

California Legislature



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Republicans Propose \$22 Billion in Solutions to Narrow California's Historic Budget Gap

Comprehensive Plan Includes Cut to Legislature, Economic Stimulus, Budget Reform

Senate Republican Leader Dave Cogdill and Assembly Republican Leader Mike Villines today proposed a comprehensive package to save the state \$22 billion, help reverse California's record-high jobless rate and enact meaningful reforms to prevent future budget shortfalls.

"This spending plan provides the short-term solutions needed to ease California's cash crunch, while tackling the long-term structural deficit through budget reforms," said Cogdill. "Ensuring the state spends no more than it takes is the most responsible way to climb out of this massive shortfall. State revenues flourish when we have a robust economy – that's precisely why we must focus on job creation instead of further burdening taxpayers who are concerned about losing their jobs and homes."

"Our plan is a realistic and responsible way to solve California's growing budget challenges, protecting the budget priorities of working families and rejecting costly tax increases, while taking steps to cut wasteful spending and prevent future deficits from hurting Californians. It is the only budget plan on the table that looks at the whole picture, including reforms to demand more efficient state spending and promote more investment and job creation in our state. The problems facing our state require immediate action by the Legislature, and we call upon our colleagues to set aside partisan differences and work with us to pass the honest budget solutions Californians deserve," said Villines.

The Republican Special Session Budget Plan contains \$22 billion in solutions – both revenue measures and spending reductions – a greater amount than any other proposal on the table to date. The majority of the solutions within the Republican plan were first proposed by the Governor, Democrats or the nonpartisan Legislative Analyst (LAO). In addition to spending savings and added revenues, the proposal includes economic stimulus, provides flexibility and fairness in education spending and ensures California never again faces a deficit.

Revenue Measures (\$6.5 billion total):

Proposal	Revenue (Fiscal Years 2008-09 and 2009-10)	Source
With voter approval, redirects Proposition 10 funds currently sitting unspent to children's health programs	\$2.1 billion	Republicans
With voter approval, redirects Proposition 63 funds currently sitting unspent to mental health programs.	\$3.9 billion	Republicans
Transfer from trial court improvement fund	\$61 million	Democrats
Fund transfers from Department of Parks and Recreation	\$27 million	Democrats
Delay loan repayment to Integrated Waste Management Board	\$21 million	Democrats
Delay loan repayment to Public Utilities Commission	\$5 million	Democrats
Motor Vehicle Account Fund Transfer	\$170 million	Democrats
Redirect tribal gaming payments for transportation loans.	\$200 million	Democrats

Spending savings (\$15.6 billion total):

Program	Savings (Fiscal Years 2008-09 and 2009-10)	Source
Legislature - 5 percent across-the-board cut, including cut to lawmakers' salaries	\$26.2 million	Republicans
Medi-Cal - Suspend County Eligibility Processing Cost of Living Adjustment (COLA)	\$24.6 million	LAO
SSI/SSP - Suspend June 2010 COLA	\$26.0 million	Democrats
CalWORKs - Suspend 2009 COLA	\$99.0 million	Democrats
Judicial Branch - Eliminate COLA provided in 2008-09	\$105.3 million	Democrats (Lesser Amount)
Judicial Branch - Suspend SAL adjustment for one-year	\$99.9 million	Democrats (Lesser Amount)
Employee Compensation Changes	\$802.5 million	Democrats (Lesser Amount)
OPR - Eliminate Cesar Chavez Grants	\$5.0 million	Democrats
Corrections - GPS Parole Proposal	\$57.4 million	Republicans
Hydrogen Highway - No Funding at this time	\$6.0 million	Republicans
Fi\$CAL - No Funding at this time	\$30.0 million	Republicans

Program	Savings (Fiscal Years 2008-09 and 2009-10)	Source
Medi-Cal (1) Reduce eligibility for working families and immigrants, (2) eliminate certain optional benefits, including, optometry and psychology, and (3) reduce reimbursement rates for public hospitals	\$406.1 million	Governor
Medi-Cal - Reinstate share of cost for care to 2001 eligibility level for aged, blind, and disabled	\$215.9 million	Governor
Medi-Cal - Delay implementation of SB 437. This program could increase waste, fraud and abuse in Medi-Cal	\$13.0 million	LAO
Medi-Cal - Suspend 90% Rate Increase for FPACT	\$56.9 million	Republicans
Healthy Families Program - Protects benefits for existing enrollees, freezes funding for new enrollment	\$28.4 million	LAO
3-Percent Rate Reduction for Regional Center Payments - Discount payments to regional center service providers by three percent effective December 1, 2008, some payments exempt	\$85.5 million	Democrats
DDS - Expand cost participation (parental co-pay) based on family earnings	\$10.0 million	LAO
DDS - Define Cost Effectiveness Current law refers to cost-effectiveness for Regional Center services but does not define it. Establishing a consistent definition throughout the state will ensure that taxpayer moneys are not used to fund ineffective services	\$29.0 million	Republicans
SSI/SSP - (1) Match grants to federal minimum levels. (\$830 per month for individuals and to \$1407 for couple). (2) Eliminate Cash Assistance Program for recent immigrants	\$1.3 billion	Governor
CalWORKs - (1) Make changes to welfare to work program requirements, including establishing time limits for child-only cases and work requirements for families who have reached their time limit, (2) implement self sufficiency reviews, and (3) 10 percent reduction to grants	\$913.1 million	Governor

