



COMMITTEE ON BUDGET & FISCAL REVIEW  
Room 5019, State Capitol  
Sacramento, CA 95814

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## **Quick Summary**

### **Updated** **8<sup>th</sup> Extraordinary Special Session** **Final Budget Actions** *Including Governor's Actions*

March 25, 2010

The purpose of this Quick Summary is to provide a recap of the final actions taken by the Legislature and the Governor related to the 8<sup>th</sup> Extraordinary Special Session. Some of the final actions were taken in March 2010 in the regular session after the 8<sup>th</sup> Extraordinary Session was closed. For additional detail on the budget solutions passed by the Legislature, please refer to the "Quick Summary of the 8<sup>th</sup> Extraordinary Session dated March 5, 2010". If you have questions, please contact the committee at (916) 651-4103.

## Summary of Final Actions of 8<sup>th</sup> Extraordinary Special Session

On March 11, 2010, the 8<sup>th</sup> Extraordinary Session relating to the fiscal emergency declared by the Governor was closed via ACRx8 1 (Torrico). As detailed in the March 5, 2010 summary by the Committee, the Senate took various actions to reduce the budget problem by \$5 billion in the 8<sup>th</sup> Extraordinary Session. Ultimately, changes by the Assembly to the final package of solutions sent to the Governor reduced the solutions by \$1 billion.

On March 8, 2010, the Governor vetoed ABx8 2 (Budget), which reduced the \$4 billion in budget solutions passed by the Legislature by \$2 billion.

On March 22, 2010, the Governor signed the Fuel Tax Swap proposal that resulted in \$1.2 billion of the budget solutions. On the same day, the Legislature passed SB 70 (Budget) that made changes to the Fuel Tax Swap to ensure revenue neutrality for non-highway users of fuel impacted by the swap. This bill did not impact the savings related to the Gas Tax Swap.

Therefore, after the Governor's final actions on the 8<sup>th</sup> Extraordinary Session bills, the total General Fund solutions achieved in the special session were reduced to \$2 billion.

The summary of the solutions are as follows:

### General Fund Solutions:

• Alternative Funding	\$1.2 billion
• Fund Shifts/Other Revenues	\$551 million
• Expenditure Solutions	\$117 million
• Federal Funding Relief	\$76 million
• Revenues	\$0.0 million
<b>Total</b>	<b>\$2.0 billion</b>

More detail on the General Fund solutions summarized above is included in Enclosure A and in the Committee document entitled "Quick Summary 8<sup>th</sup> Extraordinary Session, dated March 5, 2010".

The solutions help the State reduce the \$19.9 billion two-year budget deficit defined by the Governor in January 2010. However, the veto of ABx8 2 (Budget) by the Governor reduced the solutions passed by the Legislature by \$2 billion.

Enclosure B details the actions taken by the Governor on the Legislation sent to his desk in the 8<sup>th</sup> Extraordinary Session. It also includes SB 70 that was passed in the regular session, but is related to the Fuel Tax Swap approved in the 8<sup>th</sup> Extraordinary Session.

As mentioned in the prior summary, actions in the 8<sup>th</sup> Extraordinary Session were also taken to address cash flow concerns in the current fiscal year and the budget year. The cash flow solutions have already strengthened the State's position in the bond market. Since passage of the cash-flow related legislation in the special session, the Treasurer was able to sell \$2.5 billion in general obligation bonds. These bonds are available for transportation, housing, flood protection, school construction, and other uses and will result in tens of thousands of new jobs.

Two additional regular session bills were heard by the Budget and Fiscal Review Committee and passed to the Governor on March 22, 2010 that were unrelated to the budget. These bills included: (1) a homebuyer's income tax credit of \$10,000, including \$100 million in credits for the purchase of new homes and \$100 million in credits for first-time homebuyers; and (2) a sales tax exemption for the purchase of green technology manufacturing equipment. The homebuyer's income tax credit (AB 183, Caballero) is expected to cost the State approximately \$69 million in the current and budget year. The impact of the green technology sales tax credit (SB 71, Padilla) is unknown at this time, but is not estimated to impact revenues significantly in the budget year.

