



17 Month State Budget 2008-09 Mid-Year Reductions and 2009-10 Budget

Navigating Tough Economic Times

California's Problem 2008-09 and 2009-10

General Fund Budget Summary Workload Budget (Dollars in Millions)		
	<u>2008-09</u>	<u>2009-10</u>
Prior Year Balance	\$3,326	(\$13,692)
Revenues and Transfers	\$87,471	\$86,300
Total Resources Available	\$90,797	\$72,608
Non-Proposition 98 Expenditures	\$62,109	\$68,708
Proposition 98 Expenditures	\$42,380	\$42,381
Total Expenditures	\$104,489	\$111,089
Fund Balance	(\$13,692)	(\$38,481)
Reserve for Liquidation of Encumbrances	\$1,079	\$1,079
Total Available Reserve	(\$14,771)	(\$39,560)
Target Reserve		\$2,000
Budget Gap		\$41,560

Source: Governor's Proposed

The Solutions

- ❑ **\$12.5 billion in Multi-year General Fund Tax increases**
- ❑ **\$14.9 billion in Expenditure reductions**
- ❑ **\$5.4 billion in Borrowing**
- ❑ **\$7.8 billion in Federal Stimulus Funds**
- ❑ **\$957 million in Vetoes**

- ❑ **Total \$41 .5 billion in Solutions**

Tax **INCREASES** Approved - **\$12.5 Billion**

- ❑ Temporary Increase in the Sales and Use Tax Rate
- ❑ Temporary Surcharge on Person Income Tax
- ❑ Temporary Increase in the Vehicle License Fee (VLF)
- ❑ Temporarily Reduce the Personal Income Tax Dependent Exemption Credit to Equal the Personal Exemption Credit

Overall Expenditure Reductions **\$14.8 Billion**

Budget Area	2008-09 Reductions	2009-10 Reductions	Total
Judicial Branch*	--	\$ 334.80	\$ 334.80
Proposition 98	\$ 5,646.50	\$ 2,955.20	\$ 8,601.70
Proposition 98 CY due to change in revenues	\$ 746.90	\$ (36.10)	\$ 710.80
Higher Education*	\$ 132.20	\$ 755.50	\$ 887.70
Corrections	--	\$ 180.80	\$ 180.80
Public Safety Savings	\$ 106.80	--	\$ 106.80
Health	--	\$ 208.30	\$ 208.30
Proposition 63 fund shift	--	\$ 226.70	\$ 226.70
Human Services*	\$ 79.80	\$ 1,176.80	\$ 1,256.60
Developmental Disabilities Services	\$ 28.70	\$ 160.20	\$ 188.90

* Maybe impacted by Federal Stimulus

Overall Expenditure Reductions **\$14.8 Billion**

Budget Area	2008-09 Reductions	2009-10 Reductions	Total
Proposition 10	--	\$ 608.00	\$ 608.00
Public Transit – suspend state funding	\$ 153.20	\$ 306.40	\$ 459.60
Employee Comp	\$ 385.80	\$ 1,024.30	\$ 1,410.10
Delay Local Mandates	--	\$ 91.00	\$ 91.00
Statewide Cuts: capital outlay, inflation adj, & debt	--	\$ 385.00	\$ 385.00
Senior Citizens' Property Tax Deferral	\$ 6.50	\$ 32.00	\$ 38.50
CalTrans shift Tribal Gaming revenues	\$ 100.80	\$ 100.80	\$ 201.60
PTA/MTF shift for HTS	\$ (618.70)	\$ (272.00)	\$ (890.70)
Various Others	\$ 12.50	\$ 80.40	\$ 92.90
Total	\$ 6,781.00	\$ 8,319.00	\$ 15,100.00

Education takes:

\$6.4 billion or 94% of mid-year reductions in 2008-09

\$9.3 billion or 61% of the total reductions for both years

Borrowing **\$5.4** Billion

- ❑ \$5 billion from the securitization of the State Lottery
 - Must be approved at the May 19, 2009 special election