Program	Savings (Fiscal Years 2008-09 and 2009-10)	Source
In-Home Supportive Services Program (IHSS) - Target program services to the neediest individuals - (1) provide non-medical services only to the highest need consumers and (2) increase how much some individuals will have to pay before receiving subsidized care	\$117.0 million	Governor
Reduce state participation in IHSS worker wages to the state minimum wage (\$8 per hour) plus 60 cents per hour for health benefits	\$269.5 million	Governor
Various Social Services Programs – Eliminate State Food Stamps for immigrants who are not eligible for federal assistance.	\$30.3 million	Governor
Eliminate State Funding for Transit Agencies	\$459.6 million	Democrats (Lesser Amount)
Proposition 98 (K-14) - Fund education above minimum guarantee under voter-approved Prop. 98, provide flexibility in education spending	\$8.65 billion	Democrats (Lesser Amount)
Proposition 98 (K-14) – Deferred maintenance payments	\$280 million	Republicans
Proposition 98 (K-14) – Reduce Proposition 49	\$550 million	Republicans
Proposition 98 (K-14) – Settle up to reduce base	\$1.0 billion	Democrats (Lesser Amount)
Proposition 98 (K-14) – No settlement payment needed	\$150 million	Democrats
Higher Education - 10 percent across-the-board reduction to University of California, California State University and Hastings	\$264.2 million	Democrats
Higher Education - Increase student/faculty ratio to 20.5	\$340.9 million	LAO
Higher Education - Phase out General Fund support for excess course credits	\$57.9 million	LAO
Higher Education - Repeal AB 540 which allows unlawful immigrants to pay lower tuition than lawful citizens of other states	\$75.0 million	Republicans
Office of Planning and Research – No funding for census and volunteer network.	\$1.5 million	Republicans

The Republican Budget Solution stimulates our economy by encouraging businesses to invest in California, thus creating jobs and increasing the state's revenues – without tax hikes. Ideas include:

- Expanding health care options for employees by allowing individuals and employers to purchase health insurance through any licensed provider.
- Requiring a third party to analyze the economic impact of stringent air board regulations.
- Extending deadlines for greenhouse gas and engine retrofit regulations, allowing technology to catch up with the changes in law and saving California businesses and consumers hundreds of millions of dollars
- Making changes to the Carl Moyer program to allow agriculture to use the funding to help them comply with recent air board regulations.
- Allowing regulatory flexibility for the agriculture industry which is particularly impacted by the economic downturn. The agriculture industry is overseen by a wide range of bureaucracies whose regulations are not coordinated, making compliance difficult for the agricultural industry.
- Eliminating hurdles to moving forward with projects funded by infrastructure bonds.
- Expanding apprenticeships by eliminating "needs test".
- Streamlining small business certification process for micro businesses and sole proprietorships.
- Reclassifying "destination management companies" as consumers rather than retailers.
- Expanding tax credits to encourage businesses to invest in California:
 - A new employee tax credit for businesses that hire out-of-work Californians.
 - A manufacturing investment credit to help businesses purchase the equipment they need.
 - Capital gains reduction for businesses that invest in California.
 - Modification of the tax code to encourage companies to locate jobs in California.
- Adopting recommendations supported by the Governor to create and keep jobs in California including:
 - Easing burdens on workers by allowing flexible, family-friendly scheduling
 - Keeping high-wage jobs in California by allowing certain overtime exemptions.
 - Clarifying laws regarding meal and rest breaks to eliminate costly, unnecessary litigation against businesses.
 - Accelerating hospital construction.
 - Building infrastructure faster, better and cheaper through public-private partnerships and design-build agreements.

The Republican Budget Solution provides flexibility and fairness for the classroom:

- Restores the ability for schools and community colleges to save money by contracting out for services such as student transportation, cafeteria services, landscaping, and payroll.
- Gives more local control to schools by allowing 45-day notification prior to layoffs for certificated employees.
- Eliminates unfair and illegal law authorizing financial support for illegal immigrant students at California public colleges and universities, saving tens of millions of dollars.
- Provides maximum funding flexibility to enhance local control by cutting strings to categorical programs and allowing schools to redirect funding to their highest priorities.
- Gives legislature more flexibility for after-school program funding during annual budget process.
- Amends the COLA index for Proposition 98 programs to better reflect schools' actual costs, which was recommended by the Legislative Analyst's office.

The Republican Budget Solution ensures California never again faces a deficit of this magnitude:

- Enacts a strict spending limit that restricts spending growth each year to the combined percentage change in the state's population growth and inflation, which currently increases on average by about 5 percent.

- Creates a new Special Reserve Account that will accumulate funds to be saved for a rainy day.
- Increases accountability in state spending by requiring the state auditor to conduct a performance audit of state programs.
- Brings stability to the state budget process by requiring legislature to adopt a 2-year budget.
- Infuses much-needed revenues into state coffers by eliminating hurdles to selling state surplus properties, an idea proposed by the Governor.

Earlier this year, Republicans outlined a number of ideas related to solving our state budget, without raising taxes. Those plans include:

- [Easing the burdens on workers by creating workweek flexibility.](#)
- [Streamlining government to maximize limited tax dollars.](#)
- [Ensuring more money goes to our classrooms and upholding voters' commitment to give 40 cents of every tax dollar to schools.](#)
- [Establishing a spending limit and new rainy day fund to end chronic deficits.](#)

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