



# **SUMMARY OF GOVERNOR'S PROPOSED 2009-10 BUDGET**

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**Noreen Evans**

CHAIR, ASSEMBLY BUDGET COMMITTEE

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**OVERVIEW**

On December 31, 2008, the Governor released the Fiscal Year (FY) 2009-10 budget. The budget outlines the Governor's strategy for addressing a projected \$41.7 billion General Fund shortfall over the next 18 months. The budget proposal builds upon the Governor's December 19th Special Session proposal, which contained \$22 billion of General Fund Solutions.

The Governor's budget envisions that the Legislature would adopt both a Special Session package that would be enacted by February 1, 2009 and an annual budget package that would need to be enacted before July 1, 2009. The Special Session package proposed in the FY 2009-10 budget includes all of the \$22 billion in solutions contained in the December 19<sup>th</sup> Special Session plus an additional \$4.6 billion in Special Sessions solutions. The FY 2009-10 budget contains another \$14.7 billion in solutions, including \$4.7 billion in borrowing and \$5 billion from the lottery.

**SUMMARY OF BUDGET SOLUTIONS**

**Summary Chart of Governor's Proposals:**

(in millions)

Issue	Existing Special Session	New Sp. Session Proposal	Budget Act Proposals	Total	Leg's December Package
Tax Increases	\$12,505	\$0	\$1,440	\$13,945	\$9,316
Prop 98 Savings	3,163	3,307	1,242	7,712	4,050
Higher Education	264	0	594	858	264
Corrections	608	0	181	789	547
Public Safety Savings	692	0	0	692	692
Health	805	0	359	1,164	107
Prop 63	0	0	227	227	0
Human Services	2,969	0	161	3,130	714
Prop 10	0	0	275	275	0
Public Transit	459	0	0	459	313
Employee Comp	782	638	150	1,570	658
Reduced Health Care Costs	0	0	132	132	0
Delay Local Mandates	0	0	91	91	0
Special fund transfers/loans	0	594	3	597	514
Judiciary Cuts	0	0	163	163	70
GO Debt service to State Highway Account	0	0	0	0	681
Reimbursement Warrants (RAWs)	0	0	4,673	4,673	0
Lottery	0	0	5,000	5,000	0
Various Others	69	104	24	197	134
<b>Total</b>	<b>\$22,316</b>	<b>\$4,643</b>	<b>\$14,714</b>	<b>\$41,673</b>	<b>\$18,059</b>

**SUMMARY OF TAX SOLUTIONS**

The Governor's budget includes \$14 billion of revenue solutions. Of this amount \$12.5 billion has already been proposed in the Special Session. The Governor's budget adds \$1.44 billion in additional revenue by reducing the Dependent Credit from \$309 to \$99. This increases taxes on families by \$210 per child.

**Summary of the Governor's Proposed Tax Increases:**

(in billions)

<b>Tax</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>
3-year 1.5 cent sales tax increase	\$2.35	\$6.76	\$9.10
Oil Severance	.35	.84	1.18
Expand Sales tax to some services	.27	1.11	1.38
Nickel a Drink	.24	.59	.83
Reduce Dependent Credit*	0.00	1.44	1.44
<b>Total</b>	<b>\$3.21</b>	<b>\$10.74</b>	<b>\$13.95</b>

\*this is the only proposal that is not part of the Special Session proposal.

**SUMMARY OF BORROWING SOLUTIONS**

- **RAWS:** The budget proposes selling \$4.7 billion of Reimbursement Warrants (commonly known as RAWs) in July of 2009. While RANs must be repaid within the fiscal year in which they are sold, RAWs can be repaid in the subsequent fiscal year. Thus the budget proposes repaying the RAWs no later than June 30 of 2011.
- **Lottery:** Assumes \$5 billion provided by the securitization of future lottery revenues.
- **Special Fund Loans and Transfers:** An additional \$594 million in various special fund loans and transfers is proposed to be added to the Special Session package.

## K-12 EDUCATION

The Governor's December 19<sup>th</sup> Special Session proposal assumes that the Proposition 98 minimum guarantee has decreased to \$51.5 billion for FY 2008-09. This level of funding represents a decrease of \$6.6 billion from the 2008-09 Budget Act level (\$58.1 billion) or an 11.4 percent decrease. The Administration proposes a mix of program reductions, deferrals, and re-designation of funds in the current year in order to fund education at this level. Using these solutions, school districts would realize a true program cut of approximately \$2 billion.

For FY 2009-10, the Governor proposes to fund the minimum guarantee at \$55.9 billion. While this represents an increase of \$4.4 billion compared to the Governor's proposed current year minimum guarantee; this level represents a \$2.2 billion reduction from the \$58.1 billion provided in the 2008-09 Budget Act.

### ***FY 2009-10 Proposal:***

**Total Proposition 98 for K-14 Education.** Proposes to fund the minimum guarantee at \$55.9 billion. The Governor's Proposal assumes the following in order to achieve this level of funding:

- ◆ Does not provide the \$2.5 billion for statutory and discretionary cost of living adjustments for K-12 education programs.
- ◆ Continues to decrease school district and county office of education revenue limits by \$1.5 billion to bring Proposition 98 funding to the minimum guarantee for FY 2009-10.
- ◆ Provides a decrease of \$1.1 billion commensurate with allowing school districts to reduce the school year by five days.
- ◆ Decreases Proposition 98 spending by \$398.5 million to reflect the use of an identical amount of Public Transportation Account and Mass Transportation Fund resources for the Home- to- School Transportation program.
- ◆ Cost avoidance of \$150 million due to prepayment of Proposition 98 settle up funding in the 2008-09 Special Session Proposal.
- ◆ A decrease of \$114.2 million to eliminate the High Priority Schools Grant Program.
- ◆ A decrease of \$1 million for the National Board Certification Incentive Program to suspend new teacher participants from entering the program.

