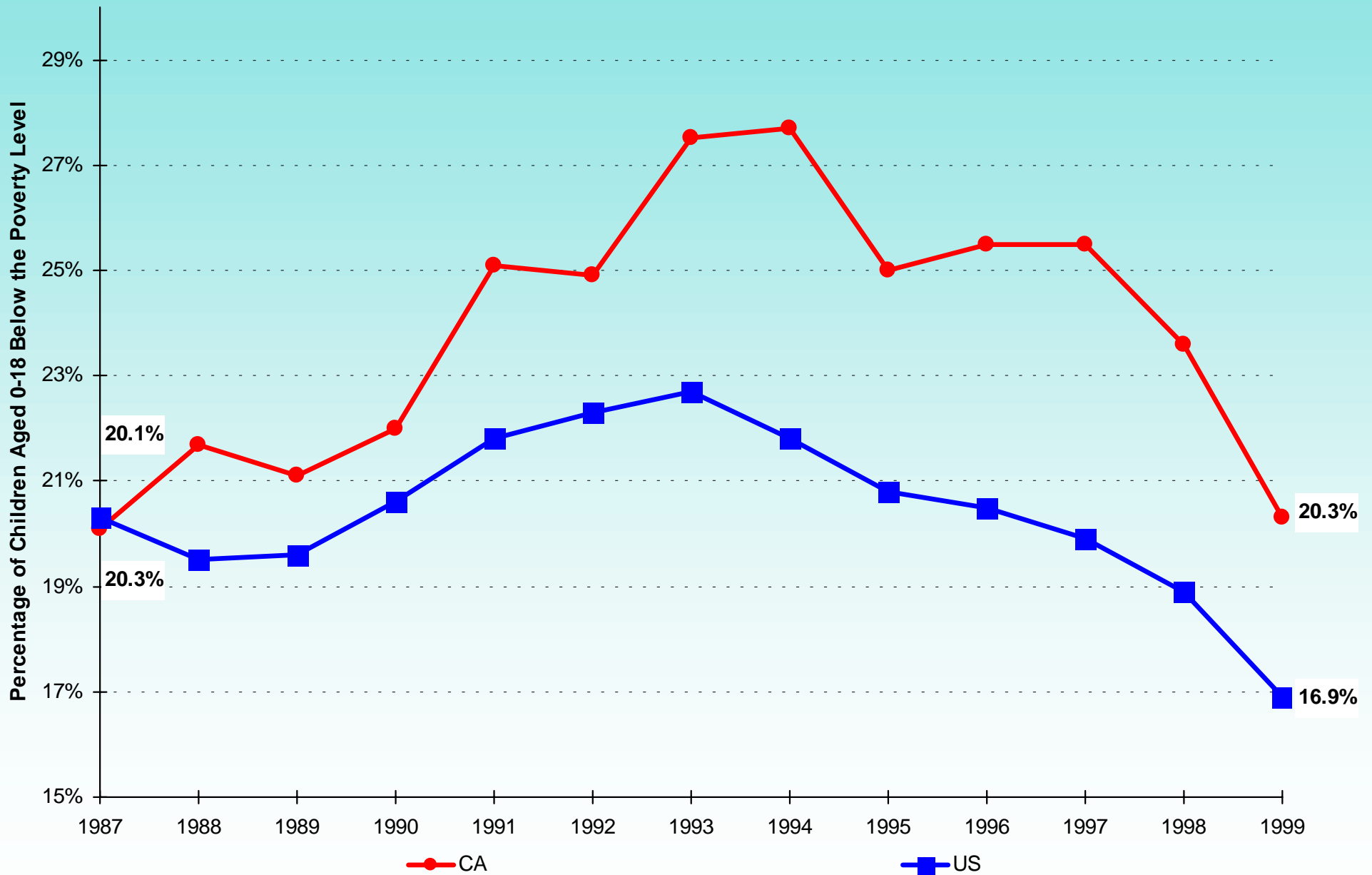


## Most Job Growth is in Relatively Low Wage Occupations

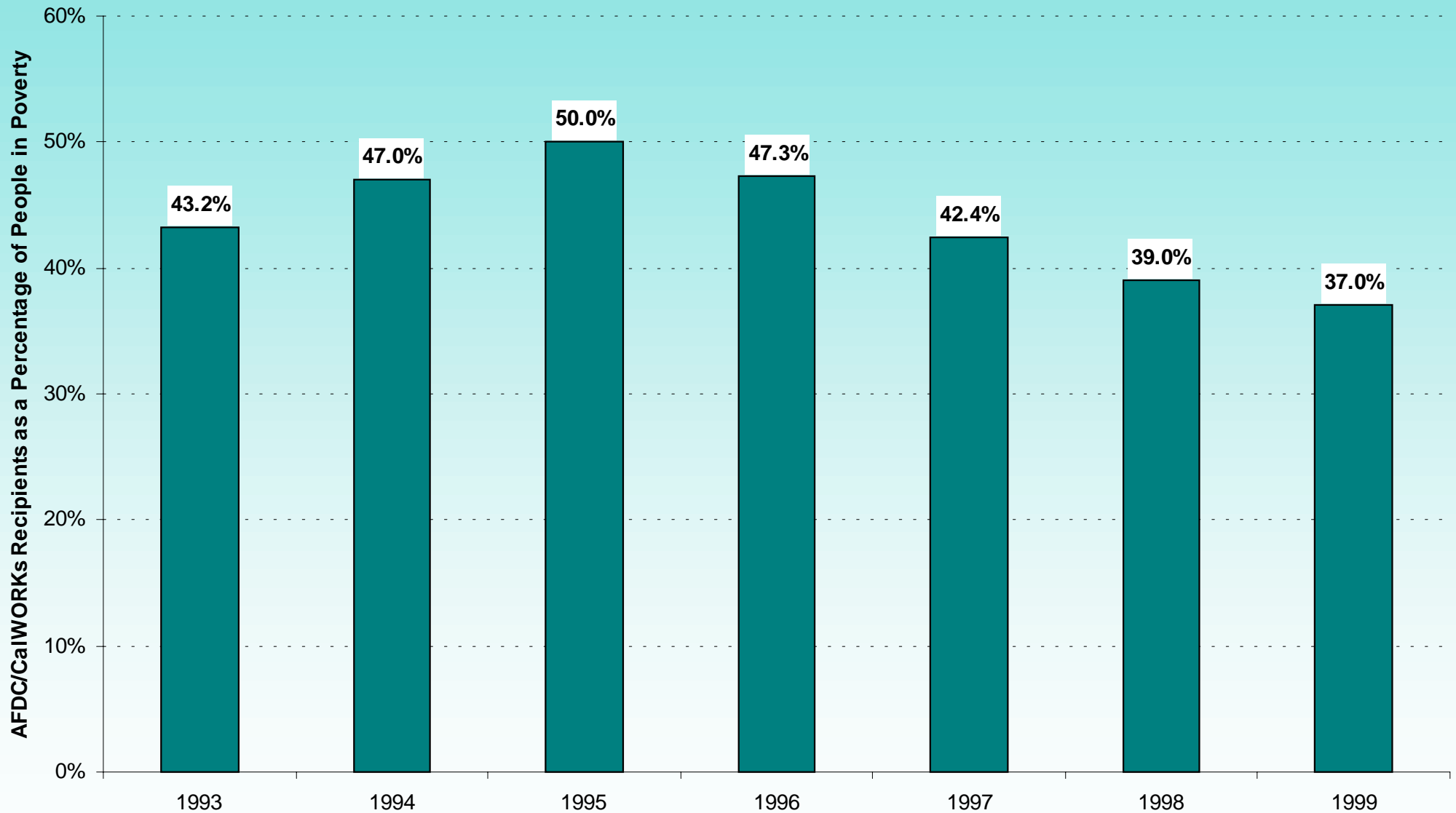


Note: Includes 94 percent of projected job growth.

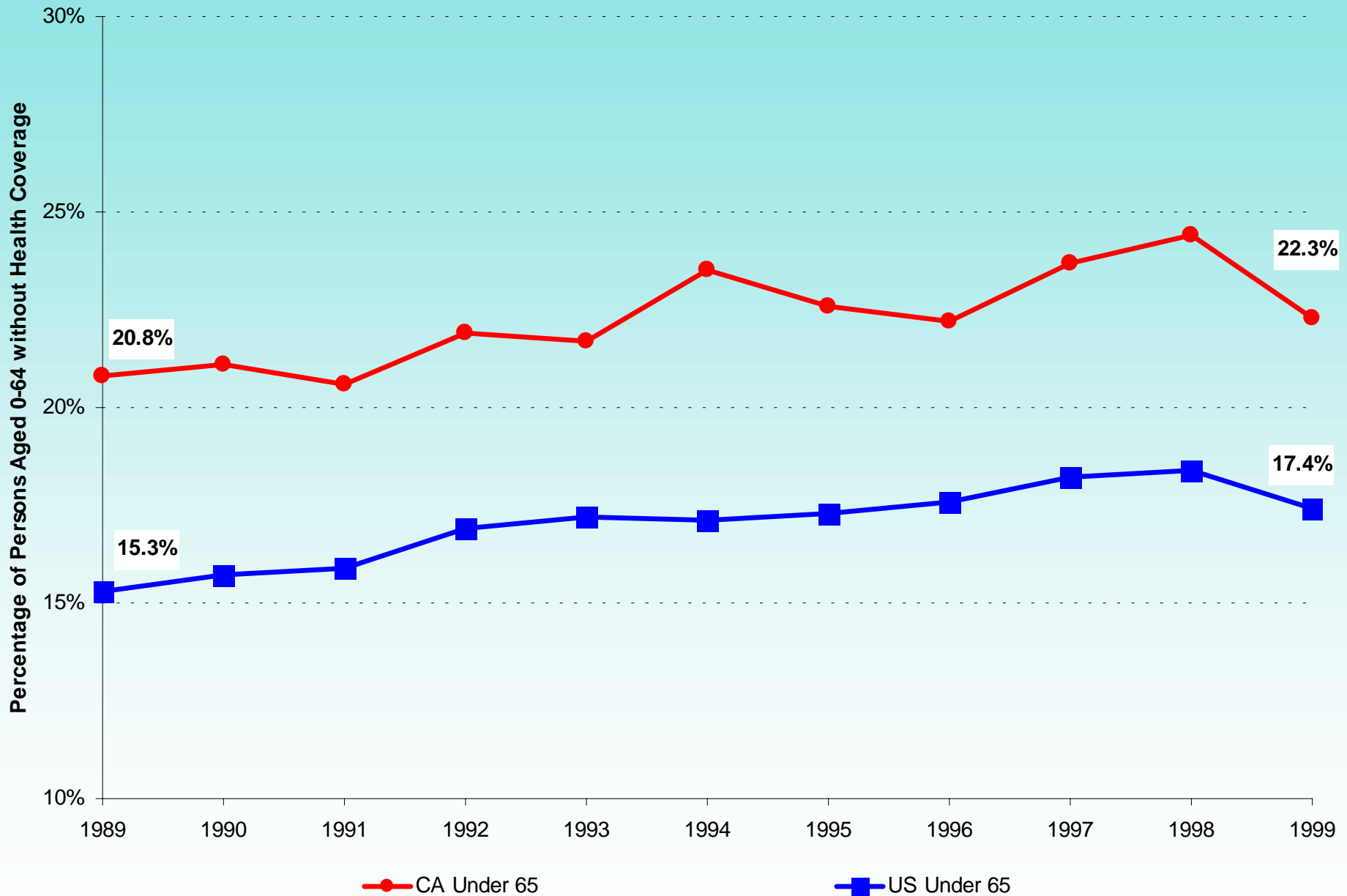
## Share of California Children Living in Poverty is Well Above That of the Nation



