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Searching for Balance: An Analysis of Key Provisions of the 2010-11 Budget Agreement

Governor Schwarzenegger signed the 2010-11 budget on Friday evening, October 8 – the 100th day of the fiscal year – and signed all but one of the other bills included in the 2010-11 budget agreement in the days that followed. The Governor used his line-item veto authority to reduce state General Fund spending by \$1.023 billion and spending from state special funds and bond funds by \$162 million. The 2010-11 budget agreement, including the Governor's vetoes, is aimed at generating \$19.3 billion in "solutions" to close an estimated \$17.9 billion General Fund shortfall and includes approximately \$8.5 billion in spending reductions; \$5.3 billion in assumed new federal funds; \$5.2 billion from additional revenues and fund shifts, including revenues related to the sale of state buildings authorized by the 2009-10 budget agreement; and \$0.5 billion in "alternative funding." These solutions would be offset by approximately \$0.2 billion in higher-than-anticipated state expenditures, leaving a reserve of \$1.3 billion. General Fund spending would total \$86.6 billion in 2010-11, essentially unchanged from the 2009-10 spending level of \$86.3 billion.

The budget agreement includes several changes affecting businesses' tax liability. The plan suspends corporations' ability to claim Net Operating Loss (NOL) deductions in 2010 and 2011 and delays implementation of NOL "carrybacks" from 2011 to 2013, resulting in a \$1.2 billion revenue increase in 2010-11. The budget plan also includes one temporary and two permanent changes reducing corporate tax liability, including a tax break that appears designed to apply to only one company – Humboldt Redwood Company. These new tax reductions are in addition to the three major corporate tax cuts that were included in the September 2008 and February 2009 budget agreements.

The budget agreement also would place a measure on the 2012 primary election ballot that would increase the size of the state's reserve and impose a spending cap largely based on Proposition 1A of 2009, which was resoundingly defeated by the voters. The new measure would require annual deposits into the reserve equal to 3 percent of General Fund revenues until the balance reaches 10 percent of revenues; transfer "unanticipated revenues" into the reserve based on a 20-year statistical calculation using linear regression analysis; and limit the conditions under which the reserve could be used.

The table below compares key differences among the Governor's May Revision, the Conference Committee's budget plan as of August 6, 2010, and the 2010-11 budget agreement as passed by the Legislature on the morning of October 8.

Governor Vetoes \$1.2 Billion in 2010-11 Spending Approved by the Legislature

The Governor used his line-item veto authority to eliminate \$1.2 billion in spending included in the 2010-11 budget agreement as passed by the Legislature, reducing General Fund spending by \$1.023 billion and spending from special funds and bond funds by \$162 million. Specifically, the Governor:

- Cut \$256.0 million from CalWORKs Stage 3 child care, which serves working families who have successfully transitioned off CalWORKs cash assistance. This reduction will terminate Stage 3 child care for approximately 55,000 children effective November 1, 2010.
- Reduced funding for the California State Advisory Council on Early Childhood Education and Care by \$503,000. The Governor established the Council by executive order in November 2009 to help improve the state's child care and early childhood education programs, including by identifying opportunities for coordination.
- Cut Child Welfare Services (CWS) Program funding by \$80.0 million, which will result in a loss of \$53 million in federal matching funds. The Legislature had increased state funding for CWS by \$80.0 million in 2010-11 in order to restore all of the funds vetoed by the Governor as part of the July 2009 budget agreement.
- Eliminated all funding for the Community-Based Services Program (CBSP), which generally serves low-income seniors. The Legislature had increased CBSP funding by \$6.4 million in 2010-11 in order to restore two-thirds of the funds vetoed by the Governor as part of the July 2009 budget agreement.
- Cut funding for community clinics by \$10.0 million. The Legislature had increased state funding by \$10.0 million in 2010-11 to partially restore the \$20 million the Governor vetoed as part of the July 2009 budget agreement.
- Reduced state support for counties' Medi-Cal Program operating costs by an additional \$22.0 million.
- Cut \$5 million from the Maternal, Child, and Adolescent Health Program.
- Eliminated all state funds – \$18.0 million – for drug treatment provided through the Offender Treatment Program.
- Cut \$52.1 million from the Office of AIDS for local assistance programs.
- Reduced Proposition 98 funding for community college categorical programs by \$60.0 million. The Governor's veto of trailer bill language cut \$25.0 million from the Economic and Workforce Development Program and cut \$35.0 million intended to backfill various categorical programs that received one-time federal dollars in 2009-10.
- Reduced reimbursements for K-12 schools' mandate claims from 2004-05 to 2008-09 for savings of \$132.9 million. The Governor's veto suspends the mandate for K-12 schools to provide case management for seriously emotionally disturbed students and placement of those students in out-of-state facilities or programs.
- Cut \$6.4 million in federal funds for the development and support of the California Longitudinal Pupil Achievement Data System (CALPADS) and the California Teachers Integration Data System (CALTIDES).
- Reduced state funding for the California School Information Services (CSIS) program for savings of \$3.9 million. The CSIS program assists local school districts with the electronic transfer of student records to allow state reporting from electronic records.
- Cut state funding for the California Student Aid Commission by \$989,000.
- Eliminated the Alternative Schools Accountability Model (ASAM) for savings of \$775,000. ASAM provides data for approximately 450,000 students in alternative schools that serve highly mobile and at-risk students.
- Deleted legislative language prohibiting the Department of Industrial Relations from using existing resources to complete a prevailing wage survey for the Central Valley.
- Reduced state funding for CalWORKs by \$365.9 million. This reduction will have no impact on the program because the Administration intends to backfill the cut – which would occur in the final quarter of 2010-11 – with an "advance" of federal Temporary Assistance for Needy Families (TANF) block grant funds that would otherwise be provided in the first quarter of 2011-12. The state, in turn, would have to increase its spending on CalWORKs by \$365.9 million in the first quarter of 2011-12 to fill the funding gap created by the TANF fund shift. It appears that the state would repeat this accounting maneuver, which is allowed under current federal law, every year in order to avoid increasing the state's CalWORKs costs by \$365.9 million in a subsequent fiscal year.

