



COMMITTEE ON BUDGET & FISCAL REVIEW
Room 5019, State Capitol
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REVISED

**Quick Summary
2009-10 Budget
and
Budget Package Actions**

February 19, 2009

The purpose of this Quick Summary is to provide members and staff of the Legislature with a review of the 2009-10 Budget and related Budget Package Actions. If you have questions, please contact the committee at (916) 651-4103.

On February 19, seven days after final agreement was reached on a Budget Package and five days after the Legislature began voting on the Package, the Legislature passed the 2009 Budget and various related trailer bill legislation. The most significant changes to the original Budget Package were: (1) the many non-budget related constitutional amendment measures – dealing with open election primaries, and salaries of constitutional officers and the Legislature among other

things; (2) changes to the revenue package consistent with eliminating the excise tax on gasoline purchases, and eliminating the personal income tax increase and replacing it with a surcharge; and (3) updating of some of the figures in the various tables consistent with final information provided by the Department of Finance. Throughout this document we have attempted to update various information, we have underlined where significant changes have been added. This document does not, however, take into account any possible Governor vetoes.

Legislative Leaders Craft Budget Solution

On February 12, the leaders of the Legislature concluded their budget discussions and reached a compromise Budget Package agreement that includes: (1) expenditure reductions, (2) tax increases, (3) elements of economic stimulus, and (4) some reforms and efficiencies. The Budget package, as updated, addresses various current year revenue shortfall and expenditure issues, as well as enacts a balanced 2009 Budget Act (meeting the Legislature's constitutional deadline for a 2009 Budget four months early) – in essence providing for 18-months of budget solution for the period ending June 30, 2010. Broadly, the Budget Package includes over \$22.6 billion in expenditure reductions and fund shifts [most notably \$7.8 billion in federal funds that the Department of Finance (DOF) conservatively estimates California can score toward solution consistent with provisions in ABX3 16 – Federal Funds Trigger legislation], approximately \$5.4 billion in borrowing (mainly from securitization of the state lottery), and approximately \$12.7 billion in new revenues. Other elements of the package include: (1) a spending cap contained in SCA 1 or ACA 1 of the 3rd Extraordinary Session – limiting spending to the rolling 10-year trend in revenues; (2) a long-term stability funding mechanism for schools by recognizing \$9.3 billion in funding owed under Proposition 98 (contained within SCA 2 or ACA 2); and (3) a number of measures deemed economic stimulus being addressed in the 2nd Extraordinary Session.

Definition of the Overall Problem

On December 31, 2008, the Governor released his 2009-10 proposed budget. The Governor estimated the overall budget problem as \$41.7 billion – however, this assumed a \$2 billion reserve – by June 30, 2010 absent any solutions to solve the gap in revenue collections and the increase expenditures.

According to the Department of Finance – falling home prices, worsening credit availability, shrinking equity values, and growing job losses delivered a crushing blow to the national and California economies. The outlook for the California economy is for negative growth in 2009 followed by weak growth in 2010, and

better growth in 2011, but that the economy will not likely improve much until credit becomes much more available.

Overall Solutions - \$41 billion

The relative value of the package of solutions for the 18 month period ending June 30, 2010 can be summarized as follows:

- Tax increases and other revenues \$12.7 billion
- Spending reductions and fund shifts \$22.6 billion
- Borrowing \$ 5.4 billion
- \$40.6 billion**

The overall package is also predicated on having a revised General Fund reserve of a little over \$1 billion. In addition, if California receives at least \$10 billion in new federal funds, this would “trigger” the following (1) borrowing is reduced by the amount for a proposed Revenue Anticipation Warrant or RAW – as noted above, DOF has already conservatively estimated that the necessity for RAW borrowing may not be necessary as part of the overall package; (2) spending reductions are restored in the amount of approximately \$947 million; and (3) taxes are reduced by \$1.8 billion.

Summary of Expenditure Reductions. The total expenditure reductions and fund shifts are approximately \$22.6 billion; however, if the “trigger” is pulled this figure is reduced to by \$947 million. Note that DOF conservatively estimates that California, under the federal economic stimulus legislation, will receive \$7.8 billion. Expenditure reductions include (1) real cuts to programs, (2) reductions in spending growth in programs, (3) delays in expenditures, (4) some statutory cost-of-living adjustment (COLA suspensions, and (5) fund shifts. The chart below identifies many of the expenditure reductions and the value of them for the identified fiscal years. A portion of some expenditure reductions may be restored depending on the level of federal funding available to the State.

*Possible Partial Trigger Restoration
(dollars in millions)

| Issue (as of 2/14/09) | 2008-09 Reductions | 2009-10 Reductions | 2-year Totals |
|---|-------------------------------|-------------------------------|--------------------------|
| Judicial Branch* | -- | \$334.8 | \$ 334.8 |
| Proposition 98 | \$5,646.5 | 2,955.2 | 8,601.7 |
| Proposition 98 CY due to change in revenues | 746.9 | -36.1 | 710.8 |
| Higher Education* | 132.2 | 755.5 | 887.7 |

| | | | |
|--|----------------|-----------------|-----------------|
| Corrections | -- | 180.8 | 180.8 |
| Public Safety Savings | 106.8 | -- | 106.8 |
| Health | -- | 208.3 | 208.3 |
| Proposition 63 fund shift | -- | 226.7 | 226.7 |
| Human Services* | 79.8 | 1,176.8 | 1,256.6 |
| Developmental Disabilities Services | 28.7 | 160.2 | 188.9 |
| Proposition 10 | -- | 608 | 608 |
| Public Transit – suspend state funding | 153.2 | 306.4 | 459.6 |
| <u>Employee Compensation</u> | <u>333.4</u> | <u>833.9</u> | <u>1,167.3</u> |
| Delay Local Mandates | -- | 91.0 | 91.0 |
| Statewide Cuts: capital outlay, inflation adj, & debt | -- | 385.0 | 385.0 |
| Senior Citizens’ Property Tax Deferral | 6.5 | 32.0 | 38.5 |
| Caltrans shift Tribal Gaming revenues | 100.8 | 100.8 | 201.6 |
| PTA/MTF shift for HTS | -618.7 | -272 | -890.7 |
| Various Others | 12.5 | 80.4 | 92.9 |
| <u>DOF conservative estimate of Federal Stimulus Funds (via Control Section 8.30).</u> | <u>\$2,842</u> | <u>\$6,776</u> | <u>\$7,779</u> |
| Total | \$9,455 | \$12,230 | \$21,686 |

Federal Funds Trigger. AB 16 / SB 16 contains a new Government Code Section 99030 requiring the Director of Finance and the State Treasurer to meet for the purpose of determining, by April 1, 2009, whether California is the recipient of “additional” federal funds that could be used to offset General Fund expenditures. If it’s determined that the State will receive at least **\$10 billion** in federal funds by June 30, 2010, the Joint Legislative Budget Committee and State Controller are notified of this determination.

This action “frees up” an equivalent amount of General Fund that would (1) be used to eliminate the need for a RAW; (2) \$1.8 billion would lower the Personal Income Tax surcharge by one-half; and (3) the State Controller is then authorized under Control Section 8.30 of the 2009 Budget to restore various levels of funding. Furthermore, any statute change that was required to activate various reductions and tax increases will become inoperative. As already noted, the DOF has conservatively estimated that based on the revised Budget Package and estimates of federal funding, the State will not have to borrow for a RAW.