- ❑ **\$403** million in transfers and loans from special funds

Federal Stimulus – American Recovery and Reinvestment Act

- ❑ The Budget relies on federal revenue of \$7.8 billion
- ❑ Includes mechanisms to restore some of the reductions and revenue provisions if the state receives more than \$9.1 billion to offset GF costs
- ❑ If tests met by April 1, 2009
 - Restore SSI/SSP grant reductions, elimination of optional Medi-Cal Benefits, 10% in public hospital rates, IHSS wages to \$9.50 per hour, 4% reduction in CalWORKS grants
 - Restore \$100 million to Higher Ed. \$100 million to court funding and \$71.4 million to new Judgeships
 - Reduce 5% PIT Surcharge to 2.5%

Federal Stimulus – American Recovery and Reinvestment Act

Federal Stimulus Bill Comparison Pre K-12 Education Estimates

Program	Final	California Total
Title I	\$10,000,000,000	\$1,213,990,000
School Improvement Grant	3,000,000,000	377,038,000
Ed Tech	650,000,000	69,365,000
IDEA	11,300,000,000	1,285,470,000
McKinney Vento Homeless	70,000,000	8,403,000
School Renovation, Repair	0	0
Fiscal Stabilization	<u>53,600,000,000</u>	<u>5,960,267,431</u>
Subtotal:	\$78,620,000,000	\$8,914,533,431
Child Development Block Grant	<u>2,000,000,000</u>	<u>220,274,000</u>
Total:	\$80,620,000,000	\$9,134,807,431

Source: Federal Fiscal Information for States (FFIS), February 12, 2009*

\$603,000 for Title I and \$572,000 for IDEA estimate to DPOLJUSD

Federal Stimulus – American Recovery and Reinvestment Act

The United States Department of Education clarified that the first Title 1, Part A entitlement from the federal stimulus package is expected to arrive in California mid-March 2009. These funds are not considered part of the 2008-09 school budget year but rather federal fiscal year 2009.

While planning for 2009-10, the stimulus Title I, Part A funds are subject to all NCLB program requirements including equitable participation, supplement not supplant rules, and retain the same 27-month expenditure provisions.

