



SACRAMENTO UPDATE

May 15, 2009
SU13-09

Governor Releases Early May Revise

Yesterday the Governor conducted a press briefing and released his proposals to adjust the 2009-10 State Budget.

2009-10 Budget Deficit Background

The Governor explained that California is facing a *\$15.4 billion* deficit in the next fiscal year that begins on July 1, 2009. This is largely based on declining revenues combined with social program case load growth in comparison with the February Budget Solution that was enacted as the 2009-10 State Budget Act.

2009-10 May Revision Key Elements

If the Special Election ballot measures are successful next Tuesday, the Governor's budget solutions will include:

- \$6.4 billion in spending reductions, including \$3 billion to the education budget
- \$1.1 billion reduction to CSU and UC
- \$2 billion in Medi-Cal and human services budgets
- \$6 billion in borrowing through Revenue Anticipation Warrants (RAWS)

Additionally, the Governor's proposed budget solutions will include fund shifts, fee accelerations, and other proposals.

If the ballot measures fail, the following solutions are proposed:

- An additional \$2 billion in school funding will be cut. Also,
- Prison reductions will occur,
- Borrowing \$2 billion from local governments.
- 5,000 layoff notices (5% of GF workforce) will be sent tomorrow to state workers.
- A number of boards and commissions will be merged or eliminated.
- The proposal also includes the sale of high-value, state properties.

Transportation

Proposition 42 – A suspension or other “borrowing” of Proposition 42 resources appears to not be in the mix at this time.

Cash flow Issues

The Finance Director indicated that the state has a cash problem and will need a temporary infusion through Revenue Anticipation Notes (RAN's), by August 2009. But, they are still working with the Treasurer to define the amount needed.

SCIF

The Governor's proposal also includes raising \$1 billion with the sale **of portion of the State Compensation Insurance Fund (SCIF)**. The state will seek a private entity to purchase a portion of SCIF's Book of Business, with the SCIF remaining as the insurer of last resort.

AB 1523 set for hearing on May 18th

AB 1523 will be heard in the Assembly Revenue and Taxation Committee on May 18th. AB 1523 is legislation to not apply the recent sales tax increase to fixed priced contracts entered into before April 1, 2009.

Below is a link to the Board of Equalization web site that answers frequently ask questions about the sales tax increase.

http://www.boe.ca.gov/sutax/0401TaxIncrease_Video.htm

-end-

925 L Street, Suite 308
Sacramento, CA 95814

Telephone 916.441.3111
Facsimile 916.441.1019
kevin@jkpedrotti.com
www.jkpedrotti.com