The following items are “triggered” for possible augmentations that total \$947 million:

- University of California, \$50 million.
- California State University, \$50 million.
- Judicial Branch, Trial Courts, \$100 million.
- Judicial Branch, New Judges, \$71.4 million.
- Department of Social Services, CalWORKs grants, \$147 million.
- Department of Social Services, IHSS, \$78 million.
- Department of Social Services, SSI/SSP grants, \$268 million.
- Department of Health Care Services, Optional Services, \$129 million.
- Department of Health Care Services, Safety Net Pool funds, \$54 million.

Summary of Tax Increases and Credits. The Legislative Leadership and Governor have agreed to various tax increases and credits as part of the overall compromise to the budget shortfall – all these measures will be in either SB 3 / AB 3 (tax increases) or SB 15/ AB 15 (tax credits) in the 3rd Extraordinary Session. The table below summarizes the proposals.

| Revenues (dollars in millions) | 2008-09 | 2009-10 | Total |
|--|----------------|----------------|--------------|
| <u>Sales Tax 1 cent increase</u> (no exceptions) through 2011-12. | \$1,203 | \$4,533 | \$5,756 |
| <u>Increase Vehicle License Fee (VLF) to 1 percent</u> through 2012-13 (if spending cap fails then through 2011-12). | 264 | 1,213 | 1,477 |
| <u>Increase VLF by 0.15 percent</u> for local public safety programs through 2011-12; which saves GF \$600 million (if spending cap fails then thru 2010-11). | 111 | 508 | 619 |
| <u>Reduce Dependent Credit</u> – reduced to level of personal credit for up to four years (if spending cap fails then for two years). | -- | 1,440 | 1,440 |
| <u>Single Sales Factor Apportionment</u> beginning 01/01/11. Change in corporate tax law; includes provisions to prevent manipulation. Revenue loss projected to be \$65 million first year, increasing to a maximum of \$700 million. | -- | -- | -- |
| <u>New Film Credit</u> – Allocations begin 07/01/11. Tax credit subject to budget appropriation, capped at \$100 million revenue loss. | -- | -- | -- |

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|---|----------------|-----------------|-----------------|
| Hiring and Retention Credits effective 2009 and 2010 tax years. Tax credit of up to \$3,000 for new hires in small businesses (20 employees or less). Capped at \$200 million per year for two years only. | -20 | -200 | -220 |
| Personal Income Tax Surcharge – 0.25 percent tax surcharge for four years (if spending cap fails then for two years). However, if federal funds become available under the “federal funds trigger” then the surcharge is lowered to 0.125 percent. For illustrative purposes, this table includes the full 0.25 percent increase. | -- | 3,658 | 3,658 |
| Total | \$1,558 | \$11,152 | \$12,710 |

Summary of Borrowing. The total level of borrowing assumed in the Budget Package totals \$5.4 billion. The major components of this are (a) \$5 billion from the securitization of the State Lottery – the securitization will have to go before the electorate at the next statewide election; and (b) various transfers and loans from special funds totaling approximately \$433 million. As previously noted, the DOF has conservatively estimated that based on the revised Budget Package and estimates of federal funding, the State will not have to borrow for a RAW.

Spending Cap (Constitutional Amendment). As part of the overall Budget package, a spending cap has been included that requires approval by the electorate. The spending cap is a new constitutional amendment that replaces SCA 13/SCA 30 which were passed in September 2008. The new “revised” spending cap includes the following elements:

- Limits spending to the rolling 10-year trend in revenues.
- Amount above the 10-year trend would go into the Budget Stabilization Account (or rainy day fund).
- Funds can be withdrawn from the “rainy day fund” when revenues fall below a current service level of the budget.
- Deposits into the “rainy day fund” include amounts above the trend line, plus the existing three percent currently required (3% of GF revenues).
- 3% annual deposit is halted when the “rainy day fund” is equal to 12.5% of revenues.
- Revenues above the trend line after the “rainy day fund” is full can be used for various one-time spending purposes (thereby possibly providing future GF relief).

Proposition 98 (Constitutional Amendment). This constitutional amendment would make clear that beginning in 2011-12 school districts and community colleges shall receive a total of \$9.3 billion in payments to be appropriated from a specific supplemental education payment account. The constitutional amendment:

- Clarifies that payments from the supplemental education payment account are in-lieu of maintenance factor payments that would otherwise be determined for 2007-08 and 2008-09, as specified.
- Requires that up to \$200 million of the 2011-12 payment for K-12 districts be made for purposes of equalization of revenue limits, as specified.
- Specifies that remaining funds for K-12 districts, after equalization in 2011-12 and annually thereafter are adjustments to revenue limit apportionments.

Proposition 63 – Mental Health Services Act (MHSA). Subject to approval by the voters at a statewide election, utilizes MHSA funds in the amount of \$226.7 million in 2009-10 and up to \$234 million in 2010-11, to support the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program as administered by the State Department of Mental Health. Additional statutory changes are made in the Health Omnibus Trailer bill to improve the use and effectiveness of MHSA funds, consistent with the recommendations of recent audit reports.

Proposition 10 – California Children and Families Act of 1998. Subject to approval by the voters at a statewide election, expands use of Proposition 10 funds for health and human services in state programs for children up to five years of age. Transfers Proposition 10 reserve funds of up to \$340 million but not less than \$275 million on a one-time basis for these state program purposes, and additionally transfers \$268 million annually for five fiscal years starting with 2009-10 to be appropriated by the Legislature as part of the annual budget process. Further directs the use of Proposition 10 funds to provide direct health care services, human services, including services for at-risk families who are involved in the child welfare system, and direct early education services, including preschool and child care.

Lottery. Makes changes to clarify education appropriations, clarify the lottery Director's authority relative to state employees, and require greater transparency by having lottery audits be posted on the internet. These changes would be placed before the voters, along with various sections of Chapter 764, Statutes of 2008 (AB 1654), the lottery modernization trailer bill for the Budget Act of 2008.

Open Primary and Changes to Legislative Salaries (two Constitutional Amendments). The revised Budget Package contains two constitutional

amendments dealing with: (1) an amendment to the state constitution to establish primary elections in which voters may vote for any state or congressional candidate regardless of party registration, with the two candidates receiving the most votes, regardless of party affiliation, advancing to the general election; and (2) prohibition of any salary increase for the Legislature and constitutional officers in fiscal years determined to be in deficit.

Various Economic Stimulus Measures. The Budget Package contains various measures to be acted on in the 2nd Extraordinary Session. The bills in the Second Extraordinary Session relate to economic stimulus and mortgage relief for Californians. The bills streamline regulatory processes to advance infrastructure projects; expand the opportunities for the state to enter into public-private partnerships to develop infrastructure; make it easier to construct courthouses; and provide flexibility provisions into the state's labor laws, while maintaining essential workers' rights.

Items Withheld from Approval in 2009 Budget – Budget Committee Work Continues. Below is a list of budget items that are being withheld from approval in the 2009 Budget pending a more thorough discussion in budget subcommittees. Many of the items listed met one or more of the following criteria (1) were rejected in a prior budget year; (2) have substantial policy implications – for example, information technology or the state's bond capacity; or is (3) a new program or expansion. These items are being withheld without prejudice in order to ensure fair debate.

