EXECUTIVE SUMMARY

Chapter 1: Overview

California's gross state product—now at $1.34 trillion—is the largest of the fifty states; if California were a separate nation, it would rank fifth in the world

A. Wealth Distribution

The gap between the rich and the poor continues to widen within California. The share of total adjusted gross income attributable to the top 20% of taxpayers has increased from 41.7% in 1975 to 56.7% by 1998. During this same period, the share of income at the very top end of the income distribution—for taxpayers with incomes exceeding 99% of the taxpayer population—nearly tripled, going from 7% to almost 20%. The bottom quintile accounted for only 7.2% of the state's income in 1975, and fell further to 3.5% by 1998.

The trend in wealth and income distribution is dividing the state into three groups: a top 5% enjoying unprecedented wealth, a middle class declining from 80% of the population to 60%, and an underclass increasing from 15% of the population to 35%

B. Child Population Increase

A recent national study of juvenile population found that from 1995–2015, California will increase her juvenile population more than any other state in the nation, the 0–17 group will increase by 34% (with a national average increase of 8%) and the 18–24 group will increase 57% (with a 22% national average growth). School enrollment growth has already reflected these new numbers, with K–12 enrollment currently 28.7% higher than in 1989–90.

C. Federal Investment in California's Children and Its Future Capacity

Federal "devolution" of funds to states for children relies on available general fund monies—which new tax breaks ("expenditures") deplete. Such tax breaks continue unless affirmatively ended and have their own built-in adjustments for population and inflation. Each of them increases each year in foregone revenue.

In 1997, the Congress granted tax relief to wealthy, middle class and elderly taxpayers in a heavy "back-end benefit" pattern—with the tax expenditures growing as time passes. California's *pro rata* share of this tax spending—unavailable for children needing public investment—grew to $4 billion per year after 2002. Then in 2001 the Congress added $2.4 trillion in new money to be expended or returned to taxpayers in fiscal 2001 through 2011, with California's share about $27.3 billion a year.

The post-2000 major new federal spending initiatives for children will bring approximately $500 million through the State Child Health Program (SCHIP), and about $140 million in new education investment. That $640 million in federal additional annual commitment to children represents 2.3% of the $27.3 billion in federal allocation of its post 2000 surplus. That huge commitment of public resources benefits the wealthy, middle class, elderly, and organized adult interests. Very little is directed to children, and none of it for impoverished children.

The federal tax reduction package of 2001 anticipates a surplus of $5.6 trillion over fiscal 2002 to 2011. However, the Congressional Budget Office now estimates the surplus to be only $1.6 trillion. Maintaining these committed tax expenditures will now require substantial affirmative spending cuts—likely to disproportionately affect children.

In contrast to child investment, other spending accounts beyond 2001 tax expenditures have enjoyed major expansion. High farm subsidies have been appropriated nationally. Substantial monies for social security and Medi-Care prescription benefits are on the agenda. Defense spending is proposed at above $390 billion with little opposition. The next nearest defense budget is Russia's—at $60 billion. In fiscal 2003, the United States will spend 48% of the sum total of military spending worldwide.

D. Federal to State Devolution

Beyond amount and capacity, how federal money is given and what happens to it when it is received by California are important. Current federal devolution has the following problems:

Failure to Capture Federal Money, or to Use it for Child Benefit. *E.g.*, the original amount for California of $855 million per year for SCHIP from 1998 would have brought $7.7 billion to 2006. Failure of the state to enroll children and use the funds led to Congressional retraction of $1.5 billion. Given the state's now proposed delay to implement that expansion, the state will lose hundreds of millions of unspent federal SCHIP funds unless the Congress allows additional time for rollover. Most important, the state will leave almost 20% of the state's children uncovered despite monies available to accomplish it—refusing to follow a "true presumptive eligibility" path that could accomplish a simplified, efficient system, ending 17 fragmented programs, assure federal funds use, and medically cover all of the state's children.

Post-2002 Reauthorization Amounts and Restrictions. The 1996 Personal Responsibility Act (PRA) welfare reform grants run out in 2003, and the reauthorization debate involves impractical minimum 40 hour/week work requirements on TANF parents, cut-offs even for those working 20 to 30 hours a week, and an increase in state work participation targets to unrealistic levels—particularly without aggressive economic expansion. California already bears substantial "state only" support of immigrants and other children excluded federally. Future federal devolution help is uncertain.

Supplantation/Diversion of Federal Monies. Much federal money is diverted from Congressional intent to California general fund reduction. For example, virtually all of the No Child Left Behind Act $738 million will supplant general fund spending to allow its reduction (see Chapter 7). Another example is the vaunted federal increase in special education funding for 2002–03—with $112 million assigned instead to offset general fund money (see Chapter 5). The proposed 2002–03 budget captures a record amount of federal funds intended for additive effect for children to lower previous state contribution.

E. California's Personal Income Commitment to Children

Our parents of one generation ago taxed their $219.7 billion in total personal income to produce $16.25 billion in general fund monies, then as now—primarily for children. The same ratio of general fund investment from year 2002–03 personal income would produce $91 billion in general fund revenue and spending. The Governor proposes to collect and spend $78.6 billion, $12.4 billion less than the burden assumed by our parents—with lesser wealth and greater required sacrifice. This shortfall approximates the Child Advancement Fund proposed by this California Children's Budget.

F. State To Local Devolution Problems

Both through formal "realignment" of vehicle fees and assigned state sales taxes, and through state mini-"block grants" to counties and school districts, the state is replicating internally some of the federal-to-state devolution problems, including:

Local Sales Tax Revenue Routed Away from Lower Income Jurisdictions. Local sales tax revenues go to the jurisdiction from which they are collected. Hence, wealthier jurisdictions with upper-end commerce generate substantial revenues returned to the same neighborhoods generating the funds.

Counties Lower Services to "Free Ride". State to local devolution, without state minimums, can also implicate equal protection principles. And it can reduce some important social services down to a "lowest common denominator." For example, counties may not invest heavily in job training or education for its TANF recipients, hoping they will leave for other jurisdictions. Note that a survey of county spending of the CalWORKs block grant from the state reveals only 14% expended for job training, education, job search, *et al.*, and only 19% for child care provision (see Chapter 2).

Across-the-Board 20% Cut of Funds for Local Service Administration. Part of the state's contribution to counties pays for local workers to protect children and carry out programs. The Governor's May 2002 Revise cuts that infrastructure by a profound 20%. Including the January cuts for these purposes, the proposed budget removes $977 million and would require the lay-off of 4,909 local workers administering social service programs—most of them relied upon by children in need. The staff reductions include: Adoptions—126; Child Welfare Services (child abuse protection)—420; foster care for abused children—221; food stamps—976; TANF/CalWORKs safety net (70% children beneficiaries) —863; Medi-Cal—1,846.

Each of these positions to be eliminated is currently filled. The problem is then exacerbated because of the state hiring freeze now imposed until at least June 2003, inhibiting state fill-in help, and understaffing state counterpart agencies based on the happenstance of attrition.

Indirect Infrastructure Cuts. The state proposes to retract Medi-Cal reimbursement rate increases, saving funds for a state account, but imposing difficulties locally as provider supply in diminished for children . The Governor's May 2002 Revise proposes $249 million in such reductions (see Chapter 4). Another example of indirect but momentous effect from state budget change locally is the imposition of additional co-pays under Medi-Cal—to reduce state general fund costs (*e.g.*, the tripling of doctor visit co-pays for 2002–03). Such an increase may reduce timely treatment of children and add to belated and expensive emergency room visits.

State Capture of Local Funds. The proposed 2002–03 budget has found many ways to capture local funds for state general fund relief. One example: It ended CalWORKs incentive payments to counties, and now proposes to expropriate $600 million in unspent performance incentives from the counties, of which $169 million will be allocated "to maintain CalWORKs (state) funding." The retraction of funding to counties for CalWORKs comes at a regrettable time for involved children, see Chapter 2).

Program Assignment without Funding. Throughout the *Children's Budget* are examples of program general fund termination, often with the instruction that funding is to be picked up by similar programs in pre-existing accounts. See, *e.g.*, the use of Proposition 98 locked funds for such purposes discussed in Chapters 5, 6, and 7, *passim.*

Limited Local Funding Alternatives. State to local devolution includes three major "block grant accounts" for mental health, health and social services— in addition to unrestricted state transfers. Most of these funds are tied to sales tax and vehicle license fee collections—neither are necessarily responsive to the needs of their respective grant areas, and locals lack practical funding alternatives apart from the state.

G. The May Revise Plan to Make Up the $23.6 Billion Deficit

The Governor's May 2002 Revise purports to be a "balanced" method of raising the $23.6 billion of estimated revenue shortfall for 2002–03. The Governor presents a list that appears to involve a balance between new tax revenues (almost $2 billion), program reductions ($7.6 billion), borrowing ($6.2 billion including loans and a bond secured by Tobacco Settlement Revenue), and accounting shifts ($7.8 billion). However, monies to fill the gap more accurately are balanced as follows:

Gap Redress Balance:	**Disinvestment in Children**	**—**	**$11.6 billion**	**(50%)**
	Required of Future Taxpayers	**—**	**$11.1 billion**	**(48%)**
	New Revenue Sources	**—**	**$0.475 billion**	**(2%)**

The Governor's list includes the following features:

Disinvestment. The Department of Finance's listed $7.6 billion in social service cuts fails to include the population and inflation effects on social service spending, adding that "hold even" cost produces another $2.9 billion that will not be spent. The reduction amount also ignores the movement of $1.1 billion in education money from the current to the proposed 2002–03 year by delaying payment for one month. This timing change is another subtraction of social service (education) money from 2001–02, and is properly included as a reduction of social service spending. Actual taking from social services/education is an adjusted $11.6 billion.

