

CALIFORNIA BUDGET PROJECT

Searching for Balance:

The Social and Economic Context of the Governor's
Proposed 2010-11 Budget

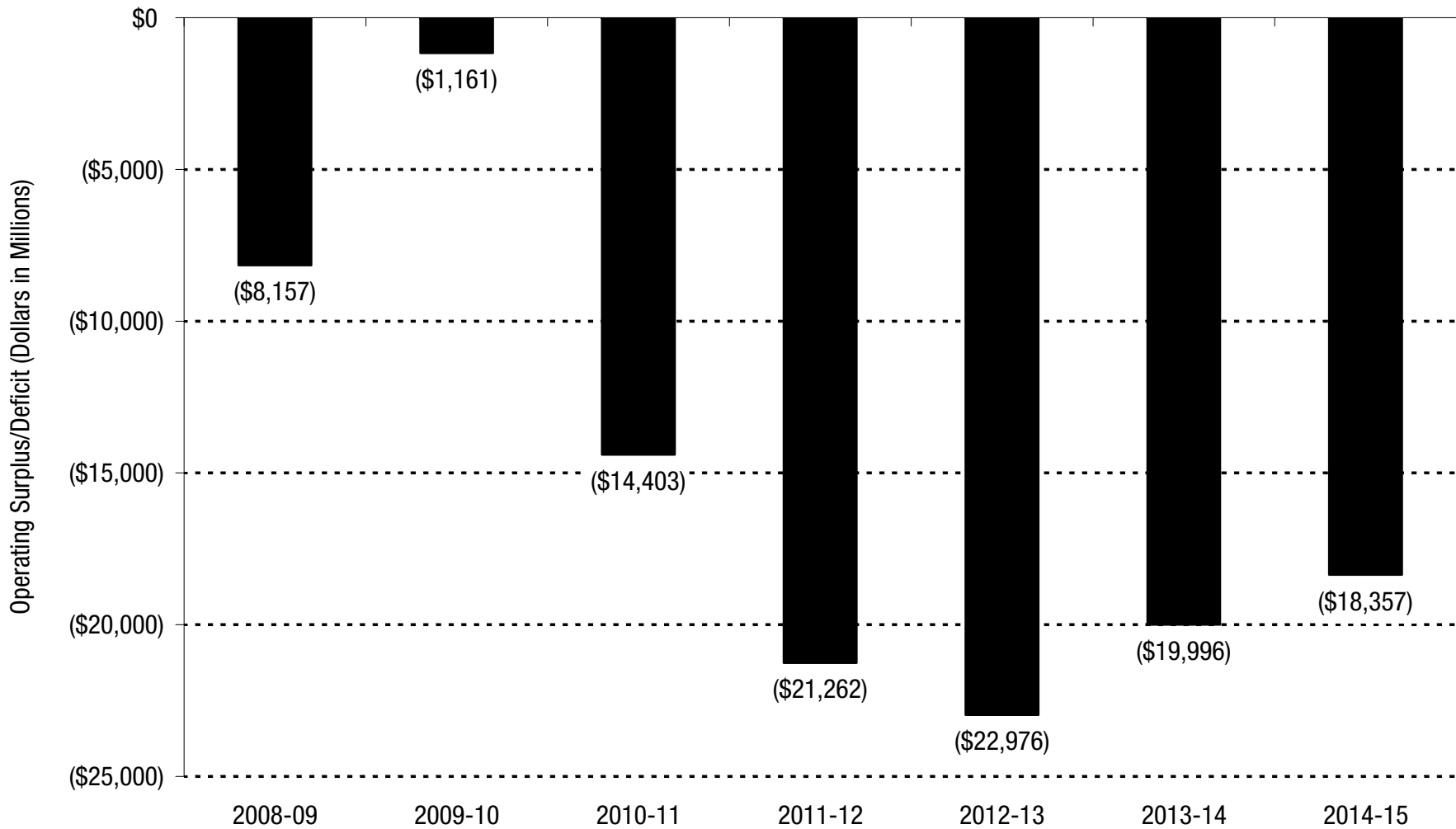
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A PRESENTATION BY
THE CALIFORNIA BUDGET PROJECT
February 2010

California Faces Critical Challenges

- California faces challenges that imperil the social and economic well-being of families and communities, as well as the competitiveness of the state's economy:
 - Ongoing budget shortfalls, not only in the upcoming year, but for the foreseeable future.
 - A weak labor market that will likely take years to recover jobs lost during the recent downturn.
 - A population that is increasing, aging, growing more unequal, and becoming more diverse.
 - Reductions in support for public systems that have fueled past cycles of economic growth, while providing a safety net for those in need.

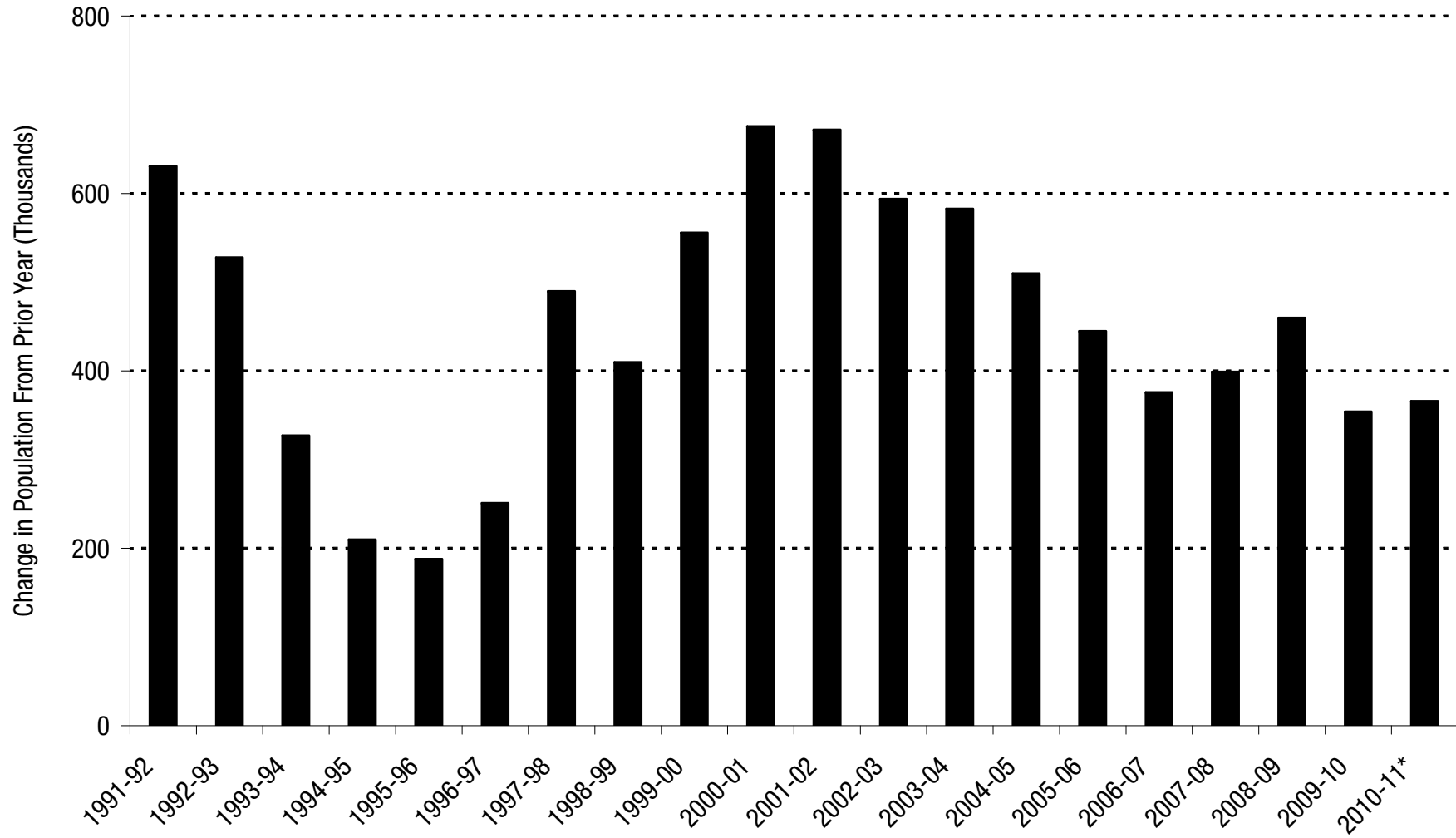
Significant Budget Shortfalls Are Expected To Continue



Note: 2008-09 and 2009-10 are estimated; 2010-11 through 2014-15 are projected.

