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VIA ELECTRONIC MAIL

May 14, 2008

To: Chairs of the Board
CSAC Executive Committee
County Administrative Officers

From: Paul McIntosh, CSAC Executive Director
Jim Wiltshire, CSAC Deputy Director

Re: **2008-09 May Revision to the Governor's Budget**

This afternoon, Governor Schwarzenegger released his much-anticipated 2008–09 May Revision, which reveals an ongoing structural deficit and a current budget gap of \$17.2 billion. The Department of Finance attributes the continued economic sluggishness to lower real Gross Domestic Product growth, weak job expansion in the state, and smaller personal income tax gains in 2008 and 2009. Other factors contributing to the widening budget gap include escalating program costs as well as higher-than-expected estimates of growth and cost and living adjustments.

As detailed in the pages that follow, the Governor's May Revision offers a mix of additional spending reductions and revenue solutions. It sets aside a \$2 billion reserve, fully funds the Proposition 98 guarantee, abandons an earlier proposal to close over 40 state parks, and takes the early inmate release proposal off the table. Additional, deep cuts to health and human services programs are put up to help resolve the multi-billion budget hole. Furthermore, the Governor's overall solution relies on securitization of the California Lottery.

The May Revision also attempts to address longer-term budget reform. The Governor offers a constitutional amendment, the Budget Stabilization Act, and outlines a plan to establish a bipartisan Tax Modernization Commission to undertake a comprehensive examination of the state's tax laws. As a safeguard, the May Revision includes a mechanism to trigger a temporary sales tax increase if the lottery securitization or budget stabilization efforts fail or fall short of producing sufficient revenue.

Unless otherwise noted, the Governor's January budget proposals remain a component of the 2008-09 proposed state budget currently under consideration by the Legislature. For a recap of the Governor's January spending plan, please review CSAC's summary, available on our website [here](#). The release of the May Revision marks the beginning of the real work on the state's budget; CSAC will begin its regular updates on budget activities in the coming weeks.

A copy of the May Revision can be found online at the Department of Finance's website:
<http://www.ebudget.ca.gov/Revision/BudgetSummary/BSS/BSS.html>.

Budget Aggregates

Defining the Budget Gap

(\$ in millions)

Governor's January Budget	-\$14,479
Reserve	-\$2,009
Adjustment Since Governor's January Budget	-\$7,789
Total Size of Problem	-\$24,227

Closing the Budget Gap

(\$ in millions)

Projected Shortfall			-\$24,277
Solutions:	Revenue	Expenditures	Total
Special Session	\$3,559	\$3,484	\$7,043
Proposed Solutions	\$8,130	\$9,104	\$17,234
TOTAL	\$11,689	\$12,588	\$24,277

2008-09 General Fund Budget Summary

(\$ in millions)

	January Budget	May Revision	% Difference
Carry-Over Fund Balance	\$1,757	\$1,743	-0.8%
Revenues and Transfers	\$102,904	\$102,987	0.1%
TOTAL REVENUES	\$104,661	\$104,730	0.1%
Non-Proposition 98 Expenditures	\$61,405	\$60,436	-1.6%
Proposition 98 Expenditures	\$39,593	\$41,400	4.6%
TOTAL EXPENDITURES	\$100,998	\$101,836	0.8%
Fund Balance	\$3,663	\$2,894	-21%
Liquidation of Encumbrances	\$885	\$885	0%
Special Fund for Economic Uncertainties	\$2,778	\$2,009	-27.7%
Budget Stabilization Account*	-	-	-
Total Available Reserve	\$2,778	\$2,009	-27.7%

*Reflects the suspension of Proposition 58 transfer to the Budget Stabilization Account.

2008-09 General Fund Expenditure Estimates by Category

(\$ in millions)

Expenditure Category	January Budget	May Revision	% Difference
K-12 & Higher Education	\$51,110	\$52,903	3.5%
Health & Human Services	\$29,298	\$29,800	1.7%
Corrections and Rehabilitation	\$10,268	\$10,139	1.3%
Other	\$10,322	\$8,994	-12.9%
TOTAL	\$100,998	\$101,836	0.8%

2008-09 General Fund Revenue Estimates by Category

(\$ in millions)

Revenue Category	January Budget	May Revision	% Difference
Personal Income Tax	\$56,458	\$53,733	-4.8%
Sales Tax	\$29,215	\$27,361	-6.3%
Bank and Corporation Tax	\$11,937	\$11,038	-7.5%
Other	\$5,294	\$10,855	105%
TOTAL	\$102,904	\$102,987	0.1%

Statewide Issues

The May Revisions lays out the Governor's vision for fixing the "broken" state budget process. His reform plan hinges on four key elements: 1) the Budget Stabilization Act (BSA), a constitutional amendment to address the boom and bust revenue cycle and overspending; 2) securitizing a portion of state lottery revenue; 3) a temporary sales tax increase as a fail-safe mechanism, and, 4) establishing a Tax Modernization Commission.

