

June 22, 2009

# Summary of the Conference Committee Budget Package

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LEGISLATIVE ANALYST'S OFFICE





# Major General Fund Budget Actions in Conference Committee Package

*(In Billions, 2008-09 and 2009-10 Combined)*

<b>Expenditure-Related Budget Reductions</b>	
<b>K-14 Education</b>	<b>\$5.5</b>
<ul style="list-style-type: none"> <li>• Reduces Proposition 98 appropriations for K-12 education by \$4.5 billion, mitigated by the appropriation of federal funds.</li> <li>• Reduces Proposition 98 appropriations for community colleges by \$936 million.</li> </ul>	
<b>Transportation</b>	<b>\$2.1</b>
<ul style="list-style-type: none"> <li>• Reduces General Fund highway bond debt costs by using \$986 million of local gas tax revenues.</li> <li>• Assumes \$636 million of “spillover” gasoline sales tax and related revenues will be available for General Fund uses.</li> <li>• Shifts \$315 million of home-to-school transportation funds to pay for public transit bond debt costs.</li> <li>• Borrows \$135 million from the State Highway Account.</li> </ul>	
<b>Higher Education</b>	<b>\$2.0</b>
<ul style="list-style-type: none"> <li>• Reduces by \$2 billion (to the minimum level required for federal stimulus funding) General Fund payments to UC and CSU, mitigated by the appropriation of federal funds.</li> <li>• Rejects Governor’s proposal to eliminate the Cal Grant program.</li> </ul>	
<b>State and University Employee Compensation</b>	<b>\$1.6</b>
<ul style="list-style-type: none"> <li>• Delays by one day state payments related to June 30, 2010 payroll for state, UC, and CSU employees, thereby reducing 2009-10 costs by \$1.2 billion.</li> <li>• Assumes that Legislature will not approve proposed agreements with largest state employee union, which will reduce currently budgeted costs by \$210 million.</li> <li>• Accounts for \$150 million of reduced costs due to CalPERS actions concerning state employee and retiree health premiums.</li> </ul>	
<b>Health</b>	<b>\$1.5</b>
<ul style="list-style-type: none"> <li>• Assumes that federal actions will reduce state Medi-Cal funding requirements by \$1 billion.</li> <li>• Assumes Regional Centers will achieve \$234 million in savings through cost-reduction measures developed through a stakeholder process.</li> <li>• Eliminates \$90 million for Proposition 36 substance abuse programs. This program may receive some additional federal funding.</li> <li>• Reduces Healthy Families Program by \$70 million, but does not accept Governor’s proposal to eliminate the program.</li> </ul>	
<b>Criminal Justice</b>	<b>\$0.9</b>
<ul style="list-style-type: none"> <li>• Assumes prison population can be reduced for \$403 million of savings.</li> <li>• Reduces budgeted corrections department operational costs by \$323 million, including reduced rehabilitation, contract, and administration funding.</li> <li>• Reduces budgeted trial court funding by 10 percent for \$169 million of savings. Assumes one-day-per-month court closures and other changes.</li> </ul>	
<i>Continued</i>	



## Major General Fund Budget Actions in Conference Committee Package *(Continued)*

*(In Billions, 2008-09 and 2009-10 Combined)*

<b>Expenditure-Related Budget Reductions</b>	
<b>Social Services</b>	<b>\$0.9</b>
<ul style="list-style-type: none"> <li>• Rejects Governor's proposal to eliminate CalWORKs.</li> <li>• Reduces budgeted CalWORKs costs by \$270 million primarily by reducing county-provided services.</li> <li>• Redirects Department of Motor Vehicles (DMV) administration costs to pay for CalWORKs realignment—for \$300 million of General Fund savings. Higher fees will backfill these DMV costs.</li> <li>• Reduces budgeted In-Home Supportive Services costs by \$118 million by reducing or eliminating services for those with least functional impairment.</li> <li>• Reduces SSI/SSP grants for savings of \$116 million.</li> </ul>	
<b>Other</b>	<b>\$0.9</b>
<ul style="list-style-type: none"> <li>• Delays billions of dollars of school and other payments to later in 2009-10 and other cash management actions. Assumes these actions reduce cash-flow borrowing costs by \$210 million.</li> <li>• Authorizes the administration to renegotiate information technology contracts and other costs, potentially achieving \$100 million of savings.</li> <li>• Modifies various non-education local government mandates for \$98 million of spending reductions.</li> <li>• Rejects Governor's proposal to borrow \$2 billion of property taxes from local governments.</li> <li>• Shifts \$350 million in 2009-10 redevelopment funds to help the state's General Fund.</li> </ul>	
	<b>\$15.5</b>
<b>Increases in Taxes, Fees, and Transfers to the General Fund</b>	
<ul style="list-style-type: none"> <li>• Requires income tax withholding for payments to independent contractors. <span style="float: right;"><b>\$2.0</b></span></li> <li>• Increases schedules for payroll withholding by 10 percent. <span style="float: right;"><b>1.7</b></span></li> <li>• Increases cigarette tax by \$1.50 per pack. <span style="float: right;"><b>1.0</b></span></li> <li>• Assumes that parts of State Compensation Insurance Fund can be sold in 2009-10. <span style="float: right;"><b>1.0</b></span></li> <li>• Institutes 9.9 percent tax on each barrel of extracted oil. <span style="float: right;"><b>0.8</b></span></li> <li>• Accelerates receipts of personal income and corporation tax estimated payments. <span style="float: right;"><b>0.6</b></span></li> <li>• Establishes park access pass as a new tax on California vehicles. (Associated with rejection of proposal to close most state parks.) <span style="float: right;"><b>0.2</b></span></li> <li>• Establishes emergency response insurance premium surcharge and state responsibility area fee to fund fire and emergency response efforts. <span style="float: right;"><b>0.1</b></span></li> <li>• Other revenue-related actions. <span style="float: right;"><b>0.2</b></span></li> </ul>	
	<b>\$7.7</b>
<b>Total Budget Solutions</b>	<b>\$23.2</b>