**8th Ex. Session: Final Budget Actions (After Governor's Vetoes)**

					Amount (in millions)				
Source	Type	#	Org. Code	Solution (Department and Issue)	2009-10	2010-11	2-year total	Location	
<b>Proposals that the Governor signed:</b>									
G-SS	AF	2	0820	Justice: Increase DNA Penalty Assessments for Support of DOJ Forensic Labs	\$13.7	\$45.1	\$58.8	AB 8x 2 & AB 8x 3	
G-RS	FS	8	2660	CalTrans: Transfer of Tribal Gaming Compact Revenues to the General Fund	0.0	100.8	100.8	AB 8x 10	
G-SS	AF	9	2830	CalTrans: Fuel Tax Swap: Reduce General Fund for Transportation Debt Service.	219.0	929.1	1,148.1	AB 8x 6 & AB 8x 9	
G-SS	E	14	4300	Developmental Services: Regional Centers--Extend the 3 Percent Provider Payment Reduction through 2010-11	0.0	60.9	60.9	SB 8x 4	
G-SS	FF	15	5180	Social Services: Expand Federal Eligibility for Foster Care	6.0	69.5	75.5	AB 8x 4	\$1,444.1
<b>Proposals that are assumed , but didn't require legislation:</b>									
G-SS	E	12	4260	Medi-Cal -- Defer Institutional providers (cost shift)	\$94.3	-\$38.5	\$55.8	No bill req'd	
G-RS	FS	22	9901	Other: Miscellaneous Revenues	0.0	450.0	450.0	No bill req'd	\$505.8
<b>TOTAL</b>					<b>\$333.0</b>	<b>\$1,616.9</b>	<b>\$1,949.9</b>		
Subtotals:									
Expenditure Solutions					\$94.3	\$22.4	\$116.7		
Federal Funds					6.0	69.5	75.5		
Alternative Funding					232.7	974.2	1,206.9		
Fund Shifts and Other Revenues					0.0	550.8	550.8		
Revenues					0.0	0.0	0.0		
<b>Total</b>					<b>\$333.0</b>	<b>\$1,616.9</b>	<b>\$1,949.9</b>		
<b>Proposals enacted by both houses, but vetoed by the Governor:</b>									
G-RS	E	1	0250	Judicial: Delay Implementation of Conservatorship Program	\$0.0	\$17.4	\$17.4	AB 8x 2	
G-RS	E	11	3600	Fish & Game: Unallocated reduction	0.0	5.0	5.0	AB 8x 2	
G-SS	E	13	4260	Medi-Cal -- Anti-Fraud Initiative	0.0	28.3	28.3	AB 8x 2	
G-RS	E	16	5225	Corrections: Reduce Inmate Medical Care Costs	0.0	811.0	811.0	AB 8x 2	
G-RS	E	17	5225	Corrections: Reduce Division of Juvenile Justice Population	0.0	41.3	41.3	AB 8x 2	
C	E	18	5225	Corrections: Commutation of sentences (Governor action, based on 2009 Budget Act)	0.0	182.0	182.0	AB 8x 2	
G-RS	E	19	8885	Local Government Mandates: Suspend Certain Mandates & Defer Payment on Prior Year Claims	0.0	228.0	228.0	AB 8x 2	

G-SS	E	20	9801	Employee comp: 5% cap on payroll costs	0.0	449.6	449.6	AB 8x 2	
G-SS	E	21	9801	Employee comp: Delay OPEB pre-payments	0.0	98.1	98.1	AB 8x 2	
C	E	23	9901	Other: OE&E savings resulting from 5% cap on payroll costs	0.0	130.0	130.0	AB 8x 2	
C	E	24	CS 15.35	IT: Statewide IT savings	0.0	40.0	40.0	AB 8x 2	\$2,030.7
<b>Proposals adopted by the Senate but not taken up by Assembly:</b>									
C	R	3	0860	BOE Revenues, tax enforcement: Sales tax nexus	\$0.0	\$107.0	\$107.0	AB 8x 8	
C	R	5	1730	FTB Revenues, tax enforcement: FIRM	0.0	32.0	32.0	AB 8x 8	
C	R	6	1730	FTB Revenues, tax enforcement: Abusive tax shelter definition--penalties	0.5	1.8	2.3	AB 8x 8	
C	R	7	1730	FTB Revenues, tax enforcement: Revoke professional licenses of delinquent taxpayers	14.0	19.0	33.0	AB 8x 8	\$174.3
<b>Proposal not taken up on either floor because of lack of Republican support:</b>									
G-SS	AF	10	3540	CalFire: Emergency Response Initiative: Partial Fund Shift for CAL FIRE's Fire Protection Program	\$0.0	\$200.0	\$200.0	AB 185	\$200.0
<b>Proposal adopted by the Assembly but dropped from final package:</b>									
G-RS/C	R	4	1730	FTB Revenues: Credit Sharing, Limit NOL	\$0.0	\$650.0	\$650.0	SB 8x 6	\$650.0
<b>Key:</b>									
G-SS Governor's Budget, Special Session proposal									
G-RS Governor's Budget, Regular Session proposal									
C Committee proposal									
E Expenditure Solutions									
FF Federal Funds									
AF Alternative Funding									
FS Fund Shifts and Other Revenues									
R Revenues									
Identical or nearly identical to Governor's budget proposal									