## People in Poverty are Now Less Likely to Receive Cash Assistance

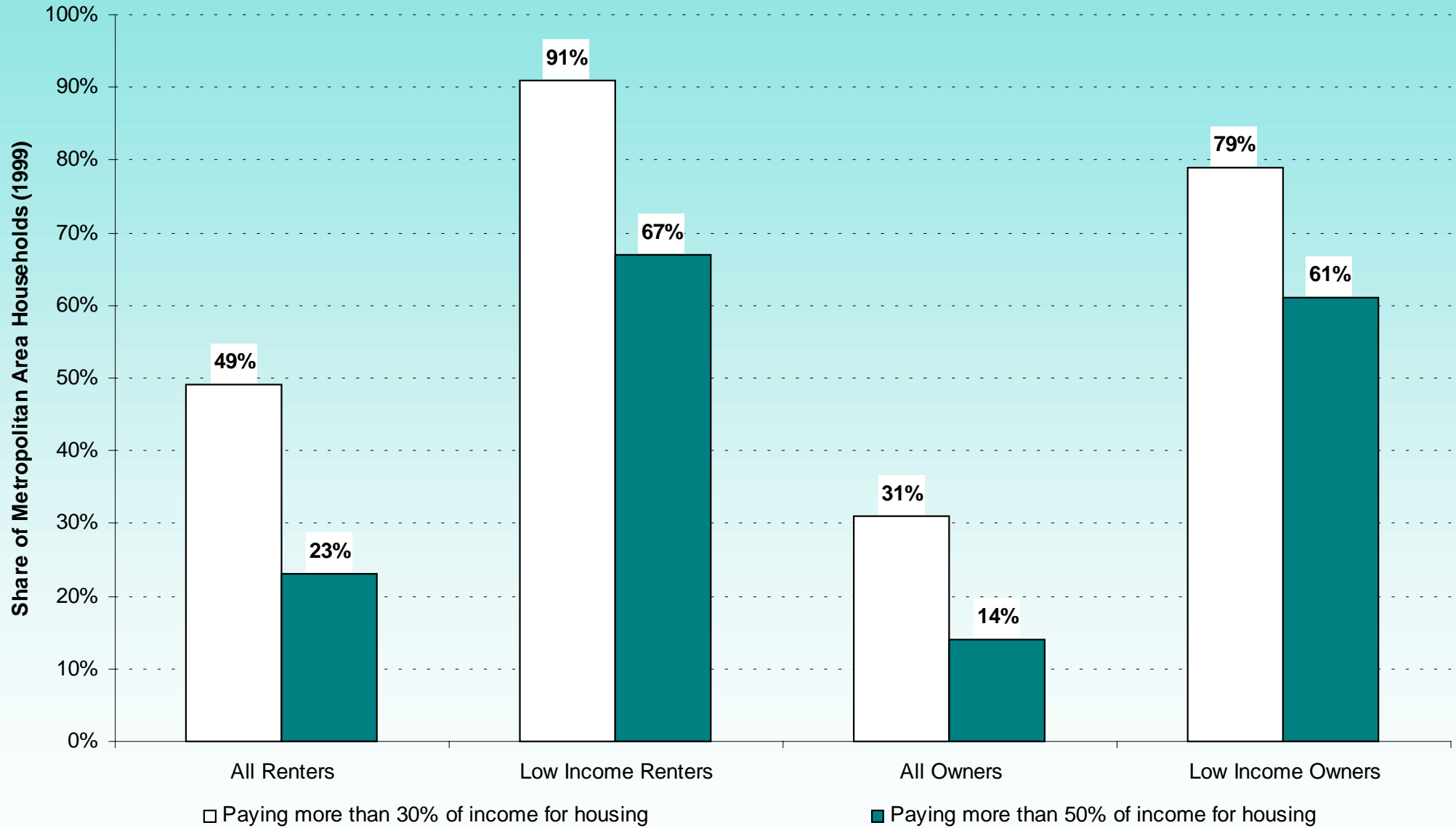


## More Non-Elderly Californians Lack Health Coverage Than in the US Overall



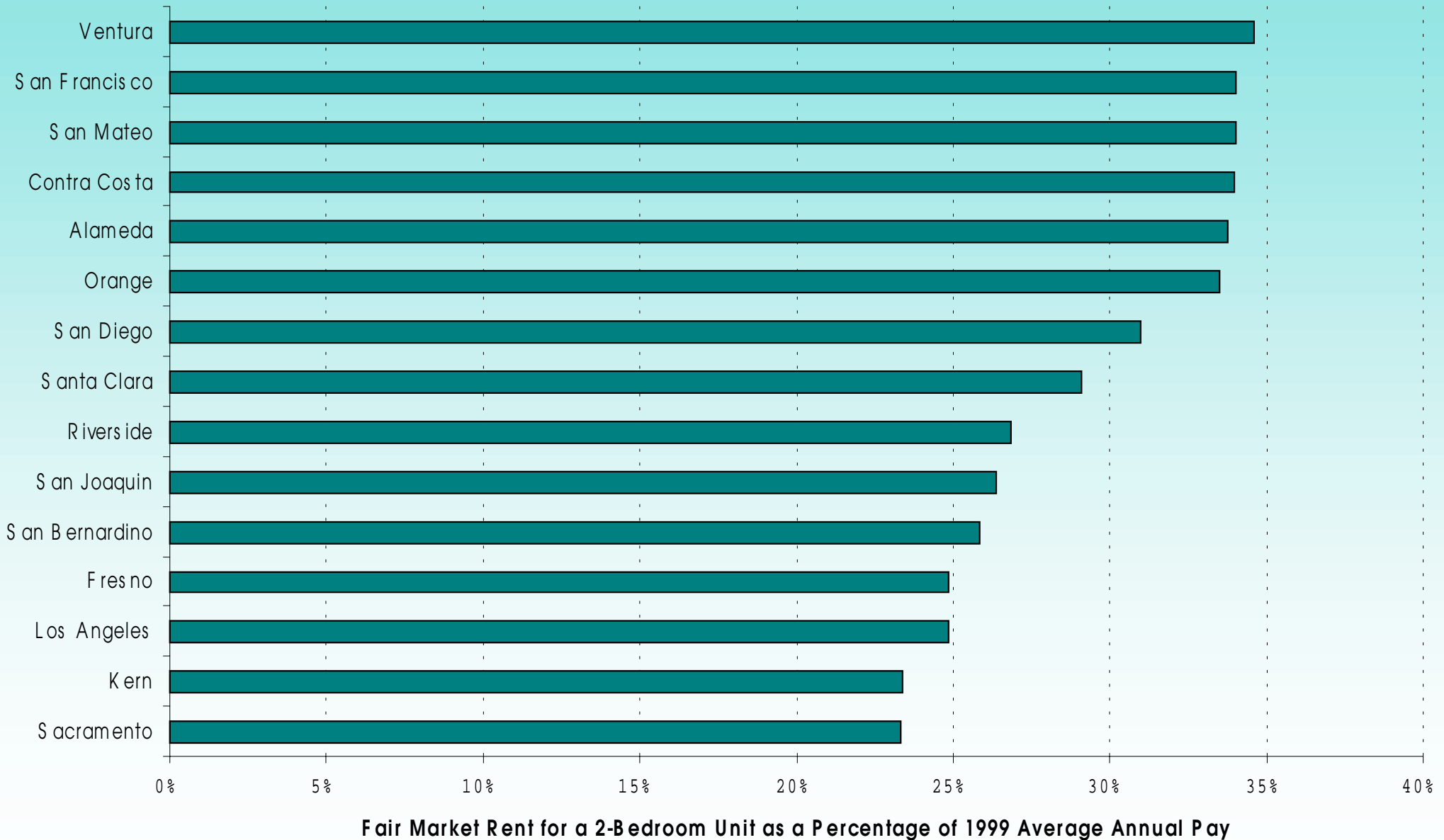
# California Families are Struggling to Keep Up with Housing Costs

## Nearly Half of Renters Pay More Than 30 Percent of Their Income Toward Housing



Note: Includes households in metropolitan areas only. "Low income" refers to households with annual incomes below \$15,000.

## Housing Costs as a Percentage of Income Highest in Coastal Counties



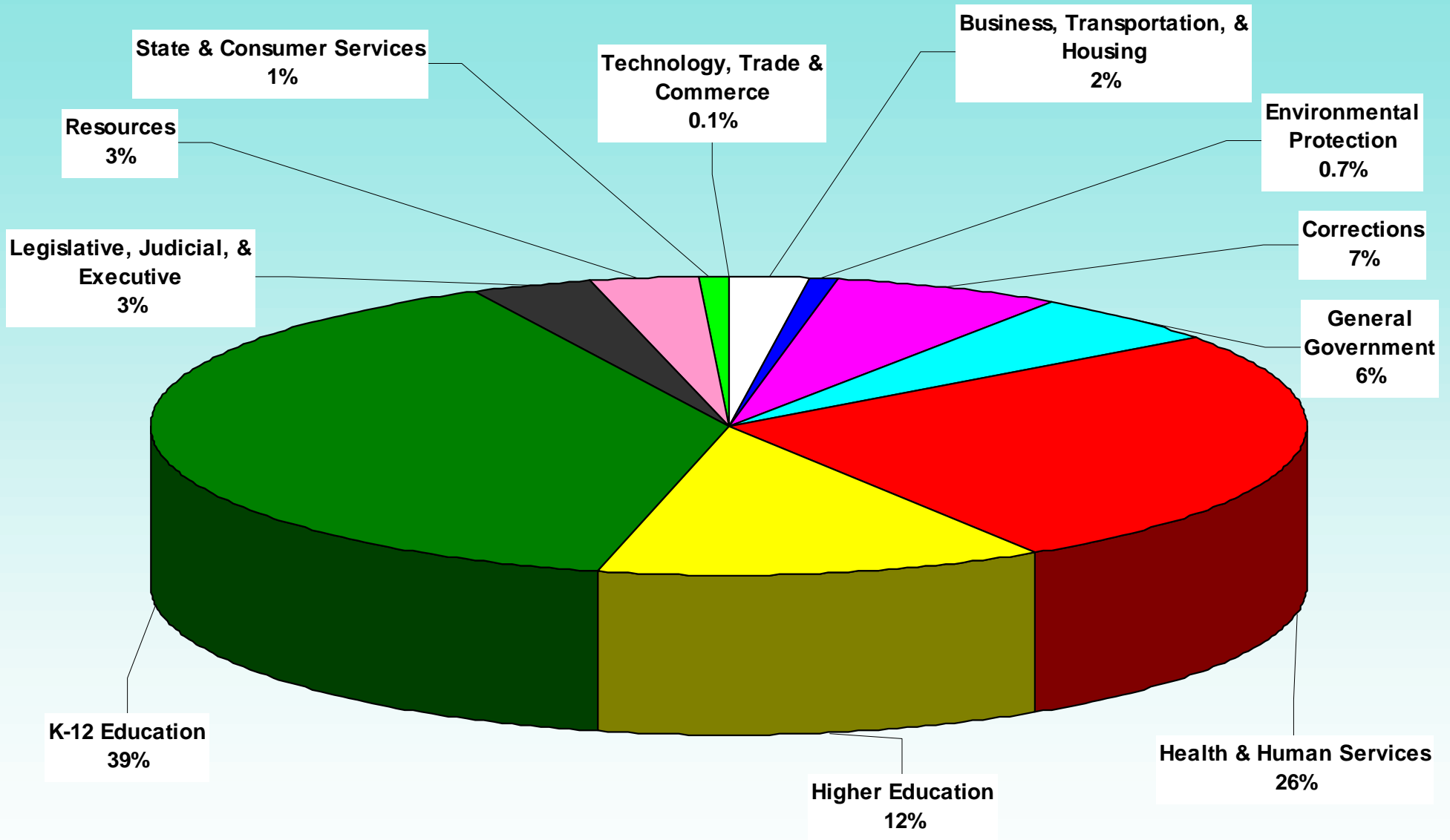


# The Big Picture

- ▶ Proposed 2001-02 spending from all funds exceeds \$100 billion. Proposed General Fund spending is \$3.1 billion (3.9 percent) above 2000-01 levels.
- ▶ The Governor's Budget assumes that 2001-02 revenues will be \$2.5 billion (6.9 percent) above 2000-01 levels and that current (2000-01) year's revenues will be \$3.1 billion above the May 2000 forecast levels.
- ▶ However, the Governor's two-year forecast of revenues and expenditures results in \$2.2 billion less in uncommitted resources than the forecast prepared by the Legislative Analyst in November. The difference reflects a distinct slowdown in the national economy during the last quarter of 2000.
- ▶ Projected resources exceed the levels needed to finance program requirements under current law by approximately \$8 billion. The Governor allocates approximately 70 percent (\$5.7 billion) of the available resources to one-time expenditures (including the reserve) and approximately 30 percent (\$2.3 billion) to ongoing initiatives.
- ▶ The Budget provides a \$1.9 billion reserve, equal to 2.3 percent of proposed General Fund expenditures, and a \$500 million set-aside for legal contingencies.
- ▶ Major expenditures include \$1.9 billion to "overfund" the Proposition 98 school funding guarantee, a \$1 billion set-aside to address the energy crisis, and \$772 million in capital outlay expenditures.

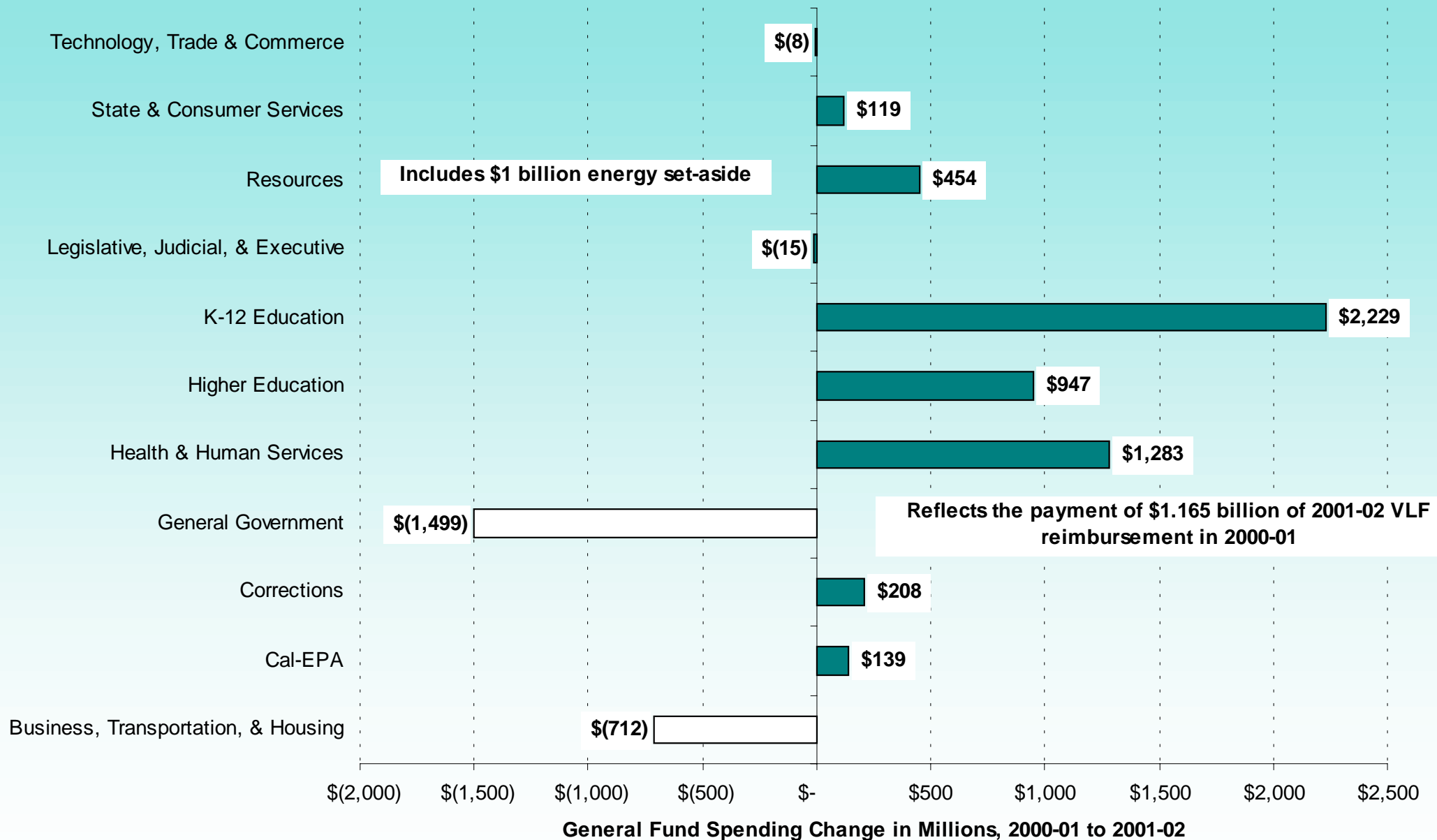
# Education Accounts for Largest Share of Proposed 2001-02 Spending