Governor's May Revision		Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Overview				
2010-11 revenues and transfers	\$91.5 billion		\$94.2 billion	The state ended 2009-10 with a \$4.8 billion deficit, leaving approximately \$89.5 available to support state programs and services in 2010-11.
2010-11 expenditures	\$83.4 billion		\$87.5 billion	
Final reserve	\$1.2 billion	\$535 million	\$364 million	An additional \$1.5 billion would be set aside in a separate reserve to meet prior spending obligations.
Federal funds	Assumes \$3.4 billion in additional federal aid.	Assumes \$4.1 billion in additional federal aid.	Assumes \$5.3 billion in additional federal aid.	
Loans, transfers, and fund shifts	Proposes \$2.6 billion in savings from loans, loan repayment extensions, transfers, and fund shifts from special funds.	Proposes approximately \$2.7 billion in savings.	Adopts \$2.7 billion in savings.	

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Overview				
Budget reserve/spending cap	No proposal.	No proposal.	Places a measure on the 2012 ballot that would increase the size of the state's reserve and impose a spending cap largely based on Proposition 1A of 2009. The measure would require annual deposits into the reserve equal to 3 percent of General Fund revenues until the balance equals 10 percent of revenues; transfer "unanticipated revenues" into the reserve based on a 20-year statistical calculation; and limit the conditions under which the reserve could be used.	

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Revenues				
Temporary tax increases	No proposal.	Suspends businesses' ability to claim Net Operating Loss (NOL) deductions in 2010 and 2011 and delays implementation of NOL "carryback" deductions, tax credit sharing, and elective single sales factor apportionment for two years, increasing 2010-11 revenues by \$2.1 billion and 2011-12 revenues by \$1.2 billion.	Suspends businesses' ability to claim NOL deductions in 2010 and 2011 and extends the carryforward period for two years. Delays implementation of NOL carrybacks from 2011 to 2013. These actions are estimated to increase state revenues by \$1.2 billion in 2010-11 and \$410 million in 2011-12, but will result in larger revenue losses in future years.	<p>Taxpayers with incomes below \$300,000 would be exempt from the suspension of businesses' ability to claim NOL deductions.</p> <p>The September 2008 budget agreement suspended businesses' ability to claim NOL deductions in 2008 and 2009.</p> <p>Under current law, enacted in September 2008, businesses can "carry back" and deduct NOLs for two years beginning in January 2011.</p> <p>Under current law, enacted in February 2009, businesses can choose to allocate profits to California using one of two formulas beginning January 1, 2011.</p>

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Revenues				
Permanent tax increases	No proposal.	<p>Permanently increases the Personal Income Tax (PIT) rate for the 1.0, 2.0, 4.0, 6.0, and 8.0 percent tax brackets – but not the highest 9.3 percent rate – by 1 percentage point starting in 2010. Permanently extends the temporary PIT surcharge of 0.25 of a percentage point – which currently expires at the end of 2010 – for all tax brackets. These increases would raise an estimated \$8.7 billion in 2010-11 and \$6.8 billion in 2011-12, rising to \$8.9 billion in 2015-16.</p> <p>Permanently increases the Vehicle License Fee (VLF) to 1.65 percent starting in 2010. This includes extending the current temporary VLF rate increase of 0.5 of a percentage point that expires on June 30, 2011, and increasing the VLF rate by an additional 0.5 of a percentage point. These increases would raise an estimated \$1.5 billion in 2010-11 and \$3.0 billion in 2011-12.</p>	Rejects the Conference Committee's action	A portion of the VLF increase would be used to fund certain public safety programs and the corrections restructuring package (see Realignment below).

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Revenues				
Permanent tax increases (continued)		Imposes an oil severance tax, raising an estimated \$600 million in 2010-11 and \$1.2 billion annually thereafter. The tax would be set at a rate that would raise an amount equal to the revenues lost from a 0.25 percent sales tax rate and reduces the state's sales and use tax rate by 0.25 of a percentage point. The local sales tax rate would be increased by 0.25 of a percentage point and an amount of property taxes equal to the revenues raised by the additional local sales tax rate would be shifted from cities and counties to schools, thereby reducing the state's obligation under the Proposition 98 school funding guarantee.		