Burdening Future Investment. $11.1 billion, not including interest and other future costs, will burden future budgets and taxpayers in order to close the gap for a single year. The largest single such deferral is use of the tobacco settlement funds intended to recompense victims of smoking addiction abuse. Instead of providing restitution to victims (de-addiction services, youth anti-smoking education), "tobacco securitization" floats a bond for $4.5 billion to relieve the general fund, and commits future tobacco settlement revenues to pay-off the principle and interest over the following 22 years it will be received. The total cost over the 22 years will be $7.9 billion, assuming an optimistic low interest rate of 5%. The payments will consume about 75% of the anticipated $10.56 billion tobacco settlement amount due the state to 2024. These substantial payments will be made each year for the next 22 to mitigate a deficit for 2002–03, all to avoid new revenue demand on present taxpayers.

New Taxes. The May 2002 Revise plan includes only one tax increase, a $0.50 per pack tax n cigarettes to generate $475 million. The additional tax revenue of $1.276 billion from a "Temporary VLF Offset Reduction" is not a new tax. The Vehicle License Fee is set by law at 2% of the value of a vehicle per annum. It has been imprudently "offset" over the last two years (reduced with the state picking up the tab—partly so public officials could be identified as beneficent tax returners). The VLF offset hardly establishes a defined tax level: it was set at 25% in January 1999, moved to 35% for 2000, extended 6 months into 2001, and increased 11 months ago to 67.5%. The May 2002 Revise simply move it back to 25%—where it was two years ago. These adjustments up and down over a two-year period—all below the long-standing 2% of valuation tax—are not fairly characterized as "new taxes."

H. Omissions in the Governor's 2002–03 Budget

The Proposed Governor's Budget for 2002–03 does not include meritorious investment, as discussed in Chapters 2 through 9. The eight most important such omissions include:

◆ a flawed CalWORKs plan which requires "county provided employment" over a short period for up to 150,000 to 300,000 TANF parents at makework at a wage equivalent to TANF assistance and food stamps, only to fire them *en masse* three years later, followed by the cut-down of their kids to below half the poverty line in family income (Chapter 2).

◆ an underlying cause of child poverty—unintended children by single mothers (who are primarily *not* teens) and absent fathers (Chapter 2).

◆ reforms to give impoverished parents a chance to reach self-sufficiency, including both (1) an earned income tax credit state augmentation, and (2) a single, seamless child care subsidy system on a sliding scale with incentives for quality care and that fully includes the working poor (Chapters 2, 6).

◆ an effective plan to give our children health coverage (*true presumptive eligibility*), and full use of $4 billion in available federal money at a 2 to 1 match (Chapter 4).

◆ class size reduction while maintaining teacher quality and enhanced supply, especially in grades 4 through 8 (California is to move to 50th place in overall class size, Chapter 7).

◆ higher education capacity expansion to go with laudable Cal Grants increases so slots are available for education now needed for youth future employment (Chapter 7)

◆ parenting education to teach basics about children, particularly for males (Chapters 7, 8).

◆ adequate supply and quality of family foster care providers, realistic adoption opportunities, and resources so state-parented children who become 18 have a realistic chance at higher education as a responsible parent would provide (Chapter 8).

◆ juvenile justice prevention programs that work (Chapter 9).

These and other omissions are addressed by the Child Advancement Fund proposed below.

I. A 2002–03 California Children's Budget

Reversing the Governor's Cuts and Rejecting Excessive Burden on Future Payers. The *California Children's Budget* would reverse the child related social service cuts of $11.6 billion. The net cost of that reversal would be approximately $8.3 billion when counting the federal matching fund generated from the restoration and full population/inflation adjustment. The remaining $12 billion shortfall would come from: (1) accepting the Governor's $1.3 billion VLF Offset Reduction, and the cigarette tax increase ($1.7 billion total)), (2) accepting federal tax conformity/tax compliance ($.9 billion), (3) anticipating one-half of his federal funding increases ($.5 billion), and (4) accepting $4.9 billion of the Governor's $11.1 billion in short term borrowing, and (3) raising $4 billion in additional revenue (see below).

His proposed short term borrowing and other transfers would be accepted up to $4.9 billion [net operating loss deferral for two years ($1.2), Fund Shifts ($1.3), federal tax conformity/compliance ($0.9), and some of the $1.7 in loans ($1.5)]. No tobacco funds would be used, but rather reserved for anti-tobacco youth education and de-addiction services as first priority, and then health investment. No debt restructuring, fund transfers, other accelerations and transfers, or deferral of education disbursements would be used, or any accounting device imposing substantial or long term burden. For future prevention of the shortfall travail of this year (which repeats the 1991–92 and similar earlier travails), Chapter 1 proposes systematic volatility moderation by establishing a reliable base-line for volatile revenue sources, and banking two-thirds of any excess over that line for a large (over $10 billion) continuing reserve fund available during years of severe undercollection.

Total New Revenues Required for Child Investment. To reverse the Governor's cuts, adjust child accounts for population and inflation, and reject excessive long term burdens requires $12.3 billion. We would accordingly close the budget deficit at a cost of $12.3 billion in required new revenue beyond the Governor's May 2002 Revise. To this $12.3 billion, the *Children's Budget 2002–03* would add a Child Advancement Fund of $12.557 billion. Total additional state general fund revenues required would total $24.9 billion

J. Funding the Children's Budget 2002–03

Revenue. As one of the wealthiest jurisdictions in the world, the state is capable of providing the $24.9 billion required. It represents less than the California taxpayer amount foregone on average from the federal 2001 tax expenditure package. Possible sources for $35 billion of additional funding include:

◆ Redistribute some unnecessary expenses in child-related areas (e.g. Governor's $1,000 student awards for high scores): $1.5 billion.

◆ State Adjustment to Federal Disinvestment in Children (adjust state taxes to capture back one-half of the federal 2001 tax package—sharing it between children and taxpayers 50-50): $13 billion.

- ◆ Raise Corporate Profits Tax from 8.8% to 9.9%: $1 billion.
- ◆ Tax Alcohol Equitably (similar to other states): $2 billion.
- ◆ Raise the personal income tax high bracket to 14%: $4.15 billion.
- ◆ Temporarily Suspend New Tax Expenditures Granted Since 1997 (except for the child care tax credit): $5.85 billion
- ◆ Roll Back More Longstanding Unjustified or Obsolete Tax Expenditures: $3.5 billion.
- ◆ Leverage State Spending to Fully Use Available Federal Funds: $ 3 billion.
- ◆ Obtain Energy Excess Payment Refunds: $1 billion.

This list does not include the possible collection of $9 billion in energy overcharges.

Funding Precedent. In 1978–79, the California parents of many current adults taxed their $219.7 billion in total personal income sufficiently to produce $16.25 billion in general fund monies, then as now—primarily for children. The same ratio of personal income commitment would produce $91 billion for 2002–03. The Governor's 2002–03 proposal includes $78.6 billion, $12.4 billion less than the burden assumed by our parents—with lesser wealth and standard of living. This sum approximates the Child Advancement Fund proposed in this *Children's Budget*, and half of the total new funds recommended.

Chapter 2: Child Poverty

A. Condition Indicators

Poverty. As of February 2002, the federal poverty guideline for the benchmark family of three is an annual income of $15,020, a level many scholars consider artificially low nationally, and low for California—given its high rents. The number of California children living in poverty rose from 1.9 million in 1989 to a projected 2.7 million in 2002–03, down from its high of 2.8 million, but remaining close to its historical zenith. In the current year, those under 19 years of age account for 30.4% of the state's population, but 59.3% of those living in poverty.

A supplemental Census Report released in August of 2001 found that California—now the fifth largest economy in the world—enjoyed a median income 12% higher than the national average, while its children suffered a poverty rate 15% higher than the national average, among the highest in the nation.

Employment and Wages. Unemployment among the "prime adult employment group" (ages 25–64) is at 4.4%. Youth unemployment stands at 16.4%.

Minimum Wage. On January 1, 2002, the minimum wage rose to $6.75 per hour in California, yielding gross income of $14,040, below the poverty line for the benchmark family of three, with record payroll taxes reducing income 8–12% below these levels, If the 1968 minimum wage were indexed to inflation, it would be $8.75 in 2002.

Unemployment Insurance. Spurred by the September 11 terrorist attack and the coextensive economic downturn, the Congress allocated $8 billion in Reed Act funds to the states for unemployment insurance (California's share: $936.9 million). The Legislature increased unemployment compensation of up to $100 per week, which could raise benefits up to 35% of average wages, bringing average weekly benefits to $179.45. Only Mississippi and Alabama pay lower levels. The Governor's now intends to allocate $33.2 million of this money as general fund relief to pay for additional "administration" of Unemployment Insurance.

The Key: *Adult* Unwed Births. Children living in two-parent families consistently have median household incomes three to five times the amount in female-headed single-parent households. The disparity holds for all ethnic groups. The decisions of women to give birth out of wedlock and of men to create biological offspring without paternal commitment are the most significant determinants of child poverty. Extreme child poverty correlates with single unwed parents having more than one child, and mothers giving birth under 18 years of age. However, unwed births extend beyond the politically correct focus on teen pregnancy and are driven substantially by unwed births to adult women. In fact, only .2% of current TANF welfare families are headed by a mother under 18, another 1.3% are 18 years of age and 1.8% are 19 years of age; one quarter of this 3.3% total are married. The remaining parents are over 19 years of age. Further, while teen pregnancy rates have dropped over the last five years, the adult unwed rate remains above 30% of all births, three to five times its level a generation ago.

