



COMMITTEE ON BUDGET & FISCAL REVIEW  
Room 5019, State Capitol  
Sacramento, CA 95814

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## **Quick Summary**

# **The Governor's Special Session Reduction Proposals And Proposed 2009-10 Budget**

January 6, 2009

The purpose of this Quick Summary is to provide members and staff of the Legislature with a review of the Governor's Special Session Budget reduction proposals, as well as the Governor's proposed Budget for 2009-10. In some instances, this document also includes brief staff comments concerning issues that may be important during budget discussions. If you have questions, please contact the committee at (916) 651-4103.

### **Definition of the Overall Problem**

The Department of Finance (DOF) projects a General Fund (GF) shortfall of approximately \$41.6 billion (this figure includes a \$2.2 billion GF reserve) for the 18-month period ending June 30, 2010. The current year problem is estimated at

\$14.8 billion and the projected budget year shortfall is anticipated to be \$19.2 billion.

### **Proposed Overall Solutions - \$41.6 billion**

As defined by the DOF, the size of the budget problem is approximately \$41.6 billion over the two-year period. The DOF, however, has proposed solutions that value slightly more than the overall problem. The overall solutions include:

- |   |                       |
|---|-----------------------|
| • Tax increases and other revenues                    | \$14.3 billion        |
| • Spending reductions                                 | \$17.4 billion        |
| • Securitization of the State Lottery                 | \$ 5.0 billion        |
| • Additional RAWs borrowing and special session loans | <u>\$ 5.0 billion</u> |
|   | \$41.7 billion        |

### **Special Sessions Called in November and December 2008**

- To recap, when the 2008-09 Budget was passed on September 21, 2008, it was predicated on total available resources of \$106 billion and total expenditures of \$103.4 billion, with an anticipated General Fund reserve of \$1.7 billion. As a result of the various factors – the downturn in the housing markets and overall national turmoil in the financial markets, the receipt of General Fund revenues have not materialized as projected and, according to the Administration, the current-year budget is anticipated to incur a budget shortfall of \$14.8 billion.
- In November 2008, the Governor proclaimed a “fiscal emergency” utilizing the authority provided within the State Constitution (passed as Proposition 58 by the electorate in early 2004). *[Under the Constitution, the Governor can call the Legislature into a special session to deal with substantial revenue declines or expenditure increases, accompanied by proposed legislation to address the fiscal emergency. If the Legislature fails to pass, and send to the Governor, a bill or bills by the 45<sup>th</sup> day following this type of proclamation, the Legislature may not act on any other bill.]* Unfortunately, the Legislature was unable to find agreement on an approach of revenue increases and expenditure reductions within the constraints of a two-thirds vote required to implement any solutions with urgency.
- On December 1, the Governor called the newly organized Legislature into the 1<sup>st</sup> Extraordinary Session to deal with the \$14.8 billion current year shortfall.

The Pro Tem of the Senate took the unprecedented step of appointing all 40 members of the Senate to the Budget and Fiscal Review Committee to immediately begin hearing recommendations and assessing areas of consensus in closing the widening budget gap -- proposals by the administration, Legislative Analyst, and both caucuses of the Senate were considered and deliberated. In addition, a joint session of the Legislature was held to hear from the State Treasurer, State Controller, LAO, and DOF on the implications, to the State, of not acting in a timely manner.

- On December 18<sup>th</sup>, the Legislature acted on a package of bills that is projected to provide over \$18 billion of solutions toward the overall two-year budget shortfall. In total, the package of measures addresses approximately 44 percent of the identified problem making substantial progress toward resolving the shortfall and providing critical cash relief needed to free up resources for infrastructure investments. The package of measures consists of \$7.3 billion in spending reductions, \$9.3 billion in revenue increases, and approximately \$1.5 billion in other solutions, such as fund shifts.