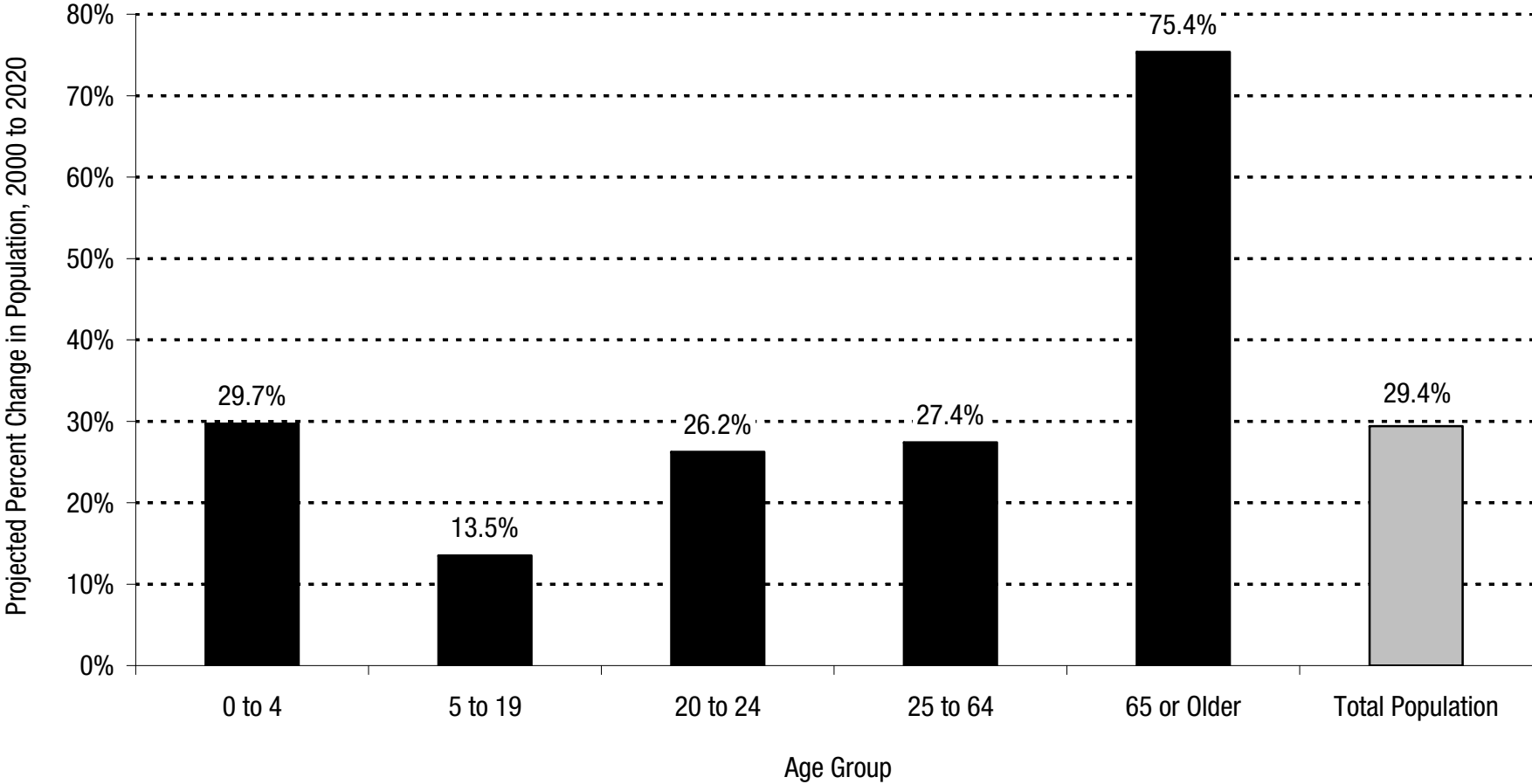
Source: Legislative Analyst's Office

California's Population Continues To Increase



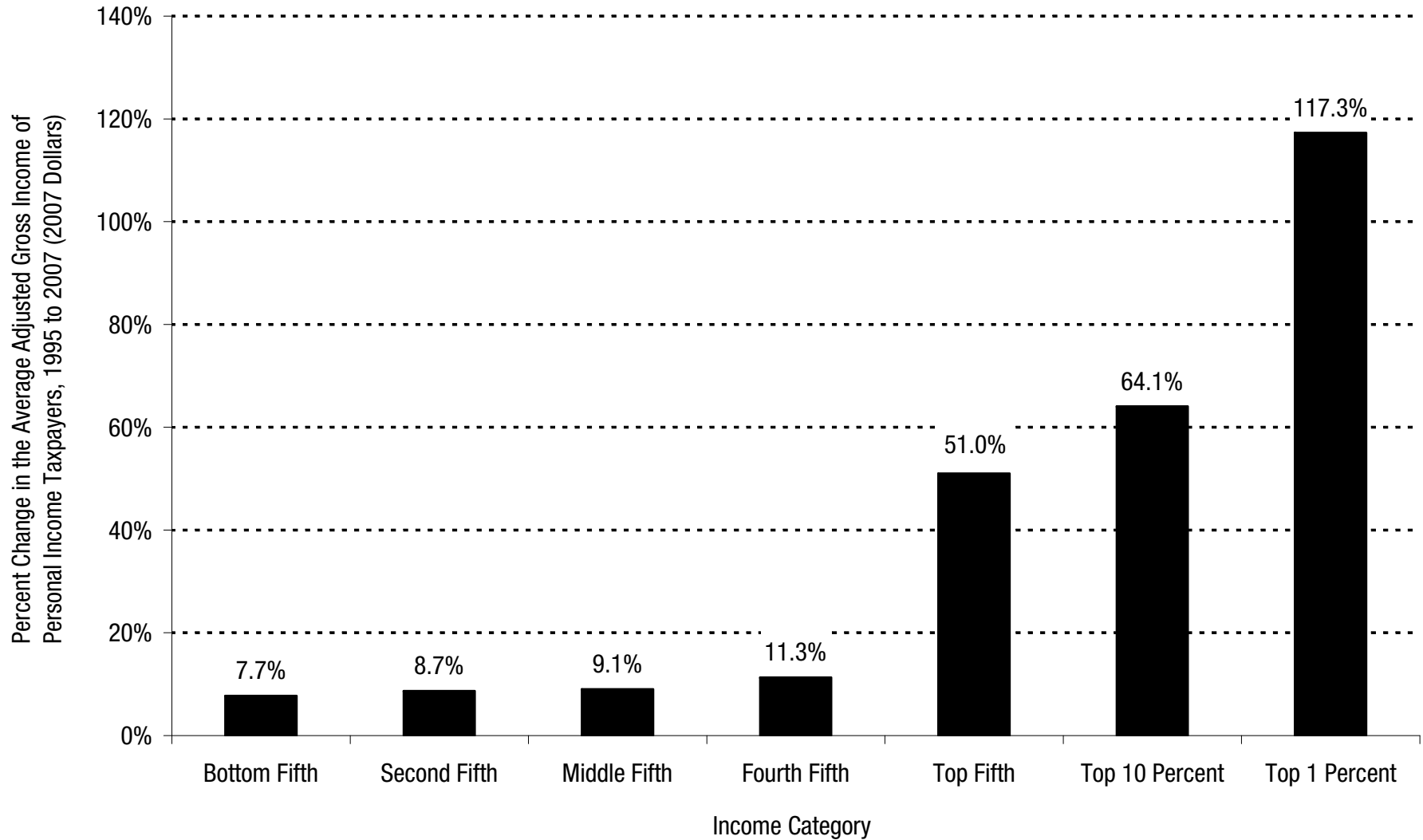
* 2010-11 projected.
Source: Department of Finance

Californians Age 65 or Older Are Projected To Be the Fastest-Growing Age Group Between 2000 and 2020



Source: Department of Finance

The Average Adjusted Gross Income of the Top 1 Percent More Than Doubled Between 1995 and 2007