Budget Stabilization Act. As outlined in his State of the State address in January, the Governor is proposing a constitutional amendment to prevent ongoing expenditure commitments with temporary and non-sustainable revenues and to avert future budget crises. The BSA would create a Revenue Stabilization Fund (RSF) where revenues, above a defined level of "reasonable, long-term average rate of growth," would be deposited. RSF funds would only be available for transfers to the General Fund in years in which the state experiences below-average growth, such as 2008-09. The May Revision creates a mechanism to capitalize the RSF in 2008-09 and thereby infuse the General Fund with \$5.1 billion.

Improved Lottery Performance: Revenues to the Revenue Stabilization Fund. A significant component of the Governor's May Revision is a means to improve the performance of the California State Lottery and provide the General Fund with additional resources for the RSF component of the Governor's BSA plan. Last year, the Governor had proposed to lease the lottery to a private vendor to improve performance and generate revenue; however, this new proposal seeks to remedy the underperformance issue by asking voters to approve additional operational flexibility for the lottery and securitizing the additional revenue that is expected to result from this new flexibility. (An existing Senate bill, SB 1679 by Senator Dean Florez, would allow the lottery to modernize ticket terminals and provide additional flexibility in providing prizes. The Administration was not specific about the changes that they envision for the lottery, but suggested flexibility similar to that provided by SB 1679.) The securitized revenues would then fund the RSF for a three-year period.

The securitization mechanism would be similar to the tobacco revenue securitization and is expected to generate \$5.1 billion for the RSF in 2008-09 and a total of \$15 billion by 2010-11, after providing education with the \$1.2 billion currently promised by the lottery.

Fail-Safe Mechanism: Temporary Sales Tax Trigger. In order to ensure that the RSF receives \$5.1 billion for the 2008-09 budget, the Governor has proposed a trigger mechanism similar to the temporary tax increase approved in 1983. If the measure allowing securitization of lottery revenues is defeated, or if the lottery revenues fail to meet projections, a three-year sales tax increase would occur. The Director of the Department of Finance would make a finding as to the resources available in the RSF. If the RSF balance is insufficient, a temporary one percent sales tax increase would be triggered. This increase would continue until the RSF balance reaches 15 percent of General Fund tax revenues or until June 30, 2011, whichever occurs first. If the RSF balance grows beyond the \$15 billion target, taxpayers will be rebated the balance. The sales tax proposal is intended to be part of the 2008-09 budget enacted by the Legislature and, unlike the other two proposals, will not go before the voters.

Tax Modernization Commission. Governor Schwarzenegger also outlines his intention to issue an Executive Order establishing a bipartisan commission to undertake a comprehensive examination of California's tax laws. The Tax Modernization Commission, composed of legislative and gubernatorial appointees, will be charged with recommending ways to stabilize state revenues, align our tax system with the modern economy, and improving the state's economic competitiveness.

Postponement of EdFund Sale. The May Revision reveals the state's decision to postpone the sale of the EdFund, the state-established non-profit organization that has guaranteed student loans since 1997. The sale of this publicly owned asset was proposed as a budget balancing mechanism for 2007-08, and its postponement reduces 2007-08 revenue by \$500 million. The state's sale advisor for the EdFund transaction recently withdrew and, with the tightening of the credit market and potential changes in the student lending industry, the state concluded that it is not an opportune time to move forward with the transaction. The state is still anticipating a sale will be pursued and completed in 2009-10.

Loans and Transfers from Special Funds. The May Revision proposes loans and transfers from various special funds to provide one-time funding to the General Fund to help close the budget gap. The May Revision identifies \$285.6 million in loans and \$74.8 million in transfers across the Resources Agency; Health and Human Services Agency; Business, Transportation and Housing Agency; and State and Consumer Services Agency.