The following chart summarizes the approximately \$18 billion of solutions:

(in billions)

<b>Type of Solution:</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>
Budget Cuts	\$3.519	\$3.745	\$7.264
Revenue Increases	\$1.510	\$7.806	\$9.316
Other Solutions	\$.725	\$.754	\$1.479
<b>Total Solutions</b>	<b>\$5.754</b>	<b>\$12.305</b>	<b>\$18.059</b>

*[For more details on this package, visit the Senate Budget Committee website regarding “Summary Overview December 2008 Package.”]*

However, the Governor has threatened to veto these budget and cashflow solutions due to lack of non-quantifiable budgetary “economic stimulus” proposals.

- On December 19<sup>th</sup>, in anticipation of possible vetoes, the Governor once again called the Legislature into a 3<sup>rd</sup> extraordinary session to deal with the current year budget and cash shortfall. Many of the proposals put forth by the Administration as part of the November 2008 and December 1, 2008 (1<sup>st</sup> Ex.

Session) were also proposed for the 3<sup>rd</sup> Extraordinary Session – with changes mainly in the solution value due to delayed implementation of some solutions.

**New General Fund Special Session Solutions (not originally proposed on December 19 as part of the 3<sup>rd</sup> Extraordinary Session).** Three proposals have been submitted by the administration for action during the special session:

- An additional \$3.3 billion in Proposition 98 solutions. This takes the total Proposition 98 solutions for the special session to \$6.4 billion over the next 18 months. According to the Administration, a portion of this savings (and the savings achieved in the 2009 Budget) will be offset with funding shifts and deferrals and will result in programmatic reductions of \$5.1 billion.
- An additional \$638 million in employee compensation reductions consistent with the Governor’s executive order which calls for two furlough days per month (the original special session called for one furlough day per month).
- An additional \$594 million in various special fund loans and transfers.

**Summary of the Governor's Proposed Tax Increases.** The Governor has proposed various tax increases as part of his overall solution to the budget shortfall. The table below summarizes the proposals.

(in billions)

<b>Tax</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>
3-year 1.5 cent sales tax increase	\$2.35	\$6.76	\$9.10
Oil Severance	.35	.84	1.18
Expand Sales tax to some services	.27	1.11	1.38
Nickel a Drink	.24	.59	.83
Reduce Dependent Credit*	0.00	1.44	1.44
<b>Total</b>	<b>\$3.21</b>	<b>\$10.74</b>	<b>\$13.95</b>

\*Non-Special Session proposal.

**Summary Table of Proposals**

The table below summarizes, by major category, the solution value of: (a) the administration’s December special session proposals; (b) the additive value of the

“new” special session solutions that were not part of the original package; (c) the value of administration proposals that would be enacted by July 1, 2009, as part of the regular budget process; (d) the total of the Administration’s solutions for current and budget year; and (e) the value of the December 18<sup>th</sup> package passed by the Legislature in response to the call of the 1<sup>st</sup> Extraordinary Special Session.

(in millions)

<b>Issue</b>	<b>Admin December Special Session Proposals</b>	<b>New Admin Special Session Proposals</b>	<b>2009-10 Proposed Admin Budget Solutions</b>	<b>Total Admin Solutions</b>	<b>Legislature’s December 18<sup>th</sup> Package</b>
Tax Increases	\$12,505	--	\$1,440	\$13,945	\$9,316
Proposition 98 Savings	3,163	\$3,307	1,242	7,712	4,050
Higher Education	264	--	594	858	264
Corrections	608	--	181	789	547
Public Safety Savings	692	--	--	692	692
Health	805	--	359	1,164	107
Proposition 63	--	--	227	227	--
Human Services	2,969	--	161	3,130	714
Proposition 10	--	--	275	275	--
Public Transit	459	--	--	459	313
Employee Compensation	782	638	150	1,570	658
Reduced Health Care Costs	--	--	132	132	--
Delay Local Mandates	--	--	91	91	-
Special fund transfers/loans	--	594	3	597	514
Judiciary Cuts	--	--	163	163	70
GO Debt service to State Highway Account	--	--	--	--	681
Revenue Anticipation Warrants (RAWs)	--	--	4,673	4,673	--
Lottery	--	--	5,000	5,000	--
Various Others	69	104	24	197	134
<b>Total</b>	<b>\$22,316</b>	<b>\$4,643</b>	<b>\$14,714</b>	<b>\$41,673</b>	<b>\$18,059</b>

## **PROPOSED 2009-10 BUDGET**

The proposed 2009-10 Budget is predicated on the passage of the Governor's current and budget year solutions. Therefore, changes implemented as part of any Special Session will ripple through the proposed 2009 Budget.

