



CALIFORNIA

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THE GOVERNOR'S PROPOSED 2003-04 BUDGET

Governor Gray Davis released his 2003-04 Budget on Friday, January 10. In order to balance a shortfall estimated by the Governor at \$34.6 billion, the Budget includes: \$20.7 billion in reductions and savings; \$1.903 billion in fund shifts; \$2.114 billion in transfers and revenues; and \$1.683 billion in loans and borrowing.

In perhaps the most far-reaching and significant policy proposals, the Budget would shift \$8.273 billion in program responsibilities to counties, resulting in \$8.154 billion in General Fund savings. The shift in responsibility would be paid for with \$8.334 billion in new revenues generated by a one percent increase in the state's sales tax rate (\$4.584 billion); reinstatement of the 10 percent and 11 percent personal income tax brackets on the wealthiest Californians (\$2.580 billion); and a \$1.10 per pack increase in the tax on cigarettes and tobacco products (\$1.17 billion). The Governor's proposals results in a \$531 million budget reserve.

The Governor's Budget also includes a "call to action" with respect to structural reform of the budget. The Governor outlined a number of proposals ranging from sunseting all tax expenditures to granting the Governor unilateral power to make mid-year budget reductions and suspend laws defining program eligibility.

The following update summarizes key provisions in the Governor's Budget. The California Budget Project (CBP) will prepare in-depth analyses of major proposals contained in the budget over the upcoming days and weeks. The Proposed Budget reflects both the \$10.2 billion in reductions and other budget "solutions" announced by the Governor in December and \$24.4 billion in new proposals. Wherever possible, the following summary identifies whether cuts were originally included in the January release. However, it is not possible to make this identification in all cases.

Please check the CBP web site (www.cbp.org) for corrections and additions to this analysis as additional information becomes available. Budget documents can be found on the Department of Finance web site at http://www.dof.ca.gov/HTML/BUD_DOCS/Bud_link.htm.

TAX AND REVENUE PROPOSALS

The budget includes the \$8.334 billion in tax increases described above to support the transfer of programs to county government. In addition to these increases, the Governor proposes to:

- Extend the Manufacturers' Investment Tax Credit (MIC) despite the fact that manufacturing employment has fallen below the target established in the bill when it was created in 1993. The measure creating the credit provided that it would sunset if manufacturing employment fell below a target set at 100,000 jobs above January 1, 1994 employment. Based on this threshold, the credit would sunset on January 1, 2004, thereby saving approximately \$420 million in General Fund revenues.

- Close several modest corporate tax loopholes, including preventing banks from using Regulated Investment Companies to shelter income, for an increase of \$45 million; clarifying California law pertaining to the reporting of certain types of income by multinational corporations; and clarifying what types of activities qualify for the MIC, for savings of \$50 million.

The Governor proposes to reimburse the Proposition 99, Proposition 10, and Breast Cancer Funds for their loss in revenues attributable to the tobacco tax increase dedicated to the proposed realignment. Tobacco consumption typically declines in response to a tax increase. Absent a backfill, the proposed increase would reduce amounts received by the Proposition 99, Proposition 10, and Breast Cancer Funds.

Other revenue proposals include:

- \$1.5 billion from renegotiating existing tribal gaming compacts and negotiating new compacts. The state currently receives less than \$100 million per year from the revenue sharing fund established by the Tribal-State Gaming Compacts.
- Imposing “polluter pays” fees to support activities of the Department of Pesticide Regulation, Air Resources Board, and State Water Resources Control Board.
- Imposing \$66.2 million in new court fees to support trial court operations.

REALIGNMENT OF HEALTH, SOCIAL SERVICE, AND OTHER PROGRAMS

In order to help bridge the budget gap, the Governor proposes a major state-county “realignment,” similar to the realignment used to bridge the sizable budget gap in 1991. This realignment shifts responsibility to counties for funding a set of health, mental health, child care, social service, and other programs while providing counties with revenues to offset the added costs. Specifically, the Governor proposes to shift approximately \$8.273 billion in program costs to counties, while providing a similar amount of revenues to meet those costs. Thus, this proposal is structured to “hold counties harmless” for the increased responsibilities in 2003-04. However, additional analysis is needed to assess whether the new revenues will be sufficient to meet program costs in future years.