2008-09 & 2009-10 Revenue Reductions

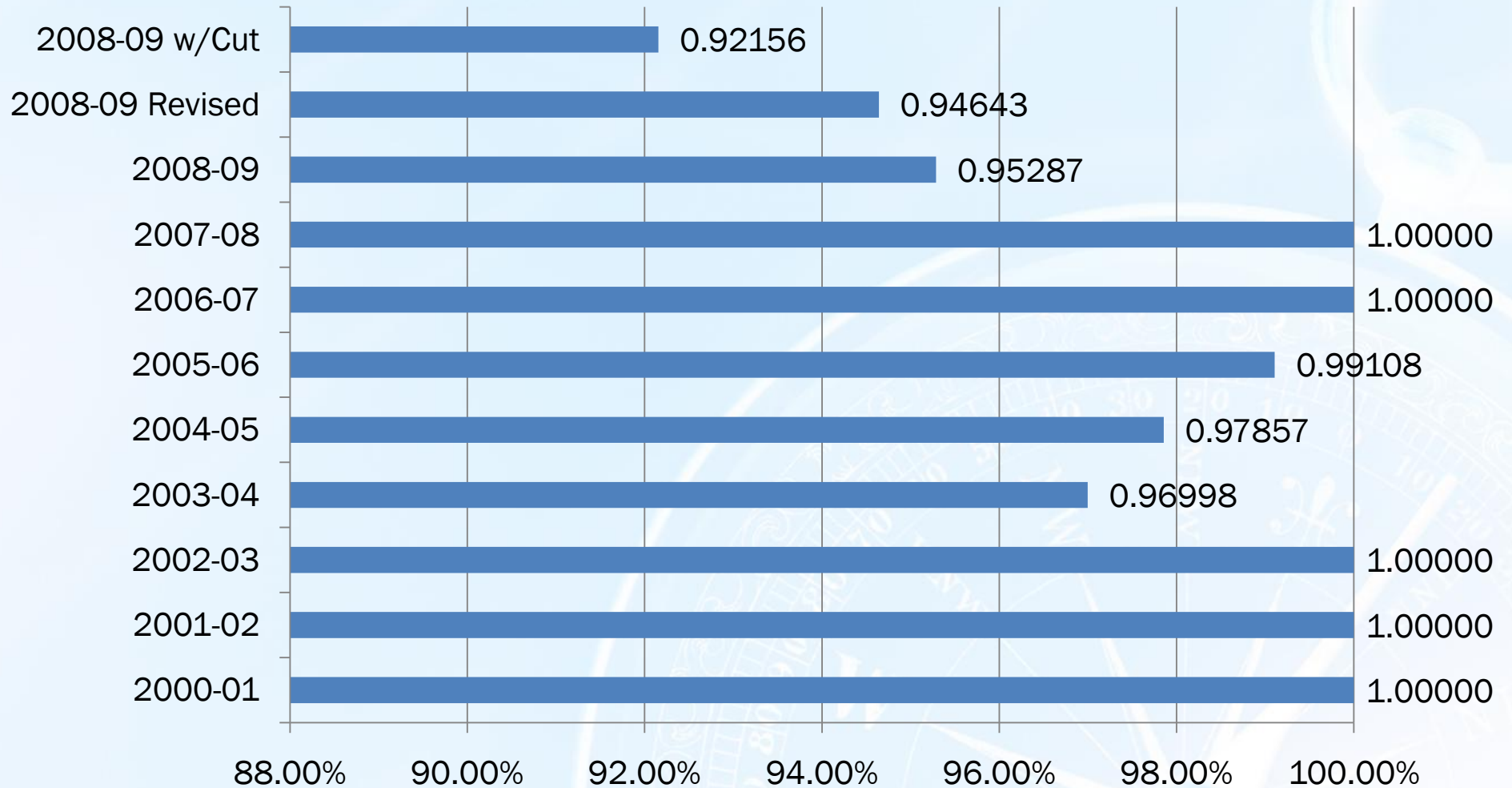
- Mid-Year package
 - Revenue Limit reduction
 - \$154/student or \$406,000 reduction mid-year
 - 15.4% reduction to specific categorical programs
 - \$188,300 reduction mid-year

- 2009-10
 - Revenue Limit reduction
 - \$57/student or \$170,000 reduction
 - \$559,000 loss for declining enrollment
 - 4.5% reduction to specific categorical programs
 - \$46,500 reduction