- ◆ An increase of \$891.6 million to replace the allocation of State Lottery revenues to school districts and county offices of education with Proposition 98 General Fund pursuant to *Chapter 764, Statutes of 2008*.
- ◆ An increase of \$65 million to fund Special Education Behavior Intervention plans.
- ◆ A net increase of \$13.4 million for K- 12 mandates. As a result of a lawsuit that requires all education mandates be paid or suspended, the Administration proposes to suspend all education mandates with the exception of the following mandates which will be fully funded:
  - ◆ An increase of \$6.3 million for mandated costs related to interdistrict and intradistrict transfers.
  - ◆ An increase of \$7.1 million for mandated costs related to the California High School Exit Exam.
- ◆ An increase of \$5.1 million to replace one- time federal funding included in the 2008 Budget Act to fund State Special School instructional costs.
- ◆ Continuation of the comprehensive flexibilities described for 2008-09 to allow schools complete and permanent flexibility with respect to categorical funding.

***New Special Session Proposals for 2008-09:***

- ◆ **Total Proposition 98 for K-14 Education.** Reduces Proposition 98 funding in the current year by \$6.6 billion or 11. 4 percent from the 2008-09 Budget Act level to provide a total of \$51.5 billion in the current year. This includes an additional \$3.3 billion in Special Session solutions as follows:
  - ◆ Directly funds Home-to-School Transportation with \$618.7 million from the Public Transportation Account (PTA) and Mass Transportation Fund. This allows the program to be funded at the 2008-09 Budget Act level but with non-Proposition 98 funds, effectively lowering the funding obligation under Proposition 98.
  - ◆ Uses \$1.1 billion in current year spending as "settle-up" dollars rather than new Proposition 98 dollars. Settle up is owed to schools in years when the Proposition 98 minimum guarantee is underappropriated. Using settle up in this way does not reduce current year education spending, but does provide additional Proposition 98 flexibility in the budget year.
  - ◆ Defers \$2.6 billion of school district revenue limit and K- 3 Class Size Reduction program payments from April of the FY 2008-09 to July of the FY 2009-10.
  - ◆ Reduces school district and county office of education revenue limit funding by \$152 million less than proposed on December 1<sup>st</sup> For the December 19<sup>th</sup>

Special Session the Governor proposed a \$1.639 billion reduction to school district and county office of education revenue limits (the December 1<sup>st</sup> proposal reduced revenue limits by \$1.791 billion).

- ◆ Realizes additional natural program savings of \$55.5 million including Economic Income Aid (\$48.5 million), High Speed Network (\$2 million), National Board Certification (\$2 million), Certificated Staff Mentoring (\$1 million), Pupil Retention Block Grant (\$1 million), and CTC's Paraprofessional Teacher Training (\$1 million).

***December 19<sup>th</sup> Special Session Proposals for 2008-09:***

- ◆ **Total Proposition 98 for K-14 Education.** Reduced Proposition 98 funding in the current year by \$2.5 billion providing a total of \$55.6 billion to K-12 schools and community colleges.
- ◆ **K-12 Reductions:**
  - ◆ Eliminates the \$244.3 million or 0.68 percent COLA for K-12 district and county office revenue limits.
  - ◆ Reduces school district revenue limit funding by \$1.791 billion.
  - ◆ Proposes categorical program flexibility to allow districts to transfer funds from certain restricted prior year balances as well as current year balances from nearly all categorical programs to offset the reduction to revenue limits. Districts using this flexibility are required to adopt a transfer plan at a regularly scheduled school board meeting and agree to report the amounts transferred and the programs affected.
  - ◆ Captures \$71.2 million in prior year savings from several categorical programs due to underutilization. These reductions include: \$28.6 million for K-3 Class Size Reduction, \$2.6 million for Principal Training, \$3.3 million for Alternative Certification and \$1 million for the Pupil Retention Block Grant.
  - ◆ Reduces \$55 million by capping child care programs to reflect the amount of funding that has not been allocated for contracts with providers. This will not result in a reduction in services to families.
  - ◆ Reduces \$42 million from Stage 2 and Stage 3 child care programs based on revised estimates for lower than anticipated caseload. Stage 2 costs are revised down by \$27 million and Stage 3 costs are revised down by \$15 million.
  - ◆ Reappropriates \$108 million from prior year child care savings for CalWORKs Stage 2 and 3 costs in FY 2008-09. The 2008-09 budget used anticipated one-time savings from the After School Safety and Education (ASES) program to fund CalWORKs however the ASES savings did not materialize.

## HIGHER EDUCATION

### *FY 2009-10 Proposal*

#### **University of California (UC)**

- ◆ Eliminates \$209.9 million in the workload budget adjustments for the 4 percent increase for basic budget support, the 1 percent increase for core instructional support, and the 2.5 percent increase for enrollment growth pursuant to the Higher Education Compact. Growth adjustments include \$56.2 million for 5,086 Full Time Equivalent Students (FTES).
- ◆ Reduces \$75.7 million of the UC workload budget that assumes UC's proposed minimum \$95.7 million payment reflecting a 4 percent employer contribution and a 2 percent employee share, providing \$20 million for this purpose.
- ◆ Provides a \$5 million to backfill use of one-time federal funds in 2008-09 for the Subject Matter Projects.
- ◆ Provides \$1.5 million to fund the next phase of medical enrollments for the PRIME program.
- ◆ Decreases \$5 million to reflect phase-out of the UC Merced campus startup funding.
- ◆ Provides \$29.8 million estimated ongoing increase to replace the segment's share of Lottery proceeds related to securitization of the Lottery pursuant to Chapter 764, Statutes of 2008.
- ◆ Provides \$1.1 million to fund an additional cohort of 50 undergraduate and 42 master's level nursing enrollments at full cost.
- ◆ Includes a \$166.1 million increase to reflect assumed fee increases of 9.3 percent. Systemwide undergraduate fees are assumed to increase from \$7,126 to \$7,788. These increases would apply to professional and graduate students. Fees for most professional schools will increase by an average of about 12 percent, but would range from 5 percent to 24 percent. One-third of the revenue generated by the fee increases would be set aside for institutional financial aid to preserve equitable access for low-income students.

