

Ability to Reduce General Fund Spending			
<i>Compared to February Budget Spending Levels (Assuming Programs Continue to Exist)</i>			
Program	Percent of Revenues (February 2009)	Comments on the Short-Term (2009-10 and Under ARRA)	Comments on Future Years (Post-2009-10 and ARRA)
Proposition 98 K-14 Education	40%	Considerable. Unless suspended, Proposition 98 requires a minimum funding amount each year. Under the federal stabilization rules of the American Recovery and Reinvestment Act (ARRA), state General Fund spending must remain above a maintenance-of-effort (MOE) level tied to 2005-06 spending. Using the administration's May Revision numbers, the state would be funded at the Proposition 98 minimum guarantee and above the federal MOE. Funding at this level would give the state more than \$6 billion in General Fund savings.	Partial. After the end of ARRA, the Proposition 98 minimum guarantee would govern annual minimum allocations to K-14 education unless it were suspended by a 2/3 vote. Absent suspension, the amount of flexibility varies year-by-year depending on the state's economy and revenue outlook.
University of California and California State University	5%	Considerable. Under ARRA, General Fund spending must remain an MOE tied to 2005-06 spending. Under the May Revision reduction proposals, university spending would be reduced by \$2 billion to the MOE levels in 2008-09 and 2009-10 combined.	Considerable. No significant restrictions on flexibility.
Medi-Cal	13%	Very Limited. Under ARRA, eligibility cannot be constrained beyond its July 1, 2008 level. However, optional benefits can be eliminated. Reductions to provider rates have generally been restricted by the courts. The administration intends to seek federal approval for program flexibility in order to reduce spending. The May Revision counts almost \$1.3 billion in 2009-10 General Fund savings, though most would depend on federal approval.	Partial. After the end of ARRA, the state would be able to reduce eligibility. Reductions to provider rates have generally been restricted by the courts.
Department of Developmental Services	2%	Considerable. The state can limit services, provider rates, and eligibility.	Considerable. The state can limit services, provider rates, and eligibility.

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Department of Mental Health	2%	Partial. Staffing ratios have been enhanced in response to a consent decree issued as a result of a federal investigation. The state hospitals are under the supervision of a court-appointed monitor. Community mental health programs are subject to a MOE imposed by Proposition 63.	Partial. Staffing ratios have been enhanced in response to a consent decree issued as a result of a federal investigation. The state hospitals are under the supervision of a court-appointed monitor. Community mental health programs are subject to a MOE imposed by Proposition 63.
CalWORKs	3%	Partial. Federal law requires a state MOE. The state is currently hundreds of millions of dollars above the MOE. Grant reductions result in state savings of 20 cents for every \$1 reduction through September 2010 under ARRA.	Considerable. Federal law requires a state MOE. The state is currently hundreds of millions of dollars above the MOE, and has options for redirecting federal block grant savings to offset General Fund costs.
SSI/SSP	3%	Partial. Federal law requires a state MOE. The May Revision estimates that the state could reduce spending by about \$320 million (partial year) and meet the MOE.	Partial. Federal law requires a state MOE. The May Revision estimates that the state could reduce spending by about \$380 million (full-year savings) and meet the MOE.
In-Home Supportive Services	2%	Considerable. The state can limit services, provider rates, and eligibility. Reductions result in savings of 25 cents for every \$1 reduction under ARRA.	Considerable. The state can limit services, provider rates, and eligibility.
Corrections and Rehabilitation	9%	Partial. The ability to reduce spending for medical care under the federal Receiver (\$1.6 billion) is limited, though possible in some circumstances. Many other reductions take time to fully implement.	Considerable. The ability to implement longer-term changes in the prison system is more widespread, though constrained by the courts in some cases.
Judiciary	2%	Considerable. No significant restrictions on flexibility.	Considerable. No significant restrictions on flexibility.
Proposition 42 transfer	2%	Partial. If transfer is suspended, the funds must be repaid within three years, with interest.	Partial. If transfer is suspended, the funds must be repaid within three years, with interest. Transfer can be suspended only up to two times every ten years, and only after first suspension is fully repaid.
Retirement pension and health contributions	4%	Very Limited. Ability to reduce payments is extremely limited by retirement case law.	Partial. Retirement programs generally can be amended for newly hired employees. Any savings, therefore, accrue over many years.
General Obligation Bond Debt Service	5%	Very Limited. Contractual obligations to bond holders require that payments be made. At times, however, state payments have been legally refinanced.	Partial. Over time, debt-service costs can be controlled by limiting the amount of bonds authorized and improving the state's bond rating.