In addition, the budget subcommittees will continue to examine the various pieces of trailer bill language proposed by the administration. Even though the 2009 Budget may have passed, there are numerous pieces of trailer bill language that are not part of the “deal” and will need to be acted on at a future date if many of the Items within the 2009 Budget are to reach full implementation.

Items Withheld from 2009-10 BUDGET
 (without prejudice for further subcommittee discussion)

| | <u>Item #</u> | <u>Dept/Agency</u> | <u>Amount</u> | <u>GF/SF</u> | <u>BCP # (if any)</u> | <u>Comments</u> |
|----|--|--|---------------|--------------|---------------------------|---|
| 1 | 0250-001-0159 0250-001-0932 0250-102-0556 0250-101-0983 | Judicial | \$55,799,000 | SF | JC Tech-1 | Court Case Management System (CCMS). |
| 2 | 0250-101-0983 | Judicial | \$28,466,000 | SF | TC 2 | Trial court security. |
| 3 | 0502-001-0001 | Office of Chief Information Officer (OCIO) | \$2,000,000 | GF | 2 | OCIO -- Linked Education Data System structural design. |
| 4 | 0502-001-0001 0502-001-9740 | OCIO | \$3,709,000 | GF | 1 | Doubling of staffing. |
| 5 | 0520-001-0649 | BT&H Agency | \$211,000 | SF | 2 | I-Bank Staff Augmentation. |
| 6 | 0690-001-0001 various 0690 items | CA Emergency Management Agency | \$16,181,000 | SF | 1, 2,3,5,6,18,23, 26 | Emergency Response Initiative. (Formerly Office of Emergency Services) |
| 7 | 0820-001-0001 | Department of Justice | \$3,185,000 | GF | 2 | Related to funding of class action lawsuits. |
| 8 | 0820-001-0001 | DOJ | \$4,486,000 | GF | 3 | Related to funding to support DOJ's federal habeas corpus workload. |
| 9 | 0860-001-0001 | Board of Equalization | \$1,328,000 | GF | 4 | Related to malt beverage alcohol tax collection. For further discussion. |
| 10 | 1730-001-0001 | FTB | \$3,870,000 | GF | 1 | New Enterprise Data Revenue IT Project. |
| 11 | 1760-001-0666 | Dept of General Services | \$4,988,000 | SF | 4 | Related to energy efficiency retrofits. The Administration is over a year late in responding to our SRL request on its green building projects. |
| 12 | 2240-001-0648 | Housing and Community Development | \$0 | GF | 6 | Suspend state inspection of employee housing. |

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|----|--------------------------------|---------------------------|---------------|---------------|----------------------|--|
| 13 | 2660-001-0042 | Caltrans | \$53,428,000 | SF | 6 | Retrofit for Air Quality Mandates. |
| 14 | 2660-001-0042 2660-001-0890 | Caltrans | \$1,000,000 | SF/fed | 15 | Workforce Development Centers. |
| 15 | 2660-002-0890 | Caltrans | \$769,000,000 | fed | 4 | GARVEE Bonds. The Gov requests \$769M to fully repay proposed new state bonding of federal revenue. |
| 16 | 2665-004-6043 | High-Speed Rail Authority | \$123,385,000 | SF | | High-Speed Rail Implementation. |
| 17 | 2720-001-0044 | CA Highway Patrol | \$11,909,000 | SF | 4 | New Computer-Aided Dispatch (CAD) IT project. |
| 18 | 2720-301-0044 | CHP | \$13,376,000 | SF | COBCPs 1, 2, 6, 7 | Various CHP Office Capital Outlay Projects. |
| 19 | 2740-001-0044 | Dept of Motor Vehicles | \$15,242,000 | SF | 1&3 | Related in whole or in part to the implementation of the federal Real ID Act. |
| 20 | 2740-301-0044 | DMV | \$21,608,000 | SF | Various COBCPs | Various DMV Office Capital Outlay Projects. |
| 21 | 3360-001-0381 | Energy Commission | \$703,000 | SF | 3 | West Coast Regional Carbon Sequestration Partnership. |
| 22 | 3360-001-0465 | Energy Commission | \$2,589,000 | SF | 1 | Siting Renewable Generation and Transmission: Larger issue of energy reorganization. |
| 23 | 3360-001-0890 | Energy Commission | \$34,000,000 | SF | 6 | Energy Efficiency and Conservation Block Grants: Authorized by AB 2176 (Caballero, 2008). |
| 24 | 3540-001-0001 | CALFIRE | \$2,762,000 | GF | 8 | Retrofit of fire engines with clean-air equipment in response to ARB regulations. |
| 25 | 3540-001-3120 | CALFIRE | \$285,000 | SF | 16 | Rejected proposal in 2008-09. |
| 26 | 3540-301-0660 | CALFIRE | \$26,375,000 | Lease Revenue | CO-2 | El Dorado Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |

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|----|---------------|---------|--------------|---------------|-------|---|
| 27 | 3540-301-0660 | CALFIRE | \$70,238,000 | Lease Revenue | CO-3 | Cuesta CC/ San Luis Obispo Unit Auto Shop - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 28 | 3540-301-0660 | CALFIRE | \$53,544,000 | Lease Revenue | CO-4 | Parlin Fork Conservation Camp - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 29 | 3540-301-0660 | CALFIRE | \$10,599,000 | Lease Revenue | CO-5 | Soquel Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 30 | 3540-301-0660 | CALFIRE | \$21,865,000 | Lease Revenue | CO-6 | Gabilan Conservation Camp - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 31 | 3540-301-0660 | CALFIRE | \$10,389,000 | Lease Revenue | CO-7 | Potrero Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 32 | 3540-301-0660 | CALFIRE | \$24,655,000 | Lease Revenue | CO-8 | Tuolumne-Calaveras Service Center - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 33 | 3540-301-0660 | CALFIRE | \$30,692,000 | Lease Revenue | CO-9 | Butte Unit Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 34 | 3540-301-0660 | CALFIRE | \$9,678,000 | Lease Revenue | CO-10 | Cayucos Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 35 | 3540-301-0660 | CALFIRE | \$25,100,000 | Lease Revenue | CO-11 | Felton Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |

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|----|-----------------------------------|-------------------------------|---------------------------|---------------|----------|---|
| 36 | 3540-301-0660 | CALFIRE | \$7,209,000 | Lease Revenue | CO-12 | Parkfield Fire Station - Project has not been started yet. Broader discussion of state bonding capacity should happen. |
| 37 | 3600-001-0001 | Dept of Fish and Game | \$900,000 | GF/SF | 1 | Vehicle retrofits in response to ARB clean-air regulations. |
| 38 | 3600-001-0995 | DFG | \$3,057,000 | SF | 3 | Renewable Energy Regulatory Action Team: New program. |
| 39 | 3600-001-6051 | DFG | \$8,914,000 | SF | 42 | Ecosystem Restoration Program Natural Community Conservation Plan: Relates to any future projects that may take place in the Delta. |
| 40 | 3600-011-0200 | DFG | \$30,000,000 | SF | NA | Review of the Fish and Game Preservation Fund (not a loan). |
| 41 | 3790-001-0001 | Dept of Parks and Recreation | \$1,635,000 | GF/SF | 6 | Vehicle retrofits in response to ARB clean-air regulations. |
| 42 | 3860-001-0001(2) 3860-001-6026 | Department of Water Resources | \$180,000 | SF | BD-1 | Delta Habitat Conservation and Conveyance Program. Peripheral Canal BCP. |
| 43 | 3860-301-6026 3860-301-6031 | DWR | \$29,400,000 | SF | CP-10 | South Delta Improvement Program. This is part of larger discussion of how the Delta should be redesigned. |
| 44 | 3860-301-6051 | DWR | \$30,984,000 | SF | | Davis Dolwig issue, along with the related trailer bill language that has implications for all State Water Project recreation related issues. |
| 45 | 3860-501-0502 | DWR | State Water Project Funds | Off-Budget | Multiple | Control Section to withhold on new State Water Project positions until discussion in subcommittee. <i>See new CS 4.12.</i> |

