



CALIFORNIA BUDGET PROJECT

Updated July 11, 2008

## How Do the Budgets Compare? A Comparison of the Governor's Revised Budget Proposal and Legislative Spending Plans

California's constitution requires the Legislature to pass the budget bill by June 15; however, the state missed this deadline and began the 2008-09 fiscal year without a spending plan in place. On July 8, the Budget Conference Committee finished reconciling differences between the Assembly and Senate Budget Committees' spending plans. The following table outlines major differences among the actions approved by the Conference Committee, the initial Assembly and Senate spending plans, and the Governor's May Revision to his Proposed 2008-09 Budget. Details of the Conference Committee actions are based on bullet point summaries provided by legislative staff, as well as notes taken during Committee hearings, and are subject to change as more information becomes available. Please check the California Budget Project website ([www.cbp.org](http://www.cbp.org)) for updates.

1107 9th Street, Suite 310  
Sacramento, California 95814  
P: (916) 444-0500  
F: (916) 444-0172  
[cbp@cbp.org](mailto:cbp@cbp.org)  
[www.cbp.org](http://www.cbp.org)

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>Revenues</b>	<p>Assumes \$3.3 billion deficit bond sale. Accounts for or "accrues" \$1.9 billion in revenues that would be received after July 1, 2009 in 2008-09. Proposes to accelerate the due date for fees paid by LLCs to generate \$360 million in 2008-09. Proposes to change the use tax law for vessels and vehicles (the "yacht tax") to raise \$21 million. Proposes \$564 million in loans from special funds to the state's General Fund.</p>	<p>Rejects Governor's accrual accounting proposal. Assumes \$3.3 billion deficit bond sale. Assumes \$6.4 billion in new revenues from "closing loopholes and tax breaks." Assumes adoption of use tax rule changes on vehicles and vessels, most special fund loan proposals, and acceleration of LLC fee collections.</p>	<p>Rejects the Governor's special fund loan and accrual accounting. Assumes \$11.5 billion in new revenues.</p>	<p>Reinstates the 10 percent and 11 percent tax brackets on the wealthiest Californians to raise \$5.6 billion. Imposes a new rate of 10 percent for taxpayers filing joint returns with taxable income above \$321,000 and 11 percent for those with incomes above \$642,000.</p> <p>Suspends businesses' ability to claim net operating loss (NOL) deductions for three years to raise \$1.1 billion. Extends the period of time businesses can carry losses forward from 10 to 20 years. Businesses would be able to claim these losses after the suspension sunsets.</p> <p>Suspends the inflation adjustments of the tax brackets to generate \$815 million.</p>

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>Revenues</b>				<p>Reduces the dependent tax credit from \$294 to \$94 for joint filers and heads of households with adjusted gross incomes (AGI) in excess of \$150,000 to raise \$215 million.</p> <p>Restores the corporate income tax rate to its pre-1997 level of 9.3 percent to raise \$470 million.</p> <p>Enacts measures aimed at increasing collections of existing taxes by \$1.5 billion.<sup>1</sup></p>

