



With the failure of most of the May 19 ballot measures, Governor Arnold Schwarzenegger has released additional proposed revisions to the current year (2008–09) and budget year (2009–10) state spending plans. The Governor and Legislature adopted an 18-month spending plan in late February, but that budget now has a \$24 billion deficit.

The Legislature has convened the Budget Conference Committee to discuss proposed changes to the February-adopted budget and reconcile planned spending with anticipated revenues. The Conference Committee expects to complete its work by mid-June.

Major Components of the Governor's Proposed Budget Revision — June 4, 2009

- Reduce overall K-12 funding, reduce Prop 98 K-12 funding without violating the federal stimulus Maintenance of Effort (MOE) requirements, and other adjustments to Prop 98. Estimated savings: \$1.4 billion in 2008–09, \$3.8 billion in 2009–10, \$3.4 billion in 2010–11, and future savings.
- Reduce UC and CSU funding, without violating the federal stimulus MOE requirements. Includes eliminations of academic prep programs and other unallocated reductions. Estimated savings: \$1.4 billion in 2008–09, \$535 million in 2009–10, \$535 million in 2010–11, and future savings. Estimated federal stimulus funding provided to help offset reductions: \$537 million in 2008–09 and \$663 million in 2009–10.
- Reduce community college funding, without violating the federal stimulus MOE requirements. No backfill for property tax shortfalls and other unallocated reductions. Estimated savings: \$200 million in 2008–09, \$697 million in 2009–10, \$697 million in 2010–11, and future savings. Estimated federal stimulus funding provided to help offset reductions: \$150 million in 2009–10.
- Cal Grant program reductions and phase-out. Estimated savings: \$289 million in 2009–10, \$577 million in 2010–11, and future savings.
- Eliminate California Work Opportunity and Responsibility to Kids Program (CalWORKs). Estimated savings: \$1.3 billion in 2009–10, \$1.8 billion in 2010–11, and future savings.

Total savings and new revenues in the Governor's proposals

\$3.1 billion for 2008–09 and prior years

\$20.9 billion in 2009–10

\$18.6 billion in 2010–11

Components of the Governor's Proposed Budget Revision — *continued*

- Cuts in health and assistive services programs. Includes Medi-Cal, Healthy Families, developmental services, services to functionally impaired individuals, and foster care services. Estimated savings: \$4.9 billion in 2009–10, and future savings.
- Corrections and Rehabilitation program
Estimated savings: \$1.2 billion in 2009–10, \$1.6 billion in 2010–11.
- Borrowing. Suspend Proposition 1A of 2004 and borrow 8% of property tax revenues from local government.
Estimated revenues: \$2 billion in 2009–10.
- Revenues and fees, including increasing income tax withholding, and use of transportation funds revenues.
Other revenue measures include leasing some state lands, selling part of the State Compensation Insurance Fund, and other special fund shifts. Estimated revenues: \$5.2 billion in 2009–10, \$1.9 billion in 2010–11, and future savings.
- Agency reorganizations, employee furloughs, layoffs, salary and benefit reductions, and other cash flow solutions.
Estimated savings: \$120 million in 2008–09, \$1 billion in 2009–10, \$1.6 billion in 2010–11.