



Summary of the Governor's Budget 2010-2011

California's economy is sputtering, unemployment is at an all-time high and home foreclosures are still on the rise. Yet Governor Schwarzenegger chose to increase the misery index in order to bridge the current \$6 billion shortfall and the \$12.3 billion shortfall for 2010-2011. He introduced an \$82.9 billion state budget on January 8, 2010 that cuts \$8.5 billion in spending for health and human services and salary reductions for state workers. The rest of the budget is made up of alternative funding, fund shifts and appeals for more federal monies, which, if not received, will trigger more cuts. No new tax revenues were proposed by the Governor.

State Workers Cuts: \$1.6 billion

- Cuts salaries by 5% for all workers, including those paid for by Special Funds, by July 2010 when the furloughs end.
- Increases contributions by employees to the pension fund equal to 5% of salary and decreases the employer contribution by 5%.
- Reduces payroll an additional 5% in every department. Department chiefs will have flexibility to determine how best to reduce payroll costs, including layoffs or hiring employees at a lower wage.
- Reduces salaries an additional 5% for state workers if a certain level of federal funding is not received.

Health and Human Services Cuts: \$2.9 billion

- **Medi-cal:** Cuts Medi-Cal benefits, raise premiums and co-pays. Eliminates benefits for new, legal immigrants who have lived in the country for less than 5 years.
- **Healthy Families:** Cuts 240,000 families from the program, increases cost sharing and eliminates vision coverage for 900,000 children.
- **In-Home Supportive Services:** Raises eligibility requirements and reduces wages for providers. (\$950 million)
- **SSI/SSP:** Cut benefits from \$845 to \$830 a month and eliminates assistance to recent immigrants. (\$3 million)
- **CalWORKS:** Reduces monthly grants by 15.7%, reduce reimbursements to childcare providers, eliminates benefits to new, legal immigrants. (\$146.1 million)

Corrections and Rehabilitation Cuts: \$1.2 billion

- Reduces per-inmate medical costs by almost half, from \$11,627 to \$5757 (\$811 million)
- Shifts felons from state prisons to county jails, reduce juvenile prison population and close some juvenile facilities. (\$360 million)
- Proposes a constitutional amendment to give the Department of Corrections and Rehabilitation the power to privatize operations of state prisons and prison services.

K-12 Education \$2.4 billion reduction

- Drops the Prop 98 guarantee by \$2.4 billion for K-12 funding.
- Reduces funding for school districts and county offices of education by \$300 million by allowing administrative functions to be contracted out to the private sector.
- Makes statutory changes to give school districts the ability to lay-off, assign, reassign, transfer, and rehire teachers without regard to seniority.
- Eliminates laws that require teachers who have been laid off to receive first priority for substitute assignments and that they be paid at their regular salaries.

Alternative Funding and Fund Shifts: \$4.5 billion

- Proposes a ballot initiative to shift Props. 10 & 63 funds. (\$1 billion)
- Authorizes oil drilling off the Santa Barbara coast to fund state parks, but, if not approved by Lands Commission, triggers cuts to state parks. (\$219 million by 2011)
- Levies 4.8% surcharge on residential and commercial property insurance premiums to pay for CAL FIRE. (\$238 million).
- **Transportation Tax Swap:** Eliminates fuel sales tax and increases the excise tax on fuel. Current law requires the proceeds tax revenues streams related to the sales tax on gasoline and diesel fuel to flow into the Public Transportation Account. The Governor's proposal ELIMINATES these four transit revenue streams and amounts to a cut of 1.5 billion to transit funding. The 20% of Prop 42 funding dedicated to public transportation would be eliminated completely. Eliminating the fuel sales tax would also decrease Prop. 98 funding for education.

Federal Funding and the Trigger List: \$6.9 billion

The Governor's budget requests \$6.9 billion in federal funding. If the state does **not** receive that amount of federal monies, the Governor proposed a list of additional spending cuts and delay corporate tax breaks that would be triggered to make up the difference. The cuts would match dollar-for-dollar the shortfall in federal funding. The cuts would:

- Eliminate CalWORKS, welfare-to-work (\$1 billion)
- Reduce Medi-Cal eligibility to the minimum allowed under federal law and reducing most remaining optional benefits (\$532 million)
- Eliminate In-Home Supportive Services (\$495 million)
- Redirect additional county savings to the state (\$325 million)
- Eliminate inmate services, including rehabilitation programs, increase transfers to county jails and increase number of parolees per agent. (\$280 million)
- Eliminate the Healthy Families program (\$126 million).
- Eliminate health programs funded by Proposition 99 (\$115 million)
- Reduce funding for enrollment growth at the University of California and the California State University (\$112 million)
- Unallocated reduction to trial courts (\$100 million)
- Freeze the awards and income eligibility for Cal Grants (\$79 million)
- Additional 5% cut for state employees (\$508 million)

The corporate tax breaks on the trigger list would:

- Extend suspension applying net operating losses (NOL) from prior years to reduce current income (\$1.2 billion).
- Extend reduction in the credit for each dependent on the personal income tax from \$319 to \$102 (\$504 million).
- **Delay** implementation of three corporate tax loopholes:
 - Use of business credits by unitary groups of corporations. (\$315 million).
 - Changes to the single sales factor allocation method that allows corporations to only look at sales. (\$300 million).
 - Lower to 30 percent the first year phase-in of the ability of corporations to carry back losses two years to offset prior tax profits (\$20 million)