Administration of Justice

Minimal changes to justice-related items appear in the Governor's May Revision. The Governor's across-the-board 10 percent budget reductions proposed in his January spending plan are sustained for public safety programs. One notable policy change in the justice area is that the Governor eliminates the proposal to early prison inmate release, citing declining prison population and the significant progress in parole reforms. However, there are other notable changes in the May Revision, which are summarized below:

Juvenile Probation and Camp Funding (JPCF). Total JPCF funding remains at \$181.3 million, reflecting the Governor's previously proposed 10 percent reduction (down from \$201.4 million in 2007-08). However, the May Revision shifts approximately 75 percent of the program (\$151 million) in state general funds to the Temporary Assistance for Needy Families (TANF) block grant administered by the Department of Social Services. It is our understanding that the remaining \$30 million will continue to be funded from the state General Fund.

Adult Corrections. Several items in the California Department of Corrections and Rehabilitation (CDCR) budget are of interest to counties, which include:

- **Parole Reform.** The Governor continues to advance his efforts to implement parole reform measures. The May Revisions sustains his January proposal to place non-violent, non-serious and non-sexual offenders on "summary parole." Summary parole would offer no active supervision by the CDCR Division of Adult Parole Operations and would subject parolees to minimal parole conditions. For fiscal year 2008-09, it is anticipated that the summary parole proposal would reduce the average daily prison population by 4,774 and the average daily parole population by 13,517 in 2008-09, resulting in savings of \$173.6 million.
- **Northern California Women's Facility (NCWF).** The Governor's May Revision includes an additional \$11.7 million for the conversion of the NCWF into the state's first reentry facility scheduled to open under AB 900, the Public Safety and Offender Rehabilitation Services Act of 2007 (Chapter 7, Statutes of 2007). This reentry facility is a regional effort involving Amador, Calaveras and San Joaquin Counties. Work on this facility is set to begin in September 2008 and is expected to be completed in June 2009.

- **Training for Prison Staff on Rehabilitation Programming.** The May Revision contains \$2.7 million in reimbursements to reflect an interagency agreement under development between CDCR and the California Community Colleges' Chancellor's Office. This funding will support the provision of training, through the community colleges, to prison staff on the rehabilitation strategies authorized in AB 900 and recommended by the Expert Panel's June 2007 report on Adult Offender Reentry and Recidivism Reductions; up to \$2.6 million of the \$2.7 million is slated to support local assistance allocations for colleges to provide the training and development services

Court Facilities Trust Fund. The May Revision includes an increase of \$1.7 million in support for the judicial branch to cover operations and maintenance costs of 11 trial court facilities expected to transfer to state responsibility following the enactment of AB 1491 (Chapter 9, Statutes of 2008).

Agriculture and Natural Resources

Williamson Act. There were no additional cuts to Williamson Act Subventions in the Governor's May Budget Revision, maintaining the 10 percent reduction proposal from his January proposal.

Emergency Response Initiative. The Emergency Response Initiative, formerly known as the Wildland Firefighting Initiative, has been reformulated to provide a two-tiered approach to fund enhanced emergency response capabilities of California Department of Forestry and Fire Protection, the Office of Emergency Services and the Military Department.

The Governor's January proposal suggested a 1.25 percent surcharge on all residential and commercial property insurance statewide to fund programs at the California Department of Forestry and Fire Protection, the Office of Emergency Services, and the National Guard. The Governor's Revision proposal states that the surcharge, still paid by all those that hold insurance on residential and commercial property, will be set at two different levels based on differing risk. A 1.4 percent surcharge will be placed on those structures designated as in high-hazard zones, as determined by the Office of Emergency Services and the California Department of Forestry and Fire Protection risk maps, and a 0.75 percent surcharge will be placed on structures in low-hazard zones. This translates into an average cost of \$12.60 per household in a high-risk zone, and \$6.75 per household in a low-risk zone.

The Emergency Response Initiative designates the Office of Emergency Services as the entity responsible for administering funds from the surcharge rather than the Department of Insurance as previously stated in January. Additionally, the new surcharge formula is expected to generate \$69.3 million, as compared to \$104.9 million as proposed in the Governor's January budget due to delayed implementation. The May Revision proposes a \$30 million loan to the Emergency Response Account from the Restitution Fund to immediately enhance the Account.

Parks. The May Revision proposes \$13.3 million in funding for the Department of Park and Recreation. This is a complete reversal of the Governor's proposed \$13.3 million General Fund reduction from January, which would have resulted in the closing of 48 state parks and the reduction of life guards at state beaches. The May Revision proposes \$11.8 million from the General Fund and \$1.5 million from increased state park fees.

