



Overview of Enacted California State Budget 2008-2009

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85 Days Late

- On **September 23**, Governor Schwarzenegger signed the 2008-2009 Budget
- Ended the longest budget stalemate in history.



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Spending plan includes:

- Deep spending cuts
- Future tax breaks
- Debt
- Budget Process Changes

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\$24.0 Billion Budget Deficit

Solutions:

- \$10.3 billion in spending cuts
- \$9.6 billion in revenue provisions
- \$4.0 billion in borrowing

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Spending Cuts:

- \$3.3 billion to “base” K-14 education spending
- Deep cuts to county-administered human services programs (ie: CalWORKs)
- Extension of the 10% Medi-Cal provider reimbursement rate cuts through February 2009



Revenue Package:

- Suspends businesses' ability to claim "net operating loss deductions" in 2008 & 2009
 - Added Revenue: \$1.3 billion (2008-09) & \$695 million (2009-10)
- Limits businesses' use of tax credits in 2008 & 2009
 - Added Revenue: \$615 million (2008-09) & \$260 million (2009-10)
- Transfers funds from various state special funds to the General Fund
 - Added Revenue: \$855 million
- Shift funds in property tax revenues from redevelopment agencies to schools
 - Added Revenue: \$350 million



Budget Process Changes

Voters will need to approve a constitutional amendment at a special election in early 2009.

Proposed Changes:

- Increase the size of the budget reserve
 - State must contribute 3% of General Fund (GF) revenues to a Budget Stabilization Fund (BSF) In “good years”
 - Transfers would be required until the BSF reached 12.5% of GF revenues
- Limit the use of funds in the reserve & use of “April Surprise” revenues
- Give the Governor the ability to freeze and reduce spending mid-year in future downturns



Lottery Ballot Measure

- Would authorize the state to issue bonds that would be repaid out of future lottery proceeds.
 - Would raise \$5 billion in 2009-10 and 2010-11.



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Health Care Budget Highlights

- Extends the 10% cut to payments for Medi-Cal and other health care providers through February 2009. Smaller cuts will take effect starting March 2009.
- Require children in Medi-Cal to report on changes in income twice per year -- semi annual status reports
- Cuts funding for county Medi-Cal administration by \$42.2 million

Healthy Families

- Increase premiums for families with incomes between 151-250% of FPL by \$2 to \$3 per child per month.
- Allow the MRMIB to cap the amount of dental coverage provided to children at \$1,500 per child per year.
- Reduces rates by 5% to health, dental, and vision plans that provide coverage



Health Care: Governor Vetoes

- \$13.0 million cut to local public health (AIDS education and domestic violence prevention)
- \$11.7 million eliminated for the California Discount Prescription Drug Program
- \$3.3 million cut to the Department of Public Health



CaWORKS & SSI/SSP Programs

Suspend Cost of Living Adjustments:

- Oct. 2008: For CaWORKS grants, which help low-income families with children.
- Oct. 2008 & June 2009 State COLAs: For SSI/SSP grants, which help low-income seniors and the disabled.



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Current Budget News in Light of the Economic Crisis:

- Oct. 2nd, Governor Schwarzenegger:
CA may need an emergency \$7 billion loan and be forced to turn to the Federal Treasury for short-term financing.
- Oct. 6th, Federal Judge Henderson:
CA may need to spend \$3.5 billion more this FY on prison healthcare.
- Oct. 7th, Senate President Pro Tem Perata:
Estimated a \$3-5 billion revenue gap that can potentially rise to \$15-18 billion through June 2010.
- October 8th, Meeting Among The Big 5:
Leaders may call an emergency legislative session.

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Federal actions: California consequences

- Federal Medical Assistance matching percentage (FMAP)
- Family PACT waiver (Family Planning, 9/1 match)
- Federal rules changes and directives (counties and public hospitals)
- Hospital waiver (public and private hospitals and clinics)
- 1115 waiver (MIA waiver)

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Resources:

- California Budget Project. *Governor Signs 2008-2009 Budget: Plan Includes Deep Spending Cuts, Massive Future Tax Breaks, Debt, and Budget Process Changes.* www.cbp.org. October 1, 2008.
- California Health & Human Services Agency. *Overview of the 2008 Budget Act.* www.chhs.ca.gov. September 2008.
- www.itup.org/reports