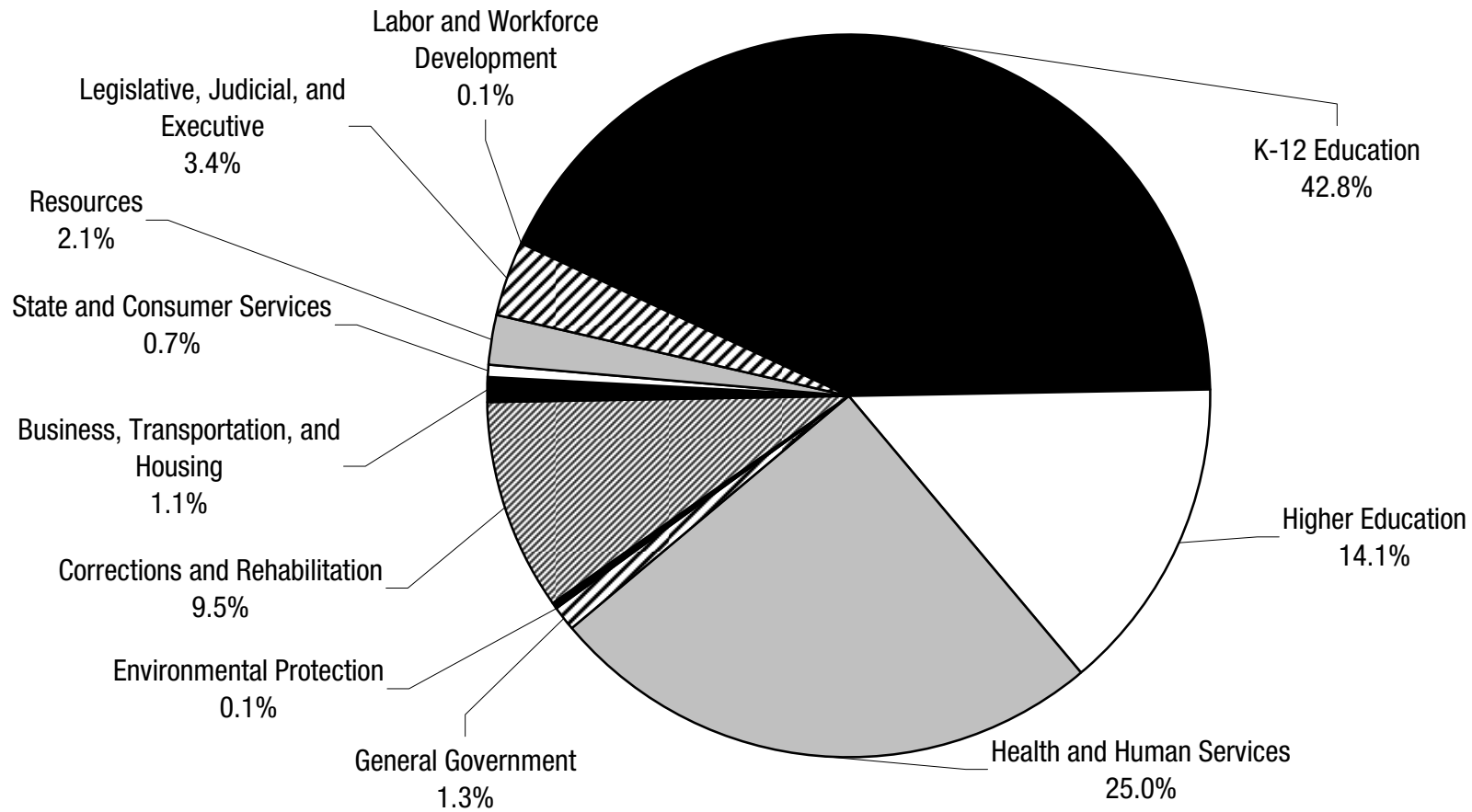


The Information Challenge

- A recent poll by the Public Policy Institute of California found that:
 - Only 16 percent of adults and 20 percent of likely voters correctly identified K-12 education as accounting for the largest share of the state budget.
 - Only 28 percent of adults and 32 percent of likely voters correctly identified the personal income tax as contributing the largest share of state revenues.
 - Only 6 percent of adults and 8 percent of likely voters answered both questions correctly.
 - Yet 72 percent of adults and 69 percent of likely voters think that major decisions regarding reforming the state's budget process should be made at the ballot box.

Education Accounts for the Largest Share of 2010-11 Spending

General Fund Spending by Agency



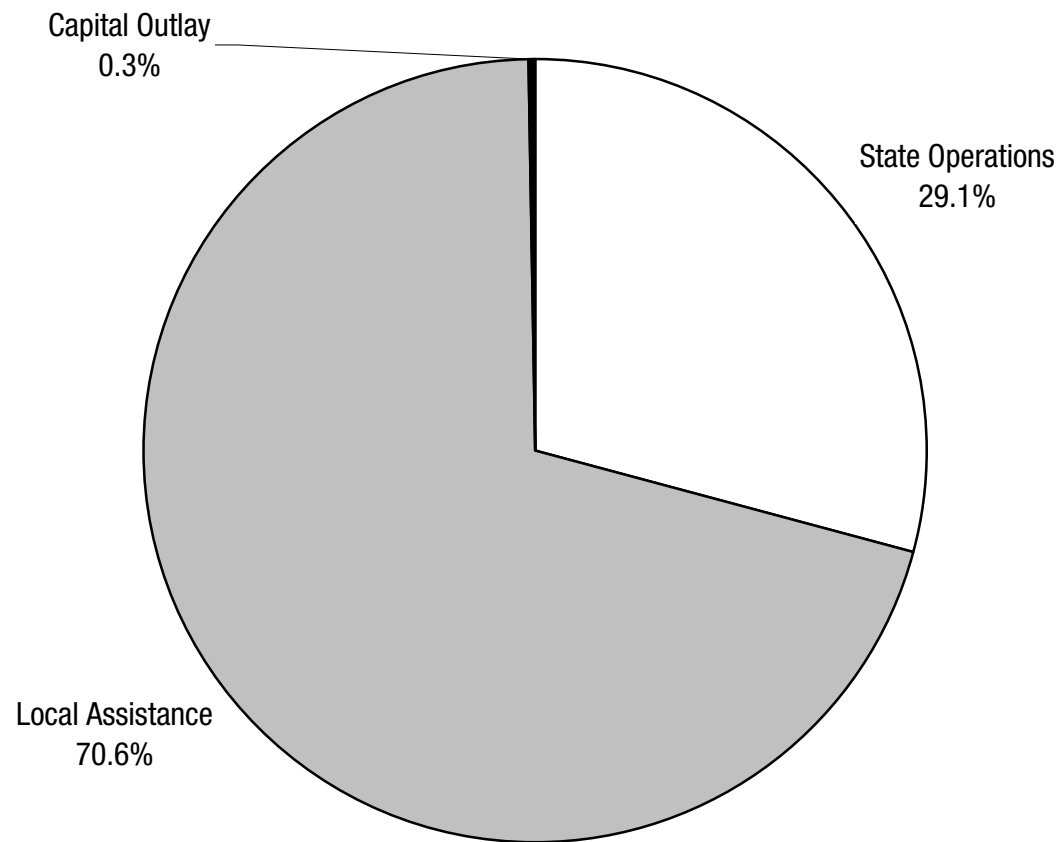
2010-11 Proposed General Fund Expenditures = \$82.9 Billion

Note: General Government expenditures exclude \$1.207 billion in unallocated reductions.

Source: Department of Finance

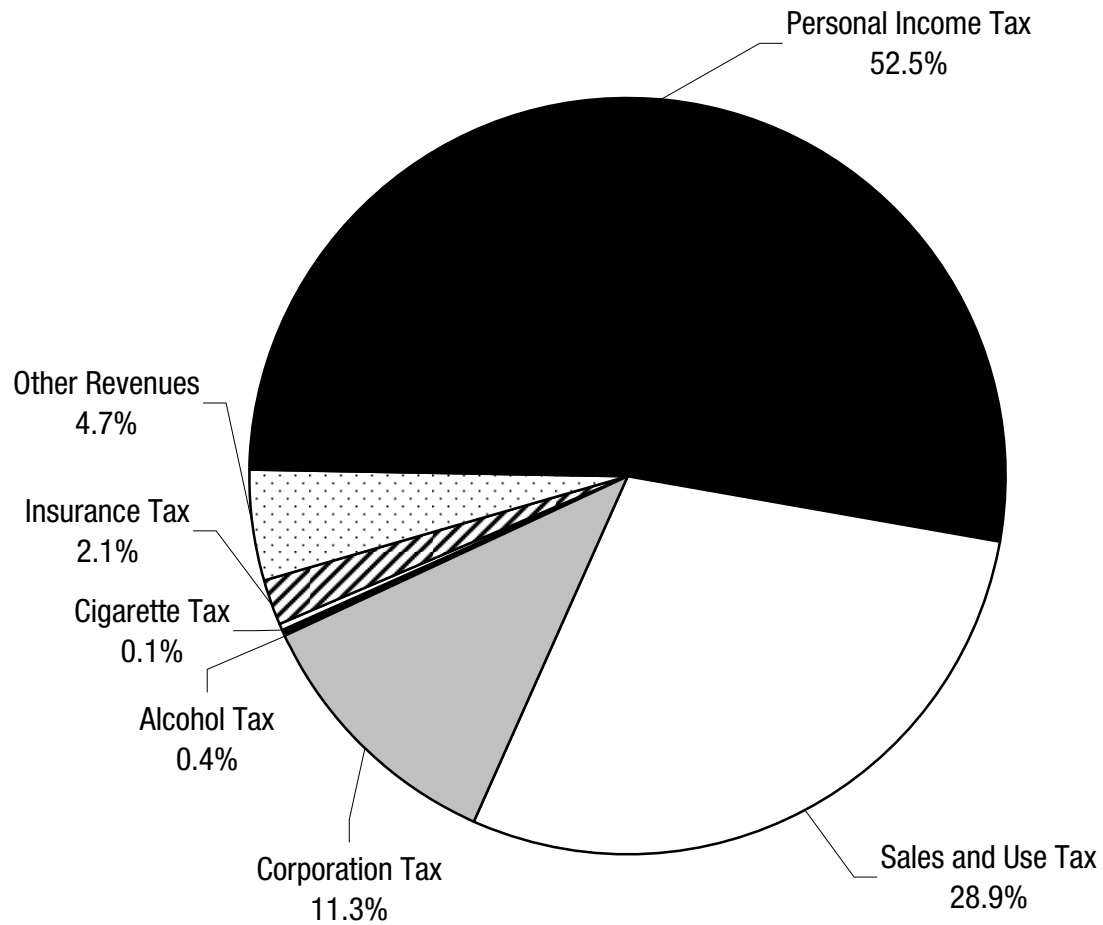
Most State Dollars Go to Local Communities and Individuals