Water Quality. The May Revision proposes to shift funds for Colorado River water management projects and Habitat Conservation Fund projects to bond funds, resulting in General Fund savings. Specifically, the \$13.5 million appropriation of the General Fund monies proposed in the Governor's January budget for Colorado River water management projects will be provided by Proposition 84 dollars, and the \$20.4 million for the annual transfer to the Habitat Conservation Fund from the General Fund will be provided by Proposition 1E Funds.

Air Quality. The May Revision proposes an additional \$49.7 million in Special Funds from the Air Quality Improvement Fund on a one-time basis to fund financing programs, including loans. This financing

program will assist heavy-duty mobile pollution sources, including on-and-off road heavy-duty vehicles and equipment to meet the Air Resources Board's new requirements for emissions reductions standards.

Elections

Reimbursement for February Primary Election. The Governor included in his May Revision \$89.6 million for reimbursement to counties for the special February 2008 Presidential Primary Election. The reimbursement was included in a Department of Finance Letter to the Legislature, notifying them of the change.

Government Finance and Operations

Mandate Repayments. The May Revision proposes to decrease the January Budget's proposal to pay \$139 in mandate reimbursements for costs incurred before July 1, 2007 by \$75 million. The \$75 million payment would have been the third payment of the 15-year payment plan for mandate costs incurred prior to July 1, 2004. Statute requires these costs to be fully repaid by the 2020-21 fiscal year.

Health and Human Services

Please note that many of the January reduction proposals had implementation dates of July 1, 2008. The Administration has Revision its savings proposals and assumed implementation dates of October 1, 2008 in the May Revision. The material below does not provide updated savings numbers. Unless otherwise specified, all January proposals remain part of the Governor's May budget plan.

SOCIAL SERVICES

In-Home Supportive Services (IHSS). The Governor's May Revision rescinds the 18% across-the-board reduction to domestic and related services for consumers. Instead the Administration is proposing eligibility and service changes to recipients whose functional index is below 4 (the lower the functional index, the more functional the recipients. The highest functioning consumer would receive a functional index of 1 and would not be eligible for services under current law). On the eligibility side, consumers with a functional index below 4 would not be eligible for a state-funded share of cost buyout, giving these consumers a share of cost for services. This proposal generates \$27.7 million in General Fund savings.

The Administration is also proposing to eliminate domestic and related services for all consumers with a functional index below 4, for a savings of \$52 million General Fund. The Administration assumed that 20 percent of the consumers affected will ask for a redetermination of their functional index and 25 percent of those asking for the redetermination would succeed.

IHSS caseload projections for 2007-08 and 2008-09 are slightly higher than outlined in the Governor's January budget proposal, to 396,612 and 415,589 respectively.

Wages and Benefits. In addition, the Administration proposes to roll back state participation in IHSS wages to the current state minimum wage of \$8 per hour for a savings of \$187 million General Fund. Currently, the state participates in wages up to \$11.50. Under the proposal, the state would maintain participation in benefits at \$0.60 per hour. There are no proposed statutory changes to the IHSS collective bargaining law.

CalWORKs . There are a number of additional budget and policy proposals beyond the January budget in the CalWORKs program area, which are estimated to reduce the 2008-09 caseload projection to 386,871 families, a 16 percent decrease from the 2007-08 estimate.

Reductions to TANF Expenditures. The Administration is projecting a \$376 million TANF shortfall in CalWORKs, and is proposing a number of reductions, including:

- Elimination of the 2008-09 COLA for CalWORKs grants (\$131 million – \$20 million taken in special session, \$111 million in additional savings proposed in the May Revision).
- A 5 percent reduction to CalWORKs grants (\$108.2 million).
- Elimination of county Pay for Performance incentive funding (\$40 million).
- Reduction of the single allocation to counties by the amount of unspent performance incentives and fraud funds. The budget estimates this reduction to be \$20.6 million.
- Implement the Regional Market Rate for child care and lower the reimbursement rate from 85% to 75% effective January 2009 (\$19.4 million).
- Eliminate the TANF reserve (\$13.0 million).
- The Administration is also proposing to require face-to-face interviews, which they are calling Self-Sufficiency Reviews, with all recipients who are not meeting work requirements, including child-only and exempt cases. The interviews would occur every six months. The purpose of the reviews is to ascertain why recipients are not meeting work participation rates. If an individual fails to show up for the review, the family would lose CalWORKs eligibility. The estimates include caseload reductions but no assumptions about increased services or work participation. The Administration is estimating \$59.7 million in savings.