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>Lottery</b>				
	Proposes to sell \$15 billion in bonds that would be repaid from future lottery proceeds. Lottery would be modified to boost sales and give schools a flat dollar amount, rather than a fixed percentage of proceeds. \$5.1 billion of bond proceeds would be used to fill 2008-09 budget gap; the remainder would go to a reserve linked to a new spending cap and other changes to the budget process. If the lottery bond sale is blocked, a one cent sales tax increase would be triggered.	Proposes to sell \$15 billion in bonds that would be repaid from future lottery proceeds. Lottery would be modified. Proposition 98 base would be increased by \$1.2 billion, approximately equal to schools' current share of lottery proceeds, beginning in 2009-10. Uses \$3.6 billion to pay 2008-09 General Fund obligations and \$1.5 billion to pre-pay outstanding debt; the remainder would be used to repay outstanding debt in future years that would otherwise be paid out of the General Fund.	Rejects the Governor's lottery bond sale proposals.	Adopts Senate version.
<b>Medi-Cal Program</b>				
Paperwork requirements (quarterly status reports)	Requires paperwork four times per year for adults and children. Paperwork is currently required once per year for children and twice per year for adults.	Rejects.	Rejects the proposal for adults. Requires paperwork twice per year for children.	Requires paperwork twice per year for children.
Eligibility for low-income parents (1931(b) Program)	Reduces the income limit for applicants from 100 percent to 61 percent of the poverty line. Requires the principal wage earner in two-parent families to work less than 100 hours per month.	Rejects.	Rejects.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Provider payments	Reduces payments by 10 percent for most providers who treat Medi-Cal patients.	Partially reverses the provider payment reductions passed by the Legislature in February 2008.	Partially reverses the provider payment reductions passed by the Legislature in February 2008.	Partially reverses the reductions, including restoring nearly the entire cut to payments for Medi-Cal fee-for-service providers. These changes would take effect on September 1, 2008.
Benefits	Eliminates dental and other benefits for adult beneficiaries.	Rejects.	Rejects.	No change.
Services for certain legal immigrants	Reduces health care services provided to legal immigrants, such as those who have resided in the US for five years or less.	Rejects.	Rejects.	No change.
Services for unauthorized immigrants	Requires unauthorized immigrants to reapply monthly to receive emergency services.	Rejects.	Rejects.	No change.
County Medi-Cal Program administration	Eliminates funds provided to counties to reflect the projected increase in the number of Medi-Cal recipients.	Adopts.	Rejects.	Adopts Senate version.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
County operating costs	Eliminates funding for counties to cover increases in basic operating expenses in the Medi-Cal Program in 2008-09.	Approves.	Approves.	Adopts Senate version.
<b>Healthy Families Program</b>				
Premiums	Increases premium contributions for families with incomes between 151 percent and 250 percent of the poverty line.	Increases these families' premium contributions, but by a smaller amount than that proposed by the Governor.	Increases these families' premium contributions, but by a smaller amount than that proposed by the Governor.	Increases these families' premium contributions by \$2 to \$3 per child per month, a smaller amount than that proposed by the Governor.
Copayments	Increases copayments from \$5.00 to \$7.50 for nonpreventive services for families with incomes above 150 percent of the poverty line.	Rejects.	Rejects.	No change.
Payments to managed care plans	Reduces rates to health, dental, and vision plans that provide coverage through Healthy Families by 5 percent.	Approves.	Approves.	No change.
Dental services	Adopts an annual dental coverage limit of \$1,000.	Adopts an annual dental coverage limit of \$1,500.	Adopts an annual dental coverage limit of \$1,500.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>California Work Opportunity and Responsibility to Kids (CalWORKs) Program</b>				
Cost-of-living adjustment (COLA)	Suspends October 1, 2008 COLA.	Approves.	Approves.	No change.
Grant levels	Cuts grants by 5 percent.	Rejects.	Rejects.	No change.
"Safety-net" assistance	Eliminates safety-net cash assistance for approximately 82,000 children.	Rejects.	Rejects.	No change.
"Child-only" assistance	Eliminates child-only cash assistance for approximately 73,000 children.	Rejects.	Rejects.	No change.