African American children suffer the highest unwed birth rate—above 60%, with Hispanic children rising to 40% over the past decade. The rise in Hispanic unwed births is of special concern in California since Hispanic births now make up 48% of state's total.

California now scores second to last among all states in low educational attainment of new mothers, even below traditionally impoverished southern and Appalachian states. The percentage of women giving birth with less than twelve years of education in 1999 is 22% nationally, but 30% in California.

Cultural acceptance of the right of a child to be intended by two committed parents would reduce child poverty and its associated problems without resort to child safety net deprivation. The *Children's Budget* proposes education, public service advertising, direct advocacy, and birth control availability, to ameliorate child poverty, rather than the current approach to discourage such births—harmful post birth safety net cuts.

TANF Profile. The typical TANF family is a single woman, 34 years of age, and her two children. Either Hispanic or White, the family has received little or no child support from the absent parent. The mother is undereducated and, although willing to work, is unable to find or keep steady employment and faces prohibitive child care costs and little child care near her home.

Self-Sufficiency Budget. The most recent survey of state living costs found a momentous increase from year 2000, with the minimum needed for a mother and two children increasing to $43,433 given rent and other price hikes—almost three times the federal poverty line. Of that total, $5,845 is taken for (mostly federal) taxes. These family budgets do not include recreational spending, or savings for retirement or for child education.

B. Safety Net Account Spending

TANF Levels. TANF plus average food stamp assistance has fallen from more than 10% above the poverty line to a current record California low of 70% of the line, with no COLA increase proposed for 2002–03. Large numbers of TANF parents now face penalties and 60 month cut-offs to below 50% of the poverty line—extreme poverty.

Training. Community college spending to expand services and train TANF recipients for quality employment was cut from $73 million in the current year to $35 million as revised in May 2002, for an overall cut of $38 million in this high priority account. Counties spend only 14% of their CalWORKs grants for employment, training and job search purposes.

County Administration. In his May 2002 Revise the Governor announced a sweeping 20% cut in county administration funds, including about $ 706 million in cuts to counties administering child safety net programs. CalWORKs cuts would involve 863 positions. The impact is likely to be delays and obstacles to child safety net assistance.

Counties have now run out of their CalWORKs grant surpluses, and the state has stopped incentive payments to the counties, and is in fact diverting these accrued sums for general fund relief. The counties will not have resources to provide public service employment to the more than 200,000 parents theoretically required to receive it (plus child care) under CalWORKs during 2002–03.

Child Care. Local counties spend only 19% of their CalWORKs grant on child care. Supply is substantially unavailable in low income neighborhoods. The working poor receive very little subsidy in relation to need, and California has one of the highest latchkeyed child populations in the nation.

The 2002 May Revision assumes a reduction in Stage 2 child care funding of $85.9 million based on anticipated caseload reduction as an estimated 21,400 children reach the end of their five year period for allowable assistance and are dismissed from public service employment. The Revise document does not discuss what will happen to them.

Child Support Collection. Child support collection has increased, but from a low base. The state's more than 4 million children depending upon absent parent support receive an average of $34 per month per child in assistance.

The federal calculation is for an enormous penalty of $181 million for 2002–03 due to the continuing failure (now for a decade) to develop a required statewide coordinated computer system. The Governor anticipates 2002 legislation federally to reduce this penalty to $89.7 million (50% of which the state intends to pass onto hapless counties). It is unclear why the federal jurisdiction would grant a $90 million penalty reduction to a state that at the same time proposes to halve its general fund commitment to the automated system whose failure is the basis for the penalty. Even with the reduced penalty and additional burden on the counties, child support collection will suffer a $35 million general fund cut.

Housing. Housing programs ignore the truly needy. The two programs selected for the highest percentage reduction for 2002–03 include:

◆ $12.1 million of $17.6 million in the already reduced sum for farmworker housing, and

◆ $8 million of the $13.3 million total allocated in the current year for Emergency Housing Assistance for the homeless.

Contrary to the policies of previous generations to provide a chance for home ownership, today's adults are assessing themselves one-fifth or less the property tax burden of youth seeking new home purchase (through Proposition 13), and are allowing median home prices (now passing $350,000 in urban counties) to preclude realistic home ownership by children who do not inherit real property.

C. Poverty Related Tax Policies

2001 Federal Tax Reform. New federal tax breaks spend the projected national surplus of $1.35 trillion (actually $2.4 trillion). The benefits focus on the wealthy and middle class, with 31.5% of all families and all impoverished children receiving no benefit. The elderly, with close to one-third of the poverty rate of children, gain the most. A fraction of the federal tax expenditures for California adults would finance the Child Advancement Fund of this *Children's Budget*, including an earned income tax credit, child care for the working poor, universal child health care, foster care reform, lower class sizes and education investment, and higher education expansion.

State Tax Policy. In general, the state has followed federal tax changes benefitting the middle class, wealthy, and elderly, while failing to replicate the major federal tax subsidies benefitting children: the earned income tax credit (note the 2002 failure of AB 106 (Cedillo) to provide a modest credit). The state has added tax benefits now totaling $24 billion per year—perpetual benefits which are unexamined and attract lobbyist focus, and which deprive the general fund of monies available for child investment. The two largest such expenditures are the homeowners mortgage deduction and pension subsidies. The state reduced its renter's credit to 1/3 previous levels—making it non-refundable to exclude most of the poor. The major state tax benefit enacted for impoverished children has been a child care tax credit, but it provides less than 10% of the funds needed for the working poor to care for a single young child, while extending its benefits to parents making close to $100,000 in adjusted income annually.

State Tax Regressivity. Overall, California's imposed total tax burden by income grouping finds the lowest-income 20% paying the highest overall rate, with the percentage declining steadily and consistently as income rises. poor pay a higher percentage. Family taxpayers with children pay a higher 12.1% in the lowest 20% income group, while the highest-income 20% pays 7.9%. The lowest rates of all are paid by the highest 1% income earners.

Chapter 3: Nutrition

A. Condition Indicators

Hunger Incidence. On April 16, 2002, the Wave 2 Findings were released of a 4 university study, concluding as to the California sample that many women have moved into low-wage jobs, but that unlike parents nationally, average income has not risen above the poverty line, and remains at just over $12,000. Importantly, almost 1/5th cut the size of meals because they were unable to afford additional food—a rate of food insecurity three times the national average

Food Stamp Coverage Loss. In 1995, 3,157,167 Californians received food stamp assistance; the current number is 1,728,051, over two-thirds of whom are children. This remarkable 45% drop, involving over 1 million children, does not match child poverty reductions, which approximate 200,000. Large numbers of families leaving TANF do not obtain employment, or obtain work at wages below the poverty line, but lose food stamp safety net protection for their children. The May Revise proposal to cut 863 local social workers who advise TANF participants (including those who leave the rolls) and the direct cut of 976 food stamp administrators will further hamper nutritional safety net coverage for children.

Penalty. The U.S. Agriculture Department publicly estimated that the state will end up paying a $46 million penalty for its extraordinarily high error rate in paying food stamp benefits (both overpayments and underpayments). The Governor included only $11.6 million of this sum in his May 2002 Revise, noting that the remainder "will be assessed to those counties" based on their error rates. It is unclear how this additional penalty, combined with the 20% overall cut in county administration discussed above, will improve error rates

Vetoes. One of the barriers to food stamp coverage has been the vehicle resource rules applicable to both food stamps and CalWORKs. As noted in Chapter 2, the current value of a motor vehicle owned by a recipient cannot exceed $4,650, a number which has not been adjusted to increases in vehicle costs over the past decade. In 2001 AB 144 (Cedillo) was introduced to raise the limit to a $15,000 market value "where the applicant is working" or is required to engage in work related activity. The measure passed the legislature, but was vetoed by the Governor. Also vetoed was a bill to create some limited exceptions to a current lifetime ban on Food Stamps (and CalWORKs) for persons convicted of felonies involving use or possession (not sale) of a controlled substance (AB 767, Goldberg).

California Food Assistance Program. The Governor's proposed budget in January 2002 cut the entire $72.5 million in funding from the 2001–02 budget for CFAP, anticipating federal further expansion to include immigrants arriving after 1996. However, the federal budget will not cover food stamps to all children of lawful immigrants until October 2003. Accordingly, the Governor augmented the CFAP in his May 2002 Revise by $92.2 million, anticipating needed coverage to approximately 90,000 recipients.

Food Quality. SB 19 (Escutia, Speier), The "Pupil Nutrition, Health and Achievement Act", was signed by the Governor in October 2001 and includes an array of measures for child nutrition. It addresses a growing threat to child health— the disturbing trend toward obesity among youth, however all associated spending was then cut and remains missing for 2002–03.

School Lunches and Other Subsidized Meals. These programs are funded federally, but depend on state investment for outreach and start up—to assure full coverage and receipt of federal dollars. The state's spending for these purposes remains marginal and will suffer indirectly from the larger local cuts discussed above and in Chapters 2 and 7 (county administration reductions, and education cuts affecting the Department of Education nutrition programs, and county offices of education funding).

Summer Food. California committed token funding ($1 million) in 2001–02 for expansion and start up funding for summer food programs. Proposed 2002–03 budget maintains this minimal funding.

WIC. The Special Supplemental Food Program for Women, Infants, and Children (WIC) enjoys widespread support and recent evidence that it reduces low birth-weight infants. However, coverage for the most vulnerable population for low nutrition (children from one to four years of age) remains low. Unlike other states which supplement federal WIC funds with state money, California makes no contribution from state funds to its program.