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Revenues				
Tax reductions	No proposal.	Permanently reduces the state's sales tax rate by 1.75 percentage points in 2010-11 – to 4.25 percent – and by an additional 0.75 of a percentage point in 2011-12 – to 3.5 percent. These changes would reduce state sales tax collections by an estimated \$8.4 billion in 2010-11, with losses rising to \$9.2 billion in 2015-16.	<p>Includes one temporary and two permanent changes that reduce corporate tax liability:</p> <ul style="list-style-type: none"> • Provides a retroactive exception to the 2008 NOL suspension for taxpayers that met certain conditions. • Modifies provisions enacted in 2008 that require corporations that significantly understate their income to pay a penalty. This change would result in revenue losses of \$40 million in 2010-11, \$90 million in 2011-12, and \$100 million in 2012-13. • Changes the rules used to determine the location of corporations that do not elect to use the single sales factor method of allocating income to California for tax purposes, resulting in revenue losses of \$28 million in 2010-11, \$95 million in 2011-12, and \$100 million annually thereafter. 	<p>The retroactive NOL suspension appears designed to apply to only one company, the Humboldt Redwood Company and, based on testimony in the Senate Revenue and Taxation Committee, would result in a loss of \$20 million in corporate tax revenues plus additional amounts due to interest and penalty obligations.</p> <p>The changes in sourcing rules modify provisions added as part of the February 2009 budget agreement, which allowed corporations to choose one of two formulas for allocating income to California for tax purposes.</p>

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Revenues				
Alternative "solutions"	No proposal.	Creates a mechanism by which school districts and local governments may borrow against future state mandate payments.	Creates a mechanism by which local governments, but not school districts, may borrow against future state mandate payments. Assumes \$470 million in state savings based on several measures, including using hospital fee revenues to support Medi-Cal children's coverage.	The Governor vetoed SB 866, which would have allowed local governments to borrow against future state mandate payments. The state owes schools \$1.6 billion and local governments \$931 million for past mandate claims.
State Disability Insurance Fund	Borrows up to \$500 million to support worker training and to provide \$3,000 stipends for employers that hire unemployed workers.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	
Sales tax collection on electronic commerce	No proposal.	Assumes \$100 million in additional sales and use tax revenues from requiring online sellers with California affiliates to collect California sales tax from customers. In addition, assumes \$65.5 million in additional revenue from other tax compliance efforts.	Rejects the Conference Committee's action.	

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Realignment				
Public safety	<p>Requires certain non-violent, non-serious, non-sex felony offenders sentenced to three years or less to serve their time in a county jail rather than state prison and shifts approximately half of the state savings to counties to offset increased local costs.</p> <p>Shifts supervision of juvenile parolees to county probation departments and shifts a share of state savings to counties to fund this new responsibility.</p>	<p>Uses a portion of a proposed Vehicle License Fee (VLF) increase to provide dedicated funding for a corrections restructuring plan. This plan would shift responsibility for offenders convicted of "wobbler" crimes – those that may be tried as either misdemeanors or felonies – to counties. An additional portion of the proposed VLF increase would provide ongoing funding for the Youthful Offender Block Grant and 16 public safety programs, including the Citizens' Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) programs.</p> <p>Adopts the Governor's proposal to shift supervision of juvenile parolees to county probation departments along with a share of state savings.</p>	Adopts the Conference Committee's action to shift supervision of juvenile parolees to county probation departments along with a share of state savings.	<p>Under realignment, the state transfers program responsibility to counties and/or adjusts counties' share of program costs. In exchange, counties receive a dedicated revenue source to offset their increased costs.</p> <p>In June 2010, the Senate proposed a comprehensive realignment plan to increase counties' share of cost for the CalWORKs Program and shift a number of services to counties, including juvenile parole, drug treatment, and services for seniors. The Senate proposed to offset counties' increased costs with revenues raised by several measures, including imposing an oil severance tax, permanently extending the 0.5 percent VLF rate increase that expires in 2011, and shifting VLF revenues from the Department of Motor Vehicles.</p>

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Health				
Medi-Cal Program	Reduces state funding by \$423.6 million in 2010-11 through a variety of provisions, including limits on office visits, copayments for services and prescription drugs, and annual caps for medical supplies and durable medical equipment.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	
Implementation of Medi-Cal waiver	Restructures portions of the Medi-Cal Program through a Medicaid waiver. Changes to the Medi-Cal Program would be phased in over several years, but changes taking effect in 2010-11 would require seniors and persons with disabilities to enroll in managed care for savings of \$182.1 million.	Assumes the Governor's savings, although both houses have asked the Administration to pursue its proposal through the policy committee process.	Assumes an additional \$5 million in savings from the Conference Committee's action.	Medicaid waivers enable states to continue receiving federal funds while not complying with standard federal Medicaid rules. The state's existing Medi-Cal waiver on hospital financing expires in October 2010, and the Administration is pursuing a broader waiver focusing on high-cost patients to begin on or after November 1, 2010, contingent upon federal approval. The goal of the waiver is to slow the rate of growth in Medi-Cal spending.