**Overall Economic Condition.** According to the Department of Finance – falling home prices, worsening credit availability, shrinking equity values, and growing job losses delivered a crushing blow to the national and California economies. The outlook for the California economy is for negative growth in 2009 followed by weak growth in 2010, and better growth in 2011, but that the economy will not likely improve much until credit becomes much more available.

### **2009-10 General Fund Summary**

- **Revenues:** The Governor's budget estimates General Fund revenues and transfers to be \$97.7 billion, an increase of \$6.6 billion or 7.2 percent, above the revised 2008-09 estimate of \$91.1 billion. Total resources available, in 2009-10, from all sources are estimated at \$98.8 billion.

Note that all figures presented by the administration for the budget year are compared against *adjusted* or *revised* 2008 Budget Act data. The adjustments reflect the most recent data available. For example, GF revenues when the 2008 Budget was enacted were projected to be \$102 billion, however, revised revenues are now estimated at \$91.1 billion, or approximately \$11 billion or 11 percent, lower than the original estimate.

- **Expenditures:** The budget proposes General Fund expenditures of approximately \$95.5 billion in 2009-10. This is an increase of \$3.1 billion, or 3.4 percent, above the revised 2008-09 figure of \$92.4 billion.

Consistent with displays of revenue information, expenditure data for 2009 is also compared against *adjusted* or *revised* 2008 data. GF expenditures, when the 2008 Budget was enacted were estimated to be \$103.4 billion; the administration assumes legislative concurrence on almost \$11 billion in expenditure reductions to achieve a revised 2008 GF expenditure base level of \$92.4 billion.

**2009-10  
General Fund Summary  
Assuming Administration  
Proposed Budget Solutions  
(in millions)**

	<b>Revised Proposed <u>2008-09</u></b>	<b>Proposed <u>2009-10</u></b>
<b>PRIOR YEAR BALANCE</b>	<b>\$ 2,375</b>	<b>\$ 1,079</b>
Revenues and transfers	91,117	97,708
<b>TOTAL RESOURCES AVAILABLE</b>	<b>\$93,492</b>	<b>\$98,787</b>
Non-Proposition 98 Expenditures	\$56,630	\$55,036
Proposition 98 Expenditures	<u>35,783</u>	<u>40,488</u>
<b>TOTAL EXPENDITURES</b>	<b>\$92,413</b>	<b>\$95,524</b>
<b>FUND BALANCE</b>	<b>\$ 1,079</b>	<b>\$ 3,263</b>
Encumbrances	1,079	1,079
Special Fund for Economic Uncertainties	--	2,184
<b>BUDGET STABILIZATION ACCOUNT (BSA)<sup>1</sup></b>	<b>--</b>	<b>--</b>
<b>TOTAL AVAILABLE RESERVE</b>	<b>--</b>	<b>\$ 2,184</b>

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<sup>1</sup> In 2008-09 and 2009-10, reflects the suspension of Proposition 58 transfer to the BSA.

**Proposed 2009-10 Budget**

- **General Fund Expenditures.** The table below lists, by major program area, the anticipated GF expenditures for 2008-09 and the proposed 2009-10 budget year. Overall GF expenditures in 2009-10 are approximately \$95.5 billion. This is an increase of \$3.1 billion, or 3.4 percent, above adjusted 2008-09 GF expenditure levels.