Chapter 4: Health

A. Condition Indicators

Lack of Coverage. Surveys in 2002 using year 2000 data find 1.1 million children in the state eligible for public coverage but not enrolled, a number now larger given the economic slowdown and fewer children covered by employer plans. Many of the changes proposed by the Governor for 2002–03 will further inflate the uninsured population, including substantial (20%) cuts in local Medi-Cal county employees, a cessation of all Healthy Families media advertising, reduction in MediCal provider compensation, and delay of waiver for parent coverage.

Cost of Children. Nationally, children make up about 50% of Medicaid recipients in 2001, but used only about 14% of the dollars spent; they consistently. The average annual Medi-Cal expenditure in California for children under age 21 was $940, for adults it is $1,576, and for the elderly was $6,396. Including separate Medi-Care coverage, the elderly cost over ten times the per capita cost of children.

Coverage Benefits. Children who lack health insurance are more likely to lack a usual source of preventive or sick care, to delay seeking care, to use fewer ambulatory health services, lower immunization rates, and are more likely to be hospitalized for potentially preventable conditions, to be discharged from the hospital early after birth, and to have an increased risk of adverse outcomes after birth. A December 2001 Study reviewing 1999 California data found that 77.6% of children with private coverage had visited a doctor, and 85% had visited a dentist, with similar results for children publicly covered, but among uncovered children, only 44% had ever seen a physician and only 45% had ever been examined by a dentist

Causes of Death. For children to age 4, the leading causes of death are accidental suffocations, intentional assaults/homicides (especially those involving abuse and neglect), motor vehicle accidents, and accidental drownings. For children 5 to 15, motor vehicle accidents, intentional assaults/homicides (especially those involving firearms), and accidental drownings head the list. For youth 16–20, causes shift markedly to intentional assaults/homicide (especially those involving firearms and knives) as the leading cause, followed by motor vehicle accidents and a particularly tragic 140 suicides .

B. Account Spending

Tobacco Settlement Fund. The civil unfair competition complaints here settled have to do with misleading ads and nicotine addiction practices of the defendants. However, as noted above, most of the Fund will be consumed under the May 2002 Revise to finance a $4.5 billion bond at a 22-year cost of $7.9 billion—all to relieve the general fund of a part of its shortfall over one year. These funds are properly expended on behalf of the victims for addiction related purposes first, and health purposes secondly. The May 2002 Revise uses all of it for general fund relief and cut the most legitimate program it would fund—$35 million for youth anti-smoking education.

12 Major Child Health Cuts—$3.1 billion. The proposed 2002–03 the budget will cut child health far more than previous reports have inferred. Measured against what was previously provided, and promised by 2003, the budget will be $3.067 billion short—a profound retreat for a state with record projected personal income. The reduction comes from 12 accounts or areas, which the Children's Budget itemizes. The public disinvestment here is not of cash benefits or any service amenable to abuse, but to child medical care.

Reductions include: (1) Medi-Cal Reimbursement to Physicians ($249 million); (2) Increased Medi-Cal Co-pays ($7.7 million); (3) Reinstatement of Quarterly Reports to Reduce Coverage ($311 million); (4) Low Income Parents in Healthy Families Delayed Until July 2003 ($657 million); (5) School Lunch/ Food Stamp Express Lane Medi-Cal Delayed to July 2005 ($51.6 million); (6) Cancellation of Media Advertising Cancellation for Healthy Families Enrollment Plus Media Cancellation for Youth Anti-Smoking Campaign ($53.6 million); (7) Section 1931(b) Medi-Cal Program Expansion Rescission ($184 million); (8) Medi-Cal Optional Benefits Elimination ($526 million); (9) EPSDT Reductions ($65 million); (10) Reduction in County Medi-Cal Administrative Funding ($176 million); (11) Reductions in Infrastructure Support ($86 million); and (12) Direct Federal Assistance Cut to Hospitals Serving Poor and Uninsured ($700 million).

The Solution: *True Presumptive Coverage*. The proportion of the state's children not eligible for public coverage: 2.4% are ineligible immigrants, and 3.3% are not eligible at a coverage limit of 250%—a 5.7% total. If coverage is to 300% of the line, the ineligible total (including immigrants) falls to 4.1%. The current approach includes 17 separate programs scattered through 6 largely uncoordinated agencies, each with its own applications, qualifications, and barriers. One family could have three children and a parent, each in a different program, with all required to change the following year. The barriers are set up to keep 4.1% to 5.7% of the state's children from receiving medical care at public cost. The cost of their coverage is less than the state spends to filter them out.

"Presumptive coverage" denotes "express lane" qualification for Medi-Cal or Healthy Families based on school lunch, food stamp or other program participation [being delayed past 2002–03 in the proposed budget]. But *true presumptive coverage* operates on a different principle—when those who are ineligible are small enough in number—it shifts from barriers to inclusion, with the *post hoc* identification of those who should pay. All children are under a public health umbrella. Co-payments remain, but premiums are not required. Where a single child incurs heavy expenses in a given year (*e.g.*, over $1,000), parents earning above 250% of the poverty line will be assessed part of the cost on a sliding scale.

The results of this approach would be: universal coverage, full use of federal money for its intended purpose (child coverage), efficiency, simplicity, and enhanced child health. The long run cost is likely to be less than the tenaciously pursued present alternative of laborious sign-ups, reviews, premiums, approvals. Already, two counties (Santa Clara, San Francisco) are providing similar coverage, but only the state can do it inexpensively and with full use of federal money (much of it available on a 2–1 basis). Instead, the state hopes to capture the money by covering parents—delayed to 2003–04 to save general fund money (even at a 2–1 match) in the hope that the Congress will grant an extension to 2006 or beyond to allow rollover of unspent federal funds. While children will benefit from parent coverage, the state can capture all of the federal money without risk of loss (and perhaps with remaining sums for parental coverage), by decisively shifting to true presumptive coverage.

The *Children's Budget* also recommends a system of tax credits to employers who cover children of their employees who are under 250% of the poverty line at a portion of their cost to minimize "crowd out"—the danger of employers dumping coverage for its public subsidy pick-up. That danger is greatly enhanced with parental coverage, and hence should accompany parental expansion in particular.

Chapter 5: Special Needs

A. Condition Indicators

Disability Incidence, Over seven hundred thousand children in California suffer from some type of disability.. The incidence of disability is more than four times higher among incarcerated youth, with almost half of them suffering one of four listed problems, and with 20% diagnosed as Severe Emotional Disability (SED).

Learning Disabilities. About 4.2% of the state's children have learning disabilities. The seven most prevalent categories for the 650,719 special education students enrolled in California public schools are as follows:

- ◆ specific learning disability — 53.6%;
- ◆ speech or language impairment — 25.4%;
- ◆ mental retardation — 6.3%;
- ◆ emotional disturbance — 3.4%;
- ◆ other health impairment — 3.2%;
- ◆ orthopedic impairment — 2.2%;
- ◆ autism — 2.2%;

Autism. The autism increase data remains alarming, with double digit increases each year since 1994, when a state survey found 5,281 cases, rising to the 2001 level of 14,777, and now projected for 2002–03 at an extraordinary 22,906. The new budget proposes an additional $17.2 million for children with autism

Causes. Among known contributors are undernutrition, fetal drug injury, fetal alcohol syndrome, lead or other environmental contaminant, lack of prenatal care, low birthweights, and genetics.

B. Account Spending

Continuation and Increases. Children should benefit from the continuation of CAPI coverage at $61 million for immigrants denied SSI federal coverage. The proposed budget also continues the increases for the Department of Developmental Services for the seriously disabled, 40% of whom are children. And the budget continues substantial spending for special education. Finally, the Governor added $133.7 million for EPSDT compensation.

Reductions and Threats. Countering these commitments are numerous negatives for these vulnerable children, including:

◆ diversion of $135 million in federal funds directed by the Congress for (federally mandated) special education programs to general fund reduction;

◆ the rescission of 2000-01 Medi-Cal rate increases for psychiatrists and psychologists,

◆ the abolition of the important System-of-Care program,

◆ no SSP COLA to match a small federal COLA, which means a highly vulnerable population will receive a 1.34% benefit increase in January 2003, not matching rents and other costs;

◆ continued exclusion of children from SSI benefits based on welfare reform adult-centric qualification, without state fill-in for those barred federally,

Little Hoover Commission Report. The Little Hoover Commission released a detailed report on child mental health and the state response in October 2001, with 19 pages of recommendations. The Governor's budget proposal for 2002–03 would implement none of them, and some provisions would exacerbate identified problems. For example, the Report finds far too few professionals in the mental health field, and an annual turnover exceeding 30%. As noted, the Governor's May Revise rescinds their small and overdue 2001 Medi-Cal rate increase.

Chapter 6: Child Care

A. Condition Indicators

Demand vs. Capacity. The Child Care Resource and Referral Network estimated in 2001 that only one slot at a licensed child care center or family child care home exists for every 4.6 children with working parents. Short supply is particularly stark for Los Angeles County (with supply only at 17% of demand) and for infant care throughout the state (statewide, just 5% of licensed center slots are for infants). These calculations are made apart from the additional numbers of TANF recipients required to work and guaranteed child care availability by federal law.

Shortage Type/Location. A breakdown of supply shows a particular shortage of child care center capacity. Only 19% of California children are so accommodated, half the rate of Alabama, Mississippi, and Minnesota. Capacity of all types—centers or family day care is lowest in urban centers where demand is increasingly the high. Those children remaining in "parental" care is highest in California, at 30%. The state has a high percentage of children cared for by relatives—as available, and among the highest rates in the nation in "latchkey kids"—dangerously left home without adult supervision.

Cost. A single parent earning minimum wage, with one child in full-time child care, would have to pay approximately 47% of her wages for licensed child care. A family of one mother working full-time at minimum wage with two children under five (infants or preschool) will earn—after Social Security and other deductions—about the same amount as her child care will cost. One infant will cost 75% of the mother's take-home pay; two children over six will leave her with $3,000 per year in net earned income.