### **8th Extraordinary Session Bills Sent to the Governor in March 2010:**

<b>Bill</b>	<b>Subject</b>	<b>Senate Votes</b>	<b>Chapter/ Veto</b>
<b>AB 1</b>	<b>Amendments to the 2009 Budget Act</b>	38-0	Ch 2
	--Makes changes to shift \$3.5 million (federal funds) from state support within the Department of Public Health to local assistance for expenditure to HIV/AIDS prevention programs.		
<b>AB 2</b>	<b>Amendments to the 2010 Budget Act</b>	23-15	Vetoed
	--Makes various reductions to the 2010 Budget Act.		
<b>AB 3</b>	<b>Criminal Justice</b>	24-14	Ch 3
	--Authorizes a DNA penalty on offenders to cover the costs of the Department of Justice's DNA Laboratories; makes technical changes to reimburse the Alcohol and Beverage Control Fund; and provides CDCR with direction on implementing cuts to rehabilitation programs.		
<b>SB 4</b>	<b>Developmental Services/Foster Care</b>	29-2	Ch 4
	--Continues 3 percent reduction for provider reimbursement for regional center purchase of services and operations; and expands eligibility for federal foster care funding.		
<b>AB 5</b>	<b>Cash</b>	37-2	Ch 1
	--Authorizes various payment deferrals to ensure that the state has adequate cash-flow through April of the 2009-10 fiscal year and the entire 2010-11 fiscal year.		
<b>AB 6</b>	<b>Transportation/Gas Tax Swap</b>	22-10	Ch 11
	--This bill contains only the "tax side" of the new fuel swap package. Amendments to this bill modify the existing fuel tax swap bill to delete provisions that would delay or partially suspend the corporate tax provisions and instead raise the gasoline excise tax by up to 17.3 cents.		
<b>AB 7</b>	<b>Resources</b>	31-6	Ch 5
	--Makes various changes to improve the fiscal stability of the Beverage Container Recycling Fund; and makes changes to allow California to receive additional ARRA federal funds for the State Water Pollution Control Revolving Fund.		
<b>AB 9</b>	<b>Transportation/Gas Tax Swap</b>	21-10	Ch 12
	--This bill contains only the "expenditures side" of the new fuel swap package. This bill appropriates \$400 million for transit operations now, and at least \$350 million in 2011-12, and ongoing. This bill also provides new money for highways and roads beginning with over \$400 million in 2011-12. This bill also provides \$1.1 billion in General Fund relief over the current and budget years.		
<b>AB 10</b>	<b>General Government</b>	32-6	Ch 6
	--Makes changes to law to allow a portion of tribal gaming revenue to be transferred from transportation debt relief to the General Fund.		
<b>AB 11</b>	<b>Transportation Proposition 116</b>	39-0	Ch 7
	--Authorizes the California Transportation Commission to approve Letters of No Prejudice (LONP) for Proposition 116 bonds.		

<b>Bill</b>	<b>Subject</b>	<b>Senate Votes</b>	<b>Chapter/ Veto</b>
<b>AB 12</b>	<b>Prop. 1B Port Security</b> --Extends time for ports to complete Prop. 1B bond projects.	39-0	Ch 8
<b>AB 14</b>	<b>Cash Clean Up</b> --Makes various changes to the cash deferrals in AB 5 (above). That bill was enrolled on February 22 and signed by the Governor--this bill was enrolled on March 4. Specifically gives K-12 schools and community colleges more time to apply for a hardship waiver to be exempt from the deferrals. The bill also allows local governments flexibility to use Proposition 1B funds for cashflow while HUTA allocations are deferred and clarifies that HUTA deferrals will be taken on a pro rata basis from various allocation sections in statute.	31-0	Ch 10
<b><u>Regular Session Bills Sent to Governor in March 2010</u></b>			
<b>SB 70</b>	<b>Diesel Fix for Fuel Swap</b> --Amends the fuel swap package to ensure off-road fuel users, such as railroads, do not see a net tax increase.	22-14	Ch 9
<b><u>Other 8th Extraordinary Session Bills</u></b>			
<b><u>Passed by the Senate but not Sent to the Governor:</u></b>			
<b>AB 8</b>	<b>Tax Enforcement</b> --Makes various changes to tax enforcement including: (1) creates a financial institution record matching (FIRM) system; (2) requires out-of-state sellers to collect sales and use taxes on sales to California residents; (3) strengthens laws related to abusive tax shelters; and (4) permits the state to suspend professional licenses for revoked licenses because of unpaid tax liabilities.	23-15	