**General Fund Expenditures  
(in millions)**

<b>Program Area</b>	<b>Revised 2008-09</b>	<b>Proposed 2009-10</b>	<b>Change</b>	<b>% Change</b>
Education (K-12)	\$35,499	\$39,721	\$4,222	11.9%
Health and Human Services	\$30,935	\$29,996	\$939	-3.0%
Higher Education	\$11,745	\$12,389	\$644	5.5%
Business, Transportation and Housing	\$1,466	\$2,336	\$870	59.3%
Legislative, Judicial, Executive	\$3,779	\$3,772	-\$7	-0.2%
General Government	-\$4,102	-\$4,987	-\$885	21.6%
Corrections and Rehabilitation	\$10,310	\$9,615	-\$695	6.7%
Resources	\$2,030	\$1,922	-\$108	-5.3%
Environmental Protection	\$83	\$79	-\$4	-4.8%
State and Consumer Services	\$566	\$577	\$11	1.9%
Labor and Workforce Development	\$102	\$104	\$2	2.0%
<i>Total</i>	<b>\$92,413</b>	<b>\$95,524</b>	<b>\$3,111</b>	<b>3.4%</b>

- General Fund Revenues.** Below is a table that reflects GF revenues and transfers for the revised 2008-09 and 2009-10 fiscal years. The increase in revenues reflects the administration's assumption that all of their revenue solutions are adopted by the Legislature.

**Proposed 2009-10  
General Fund Revenue and Transfers  
By Source  
(in millions)**

<u>Source</u>	<u>Revised 2008-09</u>	<u>Proposed 2009-10</u>	<u>Year-to-Year % Change</u>
Personal Income Tax	\$46,807	\$47,942	2.4%
Sales Tax	27,778	33,793	21.7%
Corporation Tax	10,197	10,445	2.4%
Other	<u>6,335</u>	<u>5,528</u>	<u>-12.7%</u>
<b>TOTAL</b>	<b>\$91,117</b>	<b>\$97,708</b>	<b>7.2%</b>

**KEY ELEMENTS OF THE PROPOSED BUDGET** include, but are not limited to, the following (by subject matter area):

**K-14 -- Proposition 98 Overall**

**Current Year.** The Governor proposes \$51.5 billion in Proposition 98 funding for K-14 education in 2008-09, which provides funding at the revised minimum guarantee level. The 2008-09 Budget Act provided \$58.1 billion in Proposition 98 funding for K-14 education. The Governor proposes to maintain state spending for Proposition 98 programs at \$56.1 billion in 2008-09. This level of funding includes approximately \$4.5 billion in additional state funding for K-14 education via payment deferrals, special funds, and funding redesignations that do not count as Proposition 98 funding in 2008-09.

**Budget Year.** The Governor provides \$55.9 billion in Proposition 98 funding for K-14 education in 2009-10, which also provides funding at the minimum guarantee level. The Governor proposes total state funding of \$56.3 billion for Proposition 98 programs, which includes approximately \$400 million in additional state special funds for K-14 education.

**Funding Reductions.** The Governor proposes to reduce Proposition 98 funding for K-14 education by \$2.1 billion in 2008-09 and \$3.1 billion in 2009-10 achieved through programs reductions and savings.

## **K-12 Education**

**Updated Current Year Proposals:** As a part of the 2009-10 budget, the Governor has provided the following updated major proposals for making mid-year adjustments for K-12 education funding.

- Makes several significant adjustments that lower Proposition 98 spending, but do not directly reduce program spending for K-12 programs:
  - Defers \$2.6 billion for school district revenue limit and K-3 Class Size Reduction program payments to the budget year by shifting April 2009 payments to July of 2009;
  - Scores \$1.1 billion in K-14 current year spending as "settle-up" dollars rather than Proposition 98 dollars;
  - Provides \$618.7 million in funding directly from the Public Transportation Account (PTA) and Mass Transportation Fund for the Home-to-School Transportation program.
  
- Continues to propose a base reduction for revenue limits, but drops the amount of the reduction from \$1.8 billion to \$1.6 billion.
  
- Continues savings of \$247 million to eliminate funding for K-12 program cost-of-living adjustments.
  