2010-11 Proposed General Fund Spending



Note: Excludes unclassified spending.
Source: Department of Finance

The Personal Income Tax Provides More Than Half of 2010-11 General Fund Revenues



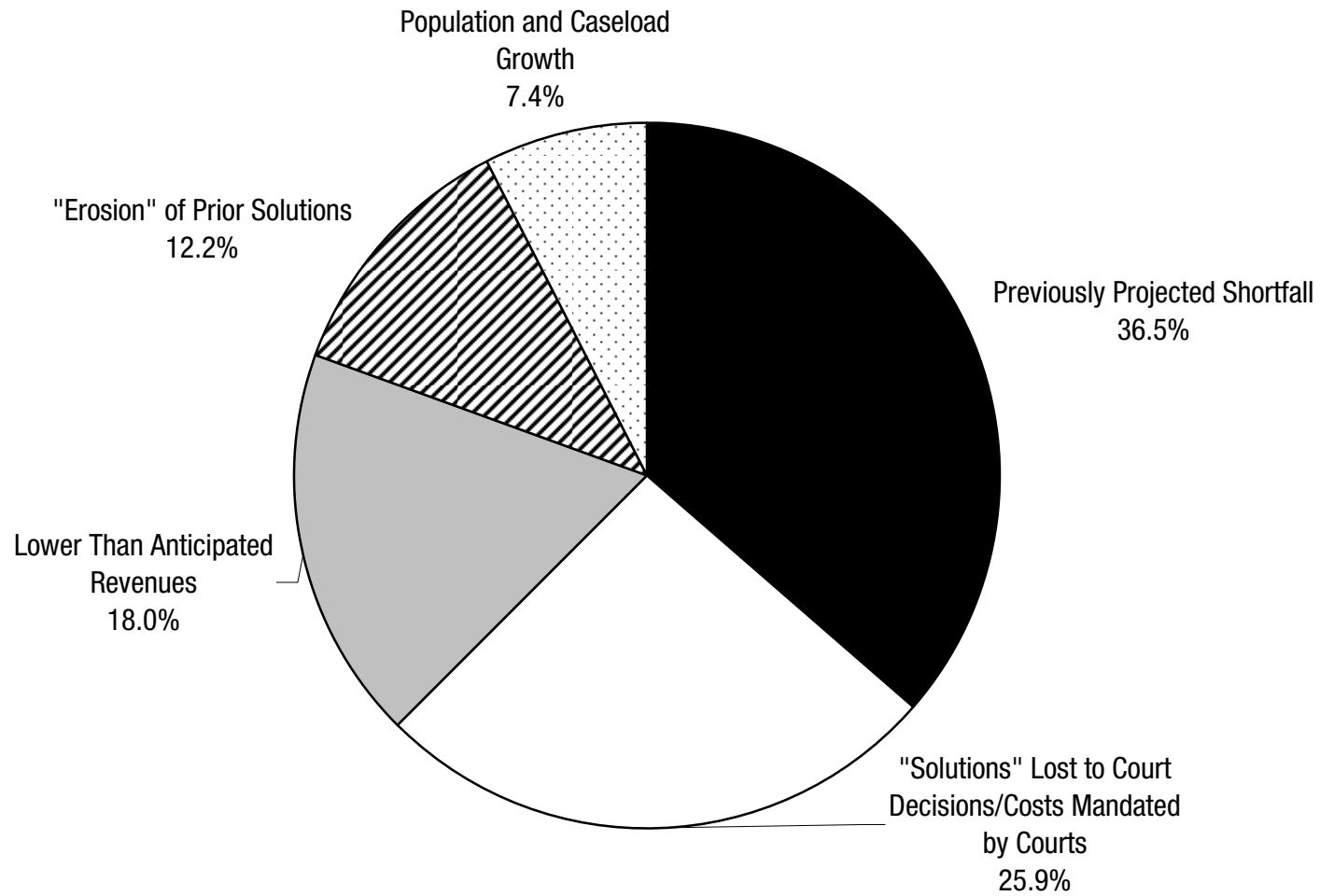
Projected 2010-11 General Fund Revenues = \$89.3 Billion

Note: Includes loans and transfers.
Source: Legislative Analyst's Office

The Big Picture

- California once again faces a budget shortfall of significant magnitude. While smaller in dollar and percentage terms, the \$18.9 billion gap in the 2009-10 and 2010-11 budgets may be even more difficult to close due to “solutions” to prior crises that impose future costs, earmarked revenues, and otherwise limit options for balancing the budget.
- The current shortfall is largely due to continued weakness in the economy, as well as the failure to achieve “solutions” contained in recent budget agreements.
- The Governor proposes to close the gap with deep cuts in education, health and human services programs, and state employee compensation, as well as with federal dollars.

How Did We Get Here: Causes of the Shortfall



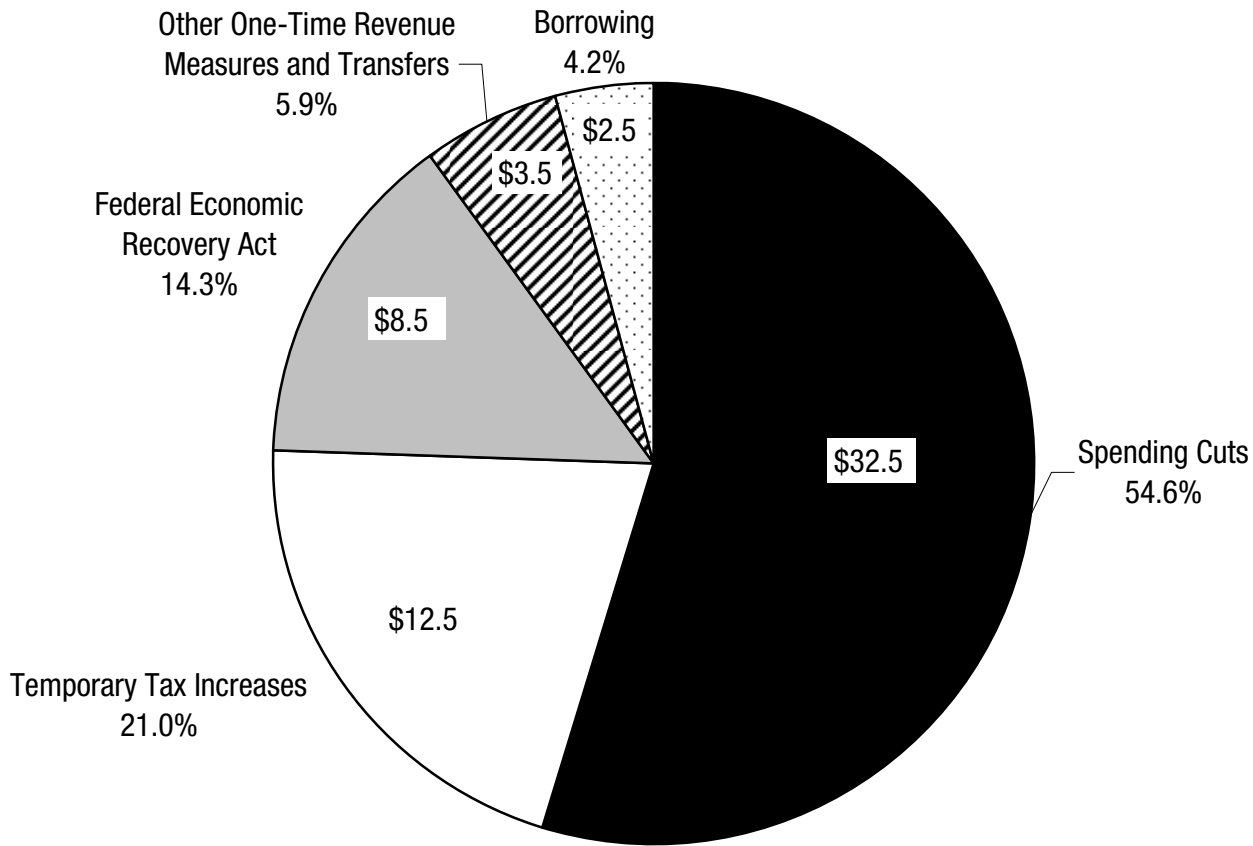
Total Gap = \$18.9 Billion

Where We've Been

- California faced a \$59.5 billion budget shortfall in the 2008-09 and 2009-10 fiscal years. This gap was closed through a combination of spending cuts, temporary tax increases, federal funds, and other measures.
- Current year General Fund spending is over \$18 billion lower than it was just two years ago and is \$21.5 billion lower than was projected in 2004 based on a continuation of policies and programs in effect as of that year. Spending is below forecast levels in nearly all areas of the budget except corrections and infrastructure.
- Revenues are also down relative to previously forecasted levels due to the “Great Recession,” but have not fallen as steeply as has spending.

How Was the Budget Balanced in 2009?

(Dollars in Billions)