## General Fund Spending by Agency

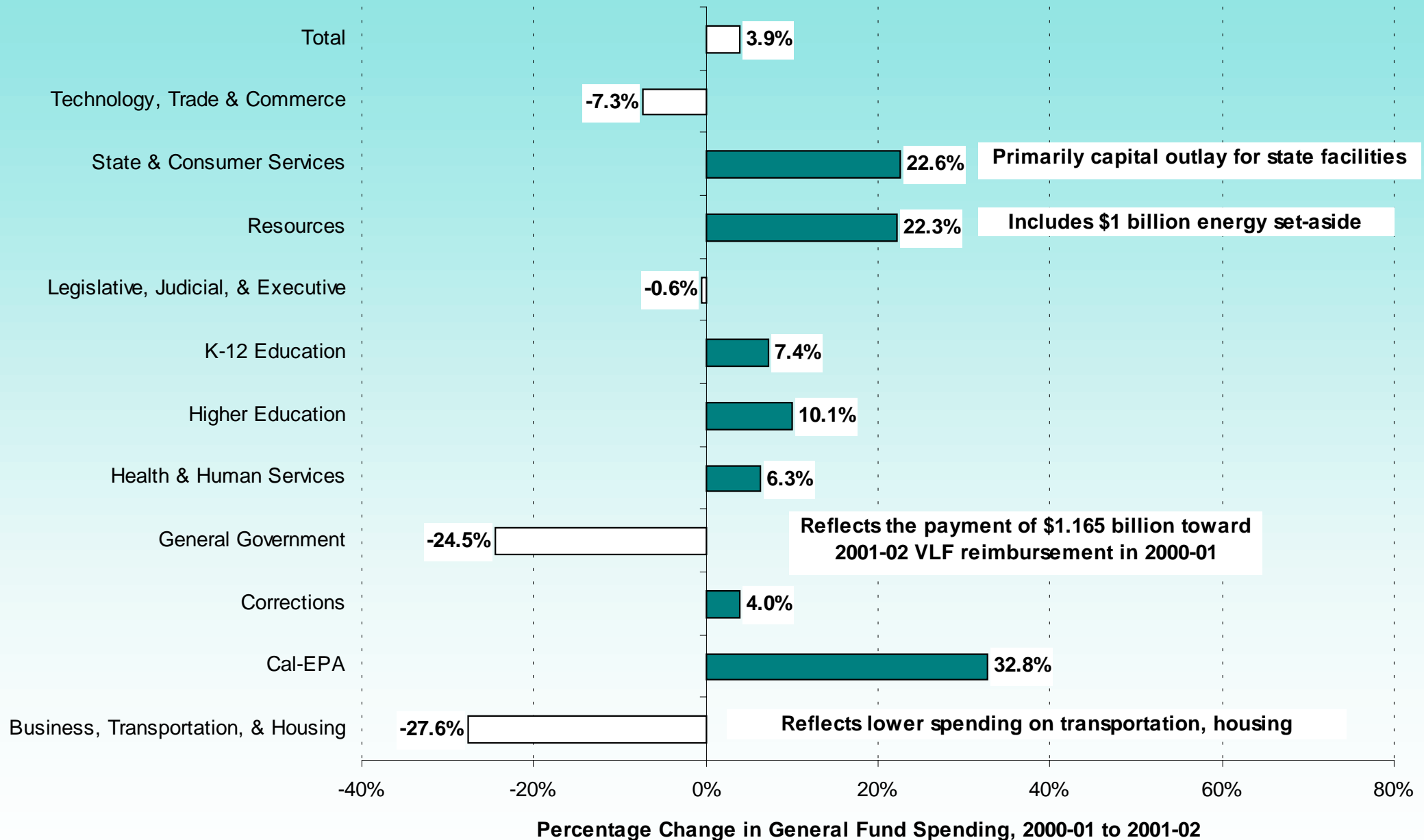


Proposed 2001-02 General Fund Spending = \$82.9 Billion

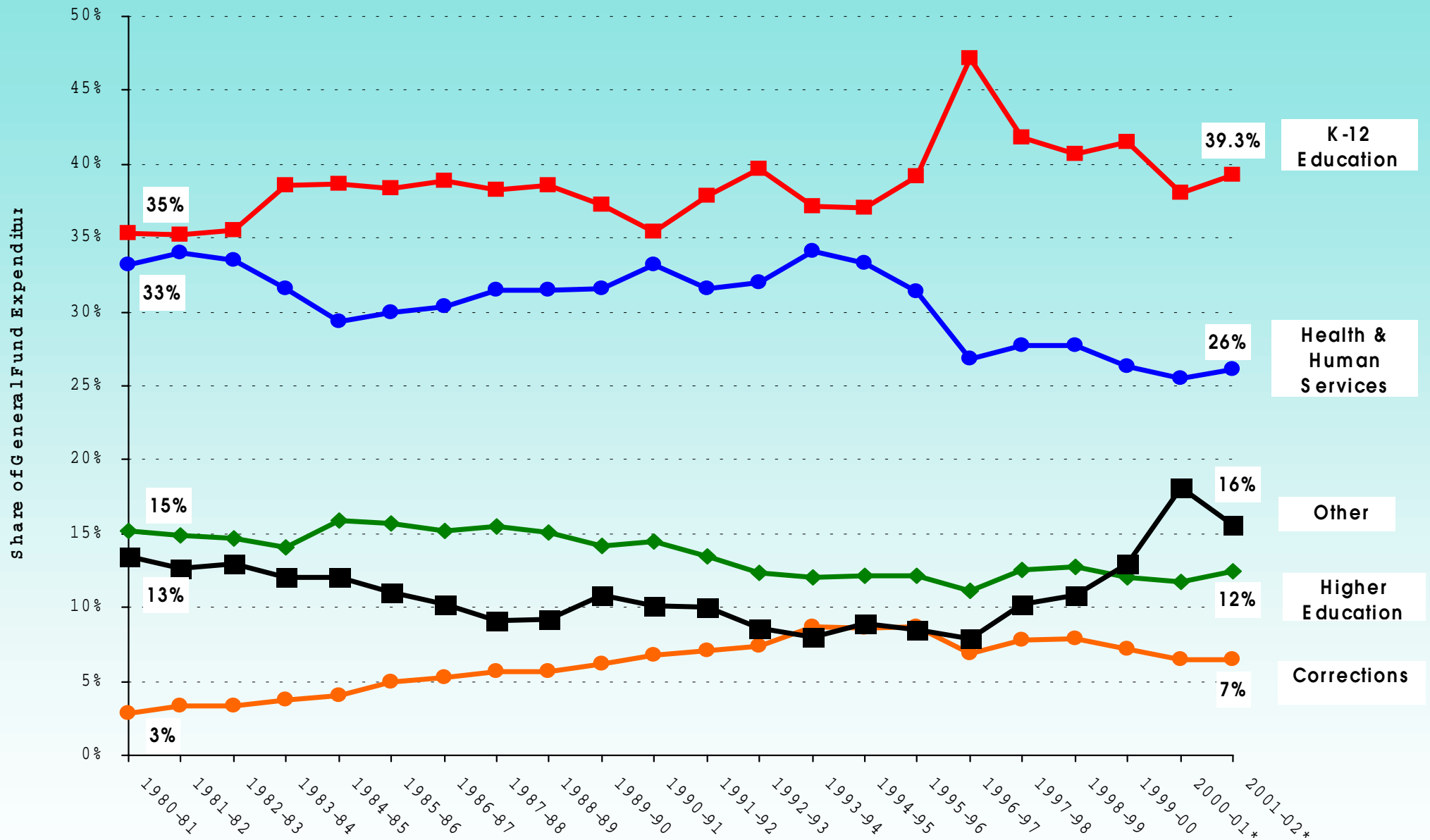
## Largest Dollar Increases for Education, Health & Human Services



# Largest Percentage Growth in Environmental Protection, Resources, State & Consumer Services

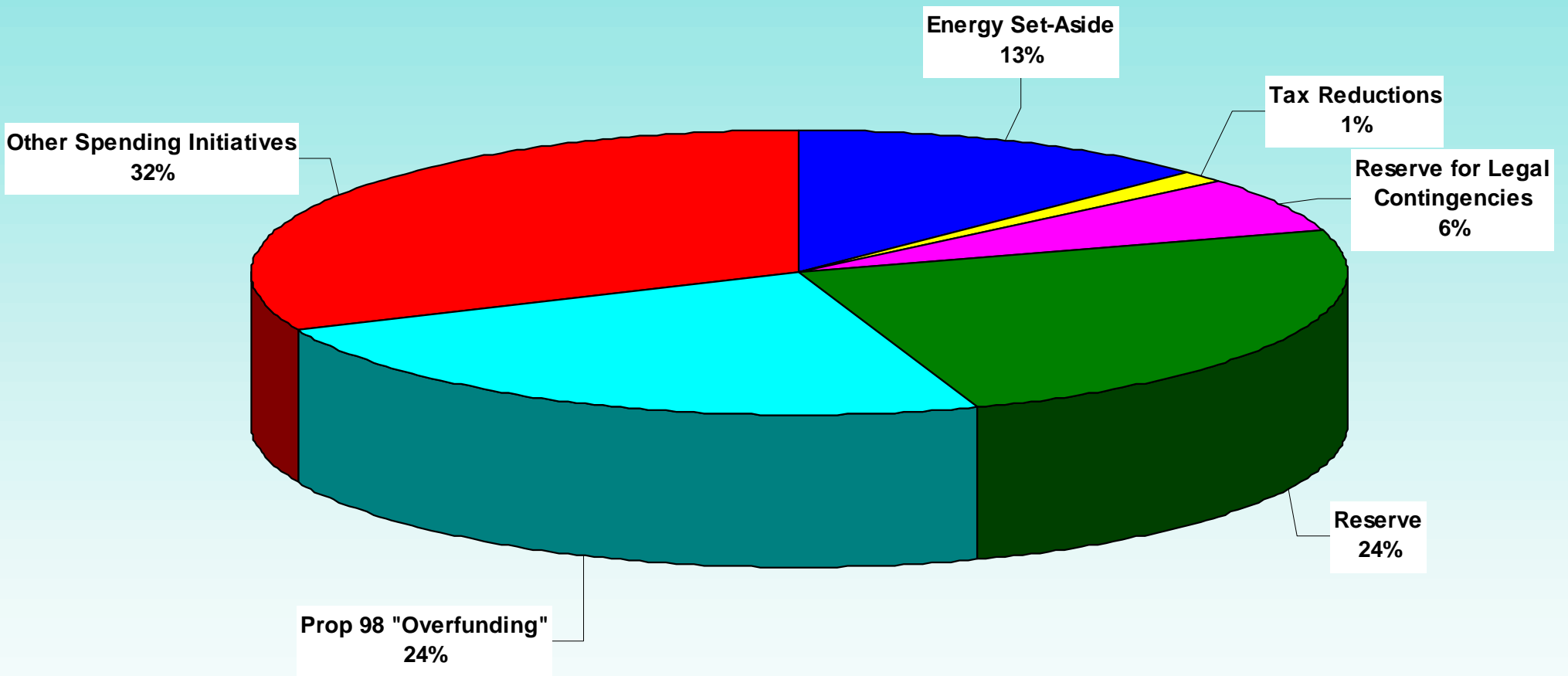


# K-12 Education Continues to Receive Largest Share of State General Fund Spending



\*2000-01 estimated, 2001-02 proposed. Note: Other includes Legislative/ Judicial/ Executive, State & Consumer Services, Business, Transportation & Housing, Technology, Trade & Commerce, Resources, Cal-EPA, and General Government.

## New Resources Go to Education, Reserve, and New Program Initiatives

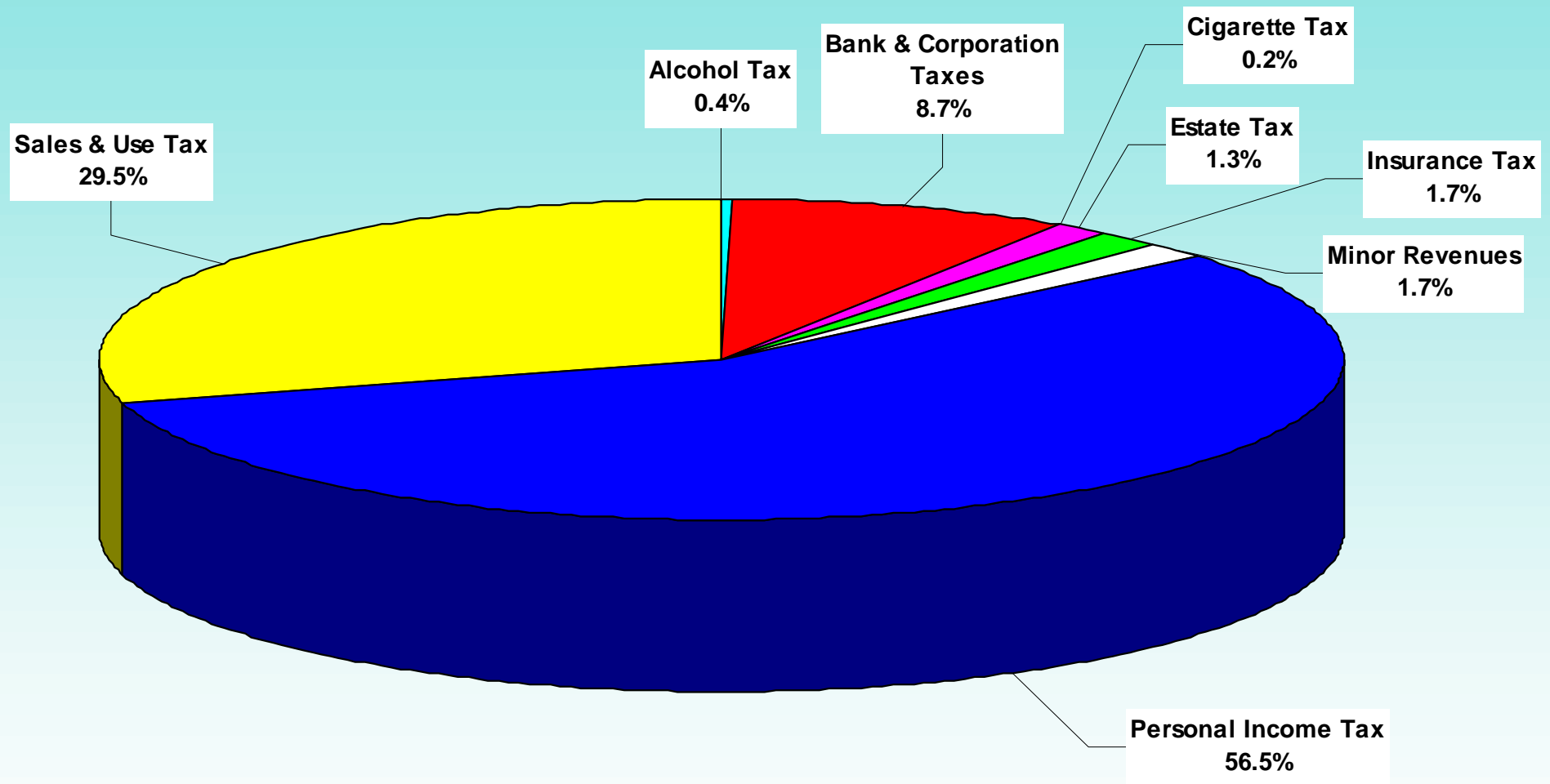


Uncommitted Resources = \$8 Billion

# Revenue Trends Suggest Vulnerabilities in the State's Tax System

- ▶ Over half (56.5 percent) of state General Fund revenues come from the personal income tax. California's income tax is highly progressive. The 9.4 percent of taxpayers with incomes over \$100,000 paid 67.6 percent of the tax in 1999.
- ▶ A growing share of General Fund revenues come from taxes paid on non-wage income. Between 1998 and 1999, capital gains claimed by California taxpayers rose by 47 percent, while wage and salary income grew by just 10.3 percent.
- ▶ The share of profits paid in corporate income taxes fell by 42 percent between 1981 and 1998. Corporate tax collections continue to provide a declining share of General Fund revenues, despite strong gains in the profitability of corporations doing business in California.
- ▶ The yield of the state's sales tax -- the revenues raised by each percent of the sales tax rate -- is falling. Analysts suggest that "e"-commerce and mail order sales could cost California \$1 billion in lost revenues by 2003.
- ▶ "Sin" taxes provide a declining share of General Fund revenues. Alcoholic beverage tax collections are expected to grow by just \$3 million in 2001-02. General Fund tobacco tax collections dropped 15 percent between 1998-99 and 2001-02. Declining tobacco tax collections is also an issue for programs that depend on the Proposition 10 and Proposition 99 special funds.

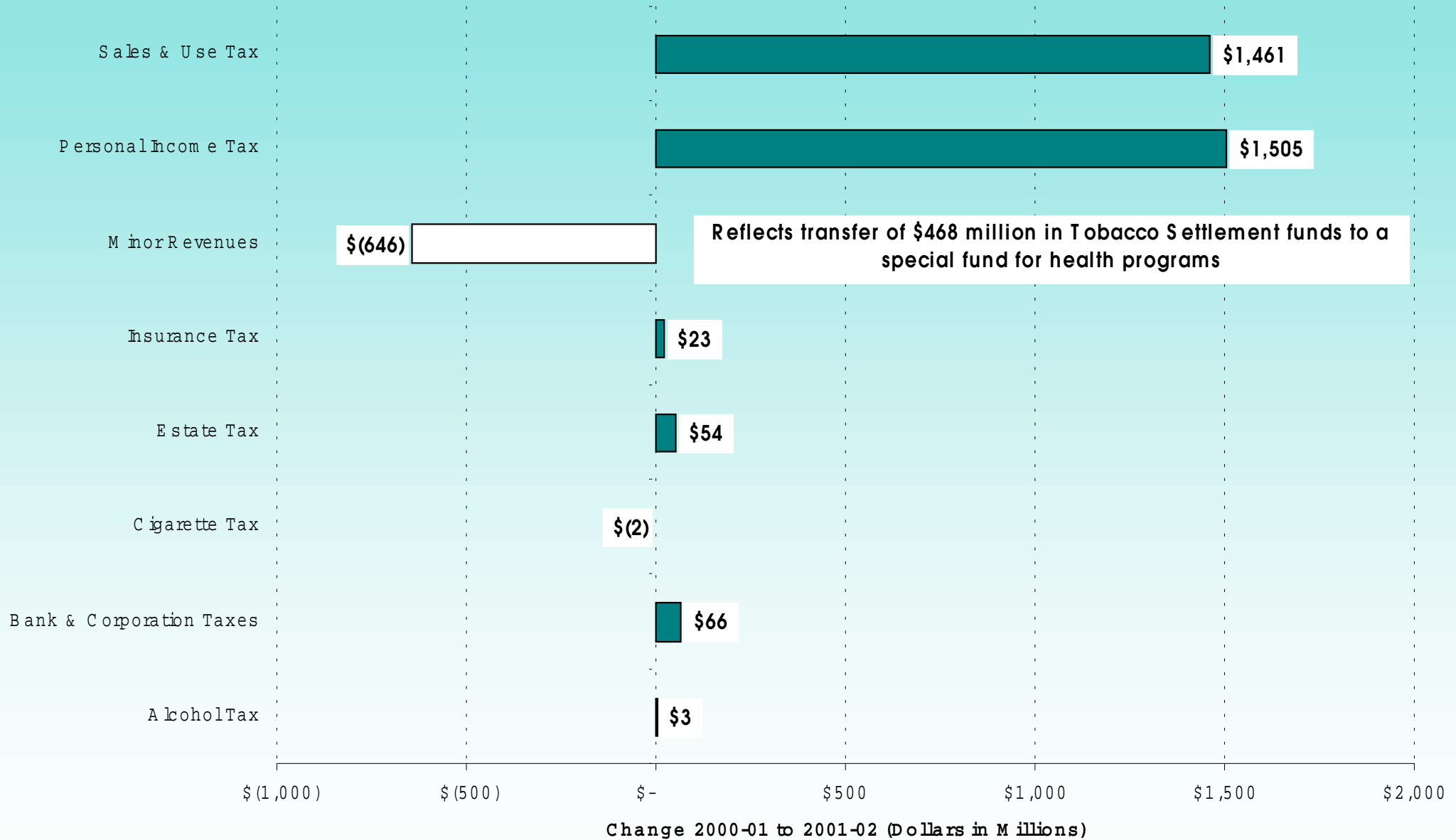
## Personal Income Taxes Provide Over Half of 2001-02 General Fund Revenues