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|----|----------------|--|--------------|--------------------|----------------------|--|
| 46 | 3860-501-0502 | DWR | DWR Funds | Off-Budget | Multiple | Control Section to withhold on new DWR positions until further discussion in subcommittee. <i>See new CS 4.12.</i> |
| 47 | 3940-001-0439 | State Water Resources Control Board | \$719,000 | SF | 2 | Underground Storage Tanks: broader discussion necessary of how the department approaches clean water enforcement. |
| 48 | 4120-001-0001 | Emergency Management Services Agency | \$448,000 | GF | | To provide pharmaceutical caches. This BCP was rejected last year. |
| 49 | 4260-101-0001 | Department of Health Care Services | N/A | | 09-01 | Positions to monitor the DMH Mental Health waiver. |
| 50 | 4265-001-0001 | Department of Public Health | N/A | | IT-02 | Related to conversion of contract IT staff to state employee IT staff. |
| 51 | 4265-001-0001 | DPH | N/A | | AD-01 | Related to conversion of contract janitorial services to state employees. |
| 52 | 4265-001-0001 | DPH | \$6,800,000 | SF | CD-06 | One-time Prop 99 augmentation for media campaign and competitive grants. |
| 53 | 5225-001-0001 | Department of Corrections and Rehabilitation | \$35,702,000 | GF | NA | Related to augmentation for overtime base budget for custody staff. |
| 54 | 6110-113-00001 | Education | \$7,070,000 | GF | NA | Conforming to education mandate issue below. |
| 55 | 6110-161-0001 | Education | \$65,000,000 | GF | NA | Relating to education mandates and the necessity for larger discussion of mandate reform in this area. |
| 56 | 6110-295-0001 | Education | \$38,000 | GF | NA | Relating to education mandates and the necessity for larger discussion of mandate reform in this area. |
| 57 | 6110-301-0660 | Education | \$12,699,000 | Lease/Revenue Bond | Capitol Outlay 09-01 | New Project. California School for the Deaf, Fremont. |

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|-----------|--------------------------------|-----------------------------------|---------------|---------------------------|-------------------------|--|
| 58 | 6110-301-0660 | Education | \$15,200,000 | Lease/ Revenue Bond | Capitol Outlay 09-02 | New Project. California School for the Deaf, Riverside. |
| 59 | 6440-001-0001 | UC | \$1,087,000 | GF | | Related to expansion of UC nursing enrollments. |
| 60 | 6440-001-0001 | UC | \$1,460,000 | GF | | Related to expansion of UC medical school enrollments. |
| 61 | 6440-301-0660 6610-301-0660 | UC / CSU | \$774,000,000 | Lease/ Revenue Bond | CO | Lease revenue bonds: UC -- 8 projects totaling \$449 million CSU -- 6 projects totaling \$325 million Broader discussion of state's bond capacity should occur. |
| 62 | 6610-001-0001 | CSU | \$3,600,000 | GF | | Related to expansion of CSU nursing school enrollments. |
| 63 | 6870-295-0001 | Community Colleges | \$3,000,000 | GF | NA | Relating to community college mandates and the necessity for larger discussion of mandate reform in this area. |
| 64 | 8660-001-0462 | Public Utilities Commission | \$174,000 | SF | 5 | Independent Monitoring of the CAISO's Newly Designed Wholesale Electricity Market. Part of larger energy reorg issues. |
| 65 | 8660-001-0462 | PUC | \$2,500,000 | SF | 10 | Outside Legal Counsel and Economic Consulting Firm to Pursue Potential Refunds for California Consumers. Part of the larger Energy Reorg issues. |
| 66 | 8660-001-0462 | PUC | \$461,000 | SF | 4 | Achieve Energy Efficiency Savings Goals and Implement Utility Performance Incentives. |
| 67 | 8660-001-0462 | PUC | \$322,000 | SF | 6 | Renewable Portfolio Standard and Transmission. |
| 68 | 8940-001-0001 | Military | \$1,827,000 | GF | 1 | Education Benefits program. Significant policy implications. |

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|----|--------------------------------|------------------------|-------------|-------|---------------------|---|
| 69 | 8940-001-0001 | Military | \$1,009,000 | GF | 2 | To perform mental health prevention, training, combat stress assessment, crisis counseling, and social service assistance. LAO notes that Prop 63 moneys may be available to support this activity. |
| 70 | 8940-001-0001 8940-001-1014 | Military | \$2,200,000 | SF | 14 | Related to the ERI proposal (see Item 0690) to procure and maintain new aerial firefighting equipment. |
| 71 | 8940-301-0001 8940-301-0890 | Military | \$2,771,000 | GF/SF | COBCPs 1, 2, & 3 | Capital outlay for latrine renovations, kitchen renovations, and advanced plans and studies. |
| 72 | CS 8.88 | FI\$Cal | | | | New CS that would grant DOF broad authority to establish positions and increase reimbursement authority for FI\$Cal's partner organization's. |
| 73 | Education Trailer Bill | Education | \$6,252,000 | GF | NA | Relating to education mandates and the necessity for larger discussion of mandate reform in this area. |
| 74 | New CS 4.12 | State Water Project | | | | Keeps open issue of new SWP positions for future legislative action. See 3860-501-0502. |
| 75 | CS 12.25 | SAC / CPEC | | GF | | The CS would allow DOF to transfer funds between the two entities for the purposes of implementing consolidation and decentralization of state financial aid, further discussion required. |

2009-10 General Fund Summary

Below is a cursory summary of the revised General Fund status for the 2009 Budget.

- **Revenues:** The 2009 Budget is based on General Fund revenues and transfers to be \$97.8 billion, an increase of \$8.4 billion or 9.4 percent, above the revised 2008-09 estimate of \$89.4 billion. Total resources available, in 2009-10, from all sources are estimated at \$95.3 billion.
- **Expenditures:** The 2009 Budget is based on General Fund expenditures of approximately \$93.2 billion. This is a decrease of \$960 million, or about one-percent, below the revised 2008-09 figure of \$94.2 billion.

General Fund Summary Current Year and Budget Year (in millions)

| | 2008-09 | 2009-10 |
|---|-----------------|-----------------|
| Prior-year balance | \$2,376 | -\$2,434 |
| Revenues and Transfers | \$89,373 | \$97,762 |
| Total Resources Available | \$91,749 | \$95,328 |
| GF expenditures | \$59,148 | \$52,700 |
| Prop 98 – K14 expenditures | \$35,036 | \$40,524 |
| Total Expenditures | \$94,183 | \$93,224 |
| Fund Balance | -\$2,434 | \$2,104 |
| Budget Reserve: | | |
| Reserve for Liquidation of Encumbrances | \$1,079 | \$1,079 |
| Special Fund for Economic Uncertainties | -\$3,514 | \$1,025 |
| Budget Stabilization Account | -- | -- |
| TOTAL AVAILABLE RESERVE | -\$3,514 | \$1,025 |

Summary by Subject Matter

Overall Proposition 98 – K-14 Funding. The budget package includes significant Proposition 98 reductions in the current and budget years compared to the 2008-09 Budget Act.