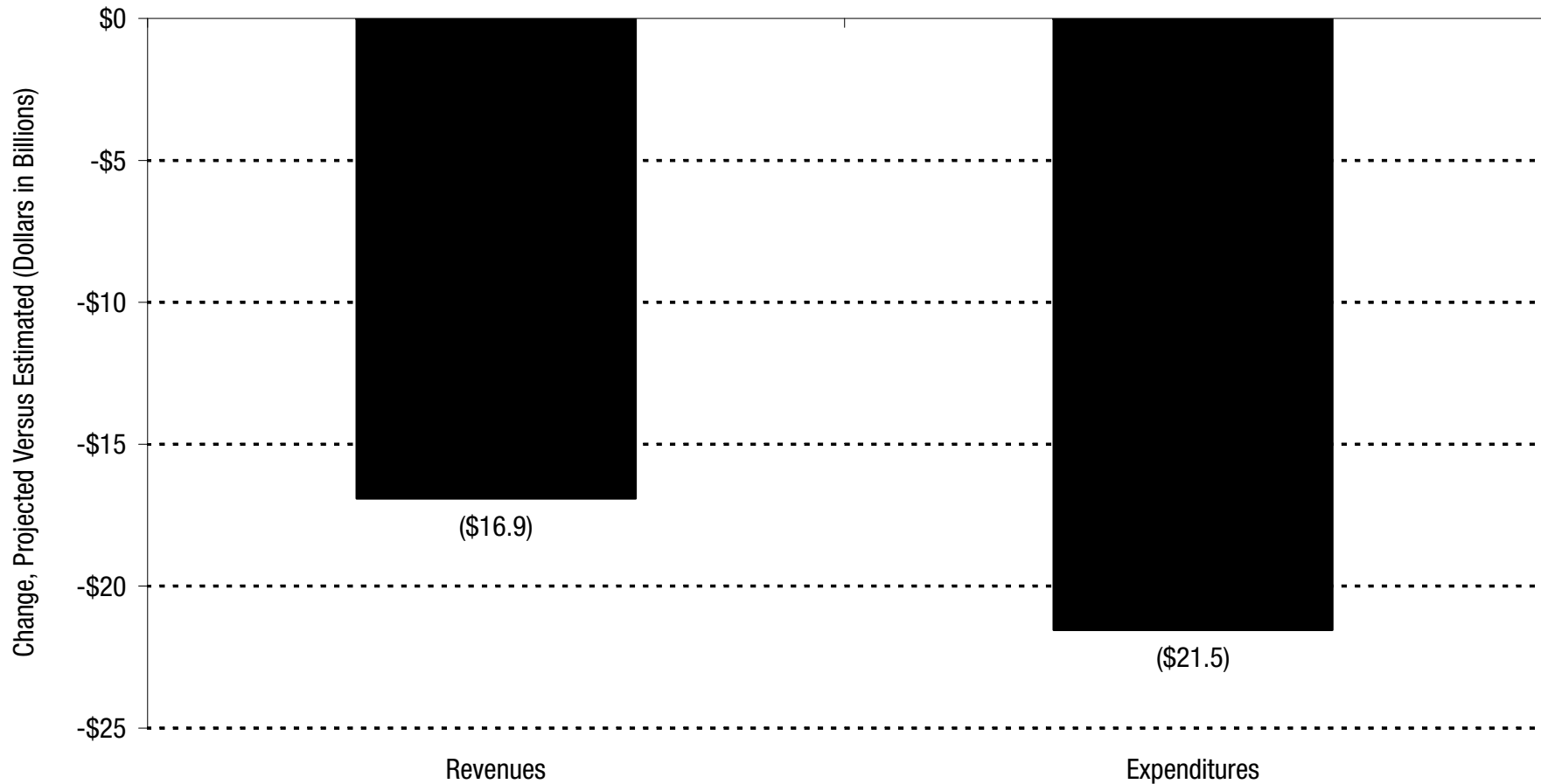
Total Solutions = \$59.5 Billion

Note: Includes February and July 2009 budget agreements.
 Source: Legislative Analyst's Office

General Fund Revenues and Spending Both Are Significantly Below Projected Levels

2009-10 General Fund Revenues and Expenditures as Projected in November 2004

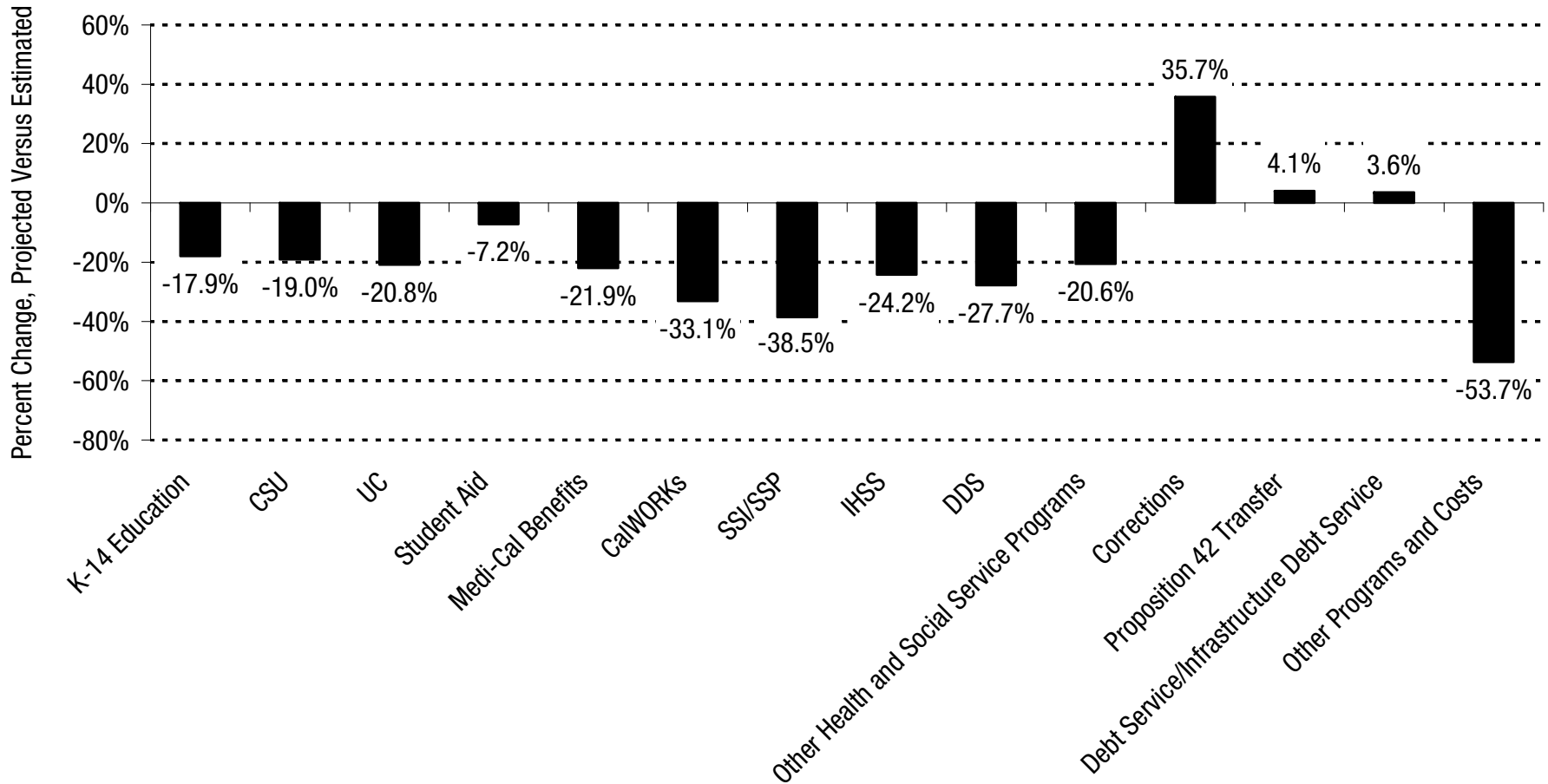
Compared to 2009-10 as Estimated in November 2009



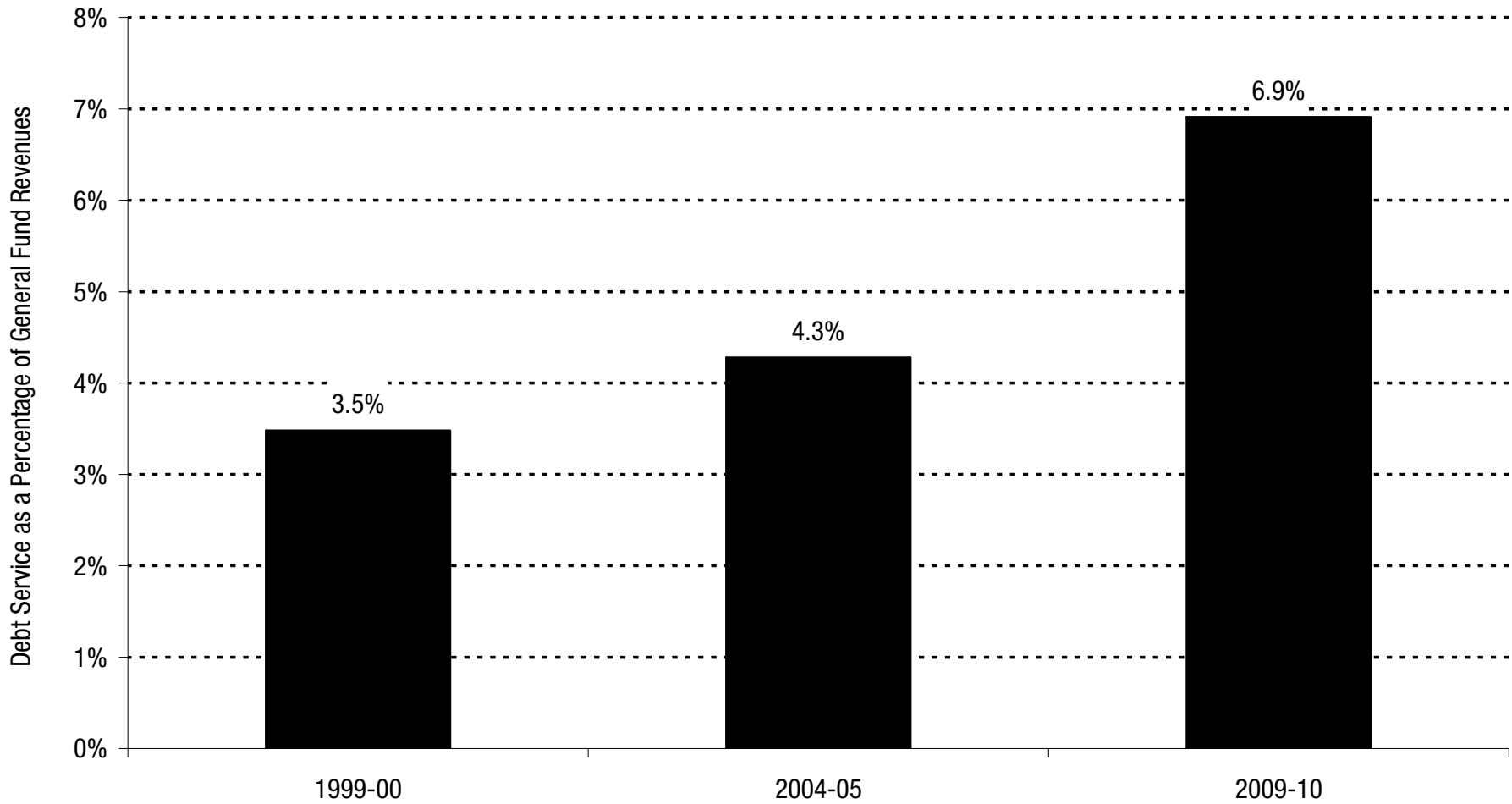
Growth in Corrections and Infrastructure Spending Have Exceeded Projected Levels