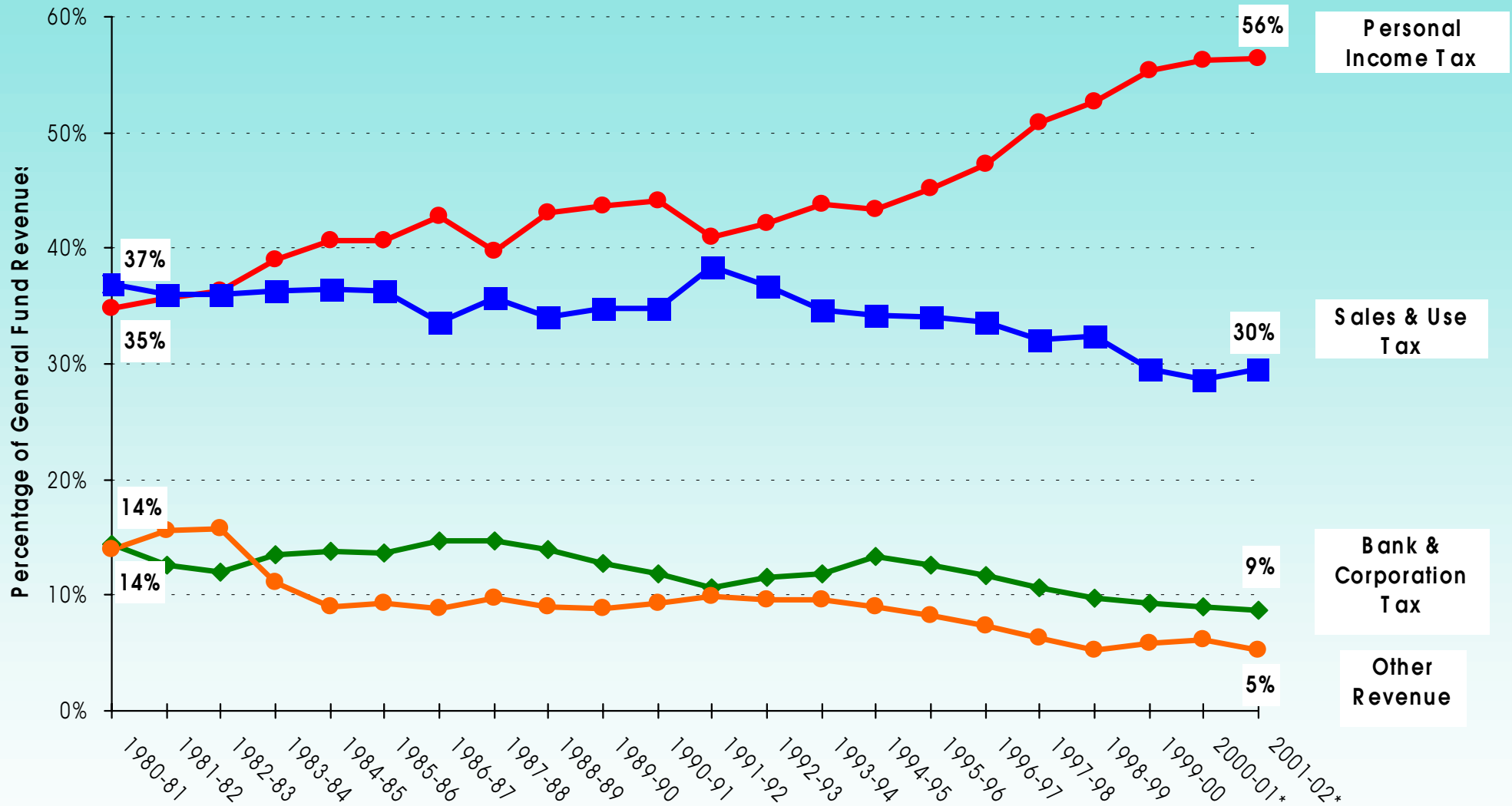
Projected 2001-02 General Fund Revenues = \$79.3 Billion



## Income, Sales Tax Provide Most of the New General Fund Dollars

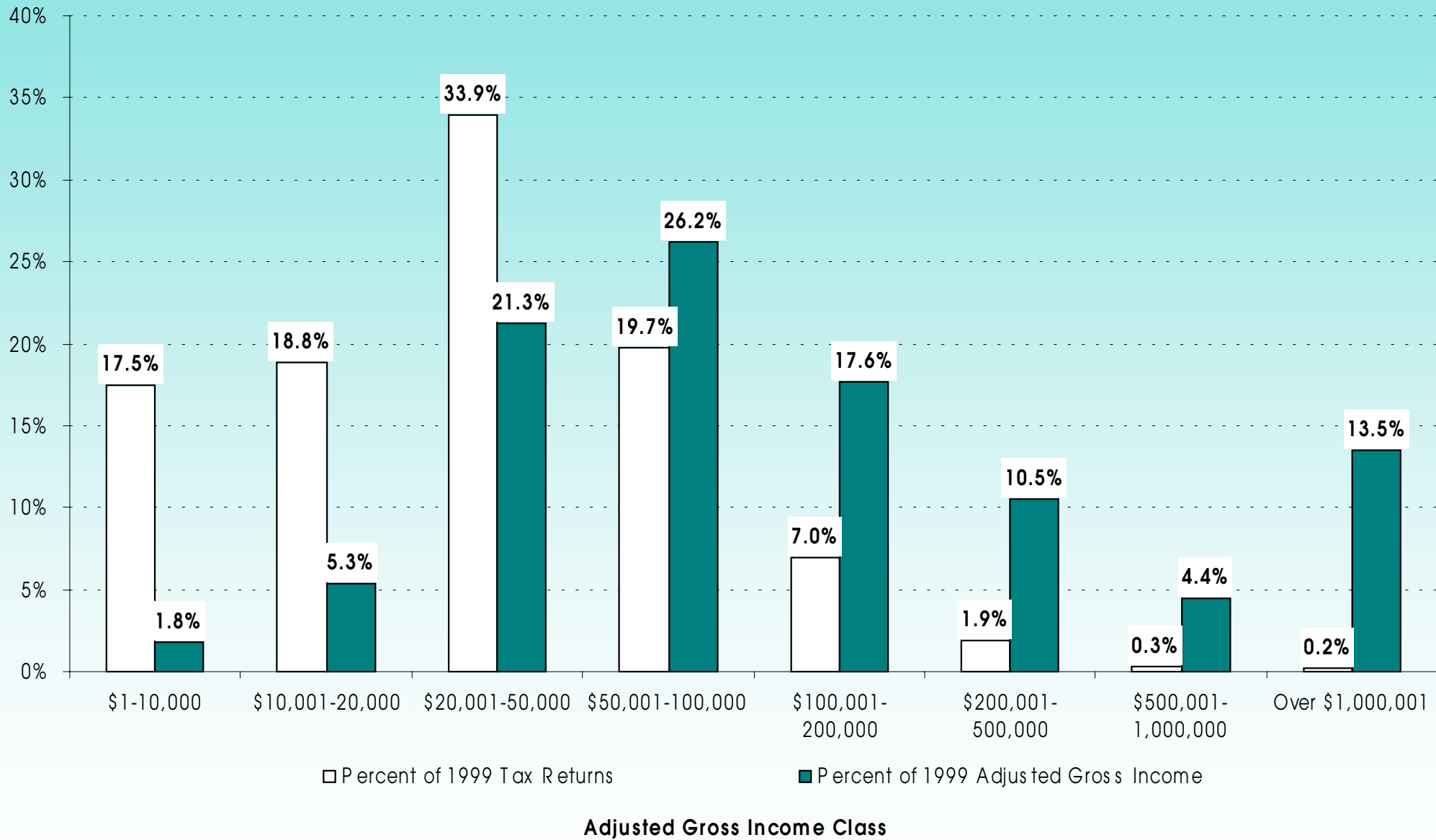


## Personal Income Tax Provides the Largest Share of State General Fund Revenues

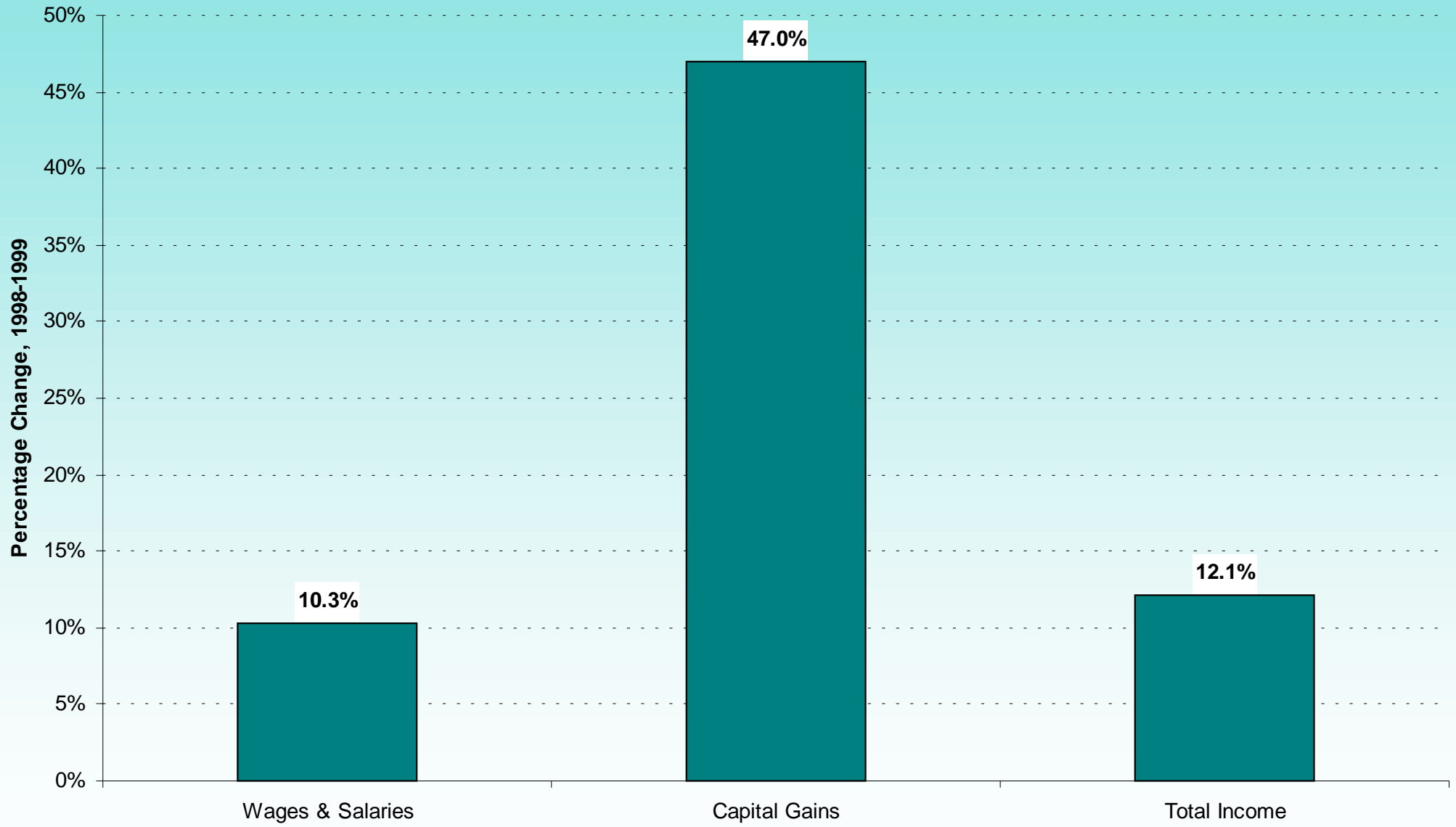


\*2000-01 estimated, 2001-02 proposed. Note: Other Revenue includes Alcoholic Beverage, Cigarette, Horse Racing, Estate, Insurance, Trailer Coach License Fees, Minor Revenues, Transfers, and Loans.

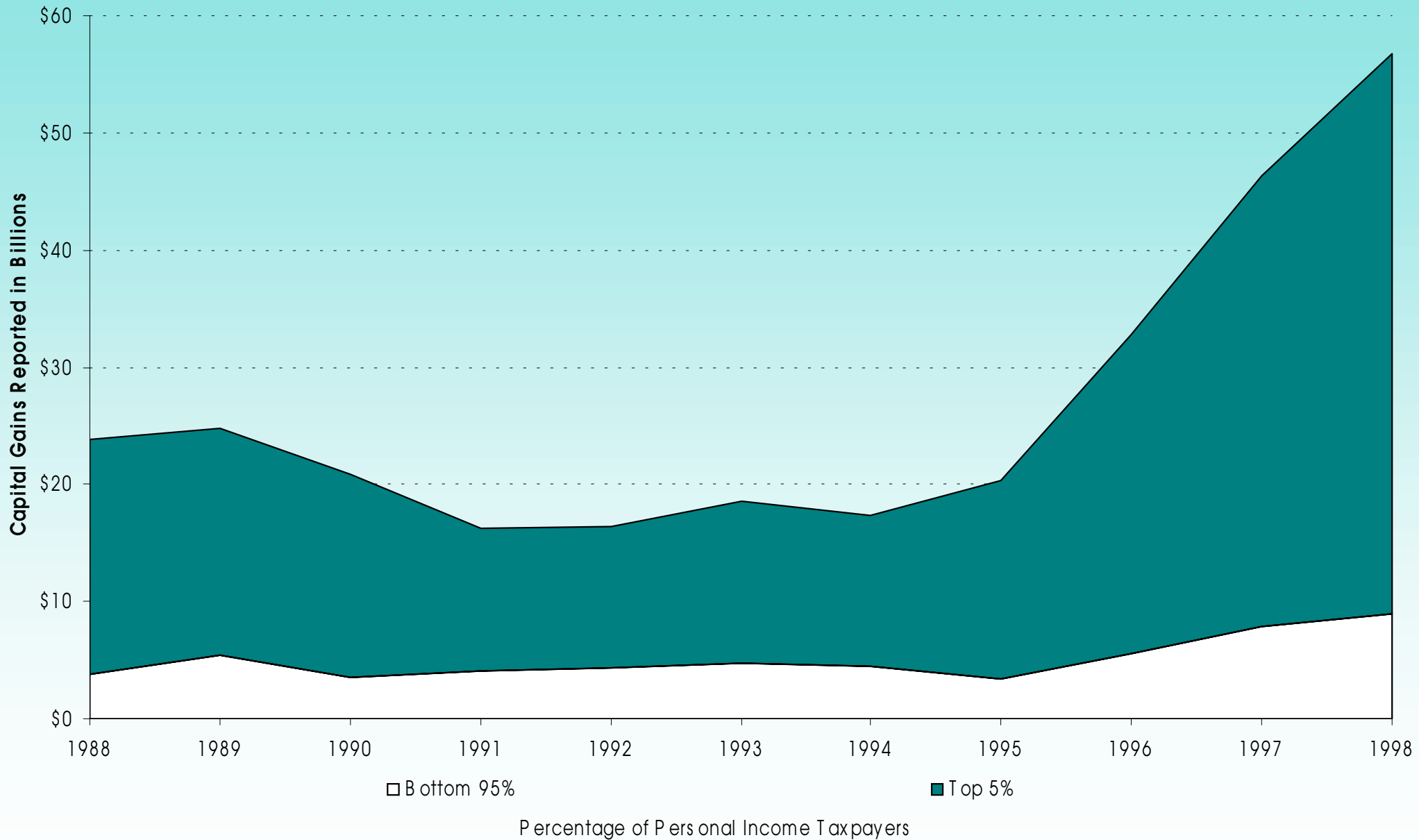
## California has a Progressive Personal Income Tax