Sanctions	Imposes "full-family sanctions" on families in which an adult is sanctioned for 12 months, eliminating cash assistance for approximately 42,000 children.	Rejects.	Rejects, but allows individuals' time in sanction status to count toward the 60-month lifetime limit on receipt of cash assistance.	Adopts Assembly version, which makes no changes to the current sanctions rules.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Earned income disregard	No proposal.	No action.	Allows families who are meeting federal work participation requirements to exclude more of their earnings – compared to current law – in determining their CalWORKs grant amount. Reduces the amount of earnings that may be excluded for families who do not meet federal requirements.	Adopts Assembly version, which makes no changes to the current earned income disregard.
Child support “pass-through”	Doubles the maximum amount of child support provided to CalWORKs families from the current \$50 per month to \$100 per month.	Approves.	Approves.	Reverses the previous legislative actions and maintains the maximum child support “pass-through” for CalWORKs families at \$50 per month.
Pre-assistance program	Implements a four-month, pre-assistance program to provide job services to certain individuals who are eligible for CalWORKs, but who are not employed sufficient hours to meet federal work participation requirements.	Adopts placeholder trailer bill language to establish a pre-assistance program similar to the approach proposed by the Legislative Analyst’s Office.	Adopts placeholder trailer bill language to establish a pre-assistance program that would meet federal requirements.	Instructs the Department of Social Services to work with stakeholders to assess the feasibility of implementing a pre-assistance program or another program that could help the state to meet federal work requirements in the CalWORKs Program.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
TANF block grant transfers	Uses \$447.4 million in federal Temporary Assistance for Needy Families (TANF) block grant dollars in place of state funds for four programs, including the Cal Grant Program.	Rejects.	Rejects, but adopts placeholder trailer bill language to preserve flexibility to make such transfers in the future.	Reverses the previous legislative actions and approves the TANF block grant transfers.
County Pay-for-Performance incentive funds	Eliminates \$40 million in incentive funds in 2008-09.	Approves.	Approves, but provides \$10 million for employment services provided by counties.	Adopts Senate version.
<b>Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program</b>				
State COLA	Suspends October 2008 and June 2009 state COLAs.	Approves.	Suspends October 2008 state COLA, but rejects proposal to suspend June 2009 state COLA.	Adopts Assembly version, thereby suspending both the October 2008 and June 2009 state COLAs.
Federal COLA	Does not "pass through" to recipients January 2009 federal COLA.	Rejects.	Rejects.	No change.
Cash Assistance Program for Immigrants (CAPI)	Eliminates CAPI, which provides state-funded payments to legal immigrants who do not qualify for SSI/SSP due to their immigration status.	Rejects.	Rejects.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>In-Home Supportive Services (IHSS) Program</b>				
Domestic and related services	Eliminates domestic and related services for IHSS recipients with less severe impairments.	Rejects.	Rejects.	No change.
State share of workers' wages and benefits	Caps the state's contribution toward IHSS workers' wages at the state's minimum wage plus \$0.60 per hour for benefits.	Rejects.	Rejects.	No change.
State assistance for recipients with a "share of cost"	Eliminates state share-of-cost assistance for IHSS recipients with less severe impairments.	Rejects.	Rejects.	No change.
County IHSS administration	Reduces funding for county operation of the IHSS Program by 10 percent.	Approves.	Rejects.	Adopts Senate version.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>Food Assistance Programs</b>				
Supplemental food stamp benefits for non-CalWORKs families	Provides supplemental, state-funded food stamp benefits of \$40 per month to low-income working families who do not receive CalWORKs cash assistance payments if they work sufficient hours to meet federal work participation requirements, which could boost the CalWORKs work participation rate.	Approves.	Rejects.	Establishes a \$40-per-month supplemental food stamp benefit for non-CalWORKs families and provides \$2.0 million for counties to make related computer automation changes. However, links full implementation of this new benefit to the creation of a CalWORKs pre-assistance program or a similar program.