The following programs are affected by the realignment proposal:

- Mental Health and Substance Abuse programs. Counties will assume financial responsibility for the Integrated Services for Homeless Adults, Children’s Systems of Care, and alcohol and drug programs, for savings to the state of \$306 million General Fund.
- Children and Youth programs. Counties will assume fiscal responsibility for the non-federal costs of most child care programs, as well as Child Welfare Services, Adoptions Assistance, and Foster Care programs, for General Fund savings of \$2.307 billion.
- Long-Term Care programs. The Governor proposes shifting 100 percent of non-federal costs for Medi-Cal long-term care and In-Home Supportive Services programs to counties, for General Fund savings of \$2.571 billion.
- Other Health and Social Service programs. The Governor proposes to shift 15 percent of non-federal Medi-Cal costs and 50 percent of certain CalWORKs costs to counties, in addition to 100 percent of costs for programs including the Expanded Access to Primary Care, California Healthcare for Indigent, Rural Health Services Development, Adult Protective Services, Cash Assistance Program for Immigrants, and California Food Assistance Programs for General Fund savings of \$2.671 billion.

- Trial Court Security. The Governor proposes to deposit a portion of realignment revenues into the Trial Court Trust Fund for local trial courts to meet security needs, saving the General Fund \$300 million.

Funding for realignment comes from three tax increases, resulting in revenues of \$8.3 billion. Proceeds from these taxes would be deposited into a new Enhanced State and Local Realignment Fund and the Trial Court Trust Fund and allocated to counties to fund realignment programs.

CALWORKS

The Governor proposes to:

- Decrease cash assistance grant levels by approximately 6 percent. This decrease reduces monthly grant levels for a family of three from \$679 to \$637 in high-cost counties and from \$647 to \$607 in low-cost counties. Grant levels have not been adjusted for inflation since October 2001.
- Reduce employment services funding by \$175.5 million after adjusting for the reappropriation of one-time performance incentive funds to counties in 2002-03. This reduction reflects decreased demand due to an increase in the number of adults who will reach the five-year time limit in 2003-04.
- Shift 50 percent of CalWORKs administration and employment services costs and 100 percent of CalWORKs Stage 2 child care costs to counties in exchange for a dedicated revenue stream.
- Eliminate CalWORKs Stage 3 child care as of April 1, 2003.
- Create a \$200 million TANF reserve, citing the need to respond to possible changes related to federal reauthorization of the TANF block grant.

OTHER SOCIAL SERVICE PROGRAMS

The Governor proposes to:

- Decrease Supplemental Security Income/State Supplemental Payment (SSI/SSP) grant levels by more than 6 percent. This proposal reduces monthly grant levels from \$757 to \$708 for individuals and \$1,344 to \$1,225 for couples. Recipients will, however, receive a federal cost-of-living adjustment of 2.4 percent in January 2004, increasing grant levels to \$722 for individuals and \$1,244 for couples.
- Reduce and eliminate programs in the Department of Aging included in the Governor's December Revision, for General Fund savings of \$5.1 million in 2003-04.
- Eliminating the Naturalization Service and Mentoring Programs, for savings of \$8.9 million (\$3.9 million General Fund), and consolidating the department within the Department of Social Services.
- Eliminate the Independent Adoptions Program, for a General Fund savings of \$2.8 million in 2003-04.
- Share with counties the costs of federal penalties related to delayed implementation of a statewide automated child support data system. Under the proposal, counties will pay 25 percent of the penalties owed by the state, beginning in the last quarter of 2002-03. This proposal will result in General Fund savings of \$51.8 million in 2003-04.
- Uses \$65.7 million in federal Temporary Assistance for Needy Families (TANF) funds to support Regional Centers by transferring the funds to Title XX. The Governor's Budget Summary says this shift is made possible "as a result of decreased CalWORKs grants."

MEDI-CAL

The Governor proposes to:

- Reduce Medi-Cal provider rates by an additional 5 percent beyond his December proposal, for a savings of \$479.3 million (\$241.9 million General Fund) in 2003-04. The Governor proposed to reduce provider rates by 10 percent in December, for a savings of \$185.3 million (\$90.4 million General Fund) in 2002-03 and \$948.3 million (\$478.6 million General Fund) in 2003-04.
- Eliminate 10 additional Medi-Cal optional benefits for adults over age 21, including optometry, physical therapy, prosthetics, speech/audiology, and hearing aids, for a savings of \$175.6 million (\$87.8 million General Fund) in 2003-04. In December, the Governor proposed to eliminate eight optional benefits, including dental services and medical supplies, beginning April 1, 2003, for a savings of \$126.5 million (\$63.3 million General Fund) in 2002-03 and \$548.1 million (\$274.0 million General Fund) in 2003-04.
- Reinstate Medi-Cal quarterly status reports effective April 1, 2003, for a savings of \$10 million (\$5 million General Fund) in 2002-03 and \$170.0 million (\$85 million General Fund) in 2003-04. This proposal was included in the Governor's December program reductions and assumes that 33,900 adults would lose Medi-Cal coverage in 2002-03 and 193,123 adults would lose coverage in 2003-04.
- Rescind expansion of 1931(b) eligibility to parents in families with incomes up to 100 percent of the federal poverty level beginning April 1, 2003, resulting in a savings of \$12.4 million (\$6.2 million General Fund) in 2002-03 and \$236.0 million (\$118.0 million General Fund) in 2003-04. This proposal was included in the Governor's December program reductions, and would affect 58,578 adults in 2002-03 and 292,890 adults in 2003-04.
- Rescind the expansion of no-cost Medi-Cal to aged and disabled individuals with income up to 133 percent of the federal poverty level, for a savings of \$127.6 million (\$63.8 million General Fund) in 2003-04. The eligibility income limit would be reduced to the proposed monthly SSI/SSP benefit levels of \$708 for individuals and \$1,225 for couples.
- Eliminate the second year of Transitional Medi-Cal (TMC) coverage for a savings of \$2 million General Fund in 2003-04, assuming implementation on October 1, 2003. This proposal would affect approximately 1,830 average monthly eligible beneficiaries who have left CalWORKs due to new or increased earnings from employment. The state would continue to offer one year of TMC.
- Eliminate the supplemental payment to increase caregivers' salaries, wages, or benefits at long-term care facilities, for a savings of \$42 million (\$21 million General Fund) in 2002-03 and \$50 million (\$25 million General Fund) in 2003-04.

HEALTHY FAMILIES PROGRAM (HFP)

The Governor proposes to:

- Delay expansion of the HFP to parents until July 2006.
- Discontinue the Rural Health Demonstration Project (RHDP) in 2003-04. The 2002-03 Budget Act included \$1.7 million in state funding for the RHDP.
- Use \$220.0 million in Tobacco Settlement Funds for the HFP in 2003-04, replacing an equivalent amount of General Fund resources.

OTHER HEALTH POLICY CHANGES

The Governor proposes to:

- Eliminate state-funded cancer research as existing research contracts expire, for a savings of \$12.5 million in 2003-04 and in each subsequent year. In December, the Governor proposed a reduction in state funding for cancer research in 2002-03, for a General Fund savings of \$6.3 million.
- Impose a drug co-payment on AIDS Drug Assistance Program (ADAP) recipients who have incomes between 200 and 400 percent of the federal poverty level.
- Consolidate the Emergency Medical Services Authority (EMSA) into the Department of Health Services effective July 1, 2003, resulting in a savings of \$342,000 (\$138,000 General Fund) and the elimination of 5.0 staff positions in 2003-04.

DEPARTMENT OF MENTAL HEALTH

The Proposed Budget:

- Results in General Fund savings of \$74.9 million due to the realignment of the Integrated Services for the Homeless and Children's System of Care programs to counties in 2003-04. (See realignment section)
- Eliminates funding for the Early Mental Health Services program for savings of \$15 million General Fund.
- Assumes \$46 million (\$23 million General Fund) in savings due to a proposed 10 percent rate reduction for mental health managed care.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Proposed Budget:

- States that the Department will develop a plan to close the San Jose Agnews Developmental Center by July 2005 and transition consumers into community placements, if appropriate.
- Proposes to charge a sliding scale co-payment for regional center services for children in families with incomes of more than 200 percent of the federal poverty level, raising \$31.6 million in 2003-04. This charge will require 23.6 new staff positions and \$1.8 million to implement the co-payment system.
- Proposes to align the state definition of "substantial disability" with the narrower federal definition for purposes of determining eligibility for developmental services, resulting in \$2.1 million in General Fund savings.

HOUSING

The Governor proposes to reduce funding for the Department of Housing and Community Development (HCD) by \$15 million, most of which was included in the reductions announcement in December. The Governor proposes spending \$255 million in 2002-03 and \$463 million in 2003-04 in bond funds from Proposition 46, a measure passed by voters in November 2002 to fund state housing programs. The largest proposed expenditure is for affordable rental housing (\$110 million in the current year and \$194 million in 2003-04).