- **Proposition 98 Funding – Current Year.** The budget provides **\$50.7 billion** in Proposition 98 funding for K-14 education in 2008-09, which provides funding at the revised minimum guarantee level. This equates to a **\$7.4 billion** reduction in Proposition 98 funding compared to the 2008-09 Budget Act, accomplished through \$2.4 billion in program reductions and savings and \$5 billion in Proposition 98 funding deferrals and fund swaps.

The \$5 billion in funding deferrals and swaps have the effect of reducing Proposition 98 funding, while maintaining the same amount in other funding for Proposition 98 programs. As a result, the budget provides **\$55.7 billion** in actual funding for Proposition 98 programs in 2008-09. This equates to a **\$2.4 billion** reduction in actual funding compared to the 2008-09 Budget Act.

- **Proposition 98 Funding – Budget Year.** The budget provides **\$54.9 billion** in Proposition 98 funding for K-14 education in 2009-10, which also provides funding at the minimum guarantee level. This provides a **\$4.2 billion** increase above the 2008-09 budget.¹

Through an additional \$400 million in fund swaps, the budget provides total funding of **\$55.3 billion** for Proposition 98 programs in 2009-10. This amount provides approximately \$400 million less than the total amount proposed in 2008-09.

- **Proposition 98 Maintenance Factor:** The budget package includes a State Constitutional Amendment that recognizes \$9.3 billion in funding obligations in lieu of what might have been owed for maintenance factor in 2007-08 and 2008-09. If passed by state voters, this measure would commence supplemental education payments to school districts and community colleges in 2011-12. These payments would occur only if another state constitutional amendment

¹ For year-to-year comparisons, excludes an increase of approximately \$1 billion in Proposition 98 funds to replace State Lottery revenues to K-14 education pursuant to the State Lottery modernization measure passed as a part of the 2008-09 budget package (Chapter 764; Statutes of 2008). This measure requires statewide voter approval at the next state election.

that establishes a state funding cap, is approved by state voters. The measure requires that up to \$200 million be allocated to K-12 district for revenue limit equalization; remaining K-12 funds are provided for revenue limit apportionments.

- **Mandates.** The budget does not include the Governor’s proposal to eliminate K-14 education program mandates beginning in 2009-10. Specifically, the Governor proposes to “suspend” all but two K-12 mandates and all community college mandates. This change in approach conforms to a recent lawsuit that requires the state to either fully fund or suspend education mandates. K-14 education mandate costs are estimated to total approximately \$348 million annually. The Legislature will consider mandate reforms more fully in budget hearings this spring.

Additional detail for K-12 education programs, including child care, and for the California Community Colleges, is provided below.

K-12 Education:

- **Major Revenue Limit and Categorical Program Reductions.** The budget provides \$1.9 billion in K-12 program reductions split evenly between revenue limits (\$945 million) and categorical programs (\$945 million) in the current year. These reductions continue in the budget year, growing to \$2.4 billion, an increase of approximately \$535 million. More than 50 categorical programs will be subject to across-the-board reductions that will be allocated proportionally and are estimated at roughly 15 percent. Deficit factors are established for revenue limit reductions in both years.
- **Categorical Flexibility.** The budget provides comprehensive categorical funding flexibility over the next five years to mitigate program reductions. Specifically, the budget allows local educational agencies to transfer unlimited funds from more than 40 categorical programs to their general purpose accounts commencing in the current year. Another 11 programs are subject to reductions, but are not subject to categorical flexibility programs. [Eight major Proposition 98 programs are excluded from any categorical reductions or flexibility, including Child Development, Child Nutrition, Economic Impact Aid, Special Education, Home-to-School Transportation, After School Education & Safety, K-3 Class Size Reduction, and Quality Education Investment Act.]

- **Cost-of-Living Adjustments (COLAs): Eliminates** \$247 million for a partial COLA for K-12 revenue limits in the current year. In the budget year, no COLA is provided for K-12 education programs. This action saves approximately \$2.5 billion, reflecting an estimated statutory COLA of 5.02 percent. Deficit factors are established to reflect the elimination of these funds in both years.
- **Payment Deferrals.** The budget includes two new payment deferral proposals. In the current year, the budget: (1) extends \$2.8 billion in existing payment deferrals for K-14 education from April to July 2009 and recognizes these payments for purposes of Proposition 98; and (2) scores an additional \$334 million in existing June to July payment deferrals within the 2009-10 fiscal year for purposes of Proposition 98. In the budget year, the budget shifts an additional \$2.7 billion in K-14 payments from July and August to October 2009.
- **Proposition 98 Settle-Up.** Scores \$1.1 billion in K-14 current year spending as "settle-up" dollars rather than Proposition 98 dollars. This has the effect of maintaining overall spending for K-14 programs and retiring an existing settle-up obligation that reduces state debt, while reducing Proposition 98 spending.
- **Home-to-School Transportation Funding Swaps.** Provides \$618.7 million in funding directly from the Public Transportation Account (\$198.4 million) and Mass Transportation Fund (\$420.3 million) to the K-12 Home-to-School Transportation program in the current year. In the budget year, provides \$404.4 million in funding directly from the Public Transportation Account (\$313.9 million) and Mass Transportation Fund (\$90.5 million) for the Home-to-School Transportation program. These transfers reduce Proposition 98 funding, but maintain overall funding for school transportation in both years.
- **Other Funding Flexibility Proposals:** Provides the following additional funding flexibility proposals:
 - **Categorical Ending Balances.** Allows prior-year categorical fund balances to be used for general purpose activities in the current year and budget year. Excludes access to fund balances for seven programs, including Economic Impact Aid, Special Education, Targeted Instructional Improvement Block Grant, Instructional Materials, Home-to-School Transportation, CAHSEE

Supplemental Services, and Quality Education Intervention and Achievement.

- **Class Size Reduction Caps & Penalties.** Reduces the penalties for exceeding the maximum class sizes allowable under the K-3 Class Size Reduction Program for a four year period, beginning in the current year.
 - **Instructional Materials.** For the current and budget year, suspends the statutory requirement that LEAs purchase newly adopted instructional materials.
 - **Routine Maintenance Reserves.** Reduces Routine Maintenance Reserve requirement from three percent to one percent for five years.
 - **Deferred Maintenance Reserves.** Suspends reserve and reporting requirements for deferred maintenance for five years.
- **Other Program Reductions and Savings.**
 - Captures \$203 million in natural savings in the current year, including \$97.3 million from child care, \$46.2 million in various prior year program savings, and \$59.8 million in various current year program savings.
 - Eliminates all funding (\$114.2 million) for the High Priority Schools Grant Program in the budget year.
 - Suspends annual funding (\$100 million) for the Emergency Repair Program in the budget year.
 - **Revenue Limit Equalization:** Authorizes a methodology for apportionment of \$200 million in K-12 equalization funding in 2011-12, which will be paid only if the voters approve a related initiative that provides \$9.3 billion to K-12 schools over several years, beginning in 2011-12.

