

Budget Highlights (Prior to Release of May Revised Budget)

Overall

- Deficit ranges from \$10-20 billion. The deficit was estimated at \$14.5 billion when the January Proposed Budget was released, then further increased to \$16 billion in February by the LAO. Nearly \$8 billion was eliminated from the projected deficit following the emergency special session of the Legislature.
- Various proposals to increase revenues have been suggested including expanding sale tax to services and certain products like Internet downloads, closing “loopholes”, changing the inheritance tax, applying a flat tax to State Income Tax and a temporary 10% surcharge on high bracket taxpayers.

Public Safety

- Governor has dropped his plan for early release of 22,000 inmates in exchange for a ten percent across the board general fund budget cut.
- The Senate Budget Subcommittee No. 4 voted on May 8 to eliminate funding for all local public safety subvention programs including the small/rural sheriffs grant, Juvenile Justice Crime Prevention Grants (JJCPA), Citizens’ Options for Public Safety (COPS), Juvenile Probation and Camps Funding, Mentally Ill Offender Crime Reduction Grants, and Local Detention Facility Revenues (“replacement” booking fee revenue) – resources totaling \$485 million in proposed 2008-09 funding.
- A lawsuit was filed by a taxpayer group suing to block \$12 billion in prison construction bonds, which would build 53,000 new prison and jail beds. The lawsuit seeks sentencing reform, drug and alcohol programs, mental health programs, and reentry tools for parolees. The \$12 billion estimate is composed of the \$7.4 billion in revenue bonds demanded by the federal court receiver, plus the cost of borrowing. The lawsuit seeks to force the state to take the question to the voters.
- LAO has submitted a proposal to realign responsibility for certain parolees to county supervision and treatment.

Health and Human Services

- A coalition of health care providers filed suit in Los Angeles Superior Court on May 5 to halt the \$1.3 billion in Medi-Cal provider rate cuts that were approved in the Special Legislative Session in February. The state estimates it can save \$558 million in the General Fund by cutting Medi-Cal provider reimbursement rates by 10%. The cuts were slated to go into effect on July 1, and the lawsuit, filed on behalf of the California Medical Association, California Hospital Association, California Association of Public Hospitals and Health Systems, California Dental Association, California Association for Adult Day Services and California Pharmacists Association, seeks an immediate injunction.
- Senate Budget and Fiscal Review Subcommittee No. 3 met on May 5 to discuss a number of issues, including Food Stamps administration. The Governor’s January budget proposes to cut food stamps by \$35.4 million (\$20.5 million federal funds). Previous subcommittee hearings focused on the proposed reduction of foster care rates, reduction in child welfare services allocations, ten percent reduction to the child health and disability prevention and CA children’s services programs, elimination of optional Medi-Cal benefits such as dental services to adults, rate cuts to the EPSDT program and a ten percent reduction for Mental Health Managed Care program. No actions were taken.