TANF Transfers. The May Revision proposes to exchange \$447 million General Fund spending for TANF in a number of areas. The proposal allows California to continue to meet MOE requirements related to TANF. The following programs would be funded by the TANF:

- CalGrants (\$223 million)
- Juvenile Probation (camps and ranches funding) (\$151.8 million)
- Emergency Assistance Foster Care (\$50.4 million)
- Title XX spending on Developmental Services (\$22.2 million)

Work Participation Rate. The Administration is still projecting the meet federal work participation rates (WPR) by federal fiscal year 2010.

The Administration is proposing to adopt the Legislative Analyst's proposal to create the Pre-Assistance Employment Readiness System (PAERS). Under the pre-assistance program, each family entering aid would be placed in the PAERS for up to 120 days. In order for the family to continue receiving aid after PAERS, they must become employed for sufficient hours to meet federal work participation requirements or sign the welfare-to-work plan, unless they can establish that they are exempt or have good cause under current law for nonparticipation. The Administration does not appear to be anticipating savings from this proposal.

The Administration is also proposing to contract with the Boys and Girls Clubs for \$5 million. The Boys and Girls Clubs would be required to develop services in line with the purposes of TANF. The Administration will be able to claim \$88 million in excess MOE.

Supplemental Security Income/State Supplemental Payment (SSI/SSP). The May Revision proposes holding back the January 2009 federal COLA for savings of \$108.8 million. This means the state would retain the COLA funds by not passing them through to recipients. The May Revision also continues to propose to eliminate the state COLA for 2008-09 (the Legislature already acted to delay the COLA to October 2008).

Cash Assistance Program for Immigrants (CAPI). The Administration proposes to eliminate the CAPI program, which provides cash assistance to immigrants who are aged, blind or disabled but who do not qualify for Supplemental Security Income (SSI) due to immigration status, for a savings of \$111.2 million General Fund. The elimination would be effective August 2008. To be eligible for CAPI an individual must be either a Qualified Alien or Permanently Residing in the U.S. under Color of Law (PRUCOL). The average monthly caseload was projected to be 10,300 individuals per month.

Child Welfare Services. The May Revision includes a \$9.4 million augmentation to pay a federal penalty for failure to meet a performance measure related to the stability of foster care placements. The state is appealing the penalty but will make the payment to stop the accrual of interest charges pending the appeal.

Food Stamps. The Administration is proposing to waive the face-to-face interview for cases where the single head of the household is working at least 30 hours per week, and for cases where couples are working at least 20 hours per week each. The budget includes funding of \$1.5 million (\$800,000 million General Fund) in food stamp administration and \$200,000 in the California Food Assistance Program (CFAP). This change will require federal approval.

Human Services Funding Deficit. The Administration estimates in its May Revision document that county administration of human services programs is underfunded by \$971.3 million (\$633 million General Fund). Please recall that the state froze county administrative funding of human services programs in 2001 and has not provided cost increases since. The May 2008 estimate is \$264 million (\$183 million General Fund) higher than the May 2007 estimate.

HEALTH

Medi-Cal. The Administration is proposing additional changes to services and eligibility for the Medi-Cal program.

- **Cuts to Adult Medi-Cal Eligibility:** changes eligibility for 1931(b) parents to the same level as CalWORKs parents (down to 61% FPL) and to define employment as the principal wage earner working less than 100 hours a month (also known as the 100 hour rule). This proposal would be phased in over five years and would apply to new applicants, including adults who do not file the quarterly status report timely and lose coverage. Parents with higher incomes who meet the resource and status requirements would be eligible for the medically needy program under Medi-Cal. Initial savings of \$31.2 million in 2008-09 up to \$342.5 million General Fund in 2011-12 are projected.
- **Eligibility for Undocumented Immigrants.** Changes eligibility determinations for emergency services from annual to monthly for a savings of \$42 million General Fund. The monthly requirement would not apply to pregnancy, pre-natal, long-term care or breast and cervical cancer services.
- **Legal immigrants (Qualified Alien or Permanently Residing in the U.S. under Color of Law (PRUCOL)).** Proposes to reduce the scope of benefits available to legal immigrants from full-scope Medi-Cal to emergency services, pregnancy, long-term care and breast and cervical cancer treatment. Please note that these are the services currently available to undocumented immigrants through Medi-Cal. This would save an estimated \$86.7 million General Fund. Legal immigrants would also be required to apply each month for emergency services.