#### **California State University (CSU)**

- ◆ Eliminates \$217.3 million in the workload budget adjustments for the 4 percent increase for basic budget support, the 1 percent increase for core instructional support, and the 2.5 percent increase for enrollment growth pursuant to the Higher Education Compact. Growth adjustments include \$71.6 million for 8,786 FTES.

- ◆ Provides \$49.6 million estimated ongoing increase to replace the segment's share of Lottery proceeds related to securitization of the Lottery pursuant to Chapter 764, Statutes of 2008.
- ◆ Provides \$3.6 million to fund an additional cohort of 340 undergraduate nursing enrollments at full cost.
- ◆ Includes a \$130.4 million to reflect assumed fee increases of 10 percent. Systemwide undergraduate fees are assumed to increase from \$3,048 to \$3,354. These increases would apply to professional and graduate students. One-third of the revenue generated by the fee increases would be set aside for institutional financial aid to preserve equitable access for low-income students.

**Hastings College of the Law (HCL)**

- ◆ Eliminates \$531,000 workload budget adjustments for the 4 percent increase for basic budget support, the 1 percent increase for core instructional support, and the 2.5 percent increase for enrollment growth pursuant to the Higher Education Compact.
- ◆ Provides \$170,000 estimated ongoing increase to replace the segment's share of Lottery proceeds related to securitization of the Lottery pursuant to Chapter 764, Statutes of 2008.
- ◆ Assumes enrollment fees to increase from \$26,003 to \$29,383.

**California Student Aid Commission (CSAC)**

- ◆ Provides \$174.1 million to CSAC local assistance for projected increased costs in the Cal Grant program (\$150.4 million) resulting primarily from a current-year surge in renewals and higher than expected new awards. Anticipated undergraduate fee increases for UC and CSU (9.3 percent and 10 percent, respectively), plus \$24 million to backfill the use of one-time Student Loan Operating Fund resources. A net current-year estimated shortfall of \$62.6 million General Fund local assistance is recognized, as well.
- ◆ Reduces \$1 million in CSAC state operations to remove one-time funding for relocation of CSAC.
- ◆ Reduces \$192.6 million to CSAC local assistance resulting from shifting a portion of Cal Grant costs in the budget year to Temporary Assistance for Needy Families (TANF) reimbursements as part of the Administration's proposed solution on TANF Maintenance of Effort.

- ◆ Reduces \$87.5 million to CSAC's Cal Grants local assistance to reflect cost savings measures proposed to keep costs flat from year to year. Those policy proposals include: freezing income eligibility limits (\$7 million); reducing the maximum award for students attending private institutions from \$9,708 to \$8,322 (\$11 million); elimination of the Cal Grant Competitive Program (\$52.9 million); and partially decoupling awards to public institutions from fee increases (\$16.6 million – which reflects approximately one-third of the undergraduate fee increases assumed for UC and CSU in 2008-09 as noted below)
- ◆ Reduces \$2 million for anticipated savings from a proposal to consolidate the functions of the California Postsecondary Education Commission (CPEC) and CSAC through a reorganization proposal and to decentralize the administration of financial aid, including Cal Grants, to the higher education segments. This reorganization is intended to eliminate duplicative handling of financial aid awards, to reduce administrative costs at the segment level, to eliminate duplicative overhead costs in state operations, and to create one-stop packaging of financial aid that will benefit students.

**California Community Colleges (CCC)**

- ◆ Includes a cost avoidance of \$322.9 million for the budget year 5.02 percent COLA, consistent with all other Proposition 98 programs.
- ◆ Decreases \$4 million by suspending all community college reimbursable state mandates, consistent with the proposal for K-12 mandates.
- ◆ Provides \$167.5 million to replace the allocation of State Lottery revenues to community college districts with Proposition 98 General Fund pursuant to Chapter 764, Statutes of 2008.
- ◆ Continues the categorical flexibility described for the 2008-09 Special Session and the Administration will sponsor legislation that will reduce or eliminate the annual uncertainty districts face with regards to property tax revenue which currently funds a substantial portion of the colleges' general purpose revenue.
- ◆ Increases \$185.4 million for 3 percent growth in apportionments and categorical programs. The apportionment growth amount is estimated to fund approximately 36,000 FTES.
- ◆ Decreases \$24 million for other baseline adjustments including estimated increases in local property taxes (\$6.1 million), fee revenue (\$17.6 million) and oil and mineral revenues (\$1.2 million) which offset General Fund plus an increase in amounts necessary to compensate colleges for administration of fee waivers (\$934,000)
- ◆ Decreases \$1.3 million in estimated lease purchase payments.

- ◆ Provides a \$132,000 increase in current year (\$92,000) and in budget year (\$40,000) from a federal grant for CCC state operations and local assistance activities to better coordinate math- and science-related professional development improvements.
- ◆ Provides \$6.4 million to the State Teacher Retirement System for additional costs for CCC employees based on 8.02 percent of applicable payroll.
- ◆ Provides \$280,000 to the Chancellor's Office for CCC to address critical state operations workloads.