California Food Assistance Program (CFAP)	Reduces CFAP benefits by 10 percent. CFAP provides state-funded food assistance to legal immigrants who do not qualify for the Food Stamp Program solely due to their immigration status.	Rejects.	Rejects.	No change.
Food Stamp Program face-to-face interview	Eliminates the face-to-face interview requirement for food stamp applicants who work at least 30 hours per week.	Approves.	Approves.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
County Food Stamp Program administration	Reduces funding by 4 percent for county operation of the Food Stamp Program.	Approves, but suspends the county share of penalties when funding is inadequate to meet program requirements.	Rejects.	Adopts Senate version.
<b>Other Human Services</b>				
Child Welfare Services Program	Reduces funding by 11.4 percent.	Rejects.	Rejects.	No change.
Foster Care and related programs	Reduces payments by 10 percent.	Rejects.	Rejects.	No change.
Naturalization Services Program	Reduces funding by 10 percent.	Approves.	Approves.	No change.
County operating costs	Eliminates funding for counties to cover increases in basic operating expenses associated with several human services programs in 2008-09. Most programs would continue to be funded based on 2000-01 costs.	No action, so continues current practice of funding counties' operating expenses based on 2000-01 costs.	No action, so continues current practice of funding counties' operating expenses based on 2000-01 costs.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
<b>Child Care and Development Programs</b>				
Child care and state preschool programs	Reduces funding by \$198.9 million in 2008-09.	Rejects.	Rejects.	No change.
Before and after school programs	Reduces funding by \$59.9 million in 2008-09.	Rejects.	Approves.	Rejects the proposed funding reduction, but approves a measure for the November 2008 ballot to repeal the current requirement for the state to spend \$550 million per year on after-school programs.
Income eligibility limit	Freezes the income eligibility limit for child care services at the 2007-08 level in 2008-09.	Approves.	Approves.	No change.
Family fee schedule	Reduces the income level at which families begin to pay fees for child care services each time the state updates the income eligibility limit.	Rejects. Exempts families from fees if their incomes are lower than 40 percent of state median income or if they are eligible for CalWORKs cash assistance.	Rejects. Exempts families from fees if their incomes are lower than 40 percent of state median income or if they are eligible for CalWORKs cash assistance.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Regional Market Rate (RMR) ceiling	Reduces the RMR reimbursement ceiling from the 85th percentile to the 75th percentile of rates charged by private-market child care providers based on the 2007 RMR survey.	Rejects.	Rejects.	No change.
RMR update	Delays implementation of updated RMRs until January 2009.	Delays implementation of updated RMRs until March 2009.	Delays implementation of updated RMRs until March 2009.	No change.
Standard Reimbursement Rate (SRR)	Freezes the SRR at the 2007-08 level in 2008-09.	Approves.	Approves.	No change.
<b>Proposition 98</b>				
Overall funding level	Restores \$1.1 billion of the Governor's proposed \$4.8 billion January reduction to K-14 education programs covered by the Proposition 98 guarantee. 2008-09 funding for K-14 education would be cut by \$3.9 billion.	Provides \$2.3 billion more for K-14 education in 2008-09 than the Governor's May Revision.	Provides \$3 billion more for K-14 education in 2008-09 than the Governor's May Revision.	Provides \$2.4 billion more for K-14 education in 2008-09 than the Governor's May Revision.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Proposition 98 guarantee	Meets minimum funding required under the Proposition 98 guarantee due to the fact that the minimum guarantee is anticipated to be lower than was projected in January.	Meets minimum funding required under the Proposition 98 guarantee; however, the proposed funding level is \$2 billion below the workload budget estimated by the Governor in January.	Meets minimum funding required under the Proposition 98 guarantee; however, the proposed funding level is \$1.3 billion below the workload budget estimated by the Governor in January.	Meets minimum funding required under the Proposition 98 guarantee; however, the proposed funding level is approximately \$2 billion below the workload budget level estimated by the Governor in January.