- The Administration proposes to delay implementation of SB 437 (Chapter 328, Statutes of 2006) for a \$13 million savings. SB 437 would have authorized simultaneous pre-enrollment and application process for uninsured women in the Women, Infants, and Children Program and Medi-Cal, allowed presumptive eligibility, and created a two-county pilot program (Orange and Santa Clara) to allow Medi-Cal beneficiaries to self-certify their income.

Additional Medi-Cal proposals include:

- \$169.8 million increase to fund rate adjustments for Medi-Cal managed care plans.
- The May Revision includes \$800,000 to fund Screening and Brief Intervention, which will allow medical providers to screen Medi-Cal patients in an emergency department setting for non-dependent substance abuse, provide a brief intervention, and, as necessary, refer patients to appropriate services. It is estimated that this change will result in General Fund cost avoidance of \$1.2 million in 2009-10, increasing to \$2.5 million annually thereafter by reducing the number of beneficiaries who progress to more expensive substance abuse treatment options.
- \$1.5 million increase to establish a Beneficiary Utilization Review (BUR) Unit. The purpose of the BUR will be to review overuse and abuse of prescription drugs by Medi-Cal beneficiaries. If cases of fraud are found the Department will forward to the Attorney General or District Attorney.
- \$11.3 million decrease by reducing non-contracted hospital rates.
- The Administration states their intent to work with the Legislature and stakeholders to identify enhancements to the Medi-Cal Fee for Service (FFS) system that improve health outcomes and slow the overall rate of cost growth. Five percent of Medi-Cal enrollees incur 60 percent of all FFS expenditures. No specific proposal was included.
- The Administration also proposes trailer bill language to implement the Public Assistance Reporting Information System (PARIS) pilot program. The purpose of the project is to improve the identification of the subset of Medi-Cal beneficiaries who are also veterans and who may be eligible for duplicative services. They are proposing to implement within existing resources.

County Health Initiative Matching Fund Program. Due to updated county caseload and expenditure information, expenditures in county Healthy Kids programs are expected to decrease by \$90,000 (\$31,000 county funds and \$59,000 federal funds) in 2007-08 and by \$90,000 (\$32,000 county funds and \$58,000 federal funds) in 2008-09.

AIDS Drug Assistance Program. The May Revision includes \$325.3 million to fund the AIDS Drug Assistance Program (ADAP), which is 16.2 percent above the \$280 million identified in the Governor's Budget.

MENTAL HEALTH

Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program. The May Revision assumes increased adjustments in the current year (\$113.1 million General Fund) and the budget year (\$13.4 million) from changing from cash-based accounting to accrual-based accounting.

Additionally, the Administration expects a decrease of \$57.2 million (\$27.8 million General Fund) due to lower than projected EPSDT claims.

REALIGNMENT REVENUES

Based on the latest estimates from Department of Finance, sales tax revenues are declining impacting the sales tax base funding for the Mental Health, Health, and Social Services Accounts in 2007-08.

Mental Health Revenues
(\$ in Thousands)

Amount	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Base Funding			
Sales Tax Account	841,749	830,420	830,420
VLF Account	361,346	398,660	415,896
Total Base	1,203,095	1,229,080	1,246,316
Growth Funding			
Sales Tax Growth Account	-	-	16,168
VLF Growth Account	37,315	17,236	16,563
Total Growth	37,315	17,236	32,736
TOTAL REALIGNMENT	1,240,410	1,246,316	1,279,052

Health Revenues
(\$ in Thousands)

Amount	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Base Funding			
Sales Tax Account	399,521	394,143	394,143
VLF Account	1,158,408	1,221,700	1,248,549
Total Base	1,557,929	1,615,843	1,642,692
Growth Funding			
Sales Tax Growth Account	-	-	24,925
VLF Growth Account	63,292	26,849	25,541
Total Growth	63,292		50,466
TOTAL REALIGNMENT	1,621,221	1,642,692	1,693,158

Social Services Revenues
(\$ in Thousands)

Amount	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Base Funding			
Sales Tax Account	1,576,261	1,598,745	1,598,745
VLF Account	62,385	69,599	72,741
Total Base	1,638,646	1,668,344	1,671,486
Growth Funding			
Sales Tax Growth Account	44,298	-	50,371
VLF Growth Account	7,213	3,142	3,203
Total Growth	51,511	3,142	53,574
TOTAL REALIGNMENT	1,690,157	1,671,486	1,725,060

Housing, Land Use, and Transportation

Proposition 42. The May Revision of the Proposed FY 2008-09 State Budget continues to fully fund Proposition 42, but Revision the estimate from \$1.49 billion to \$1.43 billion. This would allocate \$572 million for the State Transportation Improvement Program (STIP), \$286 million to counties, \$286 million to cities and \$286 million to the Public Transportation Account. The chart below offers Revision allocation estimates for each county. Should the Legislature support this funding it would represent the first year that counties and cities receive their full Proposition 42 payments of 20 percent each.