## Capital Gains Growth Exceeds that of Wages

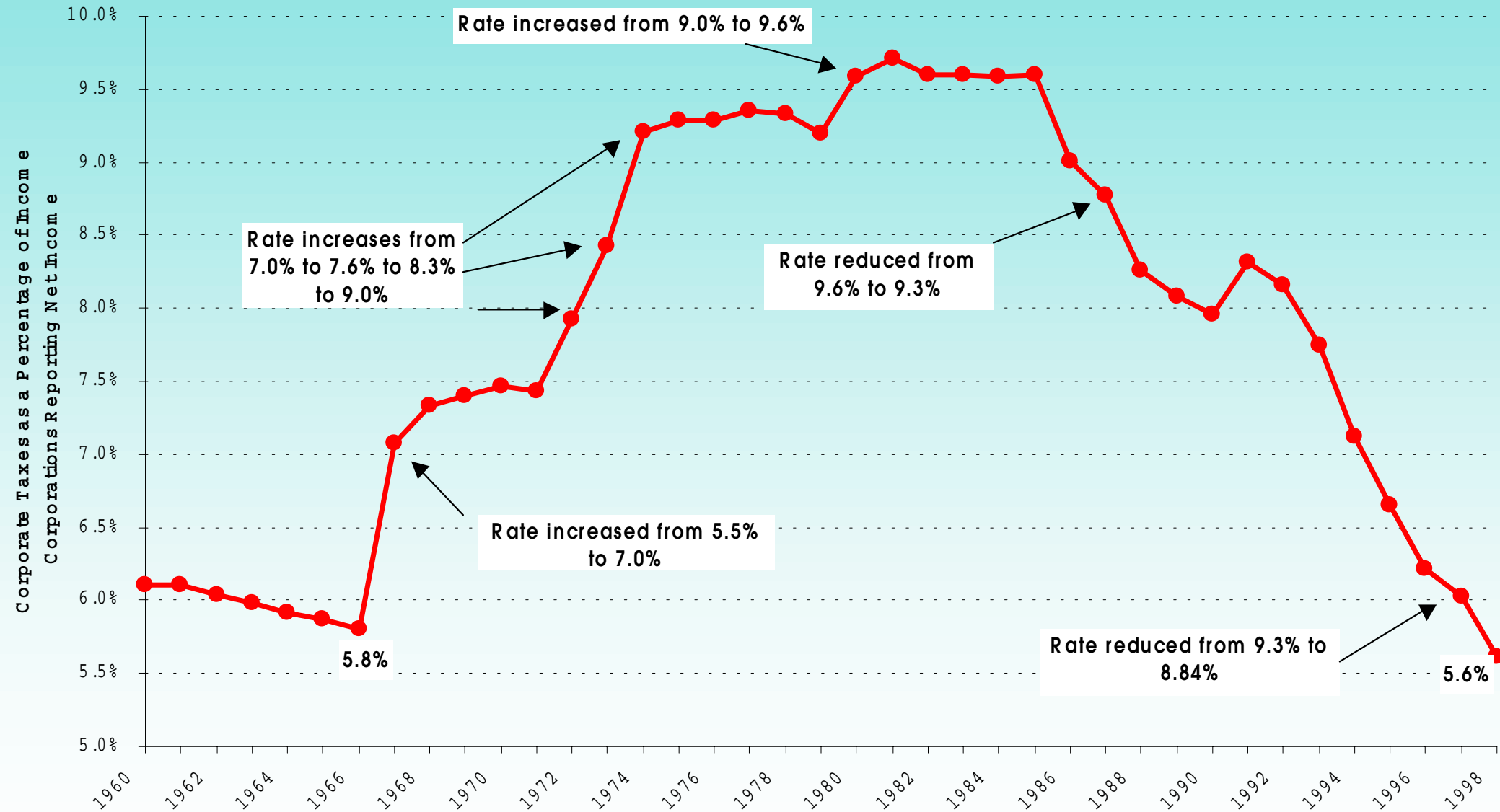


## Most Capital Gains Go to High Income Taxpayers

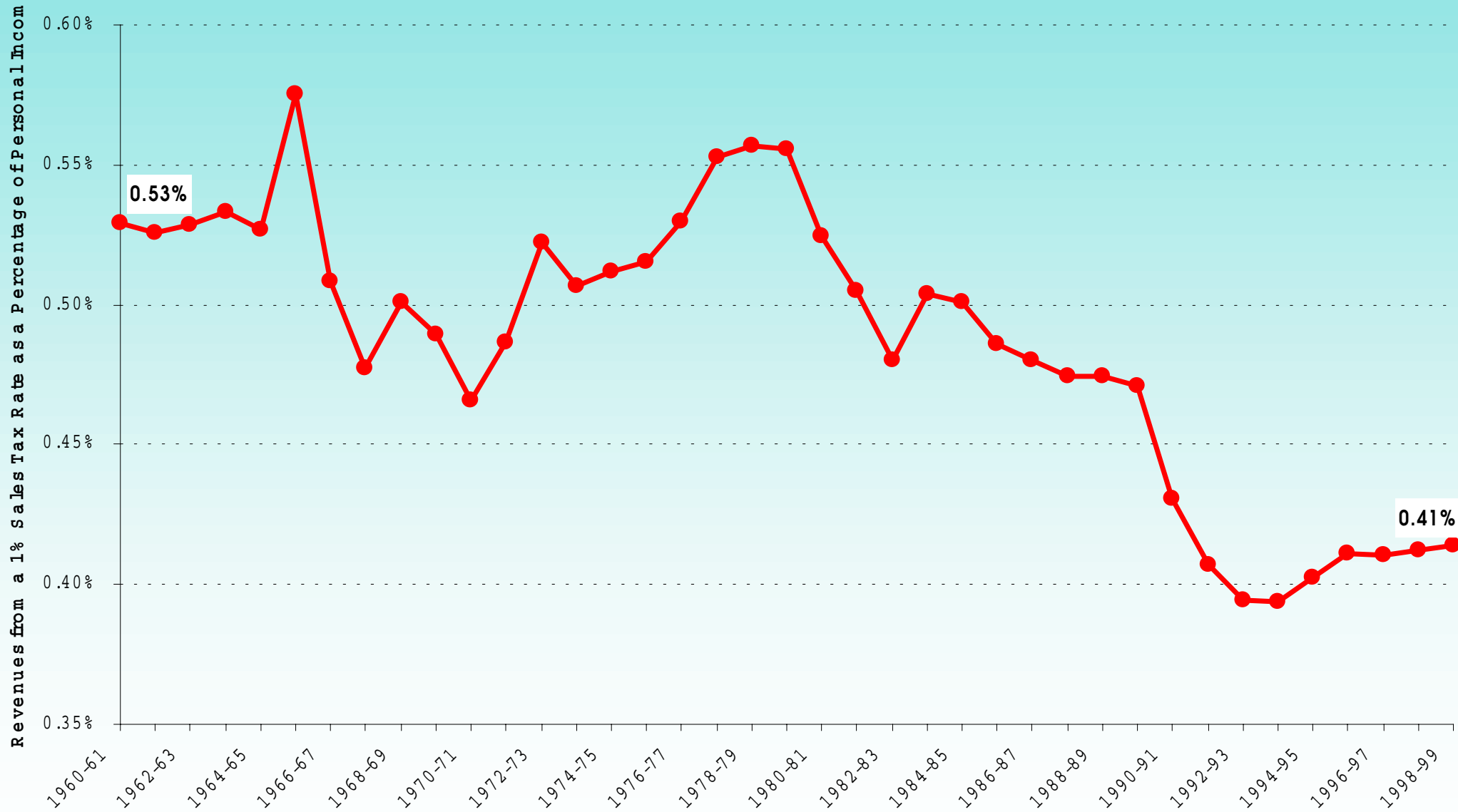


# Share of Corporate Income Paid in Taxes Continues to Fall

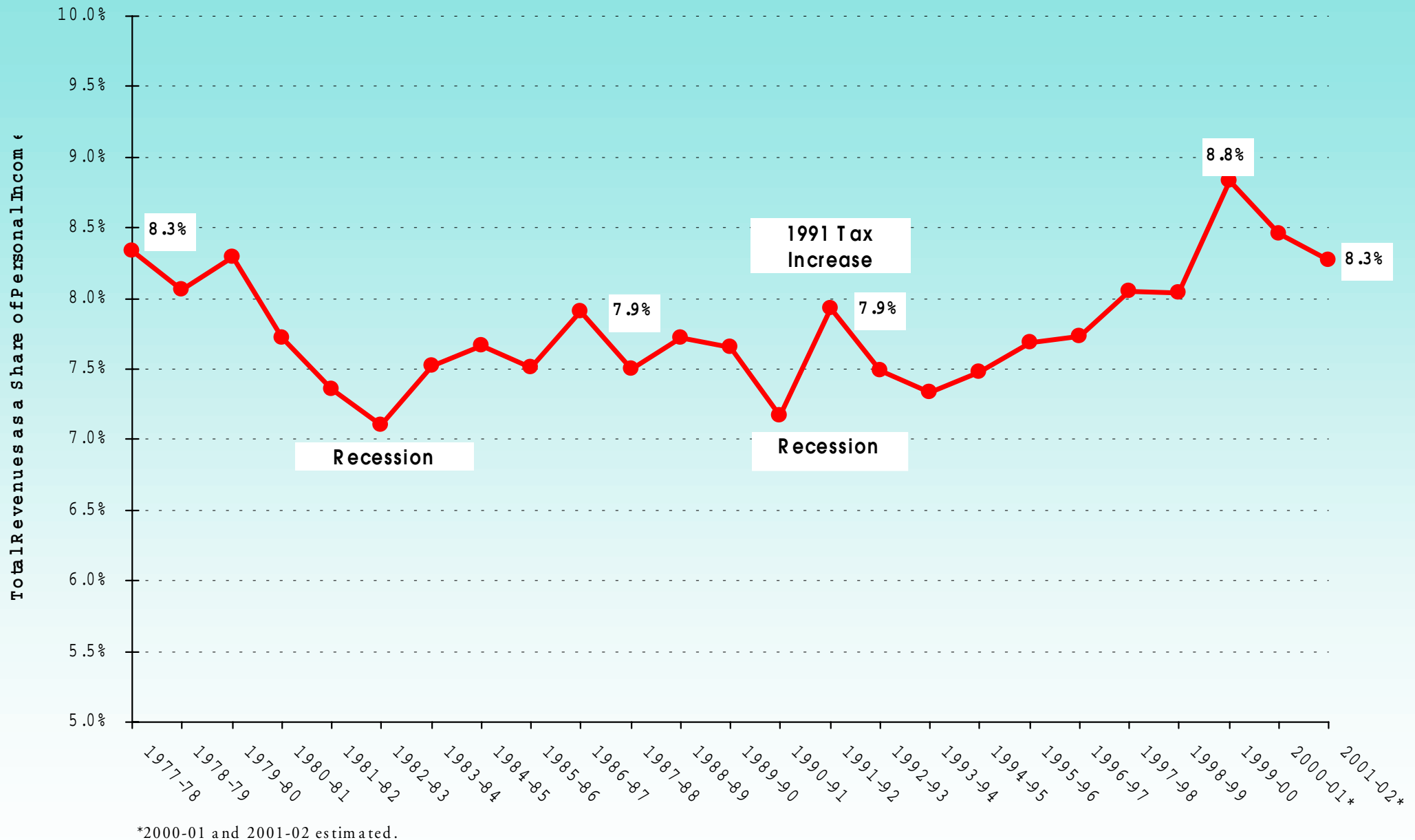
## California's Effective Corporate Tax Rate is Substantially Lower Than the Statutory Rate



## The Decline in the Yield of the Sales Tax Reflects Economic Shift from Goods to Services and the Growth in "E"-Commerce



# Despite Growth, State Taxes are Still No Higher Than in the Year After Prop. 13





## How Does California Compare?

### (Revenues as a Percentage of Personal Income)

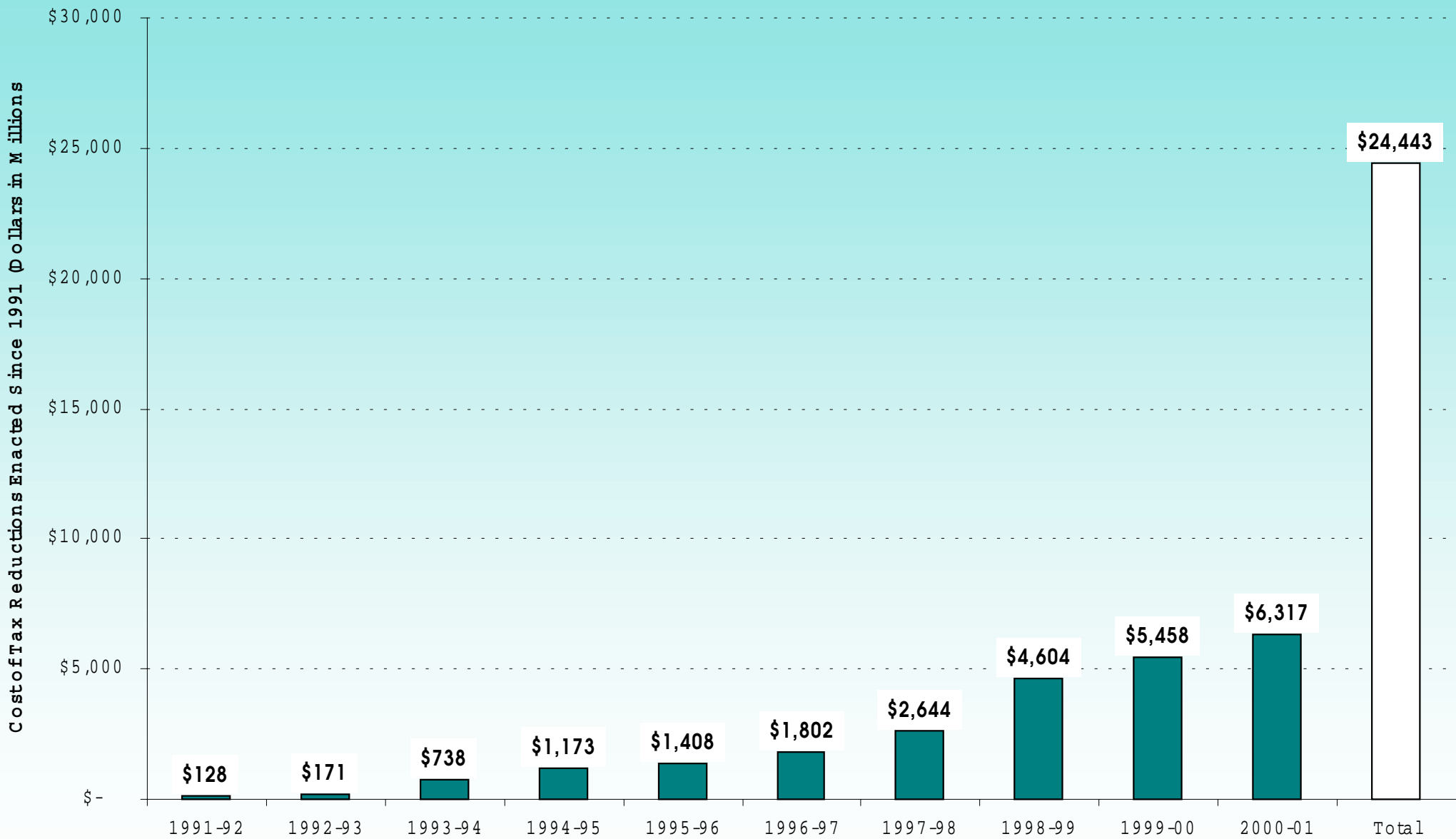
	<u>CA Rank</u>	<u>CA</u>	<u>US</u>
Total State & Local Own Source (1996-97)	26	15.6%	15.5%
Total State & Local Taxes (1996-97)	23	10.8%	10.8%
State Tax Revenues (1998-99)	14	7.8%	6.8%
Total Local Tax Revenues (1995-96)	33	3.7%	4.4%
Total State & Local General Sales Tax (1996-97)	18	2.88%	2.65%
Total State & Local Property Tax (1996-97)	32	2.78%	3.24%
State General Sales Tax (1998-99)	20	2.45%	2.24%
Motor Fuels Tax (1998-99)	43	0.33%	0.40%
Tobacco Taxes (1998-99)	32	0.10%	0.11%
Alcoholic Beverage Taxes (1998-99)	37	0.03%	0.05%
Individual Income Taxes (1998-99)	10	3.33%	2.33%
Corporate Income Tax (1998-99)	9	0.59%	0.42%

Note: All rankings exclude the District of Columbia

# Budget Assumes Tax Cuts Enacted in Prior Years

- ▶ The Governor proposes \$108 million in tax cuts, including a three-day sales tax “holiday” for clothing and computer purchases and a number of business tax incentives including \$71 million in expansion of the manufacturers’ investment tax credit. The \$27 million estimated revenue loss for the sales tax holiday works out to a 76 cent per person tax savings.
- ▶ Over the past decade, state taxes have been cut by a total of \$24.4 billion. The largest of these reductions -- a total of \$7.7 billion in the state’s Vehicle License Fees (VLF) -- actually shows up as an expenditure in the Budget, since the state reimburses counties and cities for their loss of revenues.
- ▶ The Budget reflects the pulling of a sales tax “trigger” enacted as part of 1991 budget-balancing efforts. The state’s sales tax rate will be reduced by 1/4 percent in 2001 at a cost of \$553 million in lost revenues in 2000-01 and \$600 million in 2001-02. The Budget assumes that the 2001-02 reserve will be insufficient to trigger a continued reduction in calendar year 2002.
- ▶ Proposed 2001-02 spending subject to the State’s Appropriation Limit is \$5.4 billion below the limit. Estimated 2000-01 expenditures subject to the limit were \$3.7 billion below the limit. The state exceeded its appropriations limit in 1999-00. An increase in the current year’s revenue collections of the magnitude that has occurred in recent years could put the state over the limit for a second consecutive year, triggering tax cuts and subventions to education.

# Over \$24 Billion in Tax Cuts Enacted Over the Past Decade



# What are the Governor's Major Policy Initiatives?

## ► Energy

- The Budget includes a \$1 billion set-aside to address the state's energy crisis, including \$250 million for incentives aimed at reducing energy consumption. The Governor also outlined a series of policy proposals ranging from a new power authority that would purchase and build power plants to punishing power generators that withhold electricity, and expanding the Governor's authority if power outages are imminent.