2009-10 General Fund Expenditures as Projected in November 2004

Compared to 2009-10 Expenditures as Estimated in November 2009



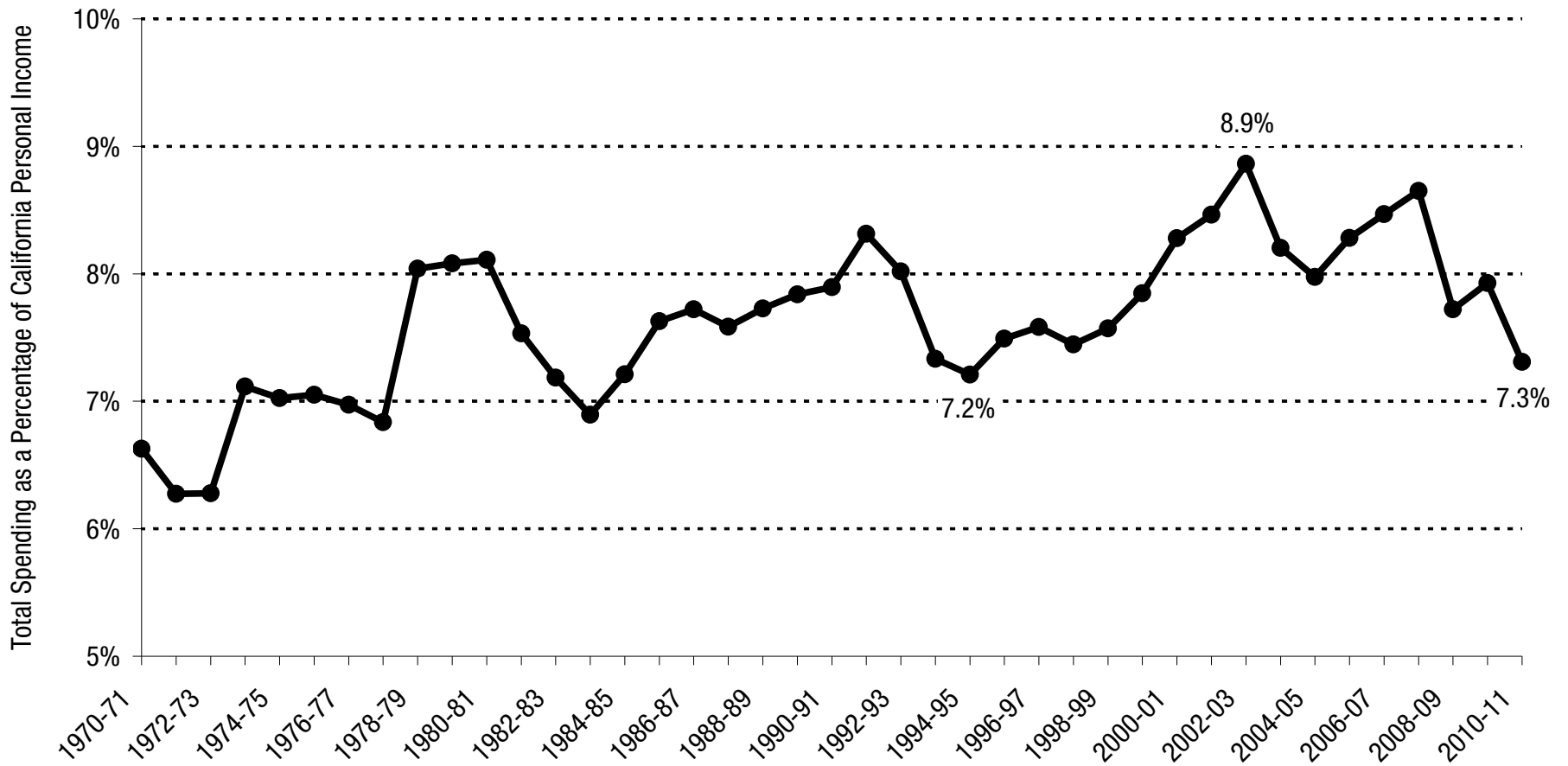
Debt Service as a Share of State Revenues Has Nearly Doubled Since 1999-00



Note: Excludes debt service for Economic Recovery Bonds, Enterprise Fund Self-Liquidating Bonds, and General Obligation Commercial Paper.

Source: State Treasurer's Office

Total State Spending as a Share of Personal Income Would Be the Lowest Since 1994-95 Under the Governor's Proposed 2010-11 Budget



Note: Spending is estimated for 2009-10 and proposed for 2010-11.

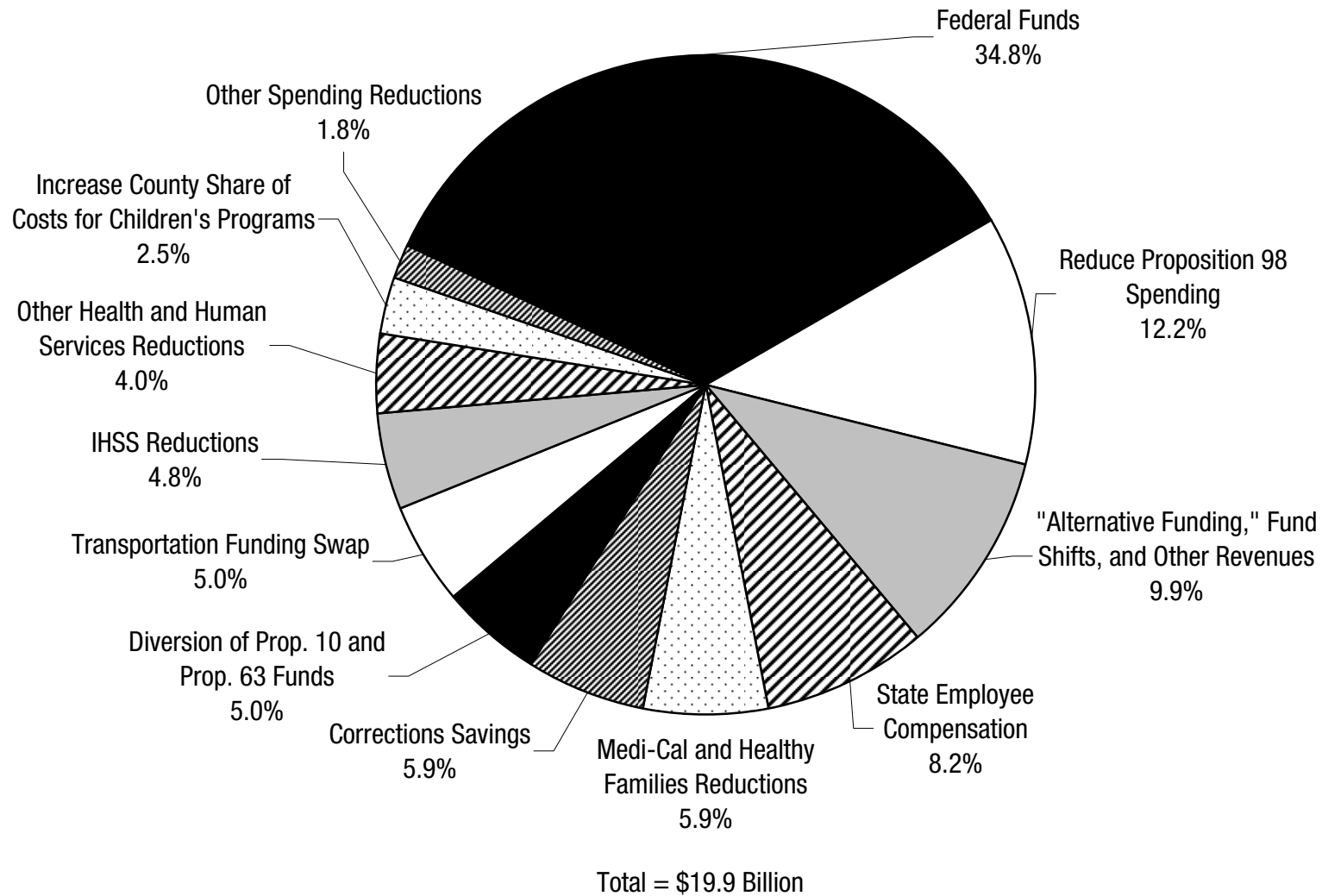
Personal income is projected for 2009-10 and 2010-11.

Source: CBP analysis of Department of Finance and US Bureau of Economic Analysis data

How Does the Governor Balance the Budget?