**Child Care (Proposition 98)**

- ◆ Provides \$287.5 million to backfill one-time sources used to fund the current-year and to adjust for revised estimates in the caseload-driven CalWORKs Stage 2 and 3 programs, which are estimated to decrease by \$35.7 million and \$1.4 million, respectively, compared to revised current year costs.
- ◆ Provides \$18.9 million for 1.23 percent statutory growth based on the age 4 and under population change.
- ◆ Includes a cost avoidance of \$79.5 million for 5.02 percent COLA, consistent with all other Proposition 98 programs.
- ◆ Decreases \$38.7 million to reflect a policy proposal to reduce reimbursement rate limits in voucher-based programs from the 85<sup>th</sup> percentile of the market to the 75<sup>th</sup> percentile, based on the 2007 regional market rate survey, effective July 1, 2009. Although this proposal affects all voucher programs, including the Alternative Payment Program, the savings are only scored in the caseload-driven CalWORKs Stage 2 (\$20.3 million) and Stage 3 (\$18.4 million)
- ◆ Decreases \$14.4 million to reflect a revised family fee schedule. The revised fee schedule retains a flat fee per family, begins at income levels where families currently begin paying fees, increases fees by \$2 per day at the low end, and increases fees thereafter on a sliding scale up to 10 percent of income which occurs at a lower point in the income eligibility spectrum when compared to the current schedule. Although this proposal would apply to all means-tested child care programs, the savings are only scored in the caseload driven CalWORKs Stage 2 (\$5.8 million) and Stage 3 (\$8.6 million) programs. This proposal would not reduce the number of families served because fee revenue augments provider contract amounts.

***December 19<sup>th</sup> 2008 Special Session Proposals:***

**University of California (UC)**

- ◆ Reduces UC by \$65.5 million in unallocated reductions. Together with UC's \$33.1 million share of the \$190 million statewide savings requirement for state operations assumed in the enacted 2008 Budget, UC will approximately reflect a 10 percent reduction, consistent with the reduction level proposed in the January 2008-09 Governor's Budget.

**California State University (CSU)**

- ◆ Reduces CSU by \$66.3 million in unallocated reductions. Together with CSU's \$31.1 million share of the \$190 million statewide savings requirement for state operations assumed in the enacted 2008 Budget, CSU will reflect approximately a 10 percent reduction, consistent with the reduction level proposed in the January 2008-09 Governor's Budget.

**Hastings School of Law (HCL)**

- ◆ Reduces Hastings by \$402,000 in unallocated reductions. Together with HCL's \$114,000 share of the \$190 million statewide savings requirement for state operations assumed in the enacted 2008 Budget, HCL will reflect approximately a 10 percent reduction, consistent with the reduction level proposed in the January 2008-09 Governor's Budget.

**California Community Colleges (CCC)**

- ◆ Revises current year property tax revenue estimates down by \$4 million, increases in estimated current year fee revenue plus oil mineral revenue will more than offset that amount; thus, no deficit in Apportionments should result.
- ◆ Decreases \$230 million to Apportionments to reflect an ongoing deferral of a portion of payments in January and February of the current fiscal year to July of the subsequent fiscal year. This deferral lowers the Proposition 98 guarantee in the current year, but does not reduce program spending.
- ◆ Decreases \$39.8 million to eliminate the partial 0.68 percent COLA authorized in legislation enacted to implement the budget in 2008.
- ◆ The proposals above are accompanied by significant categorical spending flexibility, similar to that described for K-12 entities, by authorizing college districts to transfer any categorical allocations received to their general fund, without dollar limitation, in order to maximize course offerings aligned with the system's highest priorities for transfer, basic skills and career preparation. In order to utilize this flexibility, districts would be required to report those decisions in public hearings.

**Child Care (Proposition 98)**

- ◆ Decreases \$42 million to reflect expected savings in CalWORKs Stage 2 Child Care (\$27 million) and CalWORKs Stage 3 (\$15 million) caseload-driven programs based on revised estimates in November.
- ◆ Decreases \$55 million to reflect a permanent reduction of anticipated savings for child care programs that show significant and recurring amounts of savings each year, including General Child Care and Preschool, among others. No reduction in families served should result.
- ◆ Reappropriates an additional \$108 million of anticipated savings in prior-year child care programs to address shortfalls in the one-time sources used to partially fund CalWORKs Stage 2 and Stage 3 in the current year.

## TRANSPORTATION

### Transportation Funding

Overall the Governor's FY 2009-10 budget package includes \$1.1 billion in savings primarily achieved through redirection and elimination of transportation funding, with the remainder being achieved through increased vehicle registration fees.

#### ***New 2008-2009 Special Session Proposal:***

- ◆ Redirects approximately \$100 million in annual revenues, in both the current and budget years, to the General Fund. This transfer is contingent upon the receipt of federal economic stimulus funding to backfill the funding for State Highway Operation and Protection Program (SHOPP) and Traffic Congestion Relief Program (TCRP).

#### ***December 19<sup>th</sup> 2008 Special Session Proposals:***

- ◆ Eliminates all Public Transportation Account (PTA) funding for the State Transit Assistance Program, thus eliminating all state support for local transit operations, which totals \$153 million in FY 2008-09 and \$306 million in FY 2009-10. This is in addition to about \$1 billion in cuts to public transit already approved in the Budget Act.
- ◆ Increases vehicle registration fees by \$12 to generate \$92 million in FY 2008-09 and \$359 million in FY 2009-10 for the Motor Vehicle Account (MVA) which will help alleviate the loss of funds that are proposed to be shifted from the Department of Motor Vehicles to local public safety programs. This fee increase is in addition to the \$11 fee increase already approved in the Budget Act.

### High-Speed Rail

#### ***FY 2009-2010 Proposal:***

- ◆ Proposes \$123.4 million in Prop. 1A (2008) expenditures for High-Speed Rail projects to begin the detailed engineering, design, and environmental work needed to ready segments for construction.