Child Care:

- Reduces the 2008-09 Proposition 98 appropriations for child care by \$97 million. Included in this amount are savings of approximately \$82 million due to caseload and other revised programmatic projections. The remaining \$15 million is attributable to a delay in implementing new Regional Market Rates (RMR) for child care providers, which were previously slated to go into effect March 1, 2009.
- Reappropriates \$108 million in prior-year child development program savings for the purpose of meeting a current-year CalWORKS Stage 2 child care funding shortfall. (Since Stage 2 was funded with a variety of one-time funding

sources in the current year, this particular shortfall is due to the failure of savings from one of the programs to materialize.)

- Provides an \$18.9 million augmentation in 2009-10 to fund 1.23 percent enrollment growth in services to the under 4-year old population.
- Scores monetary savings associated with the following two Governor's child care reform proposals, but does not adopt the accompanying statutory changes to implement the reforms. These fiscal policy decisions are slated to be discussed during spring budget hearings.
 - (1) Reducing reimbursement rates for child care providers (\$38.7 million).
 - (2) Increasing the family fee amounts and income levels at which families begin paying fees (\$14.4 million).

Community Colleges:

- Rescinds funding, totaling \$39.8 million, that was previously appropriated for Cost-of-Living-Adjustments (COLA).
- Defers \$340 million in January, February, March, and April apportionment payments, and instead pays these amounts in July of the following fiscal year. The 2008 base apportionment level is reduced by a like amount to effectuate the new deferral.
- Reschedules the *existing* \$200 million deferral of apportionments, thus requiring funds to be paid in October rather than July (these were originally dollars scheduled for June apportionment payments).
- Defers current year funding for three community college mandates, thus reducing the amount of funding appropriated from approximately \$4 million to \$3,000 (or \$1,000 per mandate.)
- Captures approximately \$3.6 million in unspent current and prior year savings.
- Provides an additional \$185.4 million in 2009-10 to fund three percent enrollment growth.

Higher Education:

- Adopts Governor's proposal to cut \$132 million from the base budgets of the UC and the CSU beginning in the current year.
- Reduces the UC and CSU by an additional \$100 million (\$50 million each); funding will be restored contingent upon California's receipt of an additional \$9.1 billion in new federal funds from pending congressional legislation.
- Suspends funding for the Governor's Compact with the UC, CSU, and Hastings College of Law, thus foregoing \$427.7 million in expenditures. As a result, no funding is provided for enrollment growth, salary, or cost-of-living adjustments.
- Denies Governor's proposal to provide UC with \$20 million for contributions to the UC Retirement Plan (UCRP). These funds would have been used to partially cover UC's employer-side costs associated with restarting contributions to the UCRP. Adopts language stating legislative intent that no new General Fund will be provided for this purpose.
- Assumes student fee increases of approximately 10 percent at both the UC and CSU.
- Rejects the Governor's proposal to cut funding for Cal Grants. Governor would have reduced funding for financially-needy students by \$87.5 million by both altering the Cal Grant award levels and the income eligibility thresholds. Governor's proposal further included the phased elimination of the Competitive Cal Grant program, which provides 22,500 grants annually to predominately non-traditional students.

Medi-Cal Program

- Eliminates the cost-of-doing-business paid to the counties for them to conduct Medi-Cal eligibility processing as an agent for the state. This proposal by the Governor results in a reduction of \$49.4 million (\$24.7 million General Fund) in 2009-10. Trailer bill legislation reflects the necessary statutory change for this action.
- Rejects the Governor's entire proposal to eliminate over 500,000 people from receiving vital health care services within the Medi-Cal Program. This includes: (1) rolling back eligibility for working families eligible under the

1931 (b) program; (2) rolling back eligibility for aged, blind and disabled individuals; (3) changing to a month-to-month eligibility for individuals without documentation; and (4) rolling back eligibility for legal immigrants and individuals permanently residing under the color of law (PRUCOL). This action restores \$485.1 million (General Fund) to the program to continue eligibility.

- Contains an “unspecified” reduction of \$646.6 million (\$323.3 million General Fund) as proposed by the Governor which is a continuation of a Governor’s veto action from the Budget Act of 2007. The Administration contends that on average Medi-Cal expenditures have been more than \$800 million (total funds) lower than the Medi-Cal Estimate package calculated by the Department of Health Care Services (DHCS), and as such, an on-going adjustment is being made at this time.
- Deletes \$258.8 million (\$129.4 million General Fund) in funding for certain Medi-Cal Optional Benefits as proposed by the Governor, unless notification regarding the receipt of additional federal funds is received pursuant to Government Code, Section 99030. Trailer bill legislation reflects the necessary statutory change for this action, including the “trigger” mechanism.
- Deletes \$54.2 million (federal funds), or 10 percent, from certain public hospitals and safety net care hospitals and uses these funds to backfill for General Fund expenditures in the California Children Services Program, the Medically Indigent Adult-Long Term Care Program, and the Genetically Handicapped Persons Program as proposed by the Governor, unless notification regarding the receipt of additional federal funds is received pursuant to Government Code, Section 99030. Trailer bill legislation reflects the necessary statutory change for this action, including the “trigger” mechanism.
- Does not contain any adjustments which may be necessary for implementation of pending federal stimulus legislation regarding the Medicaid Program (Medi-Cal Program in California).
- Reflects funding necessary to implement AB 1183, Statutes of 2008, which requires the DHCS to adjust Medi-Cal rates effective as of March 1, 2009. Generally, this action reflects an overall one percent reduction to Fee-For-Service Medi-Cal rates (i.e., no longer the 10 percent as done in AB 3X 5, Statutes of 2008) , a five percent reduction for pharmacy providers and certain long-term care providers (i.e., no longer the 10 percent as done in AB 3X 5, Statutes of 2008).

- Assumes implementation of Adult Day Health Care reforms as proposed by the Governor, including unbundling the rate into its component services, tightening medical necessity criteria, performing post-payment reviews of participant charts, and changing reimbursement to a prospective cost-based methodology, for savings of \$34 million (\$17 million General Fund).
- Assumes the realigning of payment rates to reimburse Federally Qualified Health Centers and Rural Health Clinics with those used to reimburse Adult Day Health Centers as proposed by the Governor, pending discussion of statutory changes to occur at a later date.
- Provides an increase of \$42.7 million (\$21.4 million General Fund) as proposed for Federally Qualified Health Centers and Rural Health Clinics to reflect the Medicare Economic Index adjustment.
- Assumes implementation of a Maximum Allowable Ingredient Cost for Generic Drugs for savings of \$2 million (\$1 million General Fund) as proposed by the Governor, pending discussion of statutory changes to occur at a later date.
- Includes an increase of \$365.6 million (total funds) to reflect a five percent rate increase for certain nursing homes (i.e., those reimbursed under the AB 1629 process) effective as of August 1, 2009. This reflects the existing methodology, including the use of the Quality Assurance Fee to provide additional federal funds.
- Provides for the deferral of Medi-Cal reimbursements made to Medi-Cal Managed Care organizations and entities that contract with the department in order to provide assistance with the state's cash management as proposed by the Governor and as contained in the Omnibus General Government trailer bill. This deferral equates to \$260 million.
- Continues the ability of the Administration to defer up to two Fee-for-Service Medi-Cal Program checkwrites, if necessary, to manage the state's cash flow.
- Deletes a total of \$331,000 (\$166,000 General Fund) and three positions for the DHCS to monitor the Mental Health Managed Care Specialty Waiver.

