



Updated July 25, 2007

Assembly Passes Budget Plan

The Assembly passed a 2007-08 spending plan and a number of bills to implement the budget in the early morning of July 20. The Senate subsequently voted on, but did not pass, the plan. As late as 2 a.m. July 20, details regarding the spending plan were not publicly available. The budget bills and related legislation can now be found at:

http://www.leginfo.ca.gov/updates/Jul20,2007/sen_Jul.20.2007.html.

The following is a “quick and dirty” description of what the 2007-08 budget plan contains, based on limited publicly available information. Specifically, the 2007-08 Budget and related legislation:

- Would reduce revenues and widen the state’s budget gap by \$850 million per year or more when the tax breaks contained in SB 98 are fully implemented. The plan would reduce taxes of the very largest corporations and provide tax breaks for movie and TV production companies. In addition, the plan would reduce taxes on jet fuel and other fuels and expand the research and development tax credit. The CBP will provide additional analysis as details become available.
- Makes a series of shifts involving the Public Transportation Account (PTA), the Proposition 98 Reversion Account, and school facilities funds related to the Williams settlement, which has the effect of reducing ongoing Proposition 98 appropriations by \$427 million relative to the Governor’s May Revision. The shifts would maintain the previously agreed to funding level for Proposition 98 in dollar terms, while reducing the 2007-08 Proposition 98 base. In addition, the spending plan does not provide any Proposition 98 “settle-up” funds to meet the revised 2006-07 Proposition 98 minimum funding level.
- Shifts a total of \$1.259 billion in PTA funds to support programs usually supported by the General Fund. The budget plan uses PTA funds to pay for transportation-related debt, home-to-school transportation costs, and transportation costs within the Department of Developmental Services. In addition, the plan permanently shifts half of so-called “spillover” revenues for similar purposes in future years.
- Authorizes and assumes revenues from the sale of EdFund, a state-controlled entity that guarantees student loans made by private lenders, to a private bidder.
- Uses \$84 million in federal Temporary Assistance for Needy Families (TANF) block grant dollars to reduce General Fund costs by an equivalent amount.

- Suspends the cost-of-living adjustment (COLA) for California Work Opportunity and Responsibility to Kids (CalWORKs) Program cash assistance in 2007-08 – the third consecutive year that the CalWORKs COLA would be suspended.
- Shifts the effective date of the state COLA for Supplemental Security Income/State Supplementary Payment (SSI/SSP) grants to June 1 of each year starting in 2008. This five-month delay would result in one-time state savings in 2007-08. However, the federal COLA would continue to be provided on January 1 of each year.
- Reduces funding by \$40 million for substance abuse treatment services for nonviolent offenders through the Substance Abuse and Crime Prevention Act of 2000 (Proposition 36) and the Substance Abuse Offender Treatment Program, relative to the budget conference committee report.

The 2007-08 Budget and related legislation include:

SB 77: 2007-08 Budget Bill

SB 78: Changes to appropriations to reflect negotiations after the close of the budget conference committee

SB 79: Transportation

SB 80: Education

SB 81: Public safety

SB 82: Justice

SB 83: Health and developmental services

SB 84: Human services

SB 85: Resources and environmental protection

SB 86: State operations, local government, and housing

SB 87: Taxes

SB 88: Implementation of transportation bonds

SB 89: Sale of EdFund

SB 90: Information technology

SB 91: Sale of EdFund

SB 92: Charter schools

SB 98: Taxes