### California Highway Patrol

#### ***FY 2009-2010 Proposal:***

- ◆ Increases funding by \$34.9 million (Motor Vehicle Account) to fund 230 new California Highway Patrol officer and related support positions.
- ◆ Provides \$11.9 million (Motor Vehicle Account) to replace the California Highway Patrol Computer Aided Dispatch (CAD) system. This system is intended to improve dispatching of emergency calls from the public, and will cost \$38.8 million in total.

**Department of Motor Vehicles**

***FY 2009-2010 Proposal:***

- ◆ Provides \$11 million (Motor Vehicle Account) and 16 positions for production of the new driver's license/identification/sales person card to meet the federal REAL ID requirements. An additional \$4.2 million and 45 positions are proposed to implement improved procedures regarding ID's to achieve compliance with the REAL ID Act.

## HUMAN SERVICES

### Department of Social Services

The Governor's 2009-10 budget includes additional cuts of \$161 million for the Department of Social Services, adding to the Special Session savings proposals for human services, many of which experience their full savings in the budget year. Together, these proposals total \$3.1 billion of reductions in the human services area alone over the next 18 months.

### *FY 2009-10 Proposals*

- ◆ **CalWORKs COLA.** Suspends the CalWORKs statutory June 2009 COLA. Absent a grant cut, which is also proposed by the Governor, the maximum monthly grant for a family of three would remain at \$723 in high-cost counties. This reduction results in savings of \$79.1 million in FY 2009-10.
- ◆ **CalWORKs Pay for Performance.** Suspends funding of \$40 million in FY 2009-10 for the CalWORKs Pay for Performance Incentive Program, which is a county program that was established in statute but has not been funded.
- ◆ **SSI/SSP State COLA.** Suspends the June 1, 2010 cost-of-living adjustment for SSI/SSP. This reduction would reduce assistance by \$27 million in FY 2009-10.
- ◆ **Increased Caseload Costs.** Includes an additional \$907.4 million due to caseload increases in the CalWORKs and Supplemental Security Income/State Supplementary Payment (SSI/SSP) programs, as well as caseload growth and provider wage and benefit increases in the In-Home Supportive Services program.

### *December 19<sup>th</sup> 2008 Special Session Proposals*

#### **SSI/SSP**

- ◆ Reduces the SSI/SSP payment to the federal minimum effective May 1, 2009, reducing the grant for an aged/blind individual by \$40 and for a couple by \$117. The General Fund reduction generates \$180.1 million in 2008-09 and \$1.117 billion 2009-10. The proposal impacts 1.2 million families.
- ◆ Eliminates the Cash Assistance Program for Immigrants (CAPI) effective May 1, 2009, resulting in General Fund savings of \$20 million in FY 2008-09 and \$129.6 million in FY 2009-10. The CAPI program provides benefits to aged, blind, and disabled legal immigrants who successfully complete an application process. The proposal impacts approximately 11,000 families.

#### **CalWORKs**

- ◆ Reduces CalWORKs grants by 10 percent effective May 1, 2009, resulting in General Fund savings of \$45.2 million in 2008-09 and \$294.1 million in 2009-10. This proposal would reduce the maximum monthly grant for a family of three from \$723 to \$651.
- ◆ Proposes a modified CalWORKs Safety Net program to eliminate cash aid for children whose parents have exceeded their 60-month time limit and who are not meeting work participation requirements. This would result in General Fund savings of \$36.4 million in FY 2008-09 and \$260.7 million in FY 2009-10 and assumes a May 1, 2009 implementation. The proposal eliminates aid for 98,000 children.
- ◆ Eliminates cash aid for children whose parents are non-citizens or certain types of felons and if they have exceeded their 60-month time limit. This would result in General Fund savings of \$38.4 million in FY 2008-09 and \$261.7 million in FY 2009-10. This proposal eliminates aid for 82,000 children.
- ◆ Proposes a face-to-face self-sufficiency review every six months with a county worker for CalWORKs families not meeting work requirements, with failure to attend resulting in a full family sanction, or complete elimination of cash assistance. This results in General Fund savings of \$3.5 million in FY 2008-09 and \$97.2 million in FY 2009-10 assuming a May 1, 2009 start date.

#### **In-Home Supportive Services (IHSS)**

- ◆ Eliminates domestic and related services, including meal preparation, laundry, and cleaning services, for IHSS recipients with a functional index score below 4. This results in General Fund savings of \$11.9 million in FY 2008-09 and \$71.4 million in FY 2009-10 assuming a May 1, 2009 implementation.
- ◆ Eliminates the state buyout program for IHSS recipients with a functional index score below 4. This results in General Fund savings of \$6.4 million in FY 2008-09 and \$46 million in FY 2009-10 assuming a May 1, 2009 start date.
- ◆ Limits state participation in wages of IHSS workers to the state minimum wage plus \$0.60 per hour for health benefits and assumes a May 1, 2009 implementation. This results in General Fund savings of \$44.5 million in FY 2008-09 and \$266.8 million in FY 2009-10.

#### **California Food Assistance Program (CFAP)**

- ◆ Eliminates the CFAP effective July 1, 2009, resulting in General Fund savings of \$37.8 million in 2009-10. This state-only program provides food benefits to low-income legal non-citizens.

#### **LEADER Automation**

- ◆ Delays the LEADER Replacement Project by six months for a savings of \$14.6 million in 2009-10.

**HEALTH CARE SERVICES**

Overall, the Governor's budget would result in a decrease of \$87.2 million (\$50.8 million GF) in FY 2008-09 and \$1.1 billion (\$668.7 million GF) in FY 2009-10 as a result of reductions to Medi-Cal. Over 3.5 million Californians would lose some or all of their health coverage.