- The Governor proposes to close the state's budget gap with:
 - \$6.9 billion in federal funds;
 - \$2.4 billion in cuts to schools and community colleges;
 - \$1.6 billion in reductions to state employee compensation;
 - \$1.2 billion in reductions in corrections spending;
 - \$1.2 billion in reductions to health coverage programs;
 - \$1.0 billion in reductions to the IHSS program which would eliminate services to 87 percent of current recipients;
 - \$792 million in reductions to other health and human services programs; and
 - \$4.8 billion in “alternative funding” and other reductions.

How Does the Governor Propose To Balance the Budget?



The Governor Assumes \$6.9 Billion in Federal Funds

- The Governor assumes California will receive \$6.9 billion in additional federal funds in 2010-11 that would be used to support costs that otherwise would be paid from the state's General Fund, including:
 - Extending ARRA funding for a range of health and human services programs through June 2011 (\$2.1 billion);
 - Permanently increasing the federal share of Medi-Cal Program costs from 50 percent to 57 percent (\$1.8 billion);
 - Providing \$1 billion in reimbursements to California for state costs related to mandated special education services;
 - Increasing federal funding by \$879.7 million to fully fund the cost of incarcerating undocumented immigrants in California state prisons;
 - Reimbursing California for Medi-Cal services provided to people with disabilities who were actually eligible for Medicare and change the required level of state funding for prescription drug costs (\$1 billion); and
 - Increasing federal payments for the Foster Care Program (\$86.9 million).

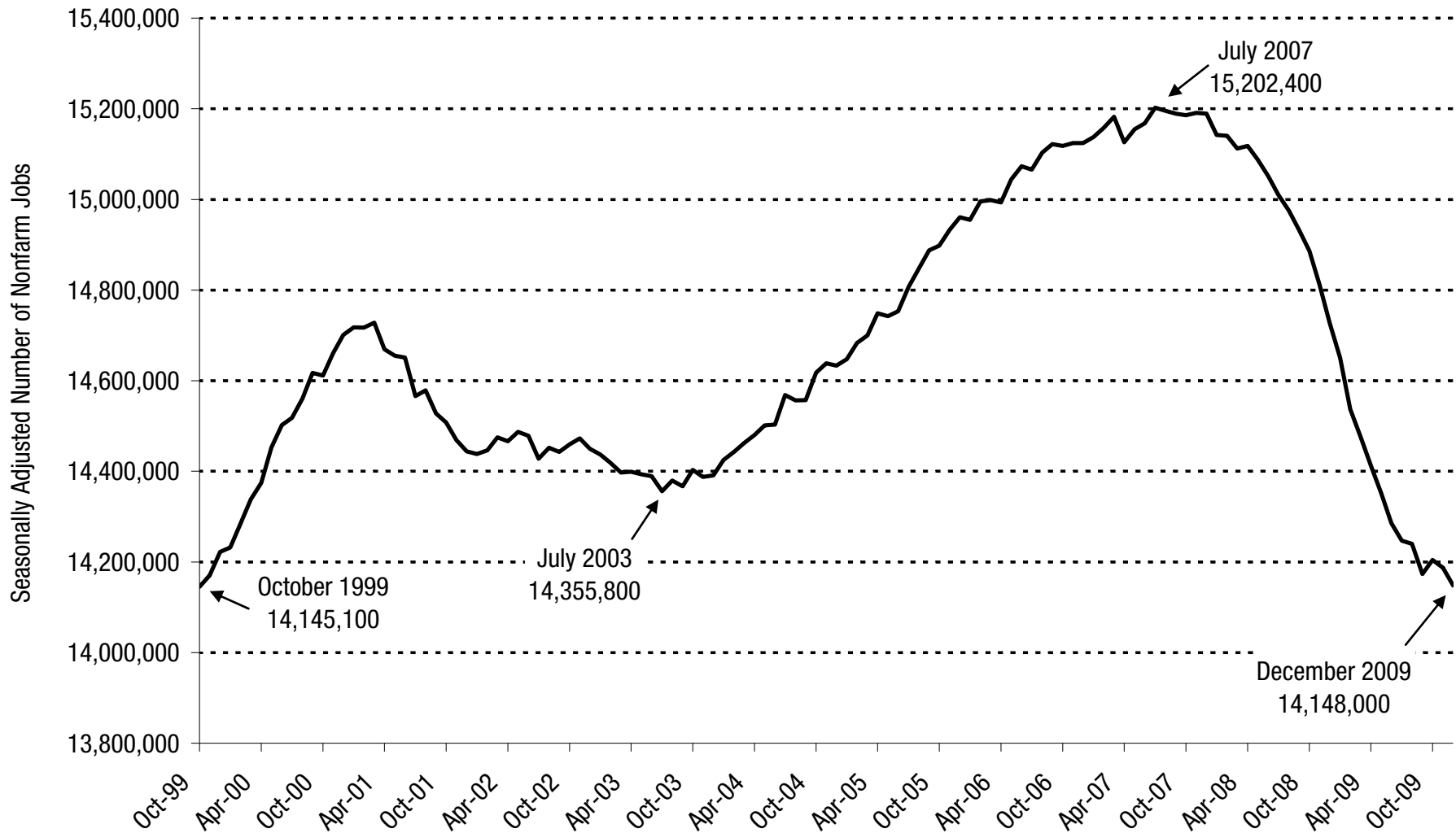
The Governor Proposes To Trigger Additional Cuts and Revenue Increases if Federal Funding Falls Short

- The Governor proposes to trigger \$6.9 billion in additional spending cuts and certain tax increases if the Director of Finance determines on or before July 15, 2010 that California will not receive the full \$6.9 billion in additional federal funds assumed in the Governor's Proposed Budget. According to the Legislative Analyst's Office, the Governor's proposed trigger would be "all or nothing," similar to the trigger in the February 2009 budget agreement.
- The Governor's proposal would trigger \$4.6 billion in spending cuts, including:
 - Eliminating the CalWORKs Program (\$1.044 billion);
 - Reducing Medi-Cal eligibility to the minimum allowed under current federal law and eliminating most remaining optional benefits (\$532 million);
 - Eliminating the IHSS Program (\$495 million); and
 - Eliminating the Healthy Families Program (\$126 million).
- The Governor's proposal also would raise \$2.4 billion through several one-time measures, including delaying implementation of corporate tax cuts and extending some of the temporary tax increases included in recent budget agreements.

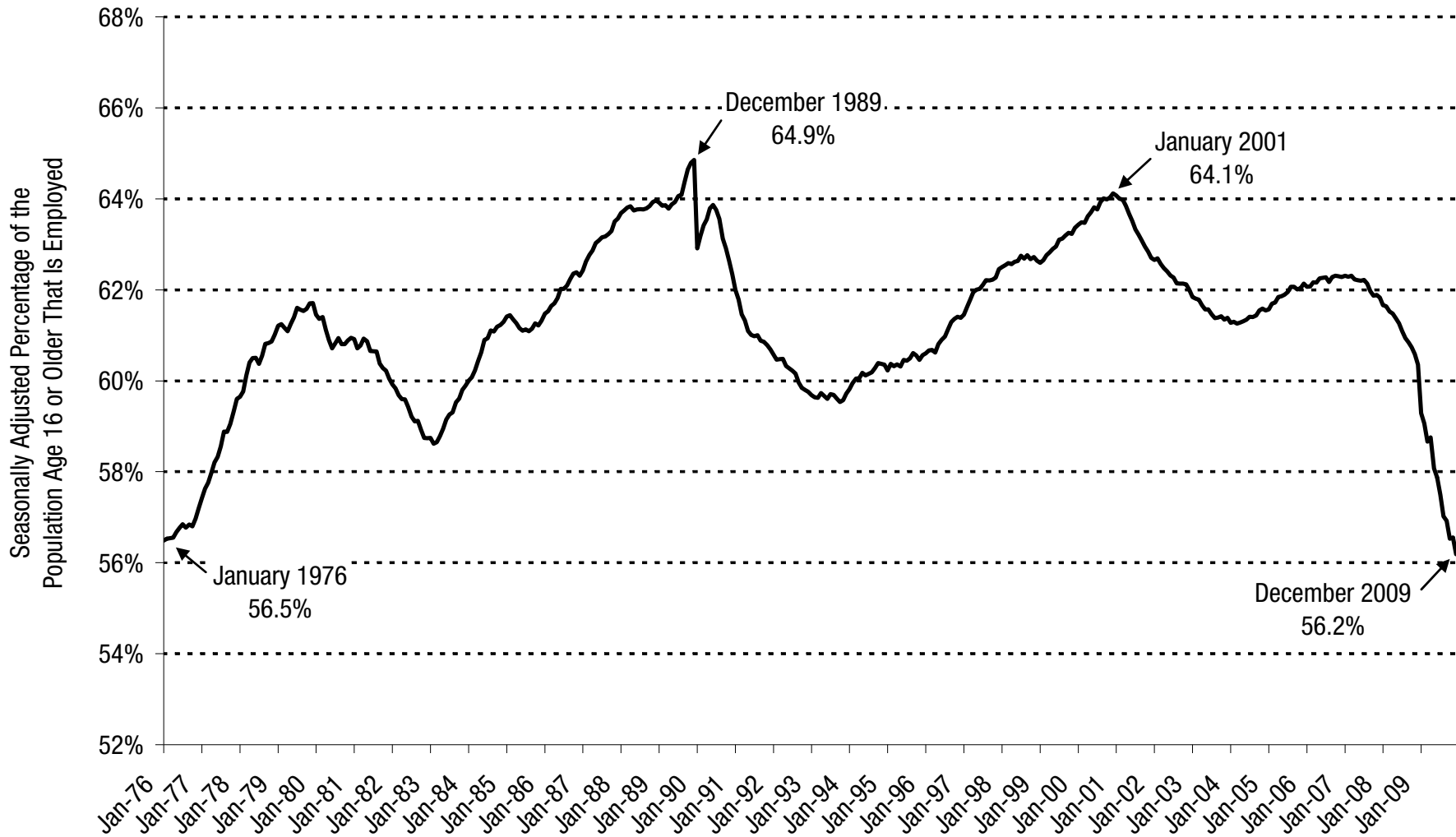
California's Job Market Remains Weak

- Workers and their families face the toughest job market in decades:
 - California has lost more than 1 million jobs since the recession began. The state now has as many jobs as it did 10 years ago, when it was home to 3.6 million fewer working-age individuals.
 - In December, just 56.2 percent of working-age Californians had jobs – the lowest level in at least 33 years.
 - Nationally, there were 6.4 job-seekers for every job opening in November. This figure is likely higher in California given the state's substantially higher unemployment rate.
 - A record-high 34.9 percent of California's unemployed were jobless for more than half a year in 2009.