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Health				
County operation of the Medi-Cal Program	Reduces state support for county operating costs by \$54.7 million.	Reduces state support for county operating costs by \$32.8 million.	Adopts the Conference Committee's action.	Counties' operating costs include employee salaries, health coverage, rent, and utilities, which tend to rise each year. The 2010-11 budget agreement continues the \$60.1 million cut to state funding for county operating costs that the Governor imposed in 2009-10 using his line-item veto authority.
Adult Day Health Care (ADHC) services	Eliminates Medi-Cal coverage for ADHC services for state savings of \$134.7 million in 2010-11.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	The Governor's proposal would result in 37,000 seniors or persons with disabilities losing access to ADHC or paying out of pocket for services.
Medi-Cal eligibility for immigrants	Eliminates Medi-Cal coverage for most non-emergency services for certain immigrants, including legal immigrants who have resided in the country for less than five years, for state savings of \$73.0 million in 2010-11.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	These individuals would still be eligible for emergency and prenatal services under the Governor's proposal. Pregnant women and children under age 21 would be exempt from this reduction.

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Health				
Medi-Cal family planning rates	Rescinds a 2008 rate increase for certain family planning services for state savings of \$15.4 million in 2010-11.	Rejects the Governor's proposal.	Modifies the Conference Committee's action to conform to new provisions in the federal health reform law. In addition, expands the list of benefits and services that qualify for federal funds resulting in state savings of \$5 million.	Federal funds pay for 90 percent of some family planning services. As a result, the Governor's proposal would cause the state to lose \$73.3 million in federal funds.
Over-the-counter drug benefits	Eliminates coverage for non-prescription cough and cold products and certain acetaminophen-containing products for state savings of \$6.6 million.	Rejects the Governor's proposal.	Modifies the Governor's proposal by eliminating Medi-Cal coverage for acetaminophen-containing products for adults for state savings of \$3.1 million.	

