



Governor's FY 2010-11 Proposed State Budget

*Fiscal Crisis
and Severe Program Cuts*



Overview

- Combined \$19.9 billion deficit over next 18 months
 - \$6.6 billion in 2009-10
 - \$12.3 billion in 2010-11
 - Includes \$1 billion reserve
- Significant reliance on federal “fairness” funds
 - \$6.9 billion in assumed federal revenue
 - Severe additional program cuts will be “triggered” if federal funds do not materialize by July 2010
- Emergency session to address \$8.9 billion of gap



Proposed Budget Solutions

(dollars in billions)

	2009-10	2010-11	Total	%
Expenditure Reductions	\$ 1,034	\$ 7,475	\$ 8,509	43%
Federal Funds	8	6,905	6,913	35
Alternative Funding	150	3,736	3,886	20
Fund Shifts & Other Revenue	0	572	572	3
TOTAL	\$ 1,192	\$ 18,688	\$ 19,880	100%



“Trigger” Reductions

- Outright program eliminations: CalWORKs (\$1 billion), IHSS (\$495 million), Healthy Families (\$126 million)
 - CalWORKs- Potential \$17 million funding loss to DSS and \$100,000 to ADMHS
 - IHSS- Potential \$32.5 million funding loss to DSS
 - Healthy Families- Potential \$1 million funding loss to ADMHS, Public Health, and DSS
- Corrections reductions: Shift of additional offenders to County jail, elimination of non-court required inmate rehab programs (\$280 million)
- Reduction of Medi-Cal eligibility to federal minimum and elimination of most optional benefits (\$532 million)
- Existing mental health services to be funded by Proposition 63 (\$847 million)
- Redirection of county savings associated with program eliminations (IHSS and CalWORKs) (\$325 million)



Alternative Revenue Sources

- Tranquillon Ridge Oil Lease: Replacement of revenue generated from the Tranquillon Ridge oil lease to fund state parks- \$140 million current year, \$1.8 billion over 14 years
- Proposition 10: Redirect \$550 million of Proposition 10 funding from the First 5 budget to high priority state programs serving children (*Ballot Initiative*)
 - Potential loss of \$10-11 million in funding to First 5
- Proposition 63 : Substitute \$453.2 million of Mental Health Services Act funding for a portion of the EPSDT program and a portion of the Mental Health Managed Care program (*Ballot Initiative*)
 - Potential loss of \$5.6 million in funding to ADMHS
- Transportation: Elimination of sales tax on gasoline, currently valued at \$1.573 billion for Prop 42 and \$879 million for spillover
 - As replacement, proposes 10.8-cent excise tax increase on gasoline (Highway User Tax Account or HUTA)



Health and Human Services

- \$2.4 billion of proposed cuts
- Reductions primarily to CalWORKs, In-Home Supportive Services, Medi-Cal and Healthy Families
 - Potential funding loss of \$5.5 million for CalWORKs
 - Potential funding loss of \$26.5 million for IHSS
 - Potential funding loss of \$200,000 for Healthy Families
- Redirect County “savings” created by reductions to CalWORKs and IHSS programs and impose a new County share of cost for children’s programs such as Foster Care, Adoptions Assistance, and Child Welfare Services
 - DSS- Cost shift to the County of approximately \$5 million/yr
- No funding for the Substance Abuse Offender Treatment Program
 - ADMHS- Potential funding loss of \$1.8 million/yr
- Reduce SSI/SSP grants to individuals by \$15/month
 - DSS- Reduction would bring grants down to 1983 level



Public Safety

- Proposed statutory changes to require that non-violent, non-serious, non-sexual offense felonies serve maximum one-year in County instead of state prison
 - Increased bed days in County jail and increased caseload for Probation
- Reduction in AIDS drug assistance program funding to inmates in county jails
- Proposal to use automated speed enforcement systems to identify and fine persons speeding through intersections with expected revenues dedicated to the trial courts



General Government

- \$68.2 million in reimbursement for county costs associated with May 2009 Special Election
- Similar mandates funding proposal as FY 2009-10: suspensions, payments, deferral of pre-2004 mandate payment
- Includes \$90.8 million for interest payments on the Proposition 1A bonds sold in FY 2009-10
- Includes only \$1,000 for Williamson Act subventions, consistent with FY 2009-10 previous reduction



Next Steps

- Legislature has 45 days to respond to Governor's Special Session proposals (\$8.9 billion in "solutions")
 - Generally regarded as politically unrealistic
- Securing all of the federal relief the Governor seeks is very unlikely
 - Reasonable to assume the state will secure *some* additional federal funding and flexibility
- Delays in adoption of the Governor's proposals until the enactment of the FY 2010-11 budget would result in the loss of up to \$2.4 billion in budgetary solutions and thereby necessitate even deeper reductions in the FY 2010-11 budget