Current Groups Getting Help. In general, two substantial groups of children receive meaningful child care subsidies: those whose parents are receiving or recently received TANF payments, and four-year-olds given pre-school assistance.

Need. The total additional funding needed to enable impoverished parents to work in realistic numbers to above the poverty line is $1.75 billion beyond current amounts, and $1.65 billion above amounts proposed for 2002–03, as discussed below.

B. Account Spending

Governor's Child Care Reform Proposal. The Governor's January Child Care "Reform" proposal was suspended in his May Revise, to be re-advanced later. The reform primarily redistributes child care help. A smaller amount each is given to more people, and fewer former TANF parents will receive help (a population with many demonstrably needing such help in order to work and who have received some public investment to facilitate that employment. The overall proposal would increase after-school programs by $30 million, with an overall increase of $150 million, or 4.9%.. Except for the after-school increase, the budget would hold actual spending about even with population and inflation change.

The Governor's plan includes five troubling features beyond the lack of financing, as follows: (1) it reduces eligibility for subsidized child care from 75% of the state median income to 66% to 60% (depending on the county of residence); (2) it removes coverage for those 13 year old children currently eligible (CalWORKs already excludes them), (3) it requires substantially higher co-pay fees to receive help—such co-payments would be imposed on a mother and two children making only $850 per month. A family with three children in child care in a high cost county would be asked to pay almost $993 per month, or 34.7% of a family's income, (4) child care providers would be required to assess the fees—putting them in the direct position of collection or denial of care; (5) amount of assistance has been based on a county by county survey of market charges—with 93% of that level set as the maximum; the Governor's reform would substantially reduce that maximum to the 75th percentile. This would require either co-pays beyond the scheduled increase, or child care provider absorption of lower revenue. The result is likely to be further supply constriction for these children, as occurs when Medi-Cal rates drop too far below market levels.

Revised Child Care Proposal. The final administration child care funding proposal is similar to current spending for 2001–02, with one major augmentation—$75 million more for after-school programs able to serve 79,000 more children. It fully funds Stage 3 child care (covering TANF parents now working into a third year of employment. Based on his budget documents, it is unlikely the Governor will propose a fourth year of funding for Stage 3 parents in 2003–04.

It is unclear how the static sum proposed relates to the theoretically required entry of 200,000 TANF parents into CalWORKs with last resort public employment and child care specified in applicable law.. Instead, the May 2002 Revise includes two reductions from the current year numbers—a Stage 2 child care subtraction of $85.9 million based on anticipated caseload reduction for an estimated 21,400 children whose parents will reach the end of their five year period for allowable assistance and will be dismissed from public service employment. The Budget does not discuss what will happen to these children absent employment, child care, and TANF safety net help.

School Based Care Expansion. The proposed 2002–03 budget increases spending by $75 million to a total of $163 million for school based child care—a total capable of serving 176,000 children. However, note that $30 million of that sum is actually a carryforward of current year grants that were suspended—the actual increase is $45 million. The May Revise finances $41 million of that augmentation from federal 2002 No Child Left Behind Act.

After School 2002 Initiative. The After School Education and Safety Program Act will be placed on the November 2002 state ballot. Sponsored by actor Arnold Schwarzenegger, the initiative would eventually allocate $430 million for after school programs in elementary and middle schools. The money source would be an assured portion of natural revenue growth starting in 2004. The measure skillfully avoids the supplantation danger that undermines much well intentioned child related special funding.

Child Care and the Working Poor. Beyond the problem facing TANF parents employed after 1998 is the larger question of the working poor who theoretically are vulnerable to TANF entry, and who need some help to push past the poverty line. The amount available to the working poor, and necessary to realistically lift over 2 million California children above the poverty line is insubstantial. The Governor's reform proposal asks a legitimate question: Why should a person who received TANF be assured child care indefinitely, while a working poor parent who has refused public assistance and has lower income and greater need is denied. But the proposal's assumption is that a static amount is available for child care which must be divided between competing parents.

Instead, child care for the working poor, whether former TANF recipients or not, should be balanced against all spending and tax expenditure decisions. Should more be invested here or for prison guards? Or even within child accounts, here or in $1,000 bonus checks for all children scoring in the upper 10% in standard tests?

Child Care Regulation/Safety. The General Accounting Office's national review of state child care safety and health regulation found California's performance near the bottom of the nation. It carries the 4th smallest inspection staff per licensed facility in the nation, with a 249 caseload per inspector. National standards advise 75 facilities per staff; California would have to triple its staff to comply. It is one of just six states which have "non-expiring licenses," requiring no renewal whatever without limitation. Its frequency of visits per year for compliance was "less than one every two years for family day care, and once a year for Centers," less frequently than any other state. California requires the inspection of dog kennels annually.

The Governor's May 2002 Revise adds only a 3% adjusted increase, with the number of licensees increasing well above population adjustors.

Child Care Quality Value. Recent additional evidence has been presented during 1999-2001 concerning the deleterious consequences of latchkeying children and the advantages of high quality child care. A typical study found kids in high quality care were 33% less likely to be arrested and 41% less likely to be arrested for a violent crime, and 20% more likely to finish high school *vis-a-vis* control groups. The study conclusion: "Participation in an established early childhood intervention for low-income children was associated with better educational and social outcomes up to age 20 years."

Child Care Compensation. A University of California at Berkeley study focusing on California reported that salaries for child-care teachers averaged $24,600 per year, with a downward trend against inflation over the last six years. Only 24% of teaching staff employed in 1996 were still on the job in 2000, more than half of the centers reporting turnover last year had not replaced the staff they lost, when teachers leave a center about one-half leave child care work entirely, and wages for teachers decreased 6% adjusted for inflation since 1994.

Child Care Quality Spending. Spending for child care quality has not been driven by need or program efficacy, but by the federal requirement that minimum general fund monies be so committed. California does not provide substantial funding beyond that minimum.

Child Care Tax Credits. California's new child care tax credit is a potentially important asset for children—particularly since it is a refundable credit—the most important feature of a tax credit for impoverished children. However, its design does not focus on the children most in need. It extends in substantial measure to parents earning above $50,000 per year, even up to $70,000. More important, it compensates families for no more than 10% (perhaps up to 15% in 2002–03). The catch-22 is that those who cannot afford the considerable 85% to 90% remaining are unable to use any of the benefit.

Chapter 7: Education

A. Condition Indicators

Education Correlation with Success. The educational level of children strongly correlates with their future economic success. In 1998, a male high school drop-out earned a median salary of $16,818 annually; a female earned $8,861. A male high school graduate earned a median of $25,453 per year; females earned $13,407. A male with a bachelor's degree earned a median annual salary of $41,949; a female earned $26,401.

From 1979 to 1998, real wages among California men who lack a high school diploma fell 34%, while women fell 21%. Only those who had "some" college gained in real income from earnings—men with advanced degrees enjoyed a 27% earnings rise and women a 39% increase in constant dollars between 1979 and 1998. The future will bring even tighter correlation as higher education will be necessary for employment—given the evolving international labor marketplace where the American niche is technical services.

Attendance. California's current K–12 public school enrollment stands at 6.14 million children, an increase of 28.7% since 1989–90. Private and religious schools educate another 650,000 children.

Ethnic Composition. In 1967, white students made up 74.7% of California public school students with Latino children at 13.9%. Currently, the white proportion at is 34.8% with Latino children now at 44.2%, over three times the proportion a generation ago, and now the largest ethnic group.

Language. Currently, 35% of the children in California public schools do not speak English as their first language; the national average is 13%.

Special Education. California has 650,719 special education students, 10.8% of total enrollment, a record but now leveling high.

Drop-outs. The 1990 drop out rate of 20.1% fell to 11% by 2001. California's high school graduation rate was recently ranked 37th among the 50 states and the District of Columbia. In 2000–01, African American and Latino rates, although down from 1986 levels, remained at 19.1% and 15.0%, respectively, more than double the 6.7% white rate. Moreover, some experts believe that "cohort graduation rate" is a more accurate measure of drop-out impact, *e.g.*, the percentage of ninth graders who graduate in four years—the percentage who do not (notwithstanding social grade promotion) stands at a disturbing 33.3%.

Class Size. Research indicates a correlation between class size and teaching efficacy. The Tennessee study indicated that classes of 14 to 17 students show marked test result improvement. The number of California students per teacher increased from the 1987–88 school year to record levels in the mid-90s. The state had the second largest average classroom size in the United States until 1996–97, when then-Governor Wilson budgeted funds to lower class size to 20 students per certificated teacher in kindergarten through third grade. After the first year and one-half of the Davis Administration, and little class size reduction effort, California again moved back to last place . The proposed 2002–03 budget will likely move the state further into last place, increasing the margin below the national average to more than the present 6-plus students per class.

Staff Support. Support staff includes district officials, principals, instructional coordinators, guidance counselors, school and library support staff, instructional aides, and school nurses. California's average is one staff person per twelve students, ranking it 50^{th} among the 50 states and the District of Columbia. Areas where California's deficiency are most marked are: guidance counselors (U.S.—1 to 512 students; California—1 to 1,082); and librarians (U.S.—1 to 882 students; California—1 to 6,179).

STAR Test Scores. The nationwide STAR test scores of California students show consistently poor results. Of special concern is an over-all performance collapse in the high school years. In reading, California students move from close to the nations average through 8^{th} grade to the 34–37 percentile nationally in high school. In math, they move from well above the national average through 6^{th} grade, to the average in 7^{th}–9^{th}, to below the average in 10^{th} and 11^{th} grades. This collapse in scores is not solely the result of LEP student influence—in fact, the LEP students exist in much higher numbers in the lower grades, with the smallest percentage currently in high school.