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Health				
Medicare Part B Premiums	Eliminates Medicare Part B premium payments for seniors and persons with disabilities who are required to pay a share of cost of up to \$500 per month and whose out-of-pocket expenses do not meet their share of cost in a given month, for state savings of \$1 million in 2010-2011.	Rejects the Governor's proposal.	Adopts the Governor's proposal.	This reduction affects seniors and persons with disabilities who are required to pay a share of cost – essentially a deductible – of up to \$500 per month and whose out-of-pocket expenses do not meet their share of cost in a given month. Medicare Part B premium payments were eliminated in December 2008 for seniors and persons with disabilities whose share of cost exceeds \$500 and who do not meet that share in a given month. Medicare Part B premiums are estimated to be \$126.70 per person per month in 2011. The state will continue to pay Medicare Part B premiums for other seniors and persons with disabilities who are enrolled in Medi-Cal and Medicare.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Health				
Private "safety-net" hospitals	Reduces Medi-Cal payments to private hospitals by 10 percent for state savings of \$25.8 million in 2010-11.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	"Safety-net" hospitals are those that treat high numbers of patients who are either uninsured or have Medi-Cal coverage.
Public "safety-net" hospitals	Shifts \$54.2 million in federal funds currently allocated to public hospitals – 10 percent – to the state General Fund. The funds would be used to reduce state General Fund spending in other programs during 2010-11 and 2011-12.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	Public hospitals are reimbursed for care they provide to uninsured individuals out of the Safety Net Care Pool (SNCP). The SNCP receives \$586 million in federal funding annually through October 2010. The Administration assumes these funds will continue under a renewal of this waiver to begin on or after November 1, 2010, contingent upon federal approval. The Governor's proposal would shift 10 percent of those funds to the General Fund this year, extending a cut made in the February 2009 budget agreement.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Health				
Community clinics	Continues the \$20 million reduction to certain community clinic programs that the Governor imposed in 2009-10 using his line-item veto authority.	Provides \$10 million in 2010-11.	Adopts the Conference Committee's action.	
Vision coverage in the Healthy Families Program	Eliminates vision benefits for children enrolled in Healthy Families for state savings of \$7 million in 2010-11.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	
Healthy Families premiums	Increases premiums for certain children in Healthy Families for state savings of \$29.7 million in 2010-11.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	Under the Governor's proposal, families with incomes between 151 percent and 200 percent of the federal poverty line would see their premiums rise to \$30 per child, an 88 percent increase. Families with incomes between 201 percent and 250 percent of the poverty line would see their premiums rise to \$42 per child, a 75 percent increase.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Health				
Healthy Families copayments	Requires a \$50 copayment for emergency room visits not resulting in hospitalization, and a \$100 copayment per day, with a \$200 maximum, for hospitalization, for state savings of \$3.2 million in 2010-11.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	
Human Services				
CalWORKs Program	Eliminates the program.	Rejects the Governor's proposal, but does not restore \$300 million of a budgeted \$375 million reduction to CalWORKs services and child care in 2010-11.	Adopts the Conference Committee's action.	Eliminating CalWORKs would cause California to permanently lose the state's annual \$3.7 billion Temporary Assistance for Needy Families block grant, as well as hundreds of millions in additional federal funds provided by the American Recovery and Reinvestment Act of 2009.
CalWORKs grants	Reduces grant payments by 15.7 percent.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	The Governor proposed this reduction as an alternative should the Legislature choose not to eliminate CalWORKs.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Human Services				
CalWORKs eligibility for recent legal immigrants	Eliminates eligibility for legal immigrants who have resided in the US for less than five years.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	The Governor proposed this reduction as an alternative should the Legislature choose not to eliminate CalWORKs.
In-Home Supportive Services (IHSS) Program	Reduces General Fund spending by \$637.1 million in 2010-11 and \$750 million per year thereafter through unspecified cost-containment measures.	Adopts an annual savings target of \$250 million for 2010-11 and 2011-12. Between \$150 million and \$200 million of the annual savings would be achieved by implementing an IHSS provider fee and using those revenues to draw down additional federal funding for IHSS. The Conference Committee also repealed two policy changes enacted in 2009 – an IHSS provider wage cut and IHSS eligibility reductions.	Assumes state savings of \$300 million in 2010-11 due to implementing an IHSS provider fee to draw down approximately \$190 million in additional federal funding; assuming lower-than-anticipated IHSS caseload growth for savings of \$75 million; and reducing hours of service for IHSS recipients by 3.6 percent for savings of \$35 million. The reduction to hours of service would remain in effect through 2011-12. Suspends the IHSS service and eligibility cuts that were enacted in 2009 until July 1, 2012 and conditions the implementation of those cuts on the outcome of current litigation.	In 2009, a federal district court issued preliminary injunctions prohibiting the implementation of the 2009 cuts to IHSS eligibility and worker compensation. Those injunctions remain in effect while the cases remain on appeal.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Human Services				
Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program grants	Reduces SSI/SSP grants for individuals to the minimum level allowed by federal law.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	The Governor's proposal would reduce the maximum monthly SSI/SSP payment for individuals from \$845 to \$830.
SSI/SSP "cash-out" policy	No proposal.	Directs the Administration to convene a workgroup to evaluate the impact of eliminating the current cash-out policy, a change that would make SSI/SSP recipients eligible for food stamp benefits. This directive would take effect only if the federal government allows the state to end the cash-out policy solely for SSI/SSP recipients who would benefit from this change.	Adopts the Conference Committee's action.	The federal government recently denied the state's request to end the cash-out policy solely for SSI/SSP recipients who would benefit from this change. Therefore, this workgroup may not be convened.
Cash Assistance Program for Immigrants (CAPI)	Eliminates the program.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	CAPI provides solely state-funded cash assistance to elderly and disabled legal immigrants who are not eligible for SSI/SSP solely due to their immigration status.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Human Services				
California Food Assistance Program (CFAP)	Eliminates the program.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	CFAP provides solely state-funded nutritional benefits to qualified legal immigrants who are ineligible for federal food stamp benefits.
Food Stamp Program (FSP) administration	Proposes to use \$30 million in one-time federal funds to offset a portion of new administrative costs in the FSP, resulting in state savings of \$10.5 million in 2010-11.	Adopts the Governor's proposal.	Adopts the Conference Committee's action.	These one-time federal funds will allow California to reduce state spending on FSP administration in 2010-11 without reducing the total amount of funds available to enroll eligible Californians in the program.
FSP inter-county transfer process	Proposes to create an inter-county transfer process to allow food stamp recipients who move to a new county to continue receiving benefits without having to reapply in their new county of residence.	Contrary to the prior rejection in both houses, the Conference Committee adopted a compromise plan to establish an inter-county transfer process.	Adopts the Conference Committee's action.	
Statewide Fingerprint Imaging System (SFIS)	Proposes to continue using SFIS to fingerprint applicants in the CalWORKs and Food Stamp programs.	Eliminates SFIS and the fingerprint-imaging requirements in the CalWORKs and Food Stamp programs.	Rejects the Conference Committee's action.	