- Captures \$55.5 million in savings from various categorical programs, primarily Economic Impact Aid.
  
- Continues child care decrease of \$55 million to reflect anticipated, ongoing savings for the program.
  
- Continues previously proposed funding flexibility options that would allow LEAs to use prior year, ending balances for general purposes, with certain limits; reduce reserves for economic uncertainty in half; and eliminate local match requirements for deferred maintenance. Reduces routine maintenance reserve requirement for school districts from three percent to one percent, instead of two percent as previously proposed.
  
- Continues the proposal to allow LEAs to transfer any current year categorical funds to their general fund for any purpose, but removes limitations that tie the amount transferred to the level of program reductions.

**Budget Year Proposals:** The Governor proposes the following major program adjustments for K-12 education as a part of the 2009-10 Proposition 98 budget:

- Saves \$2.5 billion by not providing cost-of-living adjustments for revenue limit and categorical education programs.
- Continues a base funding reduction for revenue limits of \$1.5 billion.
- Reduces the K-12 school year by five days for a savings of \$1.1 billion.
- Provides \$398.5 million in direct funding from the Public Transportation Account and Mass Transportation Fund for the Home-to-School Transportation program, which lowers Proposition 98 funding, but maintains funding for the program.
- Saves \$150 million in Proposition 98 “settle-up” payments, which conforms to the Governor’s new current year proposal to prepay outstanding settle-up obligations in 2008-09.
- Eliminates funding of \$114.2 million for the High Priority Schools Grant Program.
- Adds \$65 million to fund Special Education Behavior Intervention plans as a part of the education mandate settlement agreement.
- Adds \$13.4 million to fund three education mandates and suspends statutes and funding for all remaining K-12 mandates, in keeping with a recent court decision.
- Increases funding by \$891.6 million to replace the allocation of State Lottery revenues to LEAs with Proposition 98 General Fund pursuant to Chapter 764, Statutes of 2008.
- Continues funding flexibility proposed in the current year and also proposes unlimited and permanent flexibility to allow LEAs to transfer funds from categorical programs to general purposes to reflect local needs.

## **Higher Education**

- Suspends funding for the Governor's *Compact* with UC, CSU, and Hastings College of Law, thus foregoing \$427.7 million in expenditures. As a result, no funding is provided for enrollment growth, salary, or cost-of-living adjustments.
- Provides \$20 million General Fund to UC to restart state employer contributions to the UC Retirement System.
- Cuts funding for Cal Grants by \$87.5 million by altering both award levels and eligibility thresholds. Proposal also includes the elimination of the Competitive Cal Grant program, which provides 22,500 grants annually to nontraditional students.
- Consolidates the operations of the Student Aid Commission and the California Postsecondary Education Commission for a savings of \$2 million annually. Proposal further decentralizes administration of the Cal Grant program, thus allowing the program to be directly administered by college campuses.
- Assumes student fee increases of approximately 10 percent at both UC and CSU.
- Provides \$185.4 million to fund three percent enrollment growth at the California Community Colleges.
- Proposes legislation to reduce or eliminate the uncertainty community college districts face regarding local property tax revenue.

## **Child Development**

- Provides \$18.9 million to support 1.23 percent program growth in services to the under 4-year old population.
- Reduces reimbursement rates for child care providers, for a savings of \$38.7 million.
- Increases the family fee amounts and the income level at which families begin paying fees, for a General Fund savings of \$14.4 million.