***FY 2009-10 Proposal:***

- ◆ Eliminates the California Children and Families Commission and redirects all state funds and 50 percent of local funds to support children's programs administered by the Department of Social Services. This would result in \$275 million in General Fund Savings.

***December 19<sup>th</sup> 2008 Special Session Proposals:***

- ◆ Eliminates Medi-Cal "optional benefits," including: adult dental, chiropractic, incontinence creams and washes, acupuncture, audiology, speech therapy, optometry/optometrists, optician/optical lab services, podiatry, and psychology services. Results in General Fund savings of \$19.7 million in FY 2008-09 and \$129.4 million in FY 2009-10. The Governor proposed this in his 2008-09 budget and it was rejected by the Legislature. An estimated 3 million beneficiaries will lose access to these benefits.
- ◆ Reduces Medi-Cal benefits for newly qualified immigrants (in the U.S. for less than 5 years) and immigrants who Permanently Reside Under the Color of Law (PRUCOL) to the level currently provided to undocumented immigrants. Immigrants would retain emergency services, pregnancy-related services, long-term care in a nursing facility, and breast and cervical cancer treatment. Results in General Fund savings of \$9.4 million in 2008-09 and \$139.9 million in 2009-10. The Governor proposed this in his 2008-09 budget and it was rejected by the Legislature. Ninety thousand (90,000) individuals will lose full scope Medi-Cal coverage.
- ◆ Implements monthly eligibility determination for emergency services for undocumented immigrants. Currently, this population receives up to six months of health services after initial eligibility determination. Results in General Fund savings of \$4.8 million in 2008-09 and \$71.2 million in 2009-10. The Governor proposed this in his 2008-09 budget and it was rejected by the Legislature. This will affect 3,700 individuals in FY 2008-09, twenty two thousand (22,000) individuals in FY 2009-10, and thousands of individuals annually thereafter.
- ◆ Reduces the income level for new applicants to the Section 1931(b) program to the pre-March 2000 standard of an average of approximately 72 percent of the federal poverty level, and defines under-employment as the principal wage earner working less than 100 hours a month for persons applying for Section 1931(b) and for the medically needy program. Results in a General Fund savings of \$2.6 million in FY

2008-09 and \$88.6 million in FY 2009-10. The Governor proposed this in his 2008-09 budget and it was rejected by the Legislature. Twenty six thousand (26,000) individuals in FY 2008-09, one hundred eighty two thousand (182,000) individuals in FY 2009-10, and 429,000 individuals annually thereafter will no longer be eligible for no cost Medi-Cal.

- ◆ Shifts federal Safety Net Care Pool funding from designated public hospitals to the California Children's Services, Genetically Handicapped Persons, Medically Indigent Adult Long-Term Care, and Breast and Cervical Cancer Treatment programs, which are eligible for these funds. Results in no General Fund savings in 2008-09 and \$54.2 million GF savings in FY 2009-10. The Governor proposed this in his 2008-09 budget and it was rejected by the Legislature.
- ◆ Reinstates share of cost for Medi-Cal for aged, blind, and disabled individuals with incomes over the SSI/SSP limits. Eligibility for Medi-Cal without a share of cost was expanded in January of 2001 from 69 percent up to 127 percent of the federal poverty level. This proposal aligns eligibility with the SSI/SSP limits and results in General Fund savings of \$14.3 million in FY 2008-09 and \$185.8 million in FY 2009-10. Seventy three thousand (73,000) individuals will no longer be eligible for no cost Medi-Cal.
- ◆ Suspends the statutory COLA (Cost of Living Adjustment) for County Administration in the Medi-Cal Program. This would result in \$24.7 million in General Fund savings.

**Department of Developmental Services**

***FY 2009-10 Proposal:***

- ◆ **Regional Center Reduction.** Reduces the Regional Center Services budget by \$334 million in FY 2009-10 and asks that the Department work with the Legislature and stakeholders to develop proposals to manage program expenditures while maintaining the entitlement and meeting consumer needs.
- ◆ **Utilization and Population Increase.** Includes an additional \$382.5 million resulting from increased population and service utilization in the Regional Centers as a result of the entitlement.

***December 19<sup>th</sup> 2008 Special Session Proposal:***

- ◆ Proposes a three percent reduction to regional center service providers effective February 1, 2008. The reduction exempts certain types of providers and the department may consider other exemptions necessary to ensure the health and safety of consumers. Additionally, the proposal includes a suspension of the 1:66 coordinator-to-consumer ratio, but exempts from this suspension consumers on the federal Home and Community Based Services waiver, those three years of age or

younger in the Early Start Program, and consumers moving from a developmental center into the community. These changes result in General Fund savings of \$24.6 million in FY 2008-09 and \$60.2 million in FY 2009-10.

**Department of Mental Health**

***FY 2009-10 Proposal***

- ◆ **Use of Proposition 63 Funds.** Funds Mental Health Managed Care with Mental Health Services Act (Proposition 63) funding, totaling \$226.7 million, by proposing to amend the non-supplantation requirement included in the Act to allow this. Also, requests that the Department work with the counties and other stakeholders on changes necessary to provide greater local flexibility regarding the maintenance of effort and non-supplantation requirements of the Act. Implementation of this proposal will require passage of a voter initiative.
  
- ◆ **Higher Services Costs.** Includes an additional \$38.7 million primarily due to higher services costs, increased service utilization, and increased caseload in the Early and Periodic Screening, Diagnosis, and Treatment program.

**NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

Overall, the Governor's FY 2009-10 budget package includes a \$261.6 million reduction for Resources and Environmental Protection programs, an 18 percent reduction for the 2008-09 level. This reduction is attributed to an anticipated decrease in fire protection costs over the current year and the elimination of the Conservation Corps.