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Human Services				
Child Welfare Services (CWS)	Continues the \$80 million reduction to state funding for CWS that the Governor imposed in 2009-10 using his line-item veto authority.	Restores the vetoed funding in 2010-11.	Adopts the Conference Committee's action.	
Community-Based Services Program (CBSP) and Linkages Program	Continues the elimination of General Fund support for these programs for state savings of \$9.6 million in 2010-11, consistent with the Governor's 2009-10 line-item veto.	Restores two-thirds – \$6.4 million – of the vetoed funding in 2010-11. However, the Conference Committee provides no funding for the Respite or Senior Companion programs.	Adopts the Conference Committee's action.	The CBSP consists of four programs: Alzheimer's Day Care Resource Center, Brown Bag, Respite, and Senior Companion.
Domestic violence shelters	Continues the elimination of General Fund support for domestic violence shelters for state savings of \$19.1 million in 2010-11, consistent with the General Fund reduction imposed by the Legislature and the Governor in 2009-10.	Restores \$19.1 million in General Fund support in 2010-11.	Adopts the Conference Committee's action.	The Legislature reduced state funding for domestic violence shelters by 20 percent in 2009-10, and the Governor vetoed the remaining funding. The Legislature subsequently restored \$16.3 million in state support using funds borrowed from a special fund.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Child Care and Development				
State funding for child care	Eliminates all state funding for child care for working families.	Rejects the Governor's proposal.	Adopts the Conference Committee's action.	The Governor's proposal would eliminate child care for 240,000 children – 75 percent of children currently served – and could cause the state to lose between \$100 million and \$200 million in federal funds for child care.
CalWORKs child care	Reduces the Stage 3 caseload by approximately 12,600 children for state savings of \$91 million.	Rejects the Governor's proposal and funds CalWORKs child care using Proposition 98 dollars, including \$201 million from unspent funds and \$85 million from child care center reserves.	Adopts the Conference Committee's action.	Stage 3 child care is provided to former CalWORKs recipients without a time limit so long as they meet eligibility guidelines.
Income eligibility limit	Reduces the income eligibility limit for child care from 75 percent of the state median income (SMI) to 60 percent of the SMI.	Rejects the Governor's proposal, but freezes the income eligibility limit at the 2007-08 level for the third consecutive year.	Adopts the Conference Committee's action.	The Governor's proposal would reduce the income eligibility limit for a family of three from \$3,769 per month to \$3,015 per month. This proposal would not change the income eligibility limit for the State Preschool Program.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Child Care and Development				
Provider reimbursement rate limits	Reduces the maximum reimbursement rate for Alternative Payment (AP) or "voucher-based" child care programs from the 85th percentile to the 75th percentile, based on the 2005 Regional Market Rate survey of child care providers. In addition, reduces the maximum rate for license-exempt providers from 90 percent to 70 percent of the limits for licensed family child care homes.	Rejects the Governor's proposal.	Reduces the maximum reimbursement rate for license-exempt providers from 90 percent to 80 percent of the limits for licensed family child care homes.	Families generally use vouchers to purchase care from three types of providers: licensed child care centers, licensed family child care homes, and license-exempt (unlicensed) providers, who are typically relatives or friends.
Child care administration	No proposal.	No proposal.	Reduces the share of AP contractors' funding that may be used for administrative and support purposes from 19 percent to 17.5 percent.	
Child care "overpayments"	Proposes changes to reduce errors in child care payments and collect overpayments from families who benefit from errors.	Adopts budget bill language requiring a report on overpayments with additional detail in order to distinguish between administrative errors and fraud.	Adopts the Conference Committee's action.	

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Child Care and Development				
After School Education and Safety (ASES) Program	Provides \$550 million for the ASES Program in 2010-11.	Adopts the Governor's proposal. In addition, proposes to place a measure on the ballot to repeal Proposition 49, which requires the state to spend \$550 million per year on after-school services.	Rejects the Conference Committee's action to place a measure on the ballot to repeal Proposition 49.	
K-12 Education				
Proposition 98	Reflects a 2010-11 base funding level of \$48.4 billion for K-14 programs covered by the Proposition 98 guarantee.	Suspends the Proposition 98 guarantee in 2010-11. Reflects a Proposition 98 base funding level of \$51.7 billion in 2010-11 and \$49.6 billion in 2009-10. Assumes a \$1.8 billion "settle-up" obligation attributable to the 2009-10 Proposition 98 funding level.	Suspends the Proposition 98 guarantee for 2010-11. Reflects a Proposition 98 base funding level of \$49.7 billion in 2010-11 and \$49.5 billion in 2009-10. Defers \$1.9 billion in 2010-11 Proposition 98 funding to 2011-12 including \$189 million in community college funding. Provides \$300 million in 2010-11 toward the \$1.8 billion "settle-up" obligation owed to schools in 2009-10.	The budget agreement reflects a 2010-11 Proposition 98 base funding level of \$49.5 billion due to the Governor's vetoes.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
K-12 Education				
Revenue limits	Reduces 2010-11 revenue limit payments to school districts and county offices of education (COE) by \$1.5 billion and makes reduction permanent by not establishing a deficit factor.	Rejects the Governor's proposal. Does not reduce 2010-11 revenue limit payments to school districts and COEs.	Adopts the Conference Committee's action.	A revenue limit deficit factor is the percentage by which an expected allocation of funds to school districts and COEs is reduced. The state can, but is not required to, create a deficit factor when revenue limit payments do not meet funding levels specified in law.
K-3 Class Size Reduction (CSR) program	Estimates savings of \$340.0 million in 2009-10 and \$550.0 million in 2010-11 resulting from larger class sizes in school districts.	Adopts the Governor's estimate of 2009-10 savings. Assumes \$250.0 million in 2010-11 savings.	Adopts the Governor's proposal.	The Senate Budget Committee states that the budget agreement "adopts trailer bill language to continuously appropriate the Class Size Reduction Program for one year so that potential shortfalls in the program can be addressed without an additional appropriation."