Other Health Care Programs

- Provides funding as proposed for the Healthy Families Program (HFP) as administered by the Managed Risk Medical Insurance Board. However, it does

not reflect the federal State Children’s Health Insurance Program (SCHIP) reauthorization which was just signed into law by President Obama.

- Assumes savings of \$1.4 million (General Fund) in the Genetically Handicapped Persons Program (GHPP) by increasing enrollment fees to: (1) 1.5 percent of Adjusted Gross Income for families with incomes greater than 200 percent but not more than 300 percent of the federal poverty level; and (2) three percent of Adjusted Gross Income for families with incomes greater than 300 percent of the federal poverty level. This reduction is pending discussion of statutory changes to occur at a later date.
- Assumes savings of \$600,000 (General Fund) in the GHPP through the state’s assistance in coordinating enrollment of GHPP eligibles into commercial insurance product lines and fund their premium payments, pending discussion of statutory changes to occur at a later date.
- Deletes \$448,000 (General Fund) from the Emergency Medical Services Authority which was slated to purchase pharmaceuticals for the Mobile Field Hospitals. Other supplies can be made available for this purpose in the event of an emergency, if necessary.
- Provides an increase of \$1 million (General Fund) for Valley Fever research and related activities to the Department of Public Health.

Developmental Services

- Reduces by 3 percent, as proposed by the Governor, certain payments for services delivered from February 1, 2009 to June 30, 2010. This reduction results in a reduction of \$40.4 million (\$24.1 million General Fund) in 2008-09 and \$100.8 million (\$60.2 million General Fund) in 2009-10. Trailer bill legislation reflects the necessary statutory change for this action.
- Reduces by \$100 million (General Fund) the amount appropriated for Regional Centers which is *in lieu* of the Governor’s proposed reduction of \$334 million (General Fund). Since statutory changes will be necessary to administer this reduction, trailer bill legislation proposes for the Department of Developmental Services to proceed with a stakeholder process to identify how to most effectively achieve this savings while maintaining access to high quality services for individuals with developmental disabilities. This trailer bill language also contains a “trigger” mechanism which would further reduce the payments made to providers by an additional 7.1 percent, effective as of September 1, 2009, if the stakeholder process does not achieve success.

- Adopts the Governor's proposal to reduce Regional Center Operations by \$6.6 million (\$4.6 million General Fund) in 2008-09 and \$17.4 million (\$12.2 million General Fund) in 2009-10 by suspending several administrative and case management requirements in existing law from February 1, 2009 to June 30, 2010. Trailer bill legislation reflects the necessary statutory change for this action.
- Assumes voter approval of amendments to the California Children and Families Act of 1998 which would provide \$265 million (Proposition 10 Health and Human Services Fund) to be expended for the Early Start Program, which services high-risk infants up to the age of three, in lieu of General Fund support. Trailer bill legislation reflects the necessary statutory change for this action to be presented to the voters.

Mental Health

- Assumes voter approval of amendments to the Mental Health Services Act of 2004 which would provide \$226.7 million (Mental Health Services Act Funds) in 2009-10 for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, in lieu of General Fund support. For 2010-11, a total of up to \$334 million (Mental Health Services Funds) would be used for this purpose. Trailer bill legislation reflects the necessary statutory change for this action to be presented to the voters.
- Provides \$226.7 million (General Fund) for the Mental Health Managed Care Program in 2009-10.
- Reduces by \$17 million (General Fund) the amount provided for capital outlay projects for the State Hospitals.

Human Services

- Supplemental Security Income/State Supplementary Program (SSI/SSP). Includes the following adjustments in SSI/SSP:
 - In the current year, suspends the pass-through of the federal SSI cost-of-living adjustment (COLA), effective May 1, 2009. This will bring grant levels down to the December 2008 level and result in General Fund savings of \$79.8 million in 2008-09 and \$487.3 million in 2009-10.

- Suspends the June 2010 state SSP COLA, as proposed in the Governor's Budget, resulting in General Fund savings of \$27.0 million in 2009-10 and \$323.9 million annually beginning in 2010-11.
- In the absence of notification from the Director of Finance to the Joint Legislative Budget Committee of the receipt of sufficient federal stimulus funds, reduces SSI/SSP grant levels in effect on December 1, 2008 by 2.3 percent, resulting in General Fund savings of \$267.8 million in 2009-10. Exempt from this reduction are recipients living in SSP living arrangements for Non-Medical Out-of-Home Care and Title XIX medical facilities, as well as those receiving a Restaurant Meal Allowance. This would reduce the monthly grant for individuals by \$20 and the monthly grant for couples by \$35.
- Rejects the Governor's proposal to reduce SSI/SSP grants to the federal minimum.
- Rejects the Governor's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI), which provides benefits equal to SSI/SSP for legal immigrants who would be otherwise eligible for SSI/SSP except for their immigration status.
- In-Home Supportive Services (IHSS). Includes the following adjustments in IHSS:
 - Rejects the proposals in the Governor's Budget to restrict non-medical services to only those IHSS recipients with the highest level of need, to eliminate the state's share of cost contribution for IHSS recipients with lower levels of need, and to limit state participation in the wages of IHSS workers to the state minimum wage.
 - In the absence of notification from the Director of Finance to the Joint Legislative Budget Committee of the receipt of sufficient federal stimulus funds, eliminates the state's share of cost contribution to new IHSS recipients prospectively, resulting in General Fund savings of \$3.8 million in 2009-10.
 - In the absence of notification from the Director of Finance to the Joint Legislative Budget Committee of the receipt of sufficient federal stimulus funds, limits state participation in the wages of IHSS workers to up to \$9.50

per hour (down from the current \$12.10 per hour) plus up to \$0.60 per hour for individual health benefits. This will result in General Fund savings of \$74.2 million in 2009-10.

- California Work Opportunity and Responsibility to Kids (CalWORKs). Includes the following adjustments in CalWORKs:
 - Rejects the proposals in the Governor's Budget to modify the Safety Net Program, impose a 60-month time limit on assistance for certain child-only cases, implement a six-month self-sufficiency review requirement, and reduce grants by ten percent.
 - Rejects the Governor's proposed shift of \$216.9 million in federal funds from CalWORKs to the Department of Developmental Services and the California Student Aid Commission.
 - Suspends the July 2009 CalWORKs COLA, as proposed by the Governor, resulting in General Fund savings of \$79.1 million in 2009-10.
 - Suspends the Pay for Performance county incentive program, as proposed by the Governor, resulting in General Fund savings of \$40 million in 2009-10.
 - Delays by six months the replacement of Los Angeles County's automated benefit and eligibility determination system, as proposed by the Governor, resulting in General Fund savings of \$14.6 million in 2009-10.
 - In the absence of notification from the Director of Finance to the Joint Legislative Budget Committee of the receipt of sufficient federal stimulus funds, reduces CalWORKs grants by four percent, resulting in General Fund savings of \$146.9 million in 2009-10. For a family of three, this cut will result in a loss of \$29 monthly, reducing the grant from \$723 to \$694.
- California Food Assistance Program (CFAP). Rejects the Governor's proposal to eliminate CFAP, which provides food benefits to low-income, legal non-citizens.
- Proposition 10 Funding. Redirects an additional \$68 million in Proposition 10 funding to the Department of Social Services (DSS) to offset an equal amount of General Fund costs in Child Welfare Services, foster care, and the Adoption Assistance Program. The Governor's Budget already includes \$275 million in

Proposition 10 funding to DSS (and corresponding General Fund savings) for these purposes.

