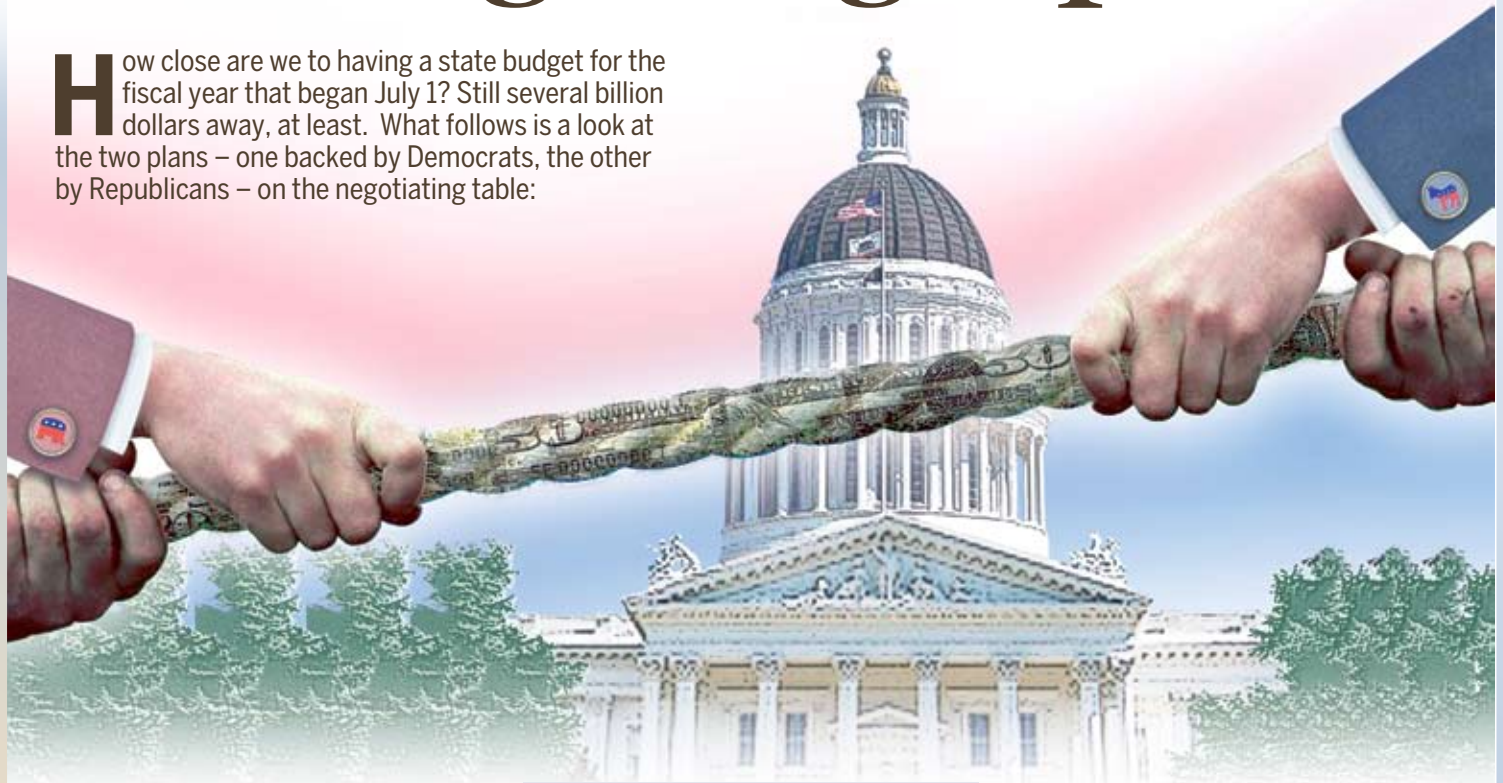


Battling budget plans

How close are we to having a state budget for the fiscal year that began July 1? Still several billion dollars away, at least. What follows is a look at the two plans – one backed by Democrats, the other by Republicans – on the negotiating table:



▶ WHERE THE PLANS AGREE



- Assume new federal dollars. Schwarzenegger's budget relies upon \$3.4 billion, while the Democratic plan projects \$4.1 billion.
- Reduce the prison health care budget by \$820 million.
- Reduce state personnel expenditures

through attrition and delaying payments toward future health benefit obligations. Democrats project \$678 million in savings; Schwarzenegger projects \$548 million from the same proposals.

- Cut \$1 billion from K-12 and community college funding for the 2009-10 fiscal year.
- Transfer \$2.6 billion from special fund accounts.
- Raise \$700 million through various new revenue ideas. GOP lawmakers oppose Schwarzenegger's \$76 million tax on property insurance policies, however.
- Make changes to Medi-Cal system. Save \$182 million by moving seniors and disabled residents to managed care. Save \$85 million by freezing hospital rates. Save \$14 million by reducing radiology rates.
- Cut funding for In-Home Supportive Services. Schwarzenegger proposed saving \$637 million, but Democrats have proposed a \$250 million reduction. The governor's plan relied upon unspecified cuts. The Democratic plan relies on leveraging as much as \$200 million in new federal funds for IHSS.

▶ LIKELY AREAS OF AGREEMENT

- Assume the state will generate \$585 million more by selling 11 office buildings.
- Assume the state will take in \$1.4 billion in additional tax revenue based on higher projections by the state Legislative Analyst's Office.

▶ WHERE THE PLANS DISAGREE



- Taxes. Democrats propose nearly \$5 billion in new tax revenue. The change with the greatest impact on average taxpayers is a swap that hikes tax rates on income and vehicles but decreases the sales tax. Democrats also propose a new tax on oil production, suspending corporate tax delays and stricter enforcement of existing tax laws – including a mechanism to collect taxes from online purchases. Republicans oppose all of these ideas.
- Social service and health cuts. Republicans propose eliminating the state's welfare-to-work program, CalWORKs, to save \$1.2 billion. They propose cutting In-Home Supportive Services for low-income disabled residents by \$637 million. They propose saving \$750 million in Medi-Cal, in part by curtailing services and

charging co-pays for patients. And they propose cutting about \$600 million in mental health funding for counties.

- Democrats support some cuts in IHSS and Medi-Cal, but not the most drastic ones. Democrats reject the CalWORKs elimination and mental health funding cut.
- State worker reductions. Republicans propose cutting state worker pay by 5 percent, increasing pension contributions and imposing one flexible furlough day a month. These would save about \$1.5 billion. Democrats propose saving about \$900 million from such agreements, though they want state worker unions to have the ability to negotiate those reductions.
- Size of reserve. Schwarzenegger wants a \$1.2 billion reserve; Democrats want a \$535 million reserve.
- Education funding. Democrats want to provide schools with \$52 billion from the state general fund and property taxes, while Schwarzenegger proposed \$48.4 billion. Democrats also want to suspend Proposition 98 to obligate the state to pay additional money to schools in the future. Democrats also want to allow schools to borrow \$1.5 billion more.
- Low-level offenders. Democrats want to provide \$375 million to counties to house offenders whose crimes can be charged as either a felony or misdemeanor. Schwarzenegger proposed sending some nonserious, nonviolent offenders to local jails but not reimbursing counties in full.

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