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
K-12 Education				
Cost-of-living adjustment (COLA)	Reduces 2010-11 funding by \$210.8 million by applying a negative 0.39 percent COLA to school district and COE revenue limits and categorical programs.	Rejects the Governor's proposal.	Rejects the Governor's proposal. Applies a negative 0.39 percent COLA to the 2010-11 revenue limit deficit factor.	A negative COLA reduces funding for revenue limits and programs that receive COLAs, including categorical programs.
Prior-year mandate claims	Provides no funding for prior-year mandate claims.	See Revenues – Alternative "solutions" above.	Provides \$210.1 million to fund prior-year mandate claims. These funds would be provided as part of the \$300 million in Proposition 98 "settle-up" payments.	Since 2001-02, the state has deferred payment for most education mandates and created an obligation to pay school districts in the future. Estimated mandate obligations total approximately \$3.2 billion in 2009-10. The budget agreement requires payments toward prior-year mandate claims to be based on school districts' average daily attendance.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
K-12 Education				
Mandate suspension	Suspends most K-12 education mandates in 2010-11 except for \$65 million for mandated behavioral assessment plans, \$7.7 million for mandated costs related to interdistrict and intradistrict transfers, and \$6.8 million for costs related to the California High School Exit Exam.	Suspends eight mandates through 2012-13. Modifies four mandates, including the science graduation requirement and the Behavioral Intervention Plan mandate, to reduce or eliminate costs.	Suspends six mandates through 2012-13. Modifies several mandates, including the Behavioral Intervention Plan mandate, to reduce or eliminate costs.	The Governor's proposal would suspend the requirement for school districts to perform, and the state's obligation to pay for, most mandated activities. The budget agreement establishes a working group, which includes representatives from several state agencies, to develop recommendations regarding education mandates by March 15, 2011, including modification or elimination of particular mandates.
Community Colleges				
Enrollment funding	Provides \$126.0 million to fund approximately 26,000 Full-Time Equivalent Students (FTES).	Adopts the Governor's proposal.	Adopts the Conference Committee's action. Defers \$129 million of apportionment payments until July 2012 (see K-12 Education – Proposition 98 above).	Enrollment funding would provide support for existing, not additional, students because the community colleges currently are over-enrolled by 89,000 FTES. Community colleges cannot restrict enrollment, and students may not be able to enroll in courses when more students enroll than there are course spaces available.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Community Colleges				
Categorical programs	Provides \$394.8 million.	Increases funding by \$60.8 million above the Governor's proposed level for a total of \$455.6 million.	Adopts the Conference Committee action. Provides an additional \$20.0 million in one-time funds to support the Career Technical Education program. Defers \$60 million of categorical funding until July 2012 (see K-12 Education – Proposition 98 above).	
University of California				
Funding	Increases 2010-11 funding by \$305.0 million to backfill reductions made in 2009-10.	Increases 2010-11 funding by \$305.0 million from the state's General Fund to backfill 2009-10 reductions.	Increases 2010-11 funding by approximately \$199 million from the state's General Fund to backfill 2009-10 reductions.	
Student fees	Assumes a 15 percent student fee increase in 2010-11 as approved by the University of California Regents in November 2009.	Adopts the Governor's proposal.	Adopts the Conference Committee's action.	
Enrollment funding	Provides \$51.3 million to fund approximately 5,121 FTES.	Adopts the Governor's proposal.	Adopts the Conference Committee's action.	Proposed funding would not increase student enrollment, but would be sufficient to prevent a reduction in freshman enrollment.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
California State University				
Funding	Increases 2010-11 funding by \$305.0 million to backfill reductions made in 2009-10.	Increases 2010-11 funding by \$305.0 million from the state's General Fund to backfill 2009-10 reductions.	Increases 2010-11 funding by approximately \$199 million from the state's General Fund to backfill 2009-10 reductions.	
Student fees	Assumes a 10 percent student fee increase in 2010-11.	Adopts the Governor's proposal.	Adopts the Conference Committee's action.	The California State University Board of Trustees approved a 5 percent student fee increase on June 18, 2010.
Enrollment funding	Provides \$60.6 million to fund approximately 8,290 FTES.	Adopts the Governor's proposal.	Adopts the Conference Committee's action.	Proposed funding would not increase student enrollment, but would be sufficient to prevent a reduction in freshman enrollment.
California Student Aid Commission				
CalGrant Competitive Program	Withdraws January budget proposal to suspend awards for savings of \$45.5 million.	Adopts the withdrawal of the Governor's proposal.	Adopts the Conference Committee's action.	

