

Update on State Budget



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The February State Budget Package

Addresses \$40 Billion Shortfall

(In Billions)

	2008-09	2009-10	Two-Year Total
Expenditure Reductions	\$6.7	\$8.1	\$14.9
Federal Fund Offset	2.7	5.0	7.8
Revenue Increases	1.5	11.0	12.5
Borrowing	0.3	5.1	5.4
Total	\$11.3	\$29.3	\$40.6

Reduces Expenditures by \$15 Billion

(In Billions)

	2008-09	2009-10	Two-Year Total
Education	\$5.8	\$2.6	\$8.4
Higher Education	0.1	0.8	0.9
Health	—	0.2	0.2
Human Services	0.1	2.2	2.3
Transportation	0.3	0.4	0.7
General Government/ Other	0.4	1.9	2.3
Total	\$6.7	\$8.1	\$14.9

Increase Revenues by \$13 Billion

(In Billions)

	2008-09	2009-10	Two-Year Total
Sales Tax Increase (1 cent per dollar)	\$1.2	\$4.6	\$5.8
Personal Income Tax Increase (0.5 rate increase)	—	3.7	3.7
Vehicle License Fee Increase (0.65 percent to 1.15 percent)	0.3	1.7	2.0
Reduce Dependent Credit (to Personal Credit amount)	—	1.4	1.4
Various new tax credits	0.0	-0.3	-0.3
Total	\$1.5	\$11.0	\$12.5

Relies on \$5 Billion in Borrowing

(In Billions)

	2008-09	2009-10	Two-Year Total
Revenue Anticipation Warrants	—	—	—
Lottery securitization	—	\$5.0	\$5.0
Other borrowing	0.3	0.1	0.4
Total	\$0.3	\$5.1	\$5.4

If “Enough” Federal Stimulus Funding Received, Some Cuts Restored

(2009-10, In Billions)

	Without Trigger	With Trigger	Difference
Education	\$2.6	\$2.6	—
Higher Education	0.8	0.7	\$0.1
Health	0.2	—	0.2
Human Services	2.2	1.7	0.5
Transportation	0.4	0.4	—
General Government/Other	1.9	1.7	0.2
Total	\$8.1	\$7.1	\$0.9

If “Enough” Federal Stimulus Funding Received, PIT Rate Increase Reduced

(2009-10, In Billions)

	Without Trigger	With Trigger	Difference
Sales Tax Increase (1 cent per dollar)	\$4.6	\$4.6	\$0.0
Personal Income Tax Increase (0.25 rate increase)	3.7	1.8	1.8
VLF Increase (0.65 percent to 1.15 percent)	1.7	1.7	0.0
Reduce Dependent Credit	1.4	1.4	0.0
Various new tax credits	-0.3	-0.3	0.0
Total	\$11.0	\$9.2	\$1.8

Final Package Includes 7 Budget-Related Ballot Measures

- Prop 1A—State finance
- Prop 1B—Proposition 98
- Prop 1C—Lottery
- Prop 1D—Proposition 10
- Prop 1E—Proposition 63
- Prop 1F—Officials' salaries
- Open primaries (June 2010)

The February Proposition 98 Package

Makes Current-Year Programmatic Cuts Totaling \$2.4 Billion

(In Millions)

2008-09 Budget Act Proposition 98 Spending	\$58,086
Rescind K-14 cost-of-living adjustment	-287
Reduce base K-12 revenue limits	-944
Categorical across-the-board reductions	-944
Unappropriate certain current-year funds	-60
CSR swap (backfill with prior-year funds)	-46
Child care reductions	-97
CCC mandates	-4
Workload adjustments	-3
Total program reductions	-\$2,384
2008-09 Programmatic Proposition 98 Spending	\$55,701

Makes Almost \$5 Billion in Additional Current-Year Adjustments

(2008-09, In Millions)

2008-09 Programmatic Proposition 98 Spending	\$55,701
February K-12 Principal Apportionment deferral	-2,000
Class Size Reduction deferral	-570
Additional June revenue limit deferral	-334
Community college deferrals	-340
Retire settle-up obligation	-1,101
Use special funds for Home-to-School Transportation	-619
Total "Other" Proposition 98 Adjustments	-\$4,963
2008-09 Revised Proposition 98 Spending	\$50,738

Growth in Budget-Year Spending More Than Offset by Current-Year Backfill

(In Millions)

2008-09 Revised Proposition 98 Spending	\$50,738
Backfill Prior-Year One-Time Solutions	4,610
Growth Adjustments	252
Other Budget Proposals	-702
Total	\$4,160
2009-10 Proposition 98 Spending	\$54,898
Special Funds For Home-to-School Transportation	408
2009-10 Programmatic Spending	\$55,306

Uses More Than \$4.5 Billion to Backfill One-Time Solutions

(2009-10, In Millions)

Restore 2008-09 deferrals	\$3,244
Restore settle-up funding	1,101
Cover Home-to-School Transportation shortfall	214
Restore CSR one-time reduction	46
Restore Economic Impact Aid one-time reduction	4
Total	\$4,610

Various Growth Adjustments

(2009-10, In Millions)

Baseline adjustments	\$158
Fund CCC enrollment growth (3 percent)	185
Child care growth (1.23 percent)	19
Adjust for decline in K-12 average daily attendance (0.3 percent)	-111
Total	\$252

Additional Budget-Year Programmatic Reductions

(2009-10, In Millions)

Eliminate High Priority Schools Program	-\$114
Additional categorical across-the-board reduction	-267
Additional revenue limit reduction	-268
Restructure child care family fee schedule	-14
Reduce child care rates to 75th percentile RMR	-38
Total	-\$702

Additional Flexibility Provisions

- **Ending balances**
 - 2008-09 and 2009-10
- **Routine maintenance**
 - 2008-09 thru 2012-13
- **Instructional material purchases**
 - 2008-09 and 2009-10
- **K-3 CSR penalties**
 - 2008-09 through 2011-12

Plan Includes Multiple Deferrals

- **\$1.2 billion from July to October**
- **\$1.5 billion from August to October**
- **\$115 million from January to July (CCC)**
- **\$2.7 billion from February to July**
- **\$110 million from March/April to July (CCC)**
- **\$1.6 billion from June to July**

Federal Education Funding

California To Receive More Than \$8 Billion in Federal Education Funding

(2008-2010, In Millions)

	Federal Funding
Fiscal Stabilization	\$4,875
Special Education	1,321
Title I Basic Grants	1,128
Title I School Improvement Grants	382
Child Development Block Grant	220
Head Start	82
Education Technology	71
Other	28
Total	\$8,081

LAO Recommendations

Undertake Substantive Categorical Reform

(In Billions)

Block Grant	Programs Included	Funding
Instructional Support	22	\$4.2
At-Risk Students	12	3.2
Special Education	8	3.1
Totals	42	\$10.5

Undertake Substantive Mandate Reform

(In Millions)

Mandate	Recommended Action	Reduction in State Obligations 2009-10
K-12 Mandates		
Habitual Truant	Eliminate mandate but meet objective in different way	\$8
Notification of Truancy	Eliminate mandate but meet objective in different way	17
Stull Act	Eliminate mandate but meet objective using different funding source	24
Collective Bargaining	Request reconsideration given activity no longer meets mandate criteria	30
Pending K-12 Mandates		
Graduation Requirement	Eliminate mandate by clarifying statutory language	\$196
Behavioral Intervention Plans	Eliminate mandate by aligning state and federal requirements	65

Undertake Cash Disbursement Reform

Percent of Total Cash Disbursements