***FY 2009-10 Proposal:*****Resources Agency**

- ◆ **Conservation Corps Elimination.** Eliminates the California Conservation Corps for a savings of \$17 million (General Fund) in FY 2009-10 and \$24 million in future years. Under the proposal, grants to 12 statewide non-profit conservation corps organizations would be increased – fiscal details on this, however, are still unspecified.
- ◆ **Fire Protection.** Reduces \$248 million for the Department of Forestry and Fire Prevention (CAL FIRE) for fire suppression expenditures from the FY 2008-09 spending levels. In 2008 fire protection costs nearly doubled to \$437 million due to statewide fires. The proposed reduction in budgeted funding in FY 2009-10 is a five-year average of General Fund costs for fire protection.
- ◆ **Oil Severance Tax Implementation.** Augments \$3.8 million to the Department of Conservation to administer the proposed severance tax on oil extracted from California's soil or water.
- ◆ **State Parks.** Shifts \$11 million from General Fund to Proposition 84 funds for Americans with Disabilities Act compliance measures.
- ◆ **Expiring Energy Contracts.** Reduces \$332 million (Special Funds) related to the expiration of long term energy contracts entered into during the 2001 energy crisis by the Department of Water Resources (DWR).
- ◆ **Davis Dolwig.** Augments \$38.4 million (\$30.9 million Proposition 84/ \$7.5 million Harbors and Watercraft Fund) to DWR to fund recreation and fish and wildlife enhancements at State Water Project Facilities.
- ◆ **Flood Control.** Augments \$684.5 million (Propositions 84 and 1E) for flood control projects and levee improvements in the Delta and Central Valley.
- ◆ **Fish and Game Wardens.** Augments \$3 million (Fish and Game Preservation Fund) for 14.2 additional game warden positions at the Department of Fish and Game.

**Environmental Protection Agency**

- ◆ **Waste Board Elimination.** Eliminates the California Integrated Waste Board and consolidates recycling, clean-up, and waste programs. Details on this reorganization so far are unspecified.
- ◆ **Disadvantaged Community Water Projects.** Augments \$2.9 million (Special Funds) to provide grant funding to small disadvantaged communities for wastewater projects and to develop pilot projects in the Tulare Lake Basin and the Salinas Valley that focus on nitrate contamination in groundwater.
- ◆ **Heavy-Duty Diesel Regulation Outreach.** Augments \$1.6 million (Motor Vehicle Fund) and 4.8 positions to conduct outreach to businesses and individuals subject to new heavy-duty diesel regulations.
- ◆ **Tire Recycling.** Augments \$8.6 million (Tire Recycling Management Fund) and 4.3 positions for new equipment loan programs, local assistance grants, and public outreach and education.

***December 19<sup>th</sup> 2008 Special Proposals:***

- ◆ **Williamson Act.** Eliminates an annual \$34.7 million General Fund payment to local governments that partially backfills a loss of property tax revenues from local landowners who enter into land protection contracts in exchange for lower property taxes under the Williamson Act.

While local governments can cancel contracts if state funding is eliminated, they cannot begin to collect taxes based on the property's full value until four years have elapsed. After four years, the property is annually taxed at an incrementally higher value over a five-year period. In the sixth year, the property is taxed at full value.

**PUBLIC SAFETY****Department of Corrections and Rehabilitation**

Overall the Governor's 2009-10 budget package includes a General Fund reduction of approximately \$842 million, a 8.7 percent decrease over 2008-09.

***FY 2009-2010 Proposals:***

- ◆ Reduces funding by \$180.8 million as a result of a 10-percent unallocated reduction to the Receiver's Medical Services Program budget.
- ◆ Reduces funding by \$219.5 million to reflect a shift of funding for correctional drug and alcohol treatment programs from the General Fund to a special fund with revenues derived from a new drink tax.
- ◆ Increases funding by \$232.1 million to reflect full-year costs of new and expanded programs, including the continued rollout of substance abuse and other programs under AB 900 (\$56.7 million), contracted out-of-state beds (\$34 million), activation of the Northern California Reentry Facility (\$47.2 million), and rehabilitative programs for female offenders (\$94.2 million).
- ◆ Increases funding by \$88.3 million to adjust the California Department of Corrections and Rehabilitation's (CDCR) operating budget for anticipated price increases.

***December 19<sup>th</sup> 2008 Special Session Proposals:***

- ◆ Reduces funding by \$15.8 million by eliminating parole supervision, after release from prison, for offenders without current or previous convictions for serious, violent, or sexual crimes. Savings from this change in state parole policy are projected to grow to \$456.6 million in 2009-10.
- ◆ Implements comprehensive credit reform that will authorize the CDCR to provide up to four months of earned credit for successful program completion by eligible inmates, authorize consistent day-for-day credit for all eligible inmates in state prison and those who are in jail pending transfer to state prison, and provide credits to inmates who are awaiting assignment to a conservation camp. These changes are similar to credit reforms included in the August Revise and will result in current year costs of \$6.1 million but will provide for ongoing savings of \$90.5 million beginning in 2009-10.
- ◆ Adjusts the statutory threshold values for property crimes to reflect inflation since 1982, which will result in ongoing savings of \$51.3 million beginning in 2009-10. This proposal was included in the August Revise.