The New California High School Exit Examination (CAHSEE). In early 1999, the Legislature approved required testing for graduation (high school diploma) starting in 2004. The examination was given on a voluntary basis to 370,000 9^{th} graders in the Spring of 2001 (78% of those enrolled). The results were alarming, only 25% of the freshmen scored above 70%, the presumed "pass" level. In June 2001 the State Board of Education relaxed that presumed pass level to 60% on the English portion and 55% on the math part to receive a high school diploma. Even with that lowering, only 34% of the state's ninth graders passed both parts.

The STAR and High School Exit results commend middle and high school class size reduction—and teacher qualification and training state investment. It is not meaningfully proposed for 2002–03.

The Legislative Analyst released a report in 2001 analyzing California's academic preparation for higher education, and concluding: "unpreparedness is persistent and pervasive," concluding that "almost half of regularly admitted state college (CSU) students arrive unprepared in reading, writing, and in math."

Higher Education Opportunity. California offers relatively low tuition for its community colleges and university systems. But opportunity is limited by enrollment capacity. The number of high school graduates is projected to rise more in California over the next decade than any other state in the nation. The state is moving toward more year-round programs, and has scheduled the opening of a new UC campus at Merced for the Fall 2004. But the population bulge of 14- to 18-year-olds means that the proposed 2002–03 higher education slots are fewer per student than they were in 1990—at a time when the changing international economy requires higher education for a higher percentage of youth.

The volume of applications in 2002 for the 2002–03 school year reflects the beginning of the "Tidal Wave II" bulge with more than 30,000 additional applications beyond previous years arrived in the beginning of 2002 to the UC system. UCLA reported almost 45,000 freshman applications, with substantial increases reported at UC Berkeley, UC Davis and UC San Diego in particular. Only about 25% to 30% of those applying will be admitted. Fewer than one in ten who apply will enroll. The same pressure is now evident at the CSU system. San Diego State, for example, reported in May 2002 an increase in applications of 12% and a decrease in those admitted of 11%.

B. Account Spending

Adding $1.1 billion to FY 2002-03 by Delaying June Bills. The Governor's May 2002 Revise moves a large sum from the present year to the proposed year, largely by delaying paying $1.1 billion in June bills until July—the start of the 2002–03 fiscal year. This allows the claim of a major increase in the proposed year to an artificially inflated $7,186 per student. The movement is intended to transfer sums above the Proposition 98 minimum in the current year (an excess over the constitutional minimum the Governor had boasted about in 2001) to meet the 2002–03 required minimum (which it may fail to do in any event). The current year 2001–02 budget is moved down $1.9 billion and $848 million is added to 2002–03. Overall spending for the two years is reduced $1.1 billion. The shift also allows the Governor to claim disingenuously that he “increased spending per student by 8.6% from 2001–02.

Substantial Waste. The Governor offers $10,000 bonuses to teachers who earn “national certification” and adds $20,000 over four years for teachers who work in low performing schools. Some districts add further public monies, with $5,000 offered annually by some districts—and amounting to $80,000 over the life of a “Board Certificate.” The number seeking such certification as of March 2002 increased to 1,303, up from 131 three years ago. Is the expenditure of such sums appropriate to yield such a small number of teachers with a national certificate attesting to their teaching ability? Is it large enough to contribute meaningfully to equality of opportunity—given the overall disparity in faculty quality between the wealthy and the impoverished?

Similar questions apply to the $257 million expended last year for bonuses to teachers and staff where the API increases modestly, which turns out to be relatively easy in the small, suburban schools of the upper middle class. As discussed above, less than 10% of that amount is directed to bonuses for new high quality teachers in the low performing schools. The total expended for these rewards to teachers and staff to proposed 2002–03 now exceeds $1 billion.

Notwithstanding this investment, the late 2001 Stanford 9 test scores (determining API) yielded a much lower percentage of schools reaching the modest improvement required—48% of schools qualified, compared to 69% in 2000–01. One-third of the low ranking schools that met their targets last year failed to do so in the current year.

A most apparent example of waste is the “Governor’s Scholar Awards” of $1,000 to all students scoring in the upper 10% on standardized tests—regardless of need. The test takers have incentive to score well without the receipt of bonus money. The $118 million per year is here expended on youth who will attend a university system already highly subsidizing tuition, a population generally wealthier than the mean, and bound for relative wealth.

Lack of Scale. Where meritorious, investment lacks effective scale. For example, the Governor’s total new education “teacher quality/supply” and “accountability” spending over the last four years seems impressive at $2.6 billion , and $1.88 billion respectively. They total 2.5% of the K–12 education budget over that period. The largest direct infusion was theoretically doubled to $400 per student to aid a school that tests low. However, that investment has been delayed and when restored will amount to another 6% to the budgets of those schools—available in a voluntary program many schools eschew. If participating, it is unclear how another 6% can turn a school around. The sanction of state takeover where improvement fails has been softened—partly to avoid the high costs of takeover and the difficult personnel changes and investments needed to change outcomes.

Equality of Opportunity. On May 17, 2000, the American Civil Liberties Union (ACLU), Public Advocates, Inc., and others filed *Williams v. State of California* in Los Angeles County Superior Court on behalf of 70 named plaintiffs and the class of students attending eighteen schools throughout California. It is the second such suit filed within the past two years by the ACLU, and the most substantial such case to be filed since the 1970s, alleging a statewide pattern of educational deprivation betraying the *Serrano* holding. But unlike *Serrano,* the suit does not focus on equivalency, but on the failure to provide minimum levels of educational opportunity, including breach of existing standards which are allegedly honored in the breach. The suit contends that courses, physical plant, instructional materials, and qualified teachers are not provided to the high minority schools. The case is buttressed by a report from UCLA Law Professor Gary Blasi presenting evidence of failure to provide textbooks, sanitary facilities, no libraries, inadequate heating/cooling, and 3,400 classrooms fashioned out of gymnasiums, et al. Other studies from 2000 to 2002 provide additional evidence, including a stark discrepancy in the proportion of qualified (certificated) teachers in low income schools, and a failure to lower that disparity.

Diversion of State General Fund Proposition 98 Funding to Other Accounts. As the discussion of accounts in Chapter 2 (CalWORKs training), Chapter 4 (health), Chapter 5 (special needs), Chapter 6 (child care/development) catalogue, many child related programs are cut with the explanation that subtracted monies will be picked up by "Proposition 98" funding. This reference refers to the assignment of Proposition 98 education funds to supplant previous general fund spending for the enumerated purposes. The need for that supplantation is driven by the failure of the proposed 2002–03 budget to meet the Proposition 98 constitutional minimum without counting more state spending under its rubric. Since the general fund is under pressure, it is thus relieved by subtracting previous non-education funding and replacing it with funds from this account—accomplishing dubious compliance with the Constitution and effectively reducing child related spending.

Diversion (Supplantation) of New Federal Funds. The Governor specifies in his May Revise that the $738 million from the 2002 federal No Child Left Behind Act will not add resources for children as the Congress intended, but will reduce previous (and originally budgeted in January for 2002–03) state general fund child spending.

Overall Investment Commitment. One measure of state spending per pupil placed California in 1999 as high as 29th. However, its actual current year and proposed level of approximately $6,900 (however divided between the two years) will move the state back into the bottom third again nationally. Other major states, such as New York and New Jersey, spend over $10,000 per pupil.

New Federal Commitment. Although advertised as a high priority, federal education help has consisted of "accountability" principles without serious new financial support. The new money thus far amounts to an adjusted 2.9%. Actual increases nationally amount to $1.3 billion, just over 1% of the annual new tax benefits provided in 2001 for wealthy, middle class, elderly and business interests. Those 100 fold greater benefits are locked in until at least 2011.

Higher Education. The Governor proposed a special new covenant with the UC and CSU systems, if they meet certain standards, he will guarantee certain funding increases. Two years into the plan, the Governor has breached his part—proposing increased spending by less than 1%, and in his May 2002 Revise subtracting $212 million, for a raw number decrease of $130 million—an adjusted cut of 4.5%.

Chapter 8: Child Protection

A. Condition Indicators

Abuse Incidence. Of the 666,497 child abuse reports received in California during 2000, 35.9% involved general neglect, 21.3% involved physical abuse, 12% involved a child at-risk due to the abuse of a sibling, 10.6% involved sexual abuse, 8.8% involved emotional abuse, 6.6% involved an absent or incapacitated caretaker, and 2.5% involved severe neglect. In general, the number of mandated reports have declined by about 5% over the last five years. However, the cases have increased somewhat in severity and in meritorious findings. By inference, actual abuse remains close to its historical high.

PRA and Desperation. The Governor's 2002–03 budget projects a $92.6 million savings "due to recipients reaching the 60 month CalWORKs time limit beginning in January 2003." That amount projects to a cut-down to below 50% of the poverty line for 26,000 families involving 52,000 children.

Foster Care Population. The overall population of children in foster care has doubled from the late 1980s, from approximately 50,000 to the current number of just over 100,000.by the middle 1990s. The leveling that has occurred over the last six years is partly the result of increased "family preservation" response (not removing children) and an increase in “family reunification” (remove and then return.) Both trends have lowered numbers of children in foster care, but may signal reduced protection rather than lower need. Notwithstanding the recent leveling, the Little Hoover Commission projects actual foster care population to rise to 167,456 by 2005.

Family Foster Care Supply. The supply of foster home placements for children is lower than it was in 1985—with the foster care population doubling since. This non-institutional “family foster care” is the most likely to lead to adoption (the source of almost 80% of foster child adoptions). The group home public cost per child is more than seven times costlier than family foster care and has increased from $3,400 per child/month in 1990 to $5,100 in 2001 as adjusted, while family foster care compensation has gone from $662 to $660 over the same period.