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
California Student Aid Commission				
Student Loan Operating Fund (SLOF)	Transfers \$75.0 million from the SLOF to the General Fund to support Cal Grant costs.	Transfers \$100.0 million from the SLOF to the General Fund. This action provides the California Student Aid Commission \$75.0 million of this amount to support 2010-11 Cal Grant costs, but requires the Department of Finance approval to spend up to \$25.0 million more in order to ensure sufficient funds are available to complete the proposed sale of EdFund.	Adopts the Conference Committee's action.	The federal government recently denied California's sale of EdFund.
Public Safety and Corrections				
Federal court-appointed receiver: Inmate medical care	Makes an unallocated reduction of \$811 million to General Fund support for inmate medical care in 2010-11.	Makes an unallocated reduction of \$820 million and adopts proposals designed to reduce inmate medical costs, including telemedicine and early release of inmates with expensive medical conditions.	Adopts the Conference Committee's action.	
Federal court-appointed receiver: Information technology (IT) projects	Proposes \$235 million in 2010-11 to support 19 IT projects being implemented by the federal court-appointed receiver who is overseeing the state's prison medical care delivery system.	Provides \$235 million.	Adopts the Conference Committee's action.	

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
General Government				
State employees	Reduces state spending by \$1.2 billion in 2010-11 through a variety of provisions, including a cap on the size of the state workforce, a 5 percent across-the-board salary reduction, and shifting to lower-cost health care coverage.	Adopts \$677.7 million in savings related to capping the size and cost of the workforce and other provisions. Rejects the Governor's proposal to reduce state employee salaries and shift to lower-cost health care coverage.	Adopts the Conference Committee's action.	The Governor issued an executive order in late July imposing three furlough days a month beginning August 1, 2010, resulting in a 15 percent reduction to state employee salaries. On October 4, 2010, the state Supreme Court upheld the furloughs imposed by the Governor in 2008-09 and 2009-10, but concluded that the Governor lacks authority to impose furloughs without the consent of state employee unions or the Legislature.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
General Government				
Pensions	Reduces state spending by \$405.8 million through a 5 percent reduction to the state's contribution to employees' retirement plans.	Rejects the Governor's proposal.	<p>Modifies the Governor's proposal by implementing a smaller reduction to the state's contribution to employees' retirement plans.</p> <p>Adopts pre-1999 pension benefit formulas for state workers, classified school employees, and employees of the California State University, the judicial branch, and the Legislature hired on or after January 15, 2011.</p> <p>Changes the salary base used to calculate pension benefits to an average of the three most recent years, rather than the single highest year.</p>	Returning to pre-1999 pension formulas would require new, non-public safety state employees to work until age 60, rather than 55, before receiving full benefits. Public safety employees who currently can retire at age 50 with full benefits would need to work until age 55. Only new state employees in unions that do not currently have a collective bargaining agreement with the state would be affected.
Unemployment compensation modernization	No proposal.	Extends the deadline for implementation of the Alternate Base Period, which allows workers to report their recent earnings when filing for Unemployment Insurance, by five months, to September 3, 2011.	Adopts the Conference Committee's action.	

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
General Government				
Brown Act "open meetings" mandate	Suspends the mandate provisions of the Brown Act, for which the state must reimburse local governments for the cost of preparing and posting agendas.	Amends state law to change the mandate provisions of the Brown Act to "best practices" for implementing Proposition 59 of 2004, which broadly entitles Californians to access to local agency meetings. This change would eliminate the current mandate, resulting in ongoing state savings of about \$20 million.	Rejects the Governor's proposal and the Conference Committee's action.	The Legislative Analyst's Office argues that Proposition 59 of 2004 "could require local agencies to post agendas and disclose actions taken in closed sessions – even in the absence of the Open Meeting Act mandate."
Central Valley prevailing wage survey	No proposal.	Eliminates \$798,000 in 2010-11 funding for this survey and adopts budget bill language to specify that no funds may be spent for a Central Valley prevailing wage survey.	Eliminates 2010-11 funding for the survey.	
Redevelopment agencies	No proposal.	No proposal.	Amends state redevelopment law to expand the bonding capacity of the Centre City Redevelopment Project of the City of San Diego.	This action appears to be aimed at financing a portion of a new National Football League stadium.

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Resources				
Property insurance surcharge	Imposes a 4.8 percent surcharge on residential and commercial property insurance to support statewide fire protection and emergency response activities for state savings of \$76 million in 2010-11.	Adopts the Governor's proposal, but assumes state savings of \$36 million in 2010-11 due to delayed implementation.	Rejects the Conference Committee's action.	
Department of Fish and Game (DFG)	Reduces funding for DFG's conservation and restoration programs by \$5.0 million in 2010-11.	Reduces funding by \$2 million.	Adopts the Conference Committee's action.	The Legislature previously approved the Governor's proposal to reduce DFG's recreational hunting and fishing programs by \$5.0 million. Both houses have subsequently approved backfilling \$2.4 million, primarily with federal funds.
State parks	Restores \$140 million in General Fund support for state parks.	Provides \$133 million in General Fund support.	Adopts the Conference Committee's action.	In January, the Governor proposed allowing offshore oil drilling at Tranquillon Ridge in order to generate oil lease revenues to pay for state parks. He subsequently withdrew that proposal.

	Governor's May Revision	Conference Committee as of August 6, 2010	Budget Agreement as Passed by the Legislature	Comments
Transportation				
Highway advertising	No proposal.	No proposal.	Creates an experimental program of changeable highway advertisements, if approved by the Federal Highway Administration. Statutory language failed passage.	