STATE OPERATIONS/EMPLOYEE COMPENSATION

- Pursuant to a 2002-03 Budget directive, 6,000 vacant state employee positions have been eliminated in the current year, in addition to 6,600 vacant positions eliminated in 2000-01 and 2001-02. The Governor proposes to eliminate an additional 1,900 positions related to program cuts in both the current and budget years. The current hiring freeze remains in

place until June 2003.

- As proposed in December, the Proposed Budget directs the Department of Personnel Administration to negotiate an \$854 million (\$470 million General Fund) reduction in 2003-04 employee compensation costs through the collective bargaining process. The Budget assumes that the reduction would be achieved through layoffs, salary reductions, or employee furloughs.
- The Governor directs all advisory boards and commissions to meet no more than once per year.
- The Governor proposes to defer payments to the State Teachers' Retirement System (STRS) through pension obligation bonds or loan agreements executed with STRS, for a General Fund savings of \$448 million. This deferment is in addition to the Governor's December proposal to reduce the state's payment to STRS by \$500 million in 2003-04 (which includes a statutory commitment to restore funding if long-term purchasing power protection is threatened).
- The Governor proposes to defer payments to the California Public Employees' Retirement System (CalPERS) through either pension obligation bonds or agreements executed with CalPERS, for a General Fund savings of \$1.1 billion in 2003-04.

CHILD CARE

The Proposed Budget:

- Shifts responsibility and funding for child care development programs from the California Department of Education (CDE) to the counties as part of the larger realignment proposal. The proposal transfers General Child Care, Alternative Payment Programs, CalWORKs Stage 2 and Stage 3, Resource and Referral, Quality Plan, Migrant Child Care, Latchkey, Campus Centers, and Handicap programs. State Preschool and the After School Education and Safety Programs are not included in the proposed state-county realignment.
- Reduces funding for the After School Education and Safety Programs by \$3.9 million.
- Funds CalWORKs Stage 1 child care at \$481 million in 2003-04. It appears that Stage 1 is not included in the proposed state-county realignment and remains within the Department of Social Services' budget.
- Eliminates the CalWORKs Stage 3 child care program for estimated General Fund savings of \$108.8 million. As noted in the Governor's December proposal, \$10 million of the savings are due to a lower than anticipated caseload during the current year, and the remaining \$98.8 million of savings are attributable to the program's elimination by April 1, 2003. The Proposed Budget reflects additional General Fund savings of \$78.3 million from the substitution of state General Fund dollars with available federal funds.
- Eliminates the Child Development Policy Advisory Committee effective July 1, 2003, for a General Fund savings of \$367,000.
- Transfers \$28 million from the Child Facilities Revolving Fund and reverts \$96.7 million of unspent child care funds as part of a broader attempt to reduce the current year Proposition 98 spending guarantee.
- Restructures the Community Care Licensing fee schedule resulting in increased General Fund revenues of \$6.8 million. The fee schedule adjustment would double fees for licensed child care facilities.
- Provides \$62 million to the California Children and Families Commission (established under Proposition 10 of 1998) in anticipation of the revenue loss associated with the proposed \$1.10 tax increase on cigarettes and other tobacco products. Absent the backfill,

revenues generated by the tax imposed by Proposition 10 would likely decline due to the decrease in consumption that typically occurs after an increase in cigarette and tobacco taxes.

K-12 EDUCATION

The Proposed Budget:

- Establishes a total 2003-04 Proposition 98 funding level of \$44.1 billion for K-14 education programs, which represents a 0.4 percent increase over the 2002-03 level of \$43.9 billion. The 2002-03 Proposition 98 funding level reflects current year reductions proposed in December. The state General Fund share of 2003-04 Proposition 98 funding is \$28.2 billion, 2.3 percent below the 2002-03 share of \$28.9 billion. The decrease in the state's share of funding is due to an anticipated 5.7 percent growth in local property tax revenues. It is important to note that the Governor's Budget assumes \$2.7 billion in current year cuts to education programs, \$1.7 billion proposed in December and \$1.0 billion proposed in January. The Proposed Budget also assumes suspension of the 2003-04 repayment of the estimated \$3.5 billion of remaining maintenance factor obligations, as required by current law. If any of the reductions or the maintenance factor suspension are not enacted, the 2003-04 Proposition 98 guarantee would increase.
- Fully funds enrollment growth for K-12 programs at \$6,708 per pupil, an increase of \$172 or 2.6 percent over the 2002-03 level. However, the Budget does not fund a Cost-of-Living-Adjustment (COLA) for K-12 education programs, for \$886 million in savings. The total proposed K-12 Proposition 98 funding level is \$39.9 billion.
- Includes an additional 7.5 percent (\$481.7 million) reduction in most categorical programs in the current year. In December, the Governor proposed an across-the-board reduction of \$980.8 million (3.7 percent) in current year K-12 programs. The Budget proposes to further reduce funding for categorical programs in 2003-04 by \$122.2 million, including \$51.3 million by applying the 3.7 percent current year cut to deferred 2002-03 spending and \$70.9 million by reducing additional programs by 1.3 percent. The reductions in categorical programs also result in \$106 million in savings by avoiding enrollment growth costs.
- Consolidates 64 categorical programs into a \$5.1 billion block grant. The Proposed Budget excludes after school programs, the Math and Reading Professional Development and Principal Training programs, and the Year-Round Schools program.
- Proposes additional reductions including \$12.0 million for Regional Occupational Centers and Programs by limiting enrollment to older students, \$17.8 million by eliminating funding for the \$120 per pupil that the state is currently required to provide to Basic Aid districts, and \$18.8 million due to the proposed four-year phase out of the Year Round School program. The Governor defends elimination of the program due to the availability of additional school construction funds from the passage of Proposition 47, including \$6.3 billion for new construction for K-12 schools and \$1.7 billion for critically overcrowded schools.
- Provides \$250 million for revenue limit equalization, \$315 million to fund deferred 2002-03 appropriations, \$193.8 million in General Fund and federal funds for the High Priority Schools Grant program, and \$102 million in non-Proposition 98 General Fund money for a Fiscally Troubled Districts set-aside.

CALIFORNIA COMMUNITY COLLEGES

The Proposed Budget:

- Provides \$4.1 billion (\$1.9 billion General Fund) in 2003-04 Proposition 98 spending for the California Community Colleges (CCC). This funding level represents a 9.8 percent decrease from the 2002-03 Proposition 98 funding level of \$4.5 billion.
- Estimates a decline in 2003-04 CCC enrollment of 65,000 FTE students (5.7 percent) due to attrition and concurrent enrollment adjustments. However, the Budget provides \$115.7 million to fund a three percent enrollment growth.
- Increases student fees at the CCCs from \$11 to \$24 per unit for General Fund savings of \$149 million. The Budget estimates that the state will save an additional \$215 million because of short-term attrition.
- Extends the proposed 3.7 percent (\$97.5 million) across-the-board current year program reductions into 2003-04, and proposes an additional \$60.3 million (7.5 percent) in across-the-board reductions to categorical programs in both the current and budget year. The Budget also proposes an additional \$211.5 million in targeted reductions in 2003-04.

HIGHER EDUCATION

The Governor proposes to reduce 2003-04 General Fund support for the base budgets of the University of California (UC) by \$373 million and the California State University (CSU) by \$326 million, resulting in a funding reduction of \$133.7 million (4.2 percent) for the UC, and \$105.8 million (3.9 percent) for the CSU, from the prior year. The Governor proposes to fund enrollment growth of 4.5 percent for the UC and 5.0 percent for the CSU. The Budget assumes that both the UC and the CSU will increase student fees in the current year; the UC has already approved fee increases of 11.8 percent for undergraduates and 11.2 percent for graduate students, while the CSU has approved fee increases of 10 percent for undergraduates and 15 percent for graduate students. To help offset the impact on students, the Budget proposes to increase funding for Cal Grant Awards (student financial aid) by \$5.4 million in 2002-03 and \$82 million in 2003-04. At the same time, the Governor proposes \$22 million in reductions for other areas of the Cal Grant program.

LOCAL GOVERNMENT

The Proposed Budget:

- Eliminates the backfill of county and city revenues lost due to the Vehicle License Fee (VLF) tax reduction beginning in February for General Fund savings of \$1.265 billion in 2002-03 and \$2.929 billion in 2003-04. The state would continue to backfill counties for the portion of the VLF loss attributable to the 1991 realignment of mental health and social service programs.
- Transfers \$250 million in property tax revenue from redevelopment agencies to school districts. (In redevelopment project areas, property tax revenue generated through growth in the assessed value of property goes to redevelopment agencies to spend on revitalization projects). This transfer would shift \$250 million in local property tax revenues to schools in 2003-04 and increasing amounts thereafter and will result in equivalent General Fund savings. Based on current information, it is unclear whether the shift is intended to substitute for the Governor's December proposal that redirected \$500 million from local redevelopment agencies' Low and Moderate Income Housing Funds to the General Fund.