Ironically, the budget provides a cost of living increase for group homes, while denying it to family foster homes, further distorting financing equities and continuing the trend of family foster care undersupply. That pattern is particularly frustrating for child advocates who point out that increasing family foster care rates and supply will put more children in placements at one-fifth or less the current group home cost, with greater adoption possibility. Hence, over a three or more year period, such increases will accomplish substantial savings. However, the Governor and legislature are preoccupied with immediate year impact.

Adoption. Although a substantial percentage improvement, the actual numbers of adoptions accomplished by the “adoption initiative” are modest. They amount to less than 20% of the population that would benefit from adoption. In the two years following the initiative, rates have fallen again, and 2001 adoptions appear to be low. The basic barriers to adoption remain unabated—stultifying, incomprehensible paperwork and delay. At the same time, the private adoption market is endangered by a lack of regulation, strong incentives to facilitators to close adoptions and to make promises consistent with that end.

Foster Care Drift. One study of children leaving foster care described the foster care termination population (those freed for adoption) as follows: “Children entering care as infants were clearly more likely to be adopted within four years than older children, and very few children who entered care when they were older than five were adopted.” Older children exit from the system three ways: 20% run away, 17% achieve legal emancipation by the court (usually after having run away as well), and the remainder reach the age of 18 still in the foster care system, exiting by virtue of achieving majority. Their experience in the foster care system will sometimes be loving and supportive, but will often involve “foster care drift”—movement from one foster care provider to another, with over three such moves the average. Too many of these children are vulnerable to “detachment syndrome” psychological damage —they are deprived of the most important thing for a child—a devoted, reliable parent.

Emancipation from Foster Care. Helping foster youth transition to independence at the age of 18 has become politically popular. New funds are promised from federal and state sources. But the scale is insufficient given the population and need. The optimistic amount available for living expenses from state and federal accounts promised will provide about $250 per month. For many emancipating youth, such a sum may not be of any effective assistance at all for vocational, college or other higher education. If one must earn $400 to $700 per month for rent, another $180 per month for food, $150 per month for utilities and other essentials, assistance of $250/month may still not allow higher education opportunity. TANF assistance for these youth before the age of 18 is $520 for a mother with one child, plus $150 in food stamps. These now emancipated youth are not eligible for such aid unless they have children themselves.

It is difficult for most adults who come from homes and families to be fully aware of the reality facing someone who is about to turn 18 years of age and has been told to leave a group home or other caregiver. There is no home or family to fall back upon. No room and board continuation. There is little safety net, and none that would allow deferral of full-time immediate work—on the disadvantageous terms available to an 18 year old lacking higher education. The help that a responsible parent provides for a child of 18 remains missing from the state (and federal) budget for these "children of the state."

Caseloads. The Governor's proposed 2002–03 budget responds to the well documented problem of excessive caseloads for child protective service workers by allocating an additional $30.4 million in funds beyond current year levels to "maintain higher social worker staffing levels." The increase adds to the first increment for such caseload reduction provided in the current budget of $100 million. The $130 million increase over two years was not canceled in the May 2002 Revise. However, the same May Revise will strike 20% from all county administrative funding relevant to social services. In particular, it will require the lay-off of 221 foster care workers, 126 local staff working on adoptions, and 420 child welfare service social workers. Caseloads will not decrease. The cuts will save $91.9 million in general fund obligation and with pay increases over two years, will substantially blunt caseload reductions all agree are important to child protection.

Suspense File Graveyard for Foster Child Legislation. During 2000–01, over 25 measures relevant to abused children and intended to tackle some of the grossest deficiencies in the state parental role for 100,876 children were terminated by the "Suspense File" method—where bills involving spending go into the Appropriations Committee, are put into the "Suspense File" and then require an affirmative vote to remove for approval. If there is no vote, the measure is killed by default—without public vote or accountability.

On April 17, 2001 the Democratic leadership of the Assembly publicly announced a coordinated package of foster care related legislation. They pledged $330 million in resources to rectify deficiencies across a spectrum of problem areas, and identified thirteen bills as part of their coordinated high priority program. Although a powerful combine, the final amount was reduced to $18 million for transitional living expenses for emancipating youth. Then the May 2002 Revise of the Governor announced the deferral of "county implementation of the Supportive Transitional Emancipation Program." Legislation pending in 2002 promises virtually nothing for these children. The two measures killed in Suspense with no negative votes of the greatest importance to emancipating foster children were:

- **AB 557 (Aroner)** authorizes and stimulates local recruitment of more family foster care providers, recognizing the current supply shortage.
- **AB 1330 (Steinberg)** increases rates for family foster care providers, sets up a certification system with a compensation augmentation, bans the designation of children as "unadoptable," and establishes a state office dedicated to the enhancement of both supply and quality of family foster care providers.

B. Account Spending

Child Welfare Services (CWS) Spending. Notwithstanding the two caseload reduction increases mentioned above, overall spending is down as proposed for 2002–03 by an adjusted 2.6%. This decline does not include the momentous impact of the Governor's May 2002 Revise proposal to strike 20% from all county administrative funding relevant to social services described above.

Adoption Assistance. Budgetary totals for adoption assistance have run above inflation and child population increases since 1989, and will continue to represent real spending increases as proposed. Because this is an entitlement account, not all of the increases in spending reflect budgetary priority, but rather the qualification of larger numbers of children for this special needs based assistance. The proposed 10.9% adjusted increase for 2002-03 was cut by $9 million in the May 2002 Revise as the Governor eliminated the Cost of Doing Business Adjustment (a form of COLA). More serious is the general 20% reduction proposed in the May Revise to eliminate 71 local adoption staff, as noted above.

Federal Investment. As applied to California, most federal child welfare spending has been cut from 1998 as adjusted. The major exception is Adoption Assistance. Most accounts are scheduled for static raw number spending, effectuating a 20% per child constant dollar spending from 1998 to the federal 2002 fiscal year, and 24% from 1998 to proposed fiscal 2003. The marriage incentive, prisoner children mentoring and education voucher program for emancipating youth make up the major federal increases for 2003 as proposed. Stimulating marriage, if it means involved fathers and financial support could be valuable, although it is unclear how that goal will be furthered and the administration rejects the single most critical element to prevent unintended children based on available evidence—birth control. The emancipated youth education vouchers of $5,000 are well intended but are confined to tuition, and California already charges minimal tuition. The foster emancipating children of this state need living expenses so they can pay room and board while they go to school.

Chapter 9: Juvenile Justice

A. Condition Indicators

Prison Demographics. California's prisoner population has risen from 19,000 in 1977 to 161,497 in June 2001, and will rise to an estimated 164,623 by June 2007. Although the rate of growth has slowed in the late 1900s, the eightfold increase in imprisoned adults over a single 24 year generation is momentous. This growth is a condition indicator of the preventive and rehabilitative performance of the juvenile justice system—which most adult prisoners experienced

Juvenile Arrest Rates. From 1980 to the present, and contrary to common perception, juvenile arrest rates have leveled. Although not returning to the low rates of the 1960s, they are more than 30% lower than the rates extant from 1972–1980. Most encouraging, felony arrest rates from 1990 track as follows: 1990— 2.9; 1991— 2.9; 1992— 2.9; 1993— 2.9; 1994— 2.86; 1995— 2.74; 1996— 2.65; 1997—2.51; 1998—2.27; 1999—2.01; 2000—1.85.

The raw numbers of juvenile homicide arrests (not adjusting for population increase) fell from 696 in 1991 to 308 in 1998 and to a record low of 160 in 2000. The numbers are starkly disparate from public perception of growing school/youth deadly violence. With youth population growing from 8.9 million to 10.4 million from 1991 to 2000, juvenile homicide arrests fell to less than 1/4 their 1991 level.

Recividism. A CYA study of county probation camps with the lowest recidivist rates identified the following general characteristics predictive of success: smaller living units in rural settings, low occupancy rate, longer stays, emphasis on academic training and work with substantial use of volunteers, uniformity in camp program assignments, youths present at case reviews, and a high staff-to-youth ratio. Youth recidivism is high, but lower than for adult prisoners.

Incarceration Rate. All told, California has 12% of the nation's youth population, but holds 19% of the nation's incarcerated juveniles, at approximately 549 per 100,000 population. The United States has the highest youth incarceration rate in the developed world.

Guns. Youths are able to find lethal weapons easily. A survey of inner-city high school students in four states, including California, found that 22% of the students surveyed had possessed guns. Only 35% of the students surveyed said it would be very difficult to obtain one. There was a gun at home for 70% of respondents, 42% had friends who carried guns, and 45% had been threatened with a gun or shot at on the way to and from school

Media. The seminal Journal of the AMA article on media and violence concludes from a review of all of the literature: "Not all laboratory experiments and short-term field studies demonstrate an effect of media violence on children's behavior, but most do." Moreover, the evidence from longer-range studies is more compelling.

Media studies by independent scholars have found heavy and increasing violence incidence in American entertainment, with the real impact and consequences of that violence to victims and relatives avoided. Over 40% of the violence was initiated by the "good characters." One expert involved in the study concluded that children are taught "that violence is desirable, necessary, and painless." While in elementary school, the average child views 100,000 violent acts (including 8,000 murders) on television.

A recent Children Now Survey of video games found that 89% of the top-selling games contain violent content. It found that killing was not only seen as justified, but that acts of violence are typically rewarded—with victims appearing to be unaffected by their injuries and with no consequences attending massive destruction of those designated for mayhem. More than 3/4 of games designated as "E" – for everyone—contained violent content.