## **Health**

- Decreases the Medi-Cal Program by \$669 million (General Fund) by reducing eligibility for families, the aged, blind and disabled and certain legal immigrants, and by reducing benefits including eliminating optional health care services such as dental. These proposals would eliminate over 500,000 people from Medi-Cal on an annualized basis. These proposals would require statutory changes.
- Cuts services to individuals with developmental disabilities served by Regional Centers by \$334 million (General Fund), or about 12 percent. This is an unallocated reduction and is in *addition* to the 3 percent reduction of \$60 million proposed in the Special Session. This proposal would require statutory changes.
- Redirects \$227 million from the Mental Health Services Act (Proposition 63) to backfill for General Fund support in the state's Mental Health Managed Care Program. This proposal would require passage of a voter initiative.
- Redirects \$275 million of funds from Proposition 10, by eliminating the state's California Children and Families Commission and taking 50 percent of local funds, to backfill for General Fund support in selected state programs. The \$275 million would be appropriated to support children aged 5 years and under who are enrolled in Foster Care (\$107 million), Children Welfare (\$93 million), and Title IV-E Waiver (\$75 million).

## **Human Services**

- Supplemental Security Income/State Supplementary Program (SSI/SSP). The Governor's Budget continues to include the proposed reduction of SSI/SSP grants to the federal minimum effective March 1, 2009, the elimination of the Cash Assistance Program for Immigrants (CAPI), and the suspension of the June 2010 state cost-of-living adjustment (COLA). Together these proposals will save \$200.1 million in the current year and \$1.274 billion in the budget year.
- California Work Opportunity and Responsibility to Kids (CalWORKs). The Governor's Budget continues to include the CalWORKs proposals to modify the Safety Net program, impose a 60-month time limit on assistance for certain child-only cases, implement a six-month self-sufficiency review requirement, reduce grants by ten percent, and suspend the budget year COLA. Together

these proposals will save \$123.5 million in the current year and \$775.7 million in the budget year. The Governor's Budget also proposes to suspend the Pay for Performance county incentive program in the budget year for savings of \$40 million.

- **In-Home Supportive Services (IHSS).** The Governor's Budget continues to include the proposals to restrict non-medical services to only those IHSS recipients with the highest level of need, to eliminate the state's share of cost contribution for IHSS recipients with lower levels of need, and to limit state participation in the wages of IHSS workers to the state minimum wage as of March 1, 2009. These proposals will save \$62.7 million in the current year and \$384.2 million in the budget year.
- **California Food Assistance Program (CFAP).** The Governor's Budget continues the proposal to eliminate the CFAP, which provides food benefits to low-income, legal non-citizens, effective July 1, 2009. This will result in savings of \$30.3 million in the budget year.

### **Resources and the Environment**

- **Realignment of the State Conservation Corps –** Eliminate the state conservation corps membership and provide additional state grants for the 12 local conservation corps. Savings of \$17 million in 2009-10 and \$24 million in 2010-11.
- **Elimination of Williamson Act Funding –** Eliminates the state subsidy for agricultural land preservation while allowing counties to decide whether to continue the contracts with land owners. Savings of \$34.7 million annually.
- **Realignment of certain energy functions –** Streamline certain energy functions performed by the Public Utilities Commission, the Energy Commission, and the Department of Water Resources energy division. No savings identified.
- **Realignment of recycling and cleanup programs –** Eliminate the California Integrated Waste Management Board and consolidate recycling, cleanup, spill prevention, and pollution prevention programs. No savings identified.
- **Consolidate some real estate functions of the Department of Parks and Recreation and Wildlife Conservation Board.** No savings identified.

## **General Government**

- **Veterans Affairs: Veterans Homes Activation and Revised Fees for Veterans Homes Residents** – The Governor proposes to continue activation of the West Los Angeles, Lancaster, and Ventura veterans homes with an increase of 172.5 positions and \$18.5 million GF. Additionally, the Governor proposes to remove the current cap on member fees, revise the percentage of income charged to members at the Residential Care for the Elderly-level of care, and establish a fee for Non-Veteran Spouses. The DOF estimates this fee adjustment would raise approximately \$2.8 million GF annually beginning in FY 2009-10. Fees have not been adjusted since 1994.
- **Grow the Office of the Chief Information Officer (OCIO)** – The Governor proposes a \$7.4 million increase (including \$5.7 million GF) to: (1) develop a strategic plan for linking education data systems by September 1, 2009, as required by Chapter 8, Statutes of 2008; and (2) fund 28 new positions to provide information technology (IT) strategic vision and planning, enterprise-wide standards, IT policy, and project approval and oversight. Additionally, the Governor proposes to consolidate certain state information technology functions under the Office of the Chief Information Officer (including the Department of Technology Services, the Divisions of Telecommunications within the Department of General Services, and the Office of Information Security and Privacy Protection).
- **California National Guard Member Care and Education Benefits** – The Governor proposes \$1.8 million GF to establish an education benefit program for the members of the California National Guard, to improve retention; and \$1 million GF to provide mental health prevention services, training, intervention, and reintegration assistance during pre- and post-mobilization activities.