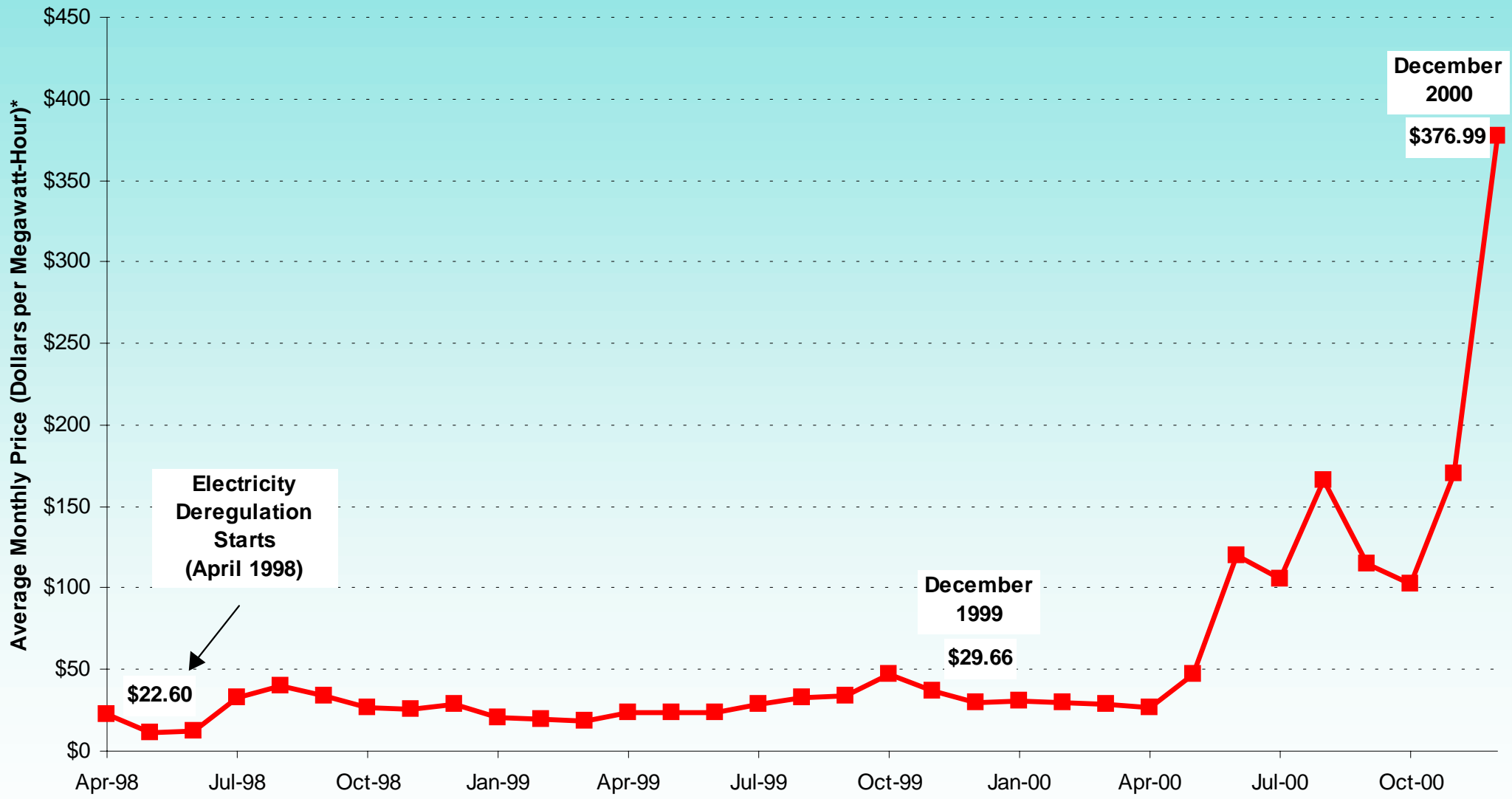
## ► Education

- Major policy initiatives include a multiyear effort to lengthen the middle-school year and continued efforts to improve teacher training. The Budget assumes a \$479 increase in per pupil spending, and total spending that exceeds the Proposition 98 guarantee by \$1.9 billion in 2001-02.

# \$1 Billion for Energy Crisis: Details Change Daily

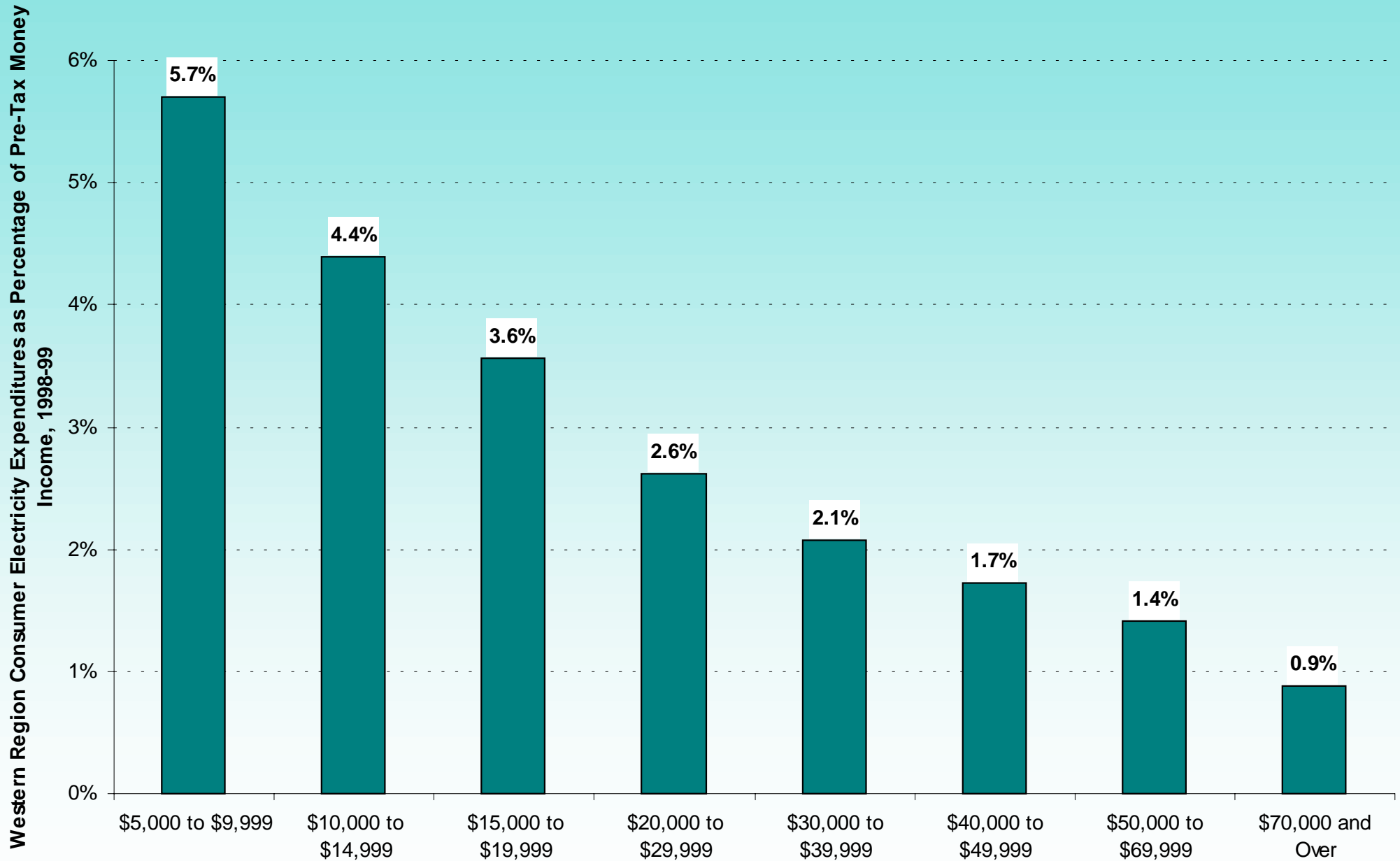
- ▶ The Governor's Budget includes a \$1 billion set-aside to address both the supply and demand issues of California's energy crisis. However, the Budget does not provide details as to how the money would be spent.
- ▶ Since the release of the Proposed Budget, Governor Davis has urged using state funds to buy electricity in long-term low cost contracts from generators and, in turn, selling it to utilities at far below current spot market rates. Utilities have also used intensive negotiations to seek more time to pay debt they owe to electricity generators.
- ▶ The Governor outlined other potential energy initiatives in his State of the State address, including \$250 million for conservation incentives; forming a new public power authority to purchase and build power plants; reducing electricity consumption by state government; restructuring the boards of the entities that direct electricity transmission; authorizing the state to compel power plants to provide electricity and to punish generators that withhold electricity; and expanding the Governor's authority if power outages are imminent.
- ▶ The Budget also includes \$21.1 million through existing programs to expedite the process to bring power plants on-line, reduce electricity consumption, promote renewable energy sources, and for energy assistance to low income families.

## Wholesale Electricity Prices Have Increased More Than Ten Times Since Deregulation



\*Unconstrained market clearing price.

## Electricity Consumes a Larger Share of Poor Families' Budgets

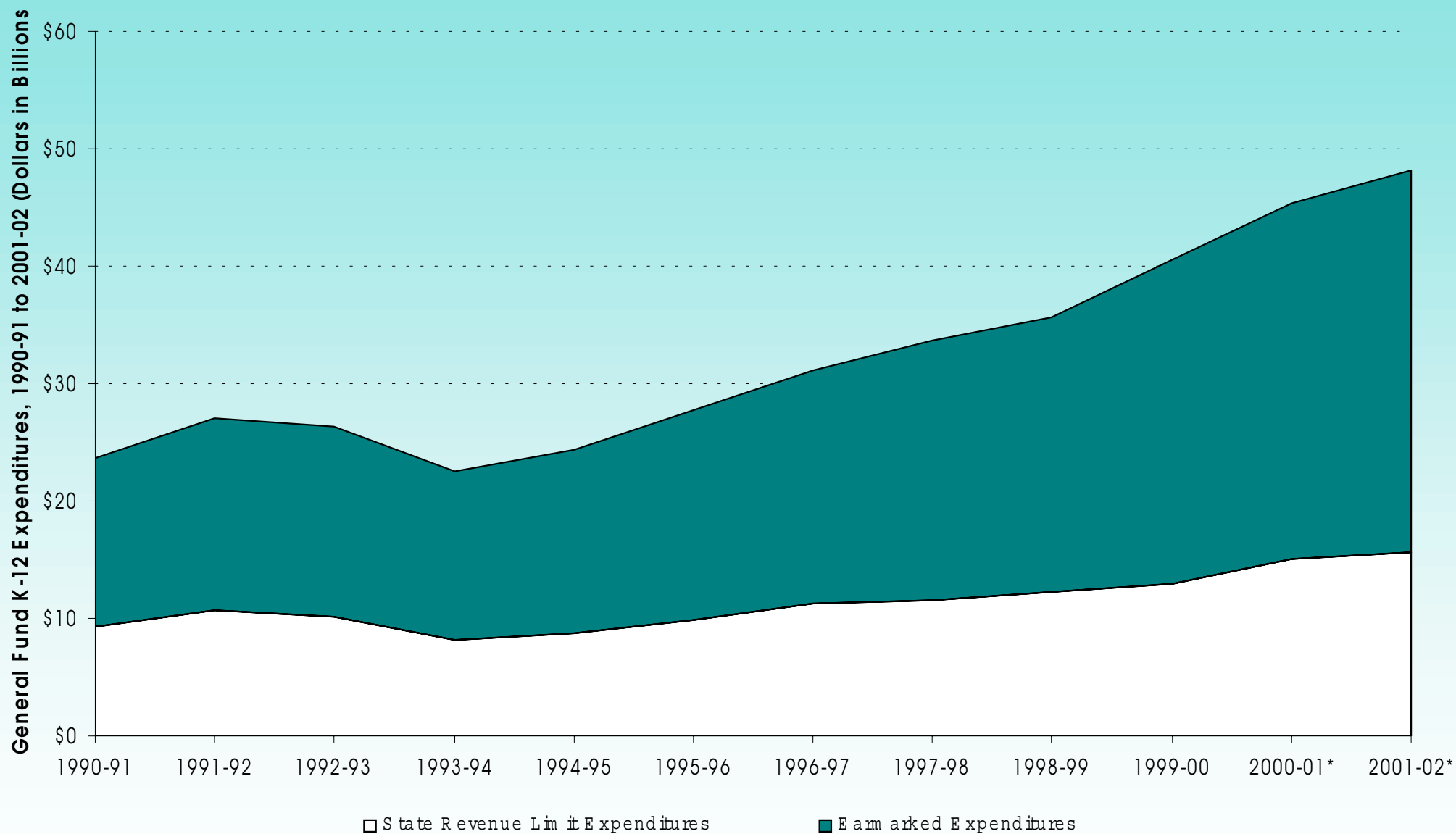


# The Governor's Highest Priority Remains Education

- ▶ The Budget proposes a \$479 (7.2 percent) increase in per pupil spending subject to the Proposition 98 guarantee. The increase would raise California's per pupil spending to \$7,174 in 2001-02. The Budget "overfunds" the Proposition 98 funding guarantee by \$1.9 billion. The Budget proposes a total 2001-02 Proposition 98 funding level of \$46.4 billion (\$32.8 billion General Fund), a \$3.5 billion increase over the 2000-01 funding level.
- ▶ Additional funds go toward cost of living adjustments (\$1.184 billion); a number of new program initiatives (\$727 million); and enrollment growth (\$1.029 billion).
- ▶ New K-12 education initiatives include increasing the middle-school year by 30 days; increasing the number of students enrolled in algebra and the number of qualified algebra teachers; expanding teacher professional development programs; and training school site administrators.
- ▶ Proposed new education initiatives continue the trend toward earmarking new education funds for specific programs. The \$100 million 2001-02 cost of increasing the middle-school year represents just 4.5 percent of this year's school funding increase. However, at full implementation in the 2003-04, the expanded school year will consume approximately a third of the estimated additional funds for education, a significant commitment in light of the inconclusive evidence of a direct link between increasing the number of days students attend school and improvement in their academic performance.



## State K-12 Education Funds Increasingly Tied to Specific Programs

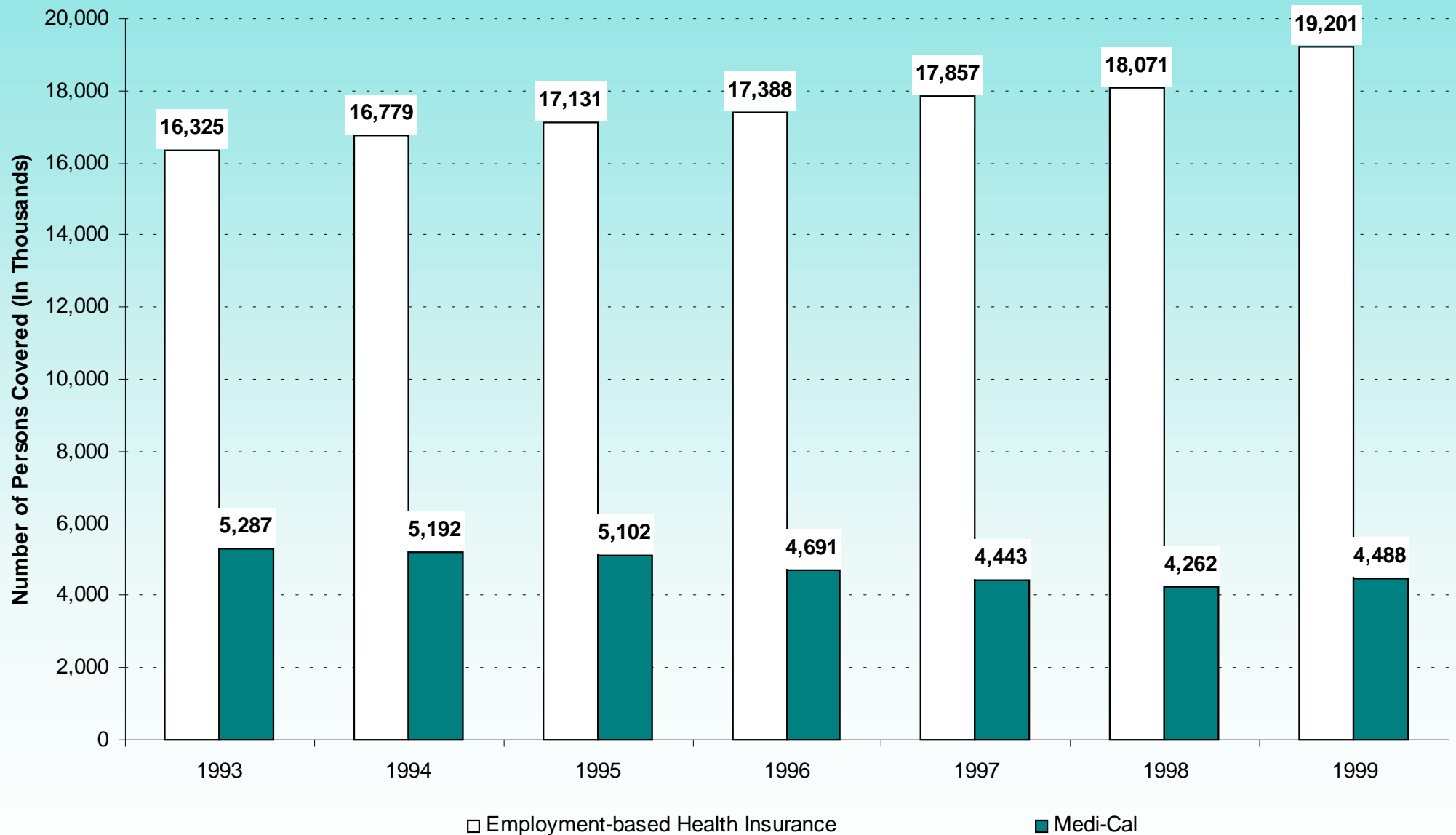


\*2000-01 estimated, 2001-02 proposed.