Causes Summary. Apart from cultural influences, one expert summarized the predictors of future delinquency as follows: "[P]ast involvement in delinquency,...drug or alcohol use, problems at school, truancy, early sexual experience,...and association with delinquent peers. Youths from impoverished homes, homes with only one parent or guardian, homes in which one or both parents exhibit some kind of problem behavior such as substance abuse, alcoholism, or mental illness, or homes in which the parents exhibit poor parenting practices are more likely to become delinquent."

B. Account Spending

California Youth Authority (CYA). CYA now faces a major class action suit filed in January of 2002 by the Prison Law Office and three other non-profit entities. The plaintiffs contend that CYA does not attempt *bona fide* rehabilitation of youth in its custody, but instead visits "cruel and unusual punishment," and alleging that guards set-up fights between youth by arranging rival gang interactions, with numerous specific allegations of abuse from over 30 individual cases.

. The Governor's 2002–03 budget includes a $21 million budget cut to this account, but his May 2002 Revise responds to the legal challenge—not by examining its allegations and seeking correction, but by appropriating the considerable sum of $3.5 million "for additional staff and resources to aid the Department with ... discovery and defense".

Prevention. The 2002–03 budget imposes considerable overall reductions from current year prevention spending—in the face of a major Little Hoover Commission Report recommending increased resources and major state governmental reorganization to apply them. Those reductions include the virtual elimination of the Office of Prevention and Victim Services—from $13.6 million to $3.9 million.

Office of Criminal Justice Planning (OCJP). OCJP has many of the state's juvenile delinquency prevention accounts. They have been cut 44% from 1989, and were cut another 3% for 2002–03—then the Governor's May 2002 Revise imposes an additional $28.6 million reduction, including a "50% reduction" (amounting $19.4 million) on all local assistance grants. Given the scale of current spending for children ($62 million), the additional cut would be a momentous retreat from prevention investment.

Federal Investment. The President's proposal for 2003 includes the Promoting Safe and Stable Families program—which increased from $305 to $375 million in federal fiscal 2002 and is proposed at $505 million for 2003. He proposed a new $60 million program of education vouchers for emancipating foster care youth, noted above.

Administration funding proposals are not meaningfully to scale and are more than offset by reductions. Major cuts as proposed at to the Juvenile Accountability Incentive Block Grant, and the President would divert $75 million from this account to pay for a new gun trigger lock program ("Childsafe"), reducing funds for local allocation by $158 million in 2003. In addition, the Discretionary Grants (Part C of the JJDPA) would be cut by $48 million.

Balance and Consequences. Total state adult and youth corrections/law enforcement spending is currently budgeted at $8.2 billion for 2002–03, excluding construction costs. The total state budget for prevention is approximately $120 million, 2.2% of that total. The Senate Office of Research recently estimated that the cost of criminal violence in California, including court costs, medical care, and lost job productivity totals $72 billion per year, 600 times direct state spending on juvenile crime prevention.

California Children's Budget 2002–03
Child Advancement Fund & Recommendations

Recommendation	Estimated Cost (General Fund) $ in millions
Chapter 1	
Recommendation #1. Create a Child Advancement Fund	(see below)
Recommendation #2. Pilot projects and initiatives should sunset in five years, and 2%–5% of monies allocated to each should be earmarked for independent performance audits	$0 *(allocated among affected programs)*
Recommendation #3: Address revenue volatility with an income averaging approach	$0 *(partial assessment of future revenues)*
Chapter 2	
Recommendation #1. Fund a massive and continuing public and school-based education campaign on the right of a child to be intended, planned, and saved for by two parents	$220
Recommendation #2. Provide an assured safety net for children	$593
Recommendation #3. Refine CalWORKs to stimulate meaningful employment	$1,290
Recommendation #4. Give poor children a "lift up" to family self-sufficiency	$1,200
Recommendation #5. Leverage state money prudently, with standards	$0
Chapter 3	
Recommendation #1. Allocate substantial state funds for outreach and start-up of summer school, child care, and other nutrition-related programs involving substantial federal funding	$40
Recommendation #2. The state's outreach must include WIC provision to pregnant women and children to age 5; it should include the recruitment of child welfare services, legal aid, religious groups and charitable organizations to mitigate the damage to developing brains from PRA safety net cut-downs and cut-offs	$7
Recommendation #3. Families leaving TANF rolls should remain presumptively eligible for food stamps for at least one year. Those eligible for Medi-Cal should be automatically enrolled in food stamp coverage	$40
Recommendation #4. The 20% reduction in county administration costs should be rescinded	$101
Recommendation #5: The Food Stamp Electronic Benefit Transfer system (card) should be expanded into a "child protection benefit card" to include coverage for medical care, special needs, and TANF as well as food stamps	$50
Chapter 4	
Recommendation #1. Medically cover all children	$650
Recommendation #2. The "Medi-Cal Managed Care" experiment should be frozen at its current 52% share of enrollees until refined to assure adequate medical care for children—especially cost effective preventive services	$0
Recommendation #3. Substantially increase funding for environmental safety and injury prevention, with particular attention to lead dangers, vision/hearing screening, and dental disease prevention	$60
Recommendation #4. The Proposition 10 State Commission should fund independent legal representation of children before the state agencies affecting the health and development of young children	$0 *(Prop 10 funding)*
Chapter 5	

Recommendation #1. Mental health services for children who need them should be an entitlement under state law	$0 *(in Medi-Cal/ Healthy Families)*
Recommendation #2. Mandate a modified "system of care" approach	$0
Recommendation #3. Vouchers should be fully available to the children of lawful immigrants, regardless of when they arrived	$10
Recommendation #4. Mental Health Services can operate in a managed care setting, if separated from other medical managed care plans and given separate identity and management, and if the guidelines for medical managed care recommended in Chapter 4 are similarly followed	$0 *(part of Medi-Cal/ Healthy Families)*
Recommendation #5. The state should provide attorneys' fees for prevailing special education claimants, free from the restrictions of 1997 federal changes, and from state sources	$10
Recommendation #6. The state should include a COLA for its SSP benefits	$12
Chapter 6	
Recommendation #1. Create a single, seamless child care system on a sliding scale based on income and number/age of children. Alternatively, expand the state's new refundable child care tax credit to provide that sliding scale subsidy.	$900 *(Plus $450 million federal match)*
Recommendation #2. The Department of Education should administer all state child care, which should be given a cognitive development mandate.	$100
Recommendation #3. A state task force should revise the regulation of child care to upgrade its quality, including continuing education and "advanced certification" for providers, with premium rates for providers and centers which meet higher quality standards.	$2
Recommendation #4. Licensed child care providers working full-time with income below 120% of the poverty line should receive a $500/year refundable tax credit. A separate $500/year refundable tax credit should be available to all providers who meet enhanced certification standards pursuant to Recommendation 3.	$70
Recommendation #5. A refundable tax credit of $500 per employed caregiver making more than 120% over minimum wage should be available to centers and family day care employers.	$40
Recommendation #6. The state should allow a tax credit for child care centers amounting to $500 per year for each child (enrolled for a full year) living below 150% of the poverty line for the center.	$180
Recommendation #7. The state should implement a five-year plan of bond investment and tax credit subsidy to provide $3 billion for the construction of quality child care centers in areas of undersupply, coordinated with the provider tax credits of Recommendation #6, an expansion of AB 1542.	TBD
Recommendation #8. The state should triple its regulatory oversight budget for child care from current levels over a three-year period.	$56
Chapter 7	
Recommendation #1. The state should reduce class sizes in all K–12 grades, phased with facility development, to bring California up to no lower than 10th in national per pupil spending average by 2005–06	$2,100
Recommendation #3. Eliminate all awards and stipends unless evaluation verifies their benefit-cost merit	($650)
Recommendation #4. Target Low Performing Schools with Intensive Assistance or Takeover.	$1,200
Recommendation #5. Truancy/Drop out Prevention	$129
Recommendation #6. Parenting Education	$30
Recommendation #7. Technology Competence	$200 *(plus bonds)*
Recommendation #8. The state must immediately test and mitigate lead drinking water levels in schools	$25
Recommendation #9. Community College and Vocational School Monitoring and Expansion.	$1,300
Recommendation #10. UC/CSU Capacity Expansion	$2,000

Chapter 8	
Recommendation #1. Family foster care compensation rates should be increased by 20% and tied to the CNI without budgetary discretion to waive. Compensation should be increased where providers are certified through additional education and qualification, and additional compensation should be provided for any foster care child qualifying for an IEP under the federal IDEA statute	$200
Recommendation #2. Adoption assistance should be allocated without regard to parental income for special needs/hard-to-place children	$10
Recommendation #3. Family foster care supply and quality must be enhanced through (1) creation of an Office of Foster Care Supply and public campaigns to generate applicants, (2) removal of racial barriers to adoption, and (3) diminution of dependency court confidentiality	$16
Recommendation #4. Adoption assistance should be broadened to include non-special needs/difficult-to-place adoptions at a reduced rate.	$40
Recommendation #5. Foster care children reaching 18 years of age should be assisted into employment and independence to age 23, including full tuition and room and board while a student in good standing at a vocational school or college.	$90
Recommendation #6. Prevention spending should be substantially enhanced, including "Healthy Beginnings" and early intervention, education during pregnancy, and other initiatives.	$60
Chapter 9	
Recommendation #1. Spend on Paternal Involvement as a Prevention Strategy	$40
Recommendation #2. Early Intervention and Required Independent Evaluation	$136
Recommendation #3. Truancy Prevention	$0 *(in Chapter 7)*
Recommendation #4. Trade and Higher Education Investment	$0 *(in Chapter 7)*
TOTAL	**$12,557**