

POTENTIAL IMPACTS/BENEFITS FROM THE GOVERNOR'S FY 2011 STATE BUDGET PROPOSAL

JANUARY 8, 2010

The State projects a \$19.9 billion deficit for FY 2010-11. The Governor's budget proposes to close this gap in the next 18 months through the following three-pronged approach:

1. \$8.5 billion in spending cuts and employee compensation reduction
2. \$4.5 billion in fund shifts
3. \$6.9 billion in new federal funds that the State believes is owed to California

In addition, the Governor proposes to reduce funds for social services, reduce funds to State prisons, and reform State pensions to close the budget gap. The Governor's budget does not raise taxes. The FY 11 Budget consists of \$82.9 billion in expenditures, and \$85.5 billion in resources available.

Key elements of the Governor's FY 2010-11 budget include:

- **Reduction in funds to Health and Human Services (\$2.9 billion):** The Governor's budget proposes to cut spending on Health and Human services by \$2.9 billion in FY 2010-11. *Medi-Cal* cuts will comprise \$1.9 billion of these reductions. The Governor proposes to request federal dollars to supplement portions of the State's *Medi-Cal* program. *The Healthy Families Program* will also see \$63.9 million in reductions, and program eligibility will be increased to 250 percent of the federal poverty level as opposed to the current 200 percent eligibility requirement. Reductions to *In Home Supportive Services (IHSS)* will take \$872.6 million from consumers with the highest level of need, and reduce state participation in the wages of IHSS workers. *CalWORKs* stands to lose \$146.1 million in funding. The Governor proposes to eliminate the *California Food Assistance Program* and save \$56.2 million.
- **Reductions in funds to State prisons (\$1.2 billion):** The Governor proposes to explore privatization of State prisons. The Governor also proposes changes to sentencing laws that would require "short-term" State stays to be completed at County jails instead of State prisons. The Governor also proposes to reduce prison health care costs by half. Currently, the State spends \$11,000 per prisoner; the Governor proposes to cap spending at \$5,757 per prisoner. The Governor expects the proposed changes to result in \$1.2 billion in savings.
- **Pension reform and employee compensation reduction to relieve the State by \$1.6 billion:** The Governor proposes to reduce department payrolls by five-percent across the board (e.g. salary savings), cut employee compensation by five percent, and require employees to increase pension contributions by five-percent.

**LONG BEACH BUDGET IMPACTS*****Gas Tax Funds / Proposition 42***

- The budget proposes to eliminate Proposition 42 (sales tax on gasoline), and increase the gasoline excise tax by 10.8 cents. The increase in excise tax will offset local government local streets and roads funding from the elimination of Proposition 42 funds; however, transit operators will experience severe reductions.
- According to the Governor's proposal, the excise tax rate on motor vehicle gasoline and diesel fuel will increase from 18 cents to 28.8 cents. Elimination of the sales tax on fuel to fund Proposition 42 reduces net sales tax paid by consumers by \$976 million. As the plan is proposed, consumers will pay a total of five cents less in taxes.



## POTENTIAL IMPACTS/BENEFITS FROM THE GOVERNOR'S FY 2011 STATE BUDGET PROPOSAL

JANUARY 8, 2010

### ***Gas Tax Funds / Proposition 42 (continued)***

- An increase in excise taxes will financially offset some of the proposed elimination of Proposition 42 funds, and excise tax funds are more flexible funds for local government to spend than Proposition 42 funds. However, constitutional protections on Proposition 42 borrowing will be diminished as result of this switch.
- The Governor's budget distributing revenues of \$629 million for local streets and roads program, and \$629 million for the State Transportation Improvement Program (STIP). This equals last year's funding level, so Long Beach would not see an overall reduction of transportation dollars available.
- The new excise tax will be used to pay off State debt service, thereby relieving the General Fund from this burden. \$303 million in excise tax revenue will be used to reimburse the General Fund for highway bond debt service costs in 2010-11.

### ***Citizens' Option for Public Safety (COPS) / Juvenile Justice Grants***

- COPS funding will be unaffected under the Governor's proposal. The FY 09-10 budget enacted a 0.5 percent increase in Vehicle License Fee, of which .15 percent goes to local law enforcement. This will result in a \$26 million increase in revenue for local public safety programs from \$416 million in FY 09-10 to \$442 million in FY 10-11. Juvenile Justice Grants will continue at the same level in FY 11 as in FY 10 (\$22,224,000).

### ***Redevelopment Fund Shifts***

- No new borrowing or shifts proposed. The second year taking of \$350 million that was approved in the FY 10 budget is included in the Governor's proposal. That amount would require an additional \$6 million shift to the State next year, in addition to the \$29.5 million required this fiscal year.

### ***Proposition 1A Property Tax Borrowing***

- No additional property tax borrowing is allowed due to last year's action, and is not included in the FY 11 budget.

### ***Public Library Foundation***

- No change is expected in state library funds to the City.

### ***Health Department Impacts***

While the Governor is proposing large reductions in a number of social service programs, the direct impact on the City of Long Beach Health Department is expected to be minimal.

- 1) MediCal Rate Reduction: An estimated \$20,000 loss of public health clinical reimbursement revenues.
- 2) Family Planning Rate Reduction: An estimated \$10,000 loss of public health clinical reimbursement revenue.

The proposed reductions to Healthy Families, MediCal, In-Home Supportive Services (IHSS), and CalWorks, although they are not direct Health Department cuts, will all have impacts on our community. Should the \$6.9B Federal relief not be realized, there would be additional Health Department and community impacts.