## **Employee Compensation**

- **Additional Furlough Day per Month.** The January Budget proposes to furlough state employees two days per month (the Governor's prior special session proposal was to furlough state employees one day per month). With a two-day furlough, the Administration estimates GF savings of \$376 million in 2008-09 and \$902 million in 2009-10.
- **Layoffs.** The Governor proposes \$150 million in GF savings through layoff of current state employees as well as efficiencies and other savings.

- **Employee Healthcare Savings.** The Governor proposes savings of \$132 million GF in state employee and annuitant health-care costs beginning in January 2010 through healthcare contract changes. The Administration would take over contracting responsibilities from the California Public Employees' Retirement System (CalPERS) and cost reductions would likely come from higher employee co-payments, reductions in coverage, or other cost savings.

### **Local Government**

- **Local Mandate Payment.** The Governor proposes to defer annual payment to local governments for mandate costs incurred prior to 2004-05 for GF savings of \$91 million. A similar deferral was adopted with the 2008 Budget Act.
- **Senior Citizens' Property Tax Deferral Program.** The Governor proposes to eliminate this program which pays property tax for eligible seniors to achieve GF savings of \$6.5 million in 2008-09 and \$32 million in 2009-10. The State is ultimately reimbursed for this cost when the property is sold. Note, in the 2008 Budget Act the Governor vetoed all funding for the separate Senior Citizens' Property Tax Assistance Program and the Senior Citizen Renters' Tax Assistance Program, and no funding is proposed for those programs in 2009-10.

### **Revenue**

- **Reduce Dependent Credit.** Beginning with the 2009 tax year, the Governor proposes to reduce the dependent exemption credit to equal the amount of the personal exemption credit. This change would result in a GF revenue gain of about \$1.44 billion in 2009-10. The current dependent exemption credit is \$309 per dependent and the personal exemption credit is \$99. Prior to 1998, the dependent exemption credit was equal to the personal exemption credit.
- **Special Fund Loans and Transfers.** The Governor proposes additional special fund loans of \$358.4 million and additional special fund transfers of \$34.2 million. Total GF relief would be \$392.6 million.

### **Transportation**

- **Redirect Tribal Gaming Revenues to the GF.** The Governor's budget proposes to shift the deposit of \$100 million in annual tribal gaming revenues from transportation funds to the GF.

- Caltrans Vehicle Replacement and Retrofit. The Governor proposes a \$53.4 million State Highway Account augmentation to replace and retrofit Caltrans vehicles to meet state, federal, and local air quality requirements.
- High-Speed Rail. The Governor proposes an increase of \$123.4 million from Proposition 1A of 2008 bonds for High-Speed Rail projects to begin the detailed engineering, design, and environmental work needed to ready segments for construction funding.
- Highway Patrol. The Governor proposes an increase of \$34.9 million Motor Vehicle Account to fund 240 new California Highway Patrol officers and related support positions.

### **Corrections and Judiciary**

- Provides \$71.4 million to fund the appointment of 50 additional judgeships that were established in 2007. The budget also suspends the State Appropriations Limit and provides no growth for the Judicial Branch in the budget year.
- Shifts \$219.5 million in funding for substance abuse programs at the California Department of Corrections and Rehabilitation from General Fund to a new special fund supported from a new drink tax.
- Proposes a 10 percent unallocated reduction to the prison health care receiver's budget for a savings of \$181.2 million General Fund.