<b>K-12 Education</b>				
Cost-of-living adjustment (COLA)	Suspends the 2008-09 COLA for school districts and county offices of education. The May Revision also maintains the Governor's proposal to change the formula used to calculate the COLA for K-12 education programs.	Rejects. Provides a 1.6 percent COLA for school districts and county offices of education and creates a 3.8 percent deficit factor for the remainder of the COLA. The current statutory COLA is 5.66 percent.	Rejects. Provides a 3.7 percent COLA for school districts and county offices of education. Establishes a deficit factor for the remainder of the COLA based on the current statutory COLA of 5.66 percent.	Provides a 2.4 percent COLA for school districts and county offices of education. Establishes a deficit factor for the remainder of the COLA based on the current statutory COLA of 5.66 percent.
Revenue limits	Restores \$841.1 million of the reduction to school district revenue limit funding proposed in the Governor's January budget.	Accepts Governor's restoration. Provides a 1.6 percent COLA.	Provides a 3.7 percent COLA.	Provides a 2.4 percent COLA.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Special Education	Restores \$234.1 million of the reduction to special education funding proposed in the Governor's January budget.	Accepts Governor's restoration. Provides a 1.6 percent COLA.	Provides a 3.7 percent COLA.	Provides a 2.4 percent COLA.
Williams Settlement	Provides \$100 million to fund school facility emergency repairs as required by the <i>Williams v. California</i> settlement agreement.	Accepts Governor's May Revision proposal.	Provides \$101 million to fund school facility emergency repairs as required by the <i>Williams v. California</i> settlement agreement.	Adopts Senate version.
Other categorical programs	Eliminates COLAs and reduces rate allocations to many categorical programs such as class size reduction, instructional materials, and various career technical education programs.	Rejects. Instead, provides a 1.6 percent COLA.	Rejects. Instead, provides a 3.7 percent COLA.	Provides a 2.4 percent COLA.
"Flexibility options"	Allows school districts greater discretion over the use of specified funds.	Rejects.	Rejects. Prohibits funds from being transferred out of the Child Nutrition Program.	Adopts Senate version.
<b>Community Colleges</b>				
Enrollment growth funding	Provides a total increase of \$95.5 million in 2008-09 to fund 1.67 percent enrollment growth.	Provides \$113.5 million to fund 2 percent enrollment growth.	Provides \$113.5 million to fund 2 percent enrollment growth.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Cost-of-living adjustment (COLA)	Eliminates the 2008-09 COLA.	Rejects Governor's proposal, provides a 1.6 percent COLA, and creates a 3.8 percent deficit factor for the remainder of the COLA. The current statutory COLA is 5.66 percent.	Rejects Governor's proposal. Provides a partial COLA for apportionments and select categorical programs. Establishes a deficit factor for the remainder of the COLA based on the current statutory COLA of 5.66 percent.	Rejects Governor's proposal, provides a 2.4 percent COLA, and does not create a deficit factor for the remainder of the COLA. The current statutory COLA is 5.66 percent.
Categorical programs	Retains cuts proposed to categorical programs in January.	Rejects Governor's proposed reductions.	Rejects Governor's proposed reductions.	No change.
<b>University of California</b>				
Funding	Restores \$98.5 million of the reduction proposed in the Governor's January budget. 2008-09 funding would be cut by \$233.4 million.	Accepts Governor's proposal.	Accepts Governor's proposal.	No change.
Fees	Assumes a 7.4 percent fee increase for undergraduate students.	Accepts Governor's fee increase assumptions.	Accepts Governor's fee increase assumptions.	No change.
<b>California State University</b>				
Funding	Restores \$97.6 million of the reduction proposed in the Governor's January budget. 2008-09 funding would be cut by \$215.3 million.	Accepts Governor's proposal.	Accepts Governor's proposal.	No change.

	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>Conference Committee</b>
Fees	Assumes a 10 percent fee increase for undergraduate students.	Accepts Governor's fee increase assumptions.	Accepts Governor's fee increase assumptions.	No change.

---

<sup>1</sup> Summaries state: "Modeled after successful tax amnesty efforts in the past, this proposal will collect taxes already owed to the state. Part of this revenue has been owed for years. Part will be an acceleration of revenues that would be paid in the future. This is one-time revenue."