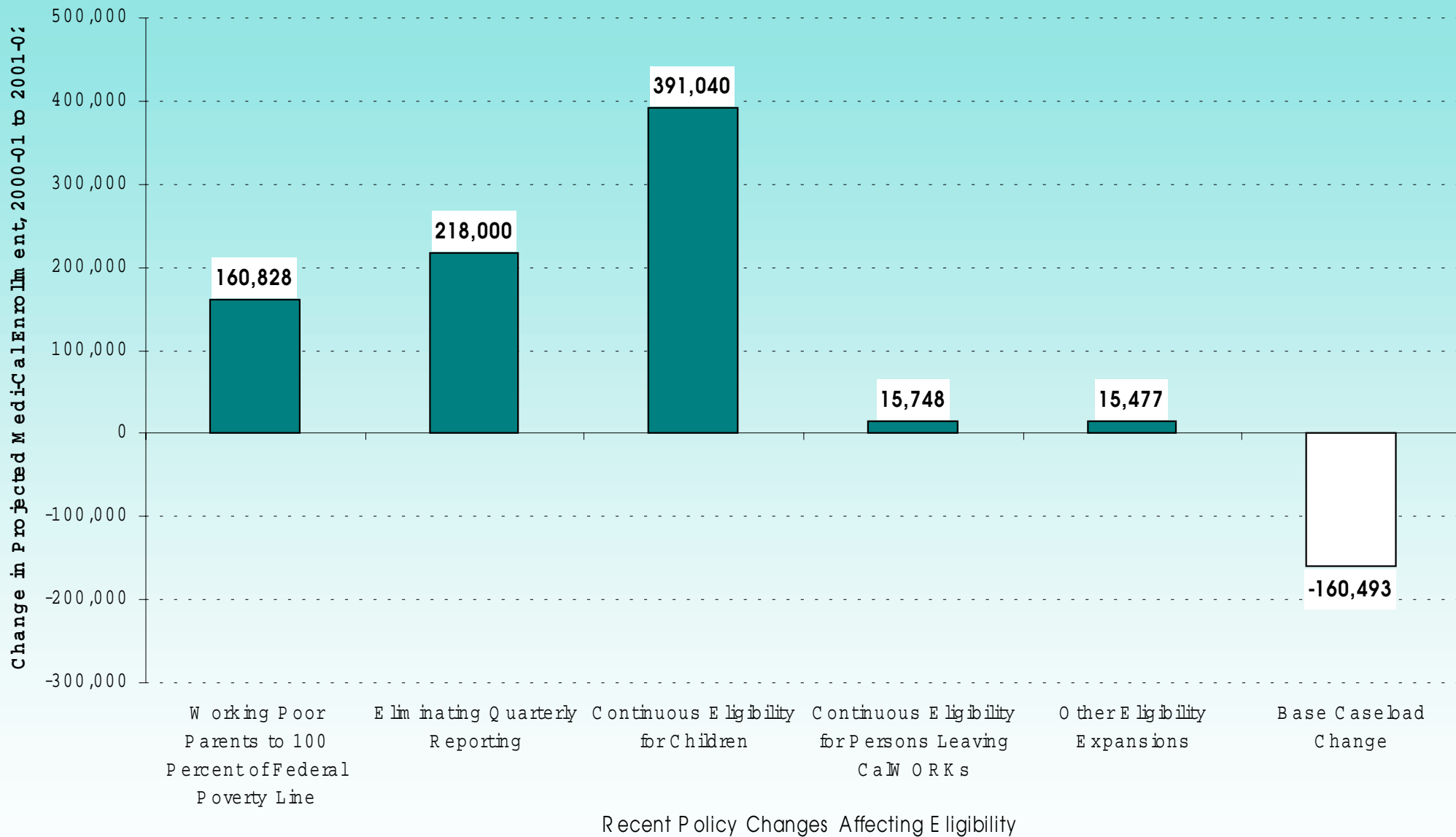
# Medi-Cal Enrollment Expected to Rise

- ▶ The Budget allocates \$132 million less for Medi-Cal from the state's General Fund than the revised 2000-01 Budget. The reduction results from the substitution of Tobacco Settlement dollars for General Fund dollars to fund specified expansions in Medi-Cal eligibility.
- ▶ The Budget assumes that the number of people enrolled in Medi-Cal will increase by 12.3 percent, to 5.85 million, primarily due to expanded eligibility and simplified application processes. Recent expansions include extending eligibility to parents in families with incomes at or below 100 percent of the federal poverty line (FPL); the working disabled with incomes below 250 percent of the FPL; and seniors and disabled individuals with incomes below 133 percent of the FPL. Simplification measures include eliminating quarterly reporting, providing continuous eligibility for children, and continuing coverage eligibility for persons leaving CalWORKs until their annual Medi-Cal redetermination date.
- ▶ The Budget allocates \$128.4 million (\$64.2 million General Fund) to increase Medi-Cal reimbursement rates by 30 percent for outpatient services provided by hospitals, effective July 1, 2001. This augmentation is part of the settlement of litigation between the state and hospitals. Hospitals will also receive a one-time payment of \$350 million (\$175 million General Fund) as part of the settlement.

## Number of Californians with Job-Based Health Coverage Rises, While Number with Medi-Cal has Dropped Since 1993



## Medi-Cal Eligibility Expansions Boost Anticipated Enrollment

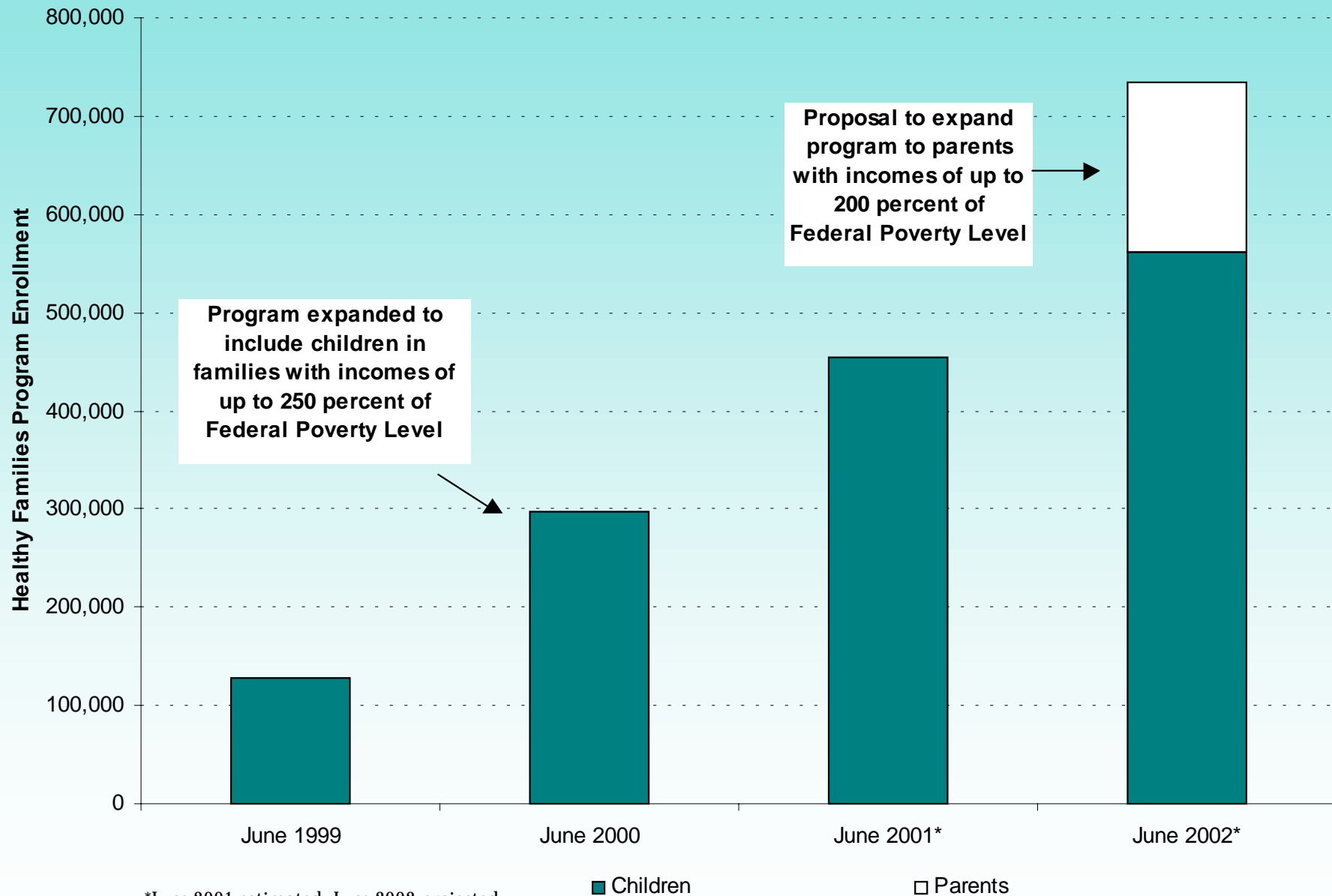


Note: Medi-Cal caseload in 2001-02 is projected to increase by 640,600 over 2000-01.

# State Submits Request to Expand Healthy Families

- ▶ The Budget includes \$733.1 million (\$125.2 million General Fund and \$74.4 million Tobacco Settlement) for the Healthy Families Program (HFP) to serve an additional 106,000 children by June 30, 2002. The Budget also allocates an additional \$7.8 million (\$3.4 million General Fund) for HFP outreach activities in 2001-02.
- ▶ The Budget allocates \$201.5 million (\$76.1 million Tobacco Settlement Fund) to expand the HFP to the parents of children eligible for the HFP or Medi-Cal. While children in families with incomes of up to 250 percent of the FPL are currently eligible for the HFP, eligibility for parents would be capped at 200 percent of FPL. There would be no limits on families' assets for the HFP, but the state would retain an assets test for Medi-Cal. The Budget estimates that the expansion will serve 174,000 uninsured adults by June 30, 2002. The expansion must be approved by the federal government prior to implementation.
- ▶ Most of the funding for the expansion comes from the unused portion of California's allocation of federal State Children's Health Insurance Program (SCHIP) dollars.
- ▶ The 2000-01 Budget includes an additional \$5 million, one-time augmentation from Proposition 99 funds for the Managed Risk Medical Insurance Program, to provide health insurance to more individuals who cannot obtain coverage through the individual insurance market. This program currently has a lengthy waiting list.

## Governor's Budget Proposes Healthy Families Program Expansion to Parents



# Tobacco Settlement Funds Earmarked for Health Care

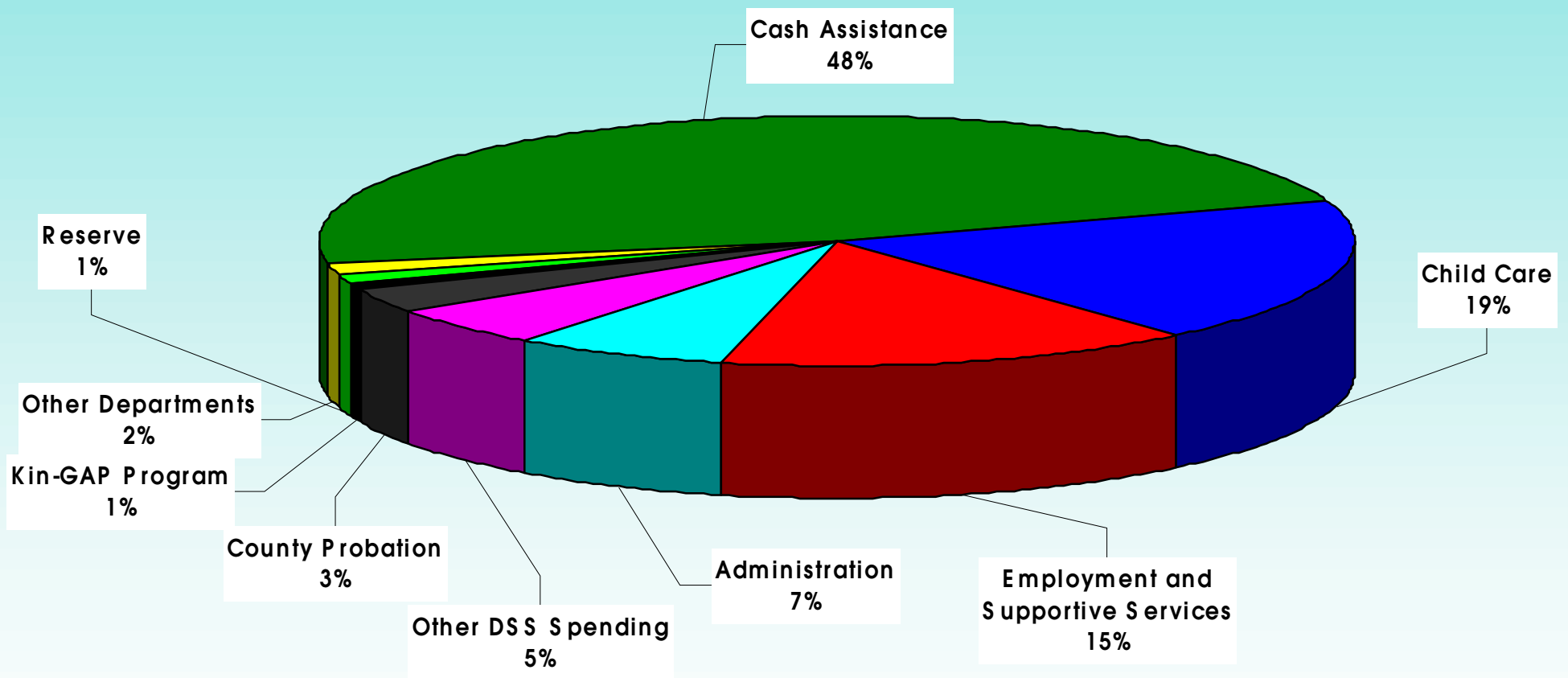
- ▶ The Governor's Budget shifts \$468 million in funds from the national tobacco settlement from the General Fund to a special fund for health care programs. The new fund will be used to support \$244 million in previously enacted expansions of Medi-Cal and the Healthy Families programs, expanding the Healthy Families program to include parents (\$76.1 million), cancer research and treatment (\$40 million), youth smoking reduction efforts, and preventative health assessments and immunizations of low income children.
- ▶ The Budget does not extend the September 30, 2001 sunsets of the Cash Assistance Program for Immigrants (CAPI) and the California Food Assistance Program (CFAP) for immigrants who arrived in the US after August 22, 1996.
- ▶ The Budget provides funding to offset the impact of the recent increase in the state's minimum wage for the In-Home Supportive Services (IHSS) program. However, the Budget does not fund the \$1 per hour increase in IHSS worker wages agreed to as part of last year's Budget, noting that state revenue growth fell below the specified target needed to trigger the wage increase.
- ▶ The Budget allocates \$676.9 million for Public Health programs, a \$73.9 million (9.8 percent) decline from 2000-01.
- ▶ The Budget continues the \$5 million grant program for faith-based service providers to deliver employment services enacted in the current year's Budget.

# Less Than Half of CalWORKs Dollars Go to Cash Assistance

- ▶ The Budget provides \$7.0 billion for the CalWORKs program, slightly higher than last year's \$6.9 billion, including \$3.1 billion for cash assistance payments, \$1.2 billion for child care, \$112 million for substance abuse and mental health services, and a \$84.9 million reserve.
- ▶ The state's share of CalWORKs expenditures increase slightly due to the recent reversal of a penalty California received for not meeting the federal work participation rate in 1997. This allows the state to reduce 2000-01 state maintenance of effort (MOE) expenditures by \$153.9 million.
- ▶ A cost of living adjustment (COLA) will bring the grant level for a family of three from \$645 to \$676 in high cost counties and from \$614 to \$644 in low cost counties.
- ▶ The Budget assumes that a substantial portion of the caseload will reach the five-year time limit on federal assistance beginning in December 2001. Since families do not begin to reach the state time limit until January 2003, state, rather than federal, funds will be used to support these families.
- ▶ The proposed Budget eliminates county performance incentive payments. This is significant, in part, because a portion of these funds can be spent to assist working poor families with incomes up to 200 percent of the federal poverty level who do not qualify for other forms of assistance.