ID	COUNTY	NO. OF REGISTERED VEHICLES (4/08)	NO. OF MAINTAINED MILEAGE (4/08)	% OF TOTAL REVENUE	PROJECTED REVENUE FY 2008-09 (Estimated)
1	Alameda	1,149,575	495.39	3.147%	\$ 8,999,046
2	Alpine	2,038	134.96	0.056%	\$ 160,771
3	Amador	51,051	410.84	0.287%	\$ 819,616
4	Butte	211,423	1,353.70	1.056%	\$ 3,018,761
5	Calaveras	67,318	689.22	0.434%	\$ 1,240,060
6	Colusa	25,929	716.75	0.337%	\$ 965,058
7	Contra Costa	851,398	659.84	2.441%	\$ 6,981,278
8	Del Norte	25,932	300.88	0.180%	\$ 515,909
9	El Dorado	209,802	1,075.50	0.946%	\$ 2,706,349
10	Fresno	670,649	3,563.16	3.072%	\$ 8,786,317
11	Glenn	33,370	863.19	0.412%	\$ 1,178,017
12	Humboldt	137,005	1,205.06	0.808%	\$ 2,310,301
13	Imperial	139,950	2,561.57	1.328%	\$ 3,797,131
14	Inyo	26,116	1,133.10	0.495%	\$ 1,416,136
15	Kern	630,683	3,327.67	2.880%	\$ 8,237,711
16	Kings	98,731	946.10	0.611%	\$ 1,748,800
17	Lake	79,421	612.36	0.436%	\$ 1,246,157
18	Lassen	35,722	878.64	0.424%	\$ 1,212,020
19	Los Angeles	7,054,048	2,966.98	19.280%	\$ 55,141,481
20	Madera	120,519	1,532.06	0.889%	\$ 2,542,106
21	Marin	226,626	419.82	0.742%	\$ 2,122,024
22	Mariposa	26,599	560.41	0.280%	\$ 801,131
23	Mendocino	104,206	1,018.92	0.653%	\$ 1,867,762
24	Merced	190,480	1,726.96	1.143%	\$ 3,267,719
25	Modoc	13,187	987.40	0.407%	\$ 1,163,572
26	Mono	16,452	684.42	0.301%	\$ 860,364
27	Monterey	326,055	1,242.60	1.309%	\$ 3,742,763
28	Napa	129,175	445.01	0.501%	\$ 1,431,727
29	Nevada	120,739	560.79	0.523%	\$ 1,494,669
30	Orange	2,353,013	313.86	6.176%	\$ 17,663,541
31	Placer	346,883	1,052.75	1.291%	\$ 3,691,060
32	Plumas	33,470	687.96	0.346%	\$ 989,489
33	Riverside	1,577,871	2,671.26	5.071%	\$ 14,502,594
34	Sacramento	1,140,198	2,194.40	3.764%	\$ 10,765,089
35	San Benito	51,651	383.63	0.278%	\$ 794,644
36	San Bernardino	1,548,162	2,822.22	5.051%	\$ 14,446,907
37	San Diego	2,451,387	1,921.25	7.036%	\$ 20,123,962
38	San Francisco	448,004	930.75	1.505%	\$ 4,303,815
39	San Joaquin	532,969	1,653.70	1.997%	\$ 5,710,237
40	San Luis Obispo	267,197	1,321.49	1.187%	\$ 3,394,618
41	San Mateo	650,661	313.12	1.793%	\$ 5,128,824
42	Santa Barbara	345,484	892.68	1.227%	\$ 3,507,872
43	Santa Clara	1,399,998	684.10	3.862%	\$ 11,046,662

