

## Summary of Governor's Budget – January 5, 2012

<http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>

### State

1. The Governor's Budget projects a \$9.2 billion budget problem, composed of \$4.1 billion from FY11/12, plus \$5.1 billion projected for FY12/13.
2. The Budget proposes solutions of \$10.3 billion in expenditure cuts and revenues to balance the budget which includes a \$1.1 billion reserve. The expenditure cuts and revenues include:
  - \$2.0 billion - HHS: CalWorks, Medical, IHSS, other HHS programs
  - \$1.3 billion - Education: Prop 98, Child Care, Cal Grant program, other education
  - \$855 million - State mandates and other reductions
  - \$4.2 billion Total Expenditure Reductions**
  - \$4.4 billion - Temporary taxes
  - \$251 million - Other general fund/special fund revenues
  - \$1.4 billion - Other revenues
  - \$6.06 billion Total Revenues**
3. General Fund spending projected at \$92.5 billion; projected revenues of \$94.4 billion; \$719 million reserve for liquidation of encumbrances; and a (economic uncertainty) reserve of \$1.1 billion.
4. Budget includes ongoing solutions to permanent mid-year trigger cuts that occurred in FY 11/12.
5. The Budget assumes that the Governor's November 2012 tax ballot initiative passes (temporary tax increase on state's wealthiest taxpayer's and temporary increase in sales tax) that is projected to generate \$6.9 billion\*. After a Prop 98 minimum guarantee adjustment of \$2.5 million, it will provide a \$4.4 billion benefit to the general fund.  
  
\*Note: On 1/10/12, the Legislative Analyst Office issued their opinion and indicated that the Governor's tax proposal would only generate \$4.8 billion.
6. If the Governor's November 2012 tax ballot initiative does not pass, the budget proposes a backup plan by implementing a \$5.4 billion "Ballot Trigger Reductions", effective January 2013:

\$4.8 billion	Prop 98 (equivalent to 3 weeks of school)
\$200 million	CSU
\$200 million	UC
\$125 million	Courts (equivalent to 3 days of court closure per month)
\$15.0 million	Dept Forestry and Fire Protection (emergency air response/fire stations closed)
\$6.6 million	Flood Control (reduce channel and levee maintenance/floodplain mapping)
\$3.5 million	Fish and Game: Wardens and Non-Warden Programs (less park safety officers)
\$2.0 million	Park Rangers and Park Lifeguards (\$1.0M each) (less park rangers/lifeguards)
<u>\$1.0 million</u>	Dept of Justice (DOJ law enforcement program would be reduced)
<b>\$5.390 billion</b>	<b>Total Ballot Trigger Reductions</b>

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### California State University

- A. CSU Budget is flat for 2012-13, about \$2.0 billion. Same budget as FY11/12 after the permanent trigger of \$100M.
- B. The budget is dependent on the Governor's November 2012 tax ballot initiative passing. If it does not pass, the CSU and UC will each take a mid-year trigger cut of \$200M.
- C. There is NO increase in the CSU's budget. Although, the 12/13 budget shows a \$197.7M increase, this is a technical adjustment.
  - 1.) \$190M is related to the CSU's debt-service funding (interest on general obligation bond debt, capital projects, and revenue bonds) that is normally funded by the State. The Governor's Budget proposes that the debt-service funding now be included in the CSU's base budget and no further augmentation will be provided.

The remaining \$7.7M is related to other budget adjustments for: Lease Revenue Debt Service, \$5,495; Increase Funding for Retired Annuitant Benefits, \$1,096; Remove One-Time 2011-12 Base Reduction Related to Student Fee Shift, \$3,526; 2012-13 Base Reduction Related to Student Fee Shift, -\$2,217.

The combined technical adjustment of \$197.7 million creates an illusion that the CSU budget increased, but in reality it did not, as these amounts were previously funded by the state.

2.) The Governor's Budget proposes that the CSU absorb any fluctuation in cost increases in its overall budget for CALPERS retirement contributions for CSU employees

It was the State's practice to provide funding and annual adjustments, for general obligation bonds and lease revenue debt service for CSU capital improvements projects, and for CALPERS retirement contributions for CSU employees. Going-forward, the CSU must fund any future fluctuations of debt-service cost increases and CALPERS retirement contributions.

- D. The Governor's Budget refers to a long-term plan for higher education and proposes stable & increased state funding by proposing what the Governor refers to as "fiscal incentives to improve management of all costs." The proposal is described as: stressing affordability, student success, stable funding source, and fiscal incentives:
  - tuition & fee increases will be curtailed & will lessen the pressure for students to take out loans;
  - if the higher ed. institutions achieve the Governor's priorities: improvement in accountability metrics (e.g. graduation rates, time to completion, etc.), they will receive GF augmentations;
  - if the November 2012 tax ballot initiative passes, the State will provide a minimum funding increase of 4% per year, from 2013-14 through 2015-16.