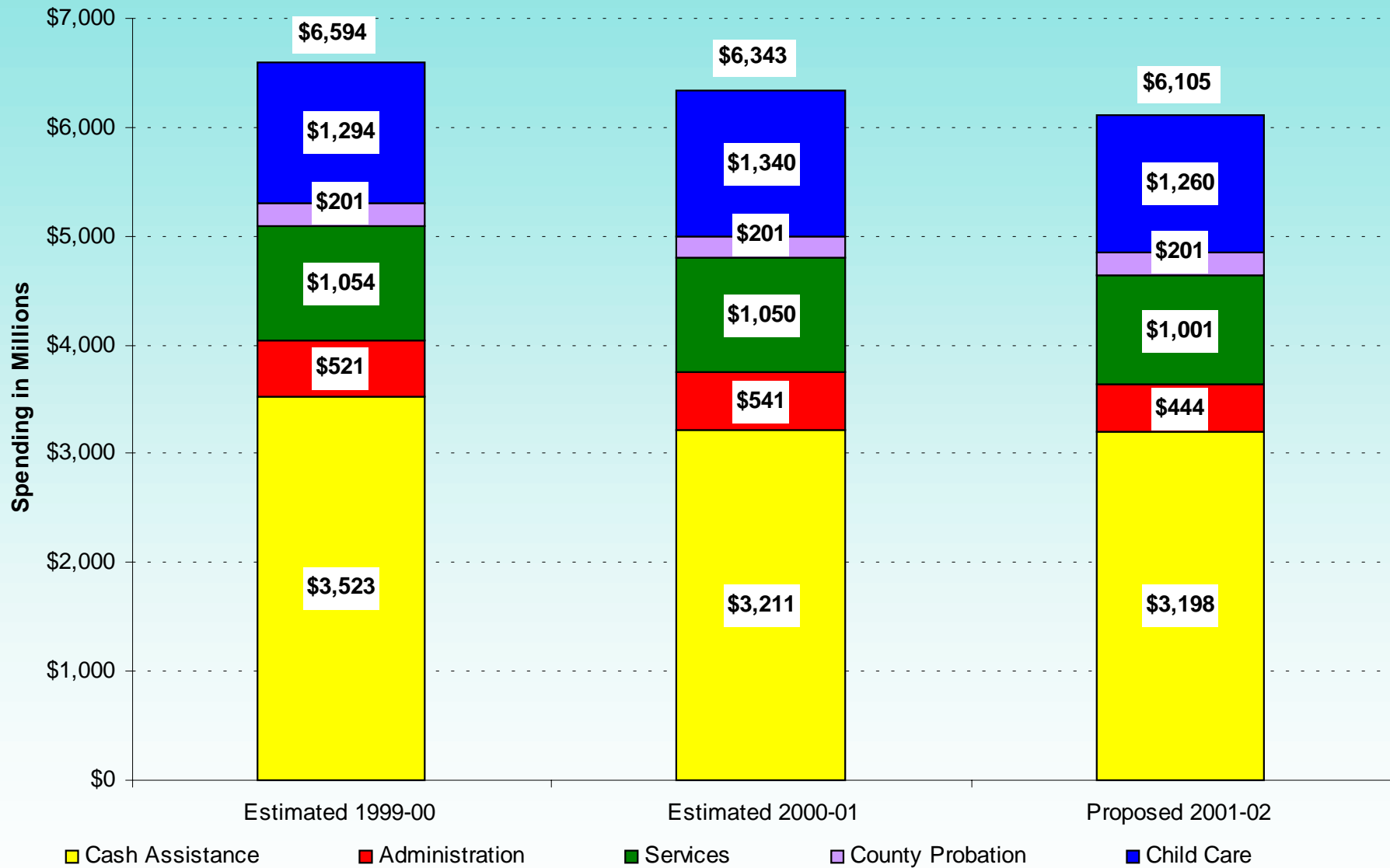


## Less Than Half of CalWORKs Expenditures are for Cash Assistance in 2001-02



Note: May not sum to 100 percent due to rounding.

## Major CalWORKs Expenditures Have Declined Slightly Since 1999-00



## Spending per CalWORKs Case Has Increased Since 1999-00

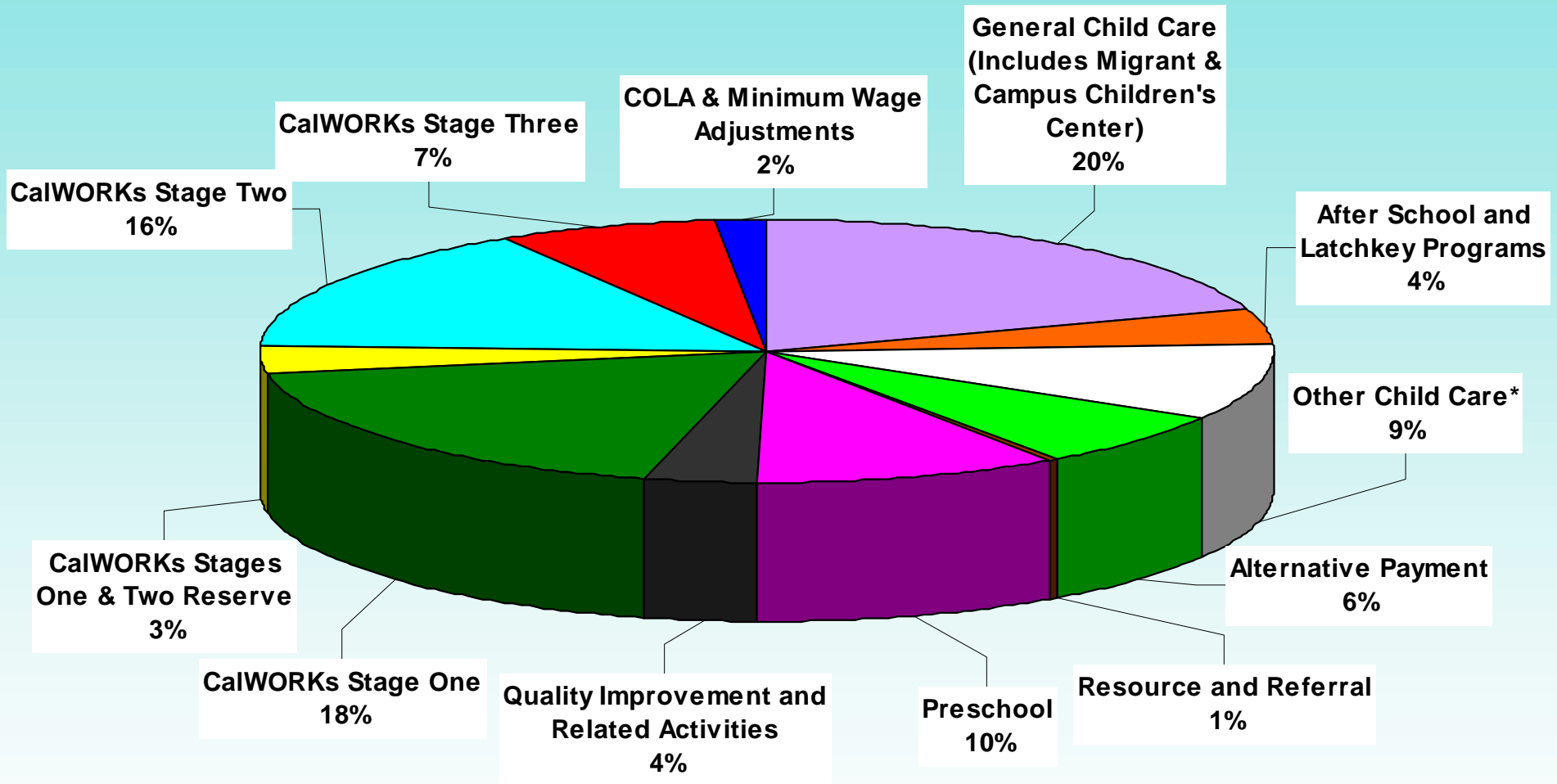


Note: Totals may not sum due to rounding.

# Child Care Policy Review Continues

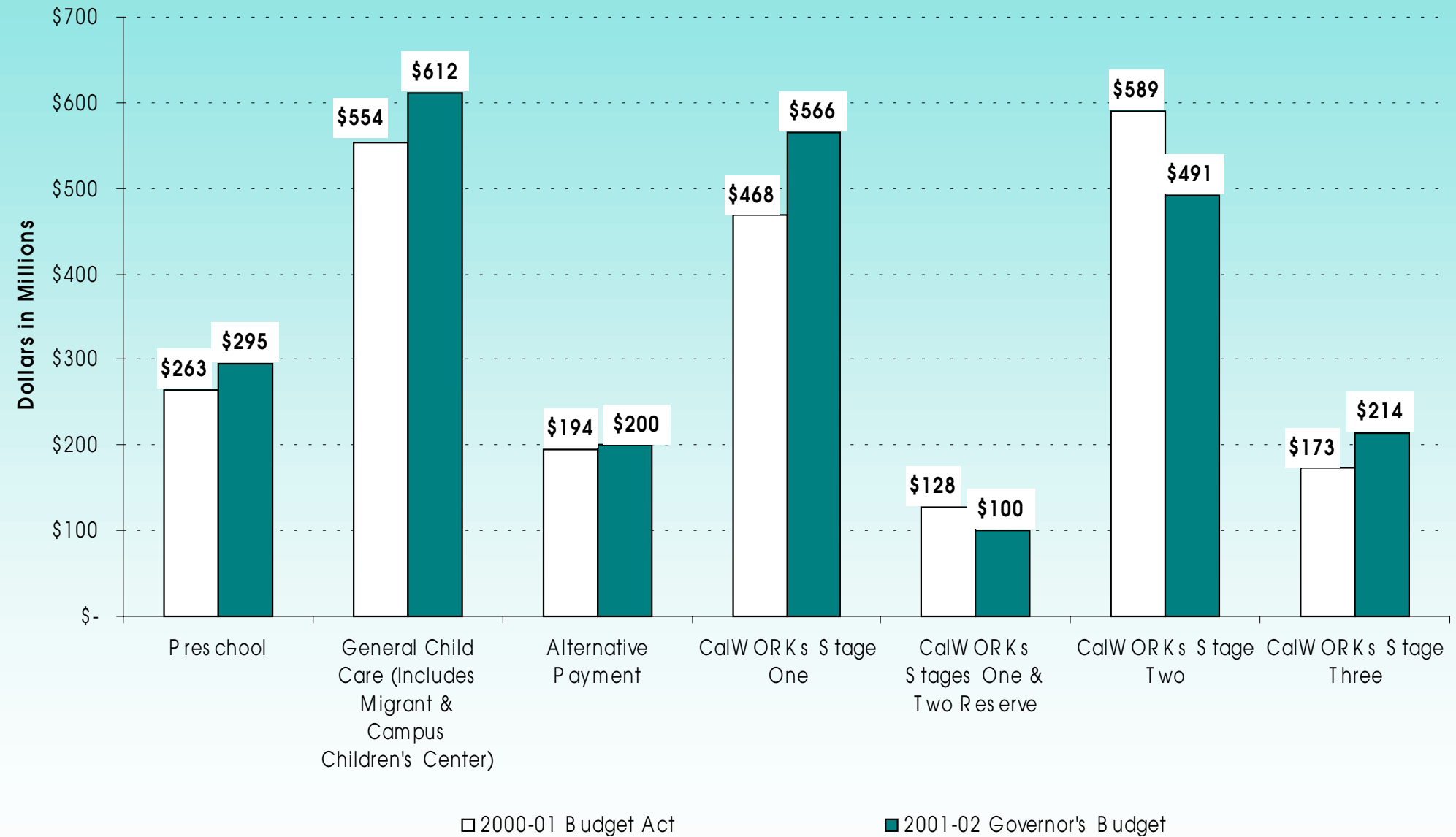
- ▶ The Budget includes a 3.91 percent cost of living adjustment for child care programs administered by the Department of Education (CDE, \$45.5 million; \$36.3 million General Fund and \$9.2 million federal funds); \$5.4 million to help child care contractors offset costs associated with the increase in the state's minimum wage; and \$67 million to fund the full-year costs of expanding the State Preschool, General Child Care, and Migrant Child Care programs.
- ▶ The sole expansion in General Fund supported child care programs is \$20 million for the After School Learning and Safe Neighborhoods Partnerships program.
- ▶ Funding for CalWORKs child care remains essentially flat; however, the Budget shifts \$97.8 million from Stage 2 to Stage 1. Funding for Stage 3 increases by \$41.7 million to serve families exhausting their two-year benefit after leaving cash assistance and families entering Stage 3 in July 2001. The Budget does not address families currently receiving Stage 1 or Stage 2 child care who will exhaust their two-year transitional benefit after July 2001. The Legislative Analyst identifies a roughly \$60 million shortfall in Stage 3 child care funding.
- ▶ The Budget Summary notes that additional funding for Stage 3 will be considered upon completion of a statewide child care policy review that is charged with developing recommendations designed to utilize "existing resources" to "more efficiently ... serve the State's neediest families."

## 2001-02 Proposed State and Federal Child Care Funding (Total = \$3.1 Billion)



Note: "Other Child Care" Includes Community College CalWORKs Child Care, Campus Tax Bailout, CalSAFE, California Child Care Initiative, Allowances/Handicapped, CSU Centers, Employer and Personal Income Tax Child Care Credits

## Funding Increases for Preschool, General Child Care, and CalW OR Ks Stages 1 and 3 Child Care; Declines for Stage 2



# Most Housing Programs Receive Baseline Allocations, Demand for Treatment Services Will Increase

- ▶ The Department of Housing and Community Development's (HCD) total budget increases by \$29.6 million (6 percent), from \$501.7 million to \$531.3 million. General Fund spending, however, drops from \$560.7 million to \$317.2 million (43 percent).
- ▶ The Proposed Budget continues the baseline funding levels established in last year's Budget for multifamily housing (\$31 million), farmworker housing (\$18.5 million), and emergency housing assistance (\$14 million). However, the Cal-HOME homeownership assistance program, receives no additional funds in the Proposed 2001-02 Budget.
- ▶ Proposition 36, approved by the voters in November 2000, requires offenders sentenced for certain drug-related convictions to receive probation and drug treatment, rather than jail or prison terms. The measure, which takes effect July 1, 2001, appropriates \$60 million in 2000-01, and \$120 million annually through 2005-06, to counties to pay for treatment and related costs.
- ▶ While Proposition 36 is expected to result in long-term cost savings, short-term costs are likely to outweigh savings and the measure's annual funding allocation. Moreover, current treatment services are inadequate to meet the increased need, and additional funds may be needed for probation, drug testing, and related services.

# Local Government

- ▶ The Budget provides \$250 million in one-time discretionary funding to local governments, to be allocated 50 percent on a per capita basis and 50 percent based on local governments' contributions to their counties' respective Educational Revenue Augmentation Fund.
- ▶ Other increased support for local government comes primarily in the form of \$398.5 million for local public safety programs, including the COPS program, county juvenile crime prevention programs, technology grants for local law enforcement, local crime lab funding, High Technology Theft Apprehension and Prosecution Program, and anti-methamphetamine efforts.
- ▶ The Budget makes a one-time allocation of \$40 million for a touch screen voting pilot project in three California counties.
- ▶ The Budget proposes permanent elimination of the annual \$20.2 million General Fund contribution to the County Medical Services Program, citing ample alternative resources for the program.
- ▶ The Budget provides \$200 million in additional support over the next two years for the Jobs-Housing Balance Improvement Program and allows local governments to use these funds for any purpose. The Budget also provides \$20 million for Central Valley infrastructure development.



# In Conclusion

- ▶ It is too soon to know what the recent slowdown in key national economic indicators or the state's energy crisis will mean for the California economy. The state's growing dependence on stock market related income sources makes revenue forecasting particularly difficult.
- ▶ The fundamental policy challenge for California remains the widening gap between the state's rich and poor. This gap touches a range of policy areas -- from education to health care.
- ▶ While recent changes in the Healthy Families and Medi-Cal programs and expanded state support for housing programs are good first steps, much more remains to be done.
- ▶ If the cost of state intervention in the energy crisis increases beyond the Budget's billion dollar set-aside, the amount of funds available to address other policy priorities could be endangered.