- Department of Child Support Services (DCSS). Defers \$27.1 million (\$9.2 million General Fund) requested by the Governor for enhancements to the recently-completed California Child Support Automation System (CCSAS). In addition, reverts \$144.6 million (\$27.0 million General Fund) in unused prior-year funding provided to DCSS for development of CCSAS.
- Department of Alcohol and Drug Programs (DADP). Restores \$365.5 million General Fund to DADP to reflect the rejection of the Governor's proposed increase to the alcohol excise tax.

Resources and the Environment

- Preserves the California Conservation Corps funding to continue employment and education for over 1,300 youths for 2009-10. Rejects the Governor's proposed elimination of the California Conservation Corps.
- Maintains Williamson Act funding to continue agricultural land preservation subsidies in 2009-10.
- Provides \$325 million in grant funds for local parks and nature education centers in 2009-10.
- Provides over \$1 billion for CALFIRE's fire fighting activities in 2009-10.
- Provides over \$684 million for the Department of Water Resources flood management and capital outlay activities in 2009-10.
- Eliminates funding for vehicle retrofits with clean-air technology in response to new Air Resources Board regulations for CALFIRE, the Department of Fish and Game, and the Department of Parks and Recreation.
- Eliminates funding for energy transmission planning and related environmental work in the Public Utilities Commission, the Energy Commission, and the Department of Fish and Game in 2009-10.

- Includes a new control section specifying that no new positions are approved for the State Water Project in the Department of Water Resources for 2009-10.

Employee Compensation

- Achieves approximately \$1.2 billion in GF employee compensation savings over 18 months in the following manner:
 - Assumes a two-day-per-month furlough of all state employees in the executive branch (beginning February 1, 2009), effectively reducing state employee salaries by 9.2 percent, and resulting in an estimated savings of \$658 million (\$375.8 million GF) in fiscal year 2008-09 and \$1.6 billion (\$901.8 million GF) in fiscal year 2009-10.
 - Assumes elimination of two state holidays and holiday premium pay for an estimated savings of \$76.6 million (\$74.5 million GF) in 2009-10.
 - Assumes overtime calculations based on actual time worked for an estimated savings of \$12.8 million (\$10 million GF) in 2008-09 and \$56.5 million (\$48 million GF) in 2009-10.
- Rejects the Governor's proposed layoff of current state employees to achieve \$150 million in GF savings.
- Rejects the Governor's proposal to reduce state contributions to employee and retiree health plans by shifting their management from CalPERS to the Administration, who would negotiate increased copayments, deductibles, or other "cost-shifting" in order to achieve \$132 million in GF savings.

General Government

- **Cesar Chavez Grants.** Suspends indefinitely the annual \$5 million GF appropriation for the Cesar Chavez Day of Service Learning Program.
- **Secretary of State Special Election Costs.** Provides a minimum of \$10 million and a maximum of \$15 million (subject to legislative review) for the Secretary of State to conduct a statewide special election for the purpose of placing numerous budget-related measures on the ballot.

- **Price Increase.** Rejects the Governor’s proposed 3.2-percent, inflation-based increase to departmental budgets, and scores \$136 million in GF savings (due to significantly lower forecasts of future inflation).
- **State Controller.** Reduces State Controller’s budget by \$1 million (General Fund) for furniture.

Local Government

- **Local Mandate Payment.** Approves the Governor’s proposal to defer annual payment to local governments for mandate costs incurred prior to 2004-05 for GF savings of \$91 million. A similar deferral was adopted with the 2008 Budget Act.
- **Senior Citizens’ Property Tax Deferral Program.** Approves the Governor’s proposal to suspend this program which pays property tax for eligible seniors to achieve GF savings of \$6.5 million in 2008-09 and \$32 million in 2009-10. The State is ultimately reimbursed for this cost when the property is sold. Note, in the 2008 Budget Act, the Governor vetoed all funding for the separate Senior Citizens’ Property Tax Assistance Program and the Senior Citizen Renters’ Tax Assistance Program, and no funding is included for those programs in 2009-10.
- **Local Public Safety Programs.** Modifies the Governor’s proposal to eliminate General Fund support for various local law enforcement programs, saving approximately \$189 million in the current year and \$503 million in the budget year. These cuts are mitigated by increased Vehicle License Fee revenues resulting from a 0.15 percent increase in the VLF and dedicated to support these local programs. The additional revenues are projected to provide \$111 million in the current year and \$508 million in the budget year.
- **Redefine Tax Increment Limit for Glendora Community Redevelopment Agency (RDA), Project Area Number 3.** Redefines the tax increment limit for the Glendora Community RDA for its Project Area No. 3, and establishes a formula for increasing that limit on an annual basis. The allocation of additional property tax revenues to the agency will reduce property tax revenues to the County of Los Angeles, local schools (which will be backfilled by the state), the city itself, and any other local special districts that would normally receive property tax revenue from the redevelopment project.

- **Property Tax Allocation.** For a qualified county, would shift from that county's Educational Revenue Augmentation Fund (ERAF) to the county, an amount of \$35 million in both 2009-10 and 2010-11, and \$50 million in 2011-12 and thereafter. The state General Fund would backfill education for this shift. A qualified county is defined as a county that, of all the counties in the state, was allocated the lowest percentage of countywide ad valorem property tax revenue for the 2006-07 fiscal year. The county that meets that requirement is Orange County.

Transportation

- **Transit Funding Shift.** Provides General Fund relief of \$153 million in 2008-09 and \$306 million per year for four years (2009-10 through 2012-13) by shifting transit revenue from local transit agencies to the State. The State will spend the funding on mass-transportation programs in the Department of Social Services and in K-12 education.
- **Tribal Gaming Revenue Shift.** Redirects \$100 million in tribal gaming revenue in both 2008-09 and 2009-10 from transportation funds to the General Fund.
- **Fully Funds Proposition 42.** Proposition 42 funding for transportation is fully preserved in both 2008-09 and 2009-10. The 2009-10 amount is approximately \$1.7 billion – \$300 million higher than the 2008-09 amount due to the 1 cent increase in the sales tax.
- **High-Speed Rail Authority.** Reduces funding to the base level, to allow full consideration of the best budget strategies for the implementation of the high-speed train system. Since voters approved the bond measure in November 2008, \$10 billion in bond funds are now available for rail investments.
- **Department of Motor Vehicles.** Deleted funding associated with the federal Real ID Act, to allow full consideration of all the issues associated with the Administration's proposal to begin implementation of the Act.

Corrections and Judiciary

- Achieves \$375 million in budget year solutions from the Judicial Branch, including the rejection of the Governor's proposal for new judges, a one-time transfer from the Court Facilities Fund, and a one-time unallocated reduction.
- Includes a 10 percent unallocated reduction to the prison health care receiver's budget for a savings of \$181.2 million General Fund.