ID	COUNTY	NO. OF REGISTERED VEHICLES (4/08)	NO. OF MAINTAINED MILEAGE (4/08)	% OF TOTAL REVENUE	PROJECTED REVENUE FY 2008-09 (Estimated)
44	Santa Cruz	225,039	602.94	0.807%	\$ 2,308,124
45	Shasta	206,029	1,191.19	0.980%	\$ 2,803,520
46	Sierra	5,289	390.25	0.161%	\$ 460,448
47	Siskiyou	62,487	1,361.34	0.675%	\$ 1,930,442
48	Solano	348,017	586.95	1.118%	\$ 3,196,305
49	Sonoma	450,716	1,384.62	1.683%	\$ 4,814,002
50	Stanislaus	420,414	1,545.37	1.666%	\$ 4,764,518
51	Sutter	87,191	786.69	0.522%	\$ 1,491,657
52	Tehama	64,133	1,089.38	0.577%	\$ 1,648,819
53	Trinity	19,367	698.14	0.314%	\$ 896,645
54	Tulare	322,713	3,047.10	1.982%	\$ 5,667,179
55	Tuolumne	71,821	607.16	0.414%	\$ 1,184,585
56	Ventura	699,159	545.51	2.006%	\$ 5,736,901
57	Yolo	167,229	794.60	0.731%	\$ 2,089,496
58	Yuba	62,559	650.59	0.407%	\$ 1,163,300
	TOTAL	29,133,310	66,198.30	100%	\$286,000,000

Spillover. The Spillover is now estimated to be \$1.177 billion, an increase of \$268 million from the January Budget Proposal. The May Revision proposes to off set General Fund expenditures by a total of \$828 million with spillover revenues as well as additional revenues from increased diesel fuel tax receipts. Further analysis of the spillover proposal in the May Revision is forthcoming.

Proposition 1B: Transportation Bond – Local Streets and Roads. The Governor did not propose an appropriation from the Proposition 1B Local Streets and Roads (LSR) Account in the May Revision consistent with the January Budget proposal. The May Revision did not change any of the proposed appropriations from the other various Prop 1B accounts.

High Speed Rail. In addition to the \$1.2 million for basic staff support for the High Speed Rail Authority (HSRA) included in the Governor’s January State Budget proposal, the May Revision appropriates an additional \$10 million from the Public Transportation Account (PTA) and \$8.2 million from Proposition 116 to sustain current engineering and project management and additional environmental studies and engineering work. Furthermore, should the High Speed Rail Bond Act be approved by voters in November 2008, an additional \$23 million will be appropriated to the HSRA from the bond proceeds.

Proposition 1C: Housing Bond. The May Revision did not change any of the proposed bond appropriations from Proposition 1C, the Housing Bond.

Proposition 84: Resource Bond. The May Revision does not provide for a Proposition 84 appropriation with respect to the \$580 million included in the bond for sustainable communities and climate change reduction, which is consistent with the Governor’s January Budget proposal.



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FOR IMMEDIATE RELEASE

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California Counties Focus on Impacts of Proposed Budget Reductions

Call for Long-Term Solutions to Ongoing Fiscal Issues

The California State Association of Counties has released the following statement in response to the Governor's 2008-09 May Revision of the State Budget.

"The Governor's May Revision clearly reveals an unprecedented budget situation facing state and local government and lays the groundwork for difficult budget deliberations ahead.

"CSAC staff will be fully analyzing the Administration's proposal over the next several days and will respond to specific issue areas, including additional proposed cuts to health and social services programs.

"We recognize that counties will not be spared during these difficult times. But at the same time, everyone needs to understand the implications of any reductions – what they will mean in real terms to the people who rely on those services. Without a doubt, funding reductions impact the level and quality of services counties can provide, but the real victims are those who rely on these services – low-income adults, seniors and families with young children – and who will not be able to access food stamps, medical care, housing assistance and other support services.

"We identify with the tough choices facing the Governor, and we appreciate his understanding of the important role that California counties play in the lives of all citizens. Governor Schwarzenegger's concern for local government and our mutual constituency is evident in his decision to protect Propositions 1A, 42 and 63, and important programs such as First 5 – all vital to the healthy functioning of safe communities.

"Protecting these fiscal resources is all the more important in a year when counties are facing their own budget deficits sparked by decreasing property and sales tax revenues from the recent economic downturn, coupled with increasing demand for services.

“CSAC stands ready to partner with the Administration and Legislature to work through this budget crisis. Over the years, we’ve seen many short-term budget Band-Aids but nothing that addresses the fundamental structural problems with the budget. This budget crisis presents an opportunity for permanent fiscal reform that will benefit every California resident. Counties are committed to a collaborative and productive partnership that restores the link between funding and service delivery.”

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To learn more about county budget issues and the potential impact of the Revision budget proposal on California counties, visit the CSAC Web site at www.csac.counties.org

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