TRANSPORTATION

The Budget proposes:

- \$6.4 billion in federal funds, state funds, and reimbursements for CalTrans in 2003-04, including \$1.6 billion for capital projects and \$2.0 billion in local assistance. CalTrans expects that federal funds will be lower than estimated in the 2002 State Transportation Improvement Plan (STIP), which will require reductions in the department's budget.
- To suspend the transfer of approximately \$1.0 billion in state sales tax revenues required by Proposition 42 from the General Fund to the Transportation Investment Fund in 2003-04. This suspension was included in the Governor's December proposal. The suspension will reduce funds available to the Traffic Congestion Relief Program (TCRP) (\$678 million), the State Highway Account (SHA) (\$147 million), and for local transit projects (\$74 million). Due to the TCRP reductions, the Governor proposes eliminating all 1,223.7 TCRP-related positions. The Governor has directed CalTrans, the California Transportation Commission (CTC), and local transportation agencies to redirect SHA, Public Transportation Account, and local funds to priority TCRP projects affected by the Proposition 42 suspension.
- To reduce local assistance outlays by \$50 million in 2002-03 and \$75 million in 2003-04 by improving cash management of federal funds. The Budget also proposes to reduce targeted local assistance programs, including the Environmental Enhancement and Mitigation program and Community Empowerment Grants, by \$25.5 million in 2002-03 and \$34 million in 2003-04.

TECHNOLOGY, TRADE, AND COMMERCE AGENCY

The Governor proposes to reduce funding for the Technology, Trade, and Commerce Agency (TTCA) by \$27.3 million, more than a 50 percent reduction from the Agency's final 2002-03 General Fund Budget. The Governor proposes to eliminate several programs, along with corresponding staff support, including the California Technology Investment Partnership Program, the Manufacturing Technology Program, the Space Technology Alliance program, several contracted foreign trade offices, and the Tourism Division. The Governor also proposes several ongoing and one-time funding cuts.

CAPITAL OUTLAY

The Governor proposes \$1.9 billion in funding for capital outlay projects, not including funding for transportation, K-12 schools, and state conservancies. Of this total, \$26.4 million comes from the General Fund; \$1.2 billion comes from the education bond passed by voters in November 2002 (targeted primarily for higher education); and \$675 million is proposed to come from lease-revenue bonds. Most of these funds (\$954 million) are proposed for previously approved projects.

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

The Governor's proposes to:

- Replace \$10 million in General Fund support for the Air Resources Board with increased Air Pollution Control fee revenues.
- Replace \$13.6 million in General Fund support for the State Water Resources Control Board with increased Waste Discharge Permit Fund fees.
- Replace all General Fund support for the Department of Pesticide Regulation with \$7.5 million from increased mill assessments and other fees.

- Reduce funding for the Office of Environmental Health Hazard Assessment to \$10.8 million, a reduction of \$3.9 million.

RESOURCES

The Governor proposes to:

- Increase state park fees raising \$20 million in General Fund revenues in 2003-04.
- Use \$515 million in Proposition 50 bond funds, passed by the voters in 2002, to purchase and restore lands to protect the State's waterways.
- Eliminate the Department of Conservation's North Coast Watershed Assessment Program, for General Fund savings of \$1.8 million in 2003-04.
- Reduce funding for the California Conservation Corps (CCC) by 25 percent (\$11.6 million General Fund).

PUBLIC SAFETY

The Proposed Budget:

- Reduces General Fund expenditures for the Youth and Adult Correctional Agency by \$35 million from 2002-03 to 2003-04, a decrease of less than 1 percent.
- Increases 2003-04 spending for the Department of Corrections by \$40.2 million (0.8 percent) over the 2002-03 Budget.
- Calculates \$2.4 million in 2002-03, and \$6.7 million in 2003-04, in increased costs for new collective bargaining agreements under the Department of Corrections.
- Assumes that the federal government will reimburse the state \$154.5 million for the cost of incarcerating undocumented persons. This amount is less than the Governor's Budget assumed last year and is more in line with past federal appropriations.
- Includes an inflation adjustment for sliding scale fees charged to counties for juvenile commitments to the state Youth Authority. The budget assumes a net decrease of General Fund revenues of \$7.1 million.
- Increases Motor Vehicle Account (MVA) fees to support the California Highway Patrol and the Department of Motor Vehicles. Two fees slated for an increase include an additional \$7 for vehicle registration costs, raising an estimated \$41 million, and a new Public Safety Surcharge on telephone usage, raising an estimated \$30 million.

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