- 2 year loss of revenue of \$1,370,000

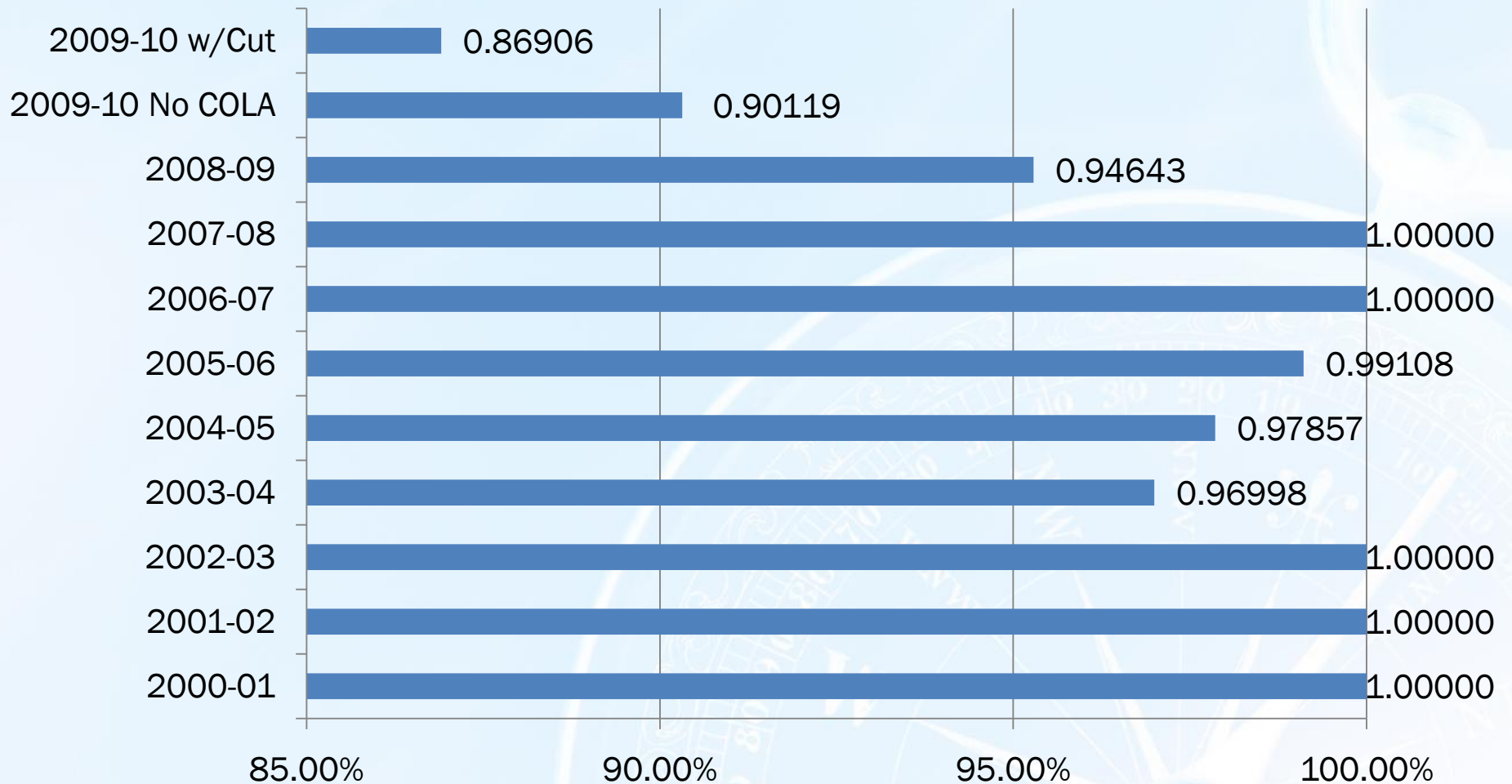
Revenue Limit Proration History 2008-09

Proration/Deficit Factor



Revenue Limit Proration History 2009-10

Proration/Deficit Factor



Actual 2009-10 COLA and Deficit factors will be confirmed in May 2009

Special Statewide Election – May 19, 2009

- **Budget Act requires voter approval to continue many of the major elements of the Budget past 2011**
 - Proposition 1A – State spending cap (restrictions/tax increase extension)
 - Proposition 1B – Supplement Education Payments – Prop. 98 Modifications
 - Proposition 1C – Lottery changes
 - Proposition 1D – Reallocation of Prop. 63 funds (Mental Health)
 - Proposition 1E – Reallocation of Prop 10 funds (First 5 Commission)
 - Proposition 1F – Bans state officeholders pay increases in deficit years

Things to watch – Spring of 2009

- ❑ State Revenue
- ❑ Finalizing of Federal Stimulus regulations and timing
- ❑ Initiatives – **What happens if they fail? Further cuts of \$12.5 billion?**
- ❑ Legislative Leadership changes or Recalls of legislators