**Local Public Safety**

***2008-09 Budget Adjustment Proposals:***

- ◆ Eliminates funding provided to counties that operate juvenile camps and ranches resulting in current year savings of \$12.3 million, which grows to \$29.4 million in 2009-10.
- ◆ Eliminates funding provided to county sheriffs of specified small and rural counties, which will result in ongoing savings of \$18.5 million beginning in 2009-10.
- ◆ Provides \$92 million in 2008-09 and \$359 million in 2009-10 in Vehicle License Fee (VLF) funding for specific law enforcement grant programs. This proposal will eliminate General Fund support of these programs resulting in savings of \$152.5 million in 2008-09 and \$397.5 million in 2009-10. There will be a \$12 increase in the annual vehicle registration fee to backfill Department of Motor Vehicle operations currently supported by the VLF funds.
- ◆ Eliminates funding for various local assistance programs administered by the Office of Emergency Services resulting in current year savings of \$23.9 million, which grows to \$57.4 million in 2009-10. Programs that will be eliminated as a result of this reduction include Vertical Prosecution Block Grants, Rural Crime Prevention, California Multi-jurisdictional Methamphetamine Enforcement Teams, High Technology Theft Apprehension Program, and Sexual Assault Felony Enforcement Teams.

**Judicial Branch**

***FY 2009-2010 Proposals:***

- ◆ Reduces funding by \$17.4 million by delaying implementation of the Conservatorship and Guardianship Reform Act of 2006.
- ◆ Reduces funding by \$109.3 million by making an unallocated reduction equivalent to the amount of various one-time program cuts and fund shifts contained in the 2008 Budget Act.

Reduces funding by \$36.7 million by eliminating the Trial Court SAL and State Judiciary growth adjustment, which are estimated to be 1.2-percent.



## GENERAL GOVERNMENT

### Veterans Affairs

#### *FY 2009-2010 Proposals:*

- ◆ Reduces funding by \$2.8 by removing the current cap on member's fees, revising the percentage for Residential Care for the Elderly, and establishing a fee for non-veteran spouses. Currently fees are based upon level of care and percentage of income but do not exceed fixed dollar caps.
- ◆ Increases funding by \$18.5 million for continued activation of the veterans homes in West Los Angeles, Lancaster, and Ventura. When fully operational these homes will serve approximately 500 veterans.

### Military

#### *FY 2009-2010 Proposals:*

- ◆ Increases funding by \$1.8 million to establish an education benefit program for members of the California National Guard, to improve retention of Guard members.
- ◆ Increases funding by \$1 million to support the mental health needs of California National Guard members by providing mental health prevention services, training, intervention, and reintegration.
- ◆ Increases funding by \$2.2 million from the Emergency Response Initiative, which will impose a 2.8 percent fee on residential and commercial property insurance policies. This funding will support airborne fire suppression systems that will enhance the Military Department's ability to fight wildland fires.

**Employee Compensation**

Overall the Governor's FY 09-10 budget package includes approximately \$415 million in savings in the current year and over \$1.28 billion in savings in the budget year. These savings come exclusively from decreased payments (salary and benefits) to state employees as well as layoffs and changes to the way health coverage is acquired. The furloughs alone equate to an approximate 10% pay cut for state employees.

***FY 2009-2010 Proposal:***

- ◆ Requires layoffs throughout state government, including in revenue generating entities, for a proposed savings of \$150 million.
- ◆ Reduces health care expenditures for state employee health coverage by an estimated \$132.2 million, beginning in January 2010, by contracting for lower cost health care coverage directly from an insurer rather than through CalPERS. This change could conflict with existing collective bargaining contracts, and it is difficult to project actual savings.

***New 2008-2009 Special Session Proposal:***

- ◆ Requires an additional one day furlough each month between February 1, 2009 and June 30, 2010 (on top of the one day furlough already included in the Governor's December proposal). This would produce approximately \$187.9 million in General Fund savings in 2008-09 and \$450.9 million in 2009-10 for a total additional savings of \$638.8 million.

***December 19<sup>th</sup> 2008 Special Session Proposals:***

- ◆ Requires state employees to take a one day furlough each month between February 1, 2009 and June 30, 2010. This would produce approximately \$187.9 million in General Fund savings in 2008-09 and \$450.9 million in 2009-10.
- ◆ Eliminates two state holidays (likely Lincoln and Columbus days) and premium pay for hours worked on all remaining holidays. This would produce approximately \$26.3 million in General Fund savings in 2008-09 and \$74.5 million in 2009-10.
- ◆ Changes overtime calculations to be based on actual time worked. This would produce approximately \$12.5 million in General Fund savings in 2008-09 and \$30 million in 2009-10.
- ◆ Allows establishment of "alternative work schedules" such as 10 hours per day, four days per week. Legislation may also be introduced regarding flexibility for meal and rest periods.

**California Science Center**

***New 2008-2009 Special Session Proposal:***

- ◆ Delays the planned California Science Center expansion by one year for a current year savings of \$1 million and budget year savings of \$4.1 million. This may increase the final cost to proceed later.

**Department of Housing and Community Development**

***FY 2009-2010 Proposal:***

- ◆ Includes \$487 million from Proposition 1C, including \$190 million for the Infill Incentive Grant program, \$34 million for the Transit Oriented Development (TOD) program, and \$10 million for the Housing-Related Parks program.
- ◆ Includes \$140 million from federal funds in 2008-09 for local governments to rehabilitate neighborhoods with abandoned or foreclosed homes.

**Department of General Services**

***FY 2009-2010 Proposal:***

- ◆ Provides a one-time increase of \$7.2 million in Service Revolving Funds to support retro-commissioning activities that will decrease energy usage in state-owned buildings. These funds may produce significant GF savings in future years and will be repaid by the departments who receive the services.

**Employment Development Department**

***FY 2009-2010 Proposal:***

- ◆ Provides an increase of \$6.6 million for continuation of the development of the Automated Collection Enhancement System (ACES).
- ◆ Projects Unemployment Insurance and Disability Insurance benefit payment increases of \$3.1 billion in the current year and \$1.5 billions in the budget year compared to the May 2008 estimates.