California Has Lost More Than 1 Million Jobs Since the Recession Began

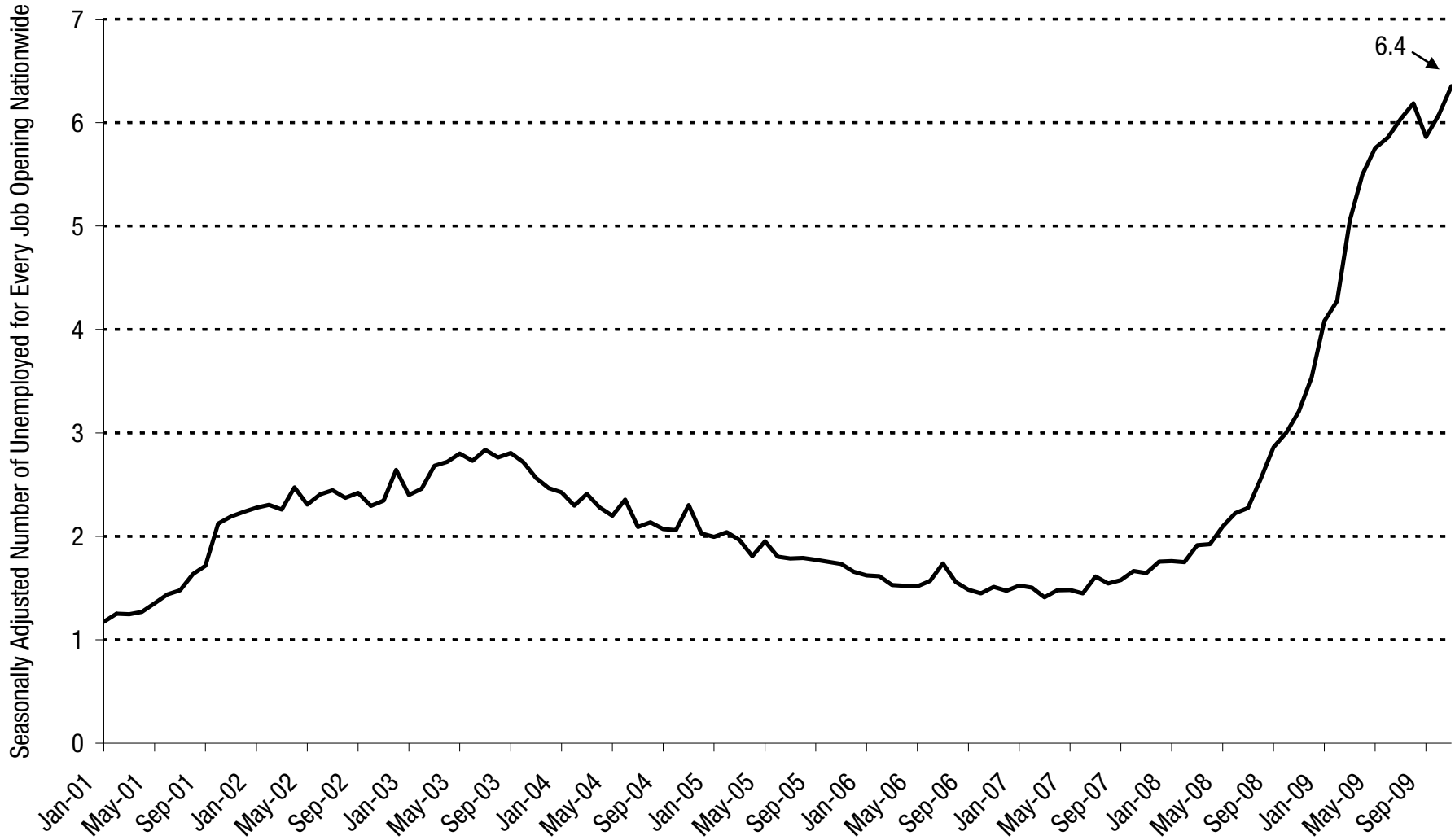


California's Employment Rate Fell to Its Lowest Level in At Least 33 Years in December 2009



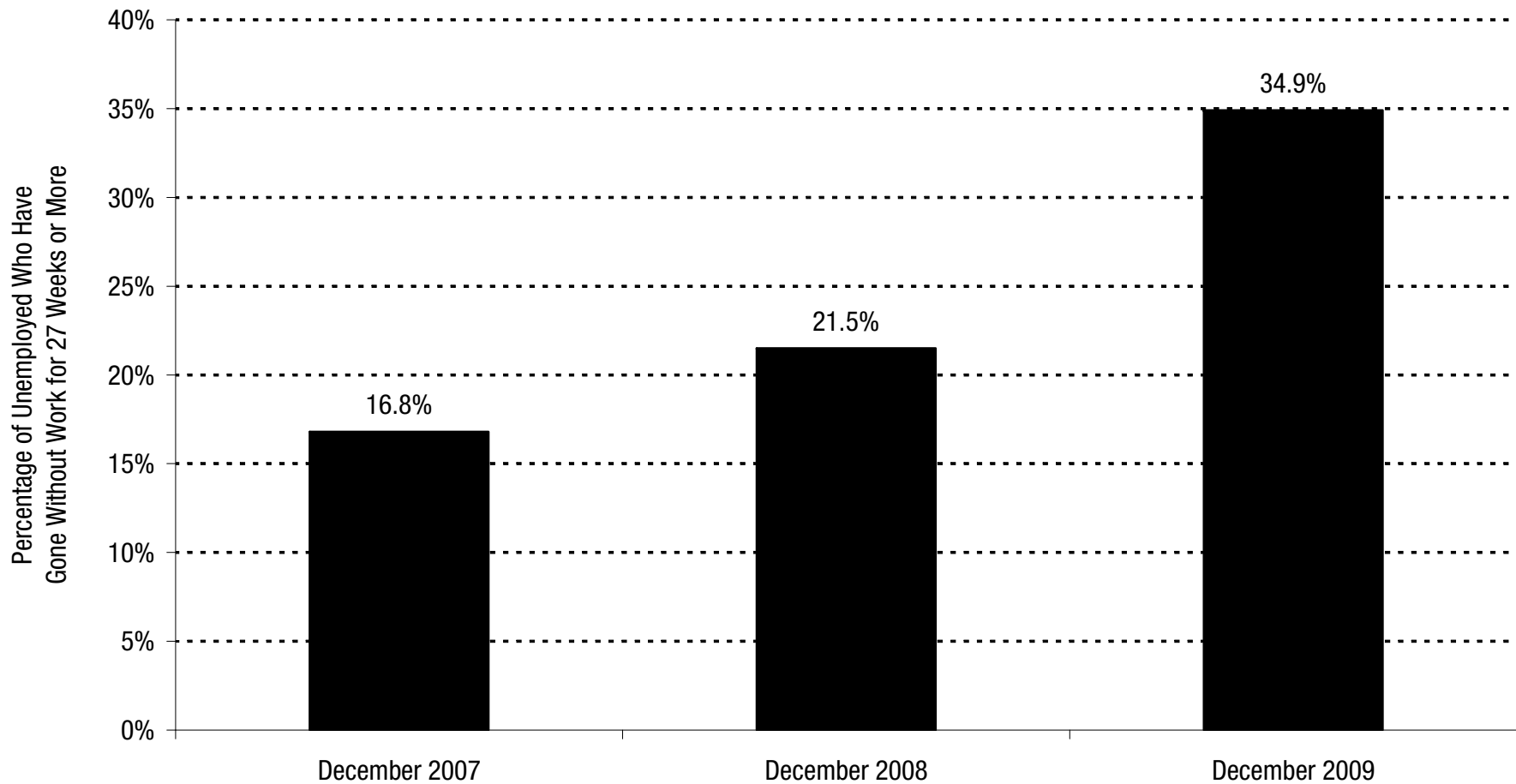
Source: US Bureau of Labor Statistics

Nationally, There Were More Than Six Job Seekers for Every Job Opening in November 2009



Source: CBP analysis of US Bureau of Labor Statistics data

More Than One Out of Three Jobless Californians Were Unemployed for More Than Half a Year in 2009

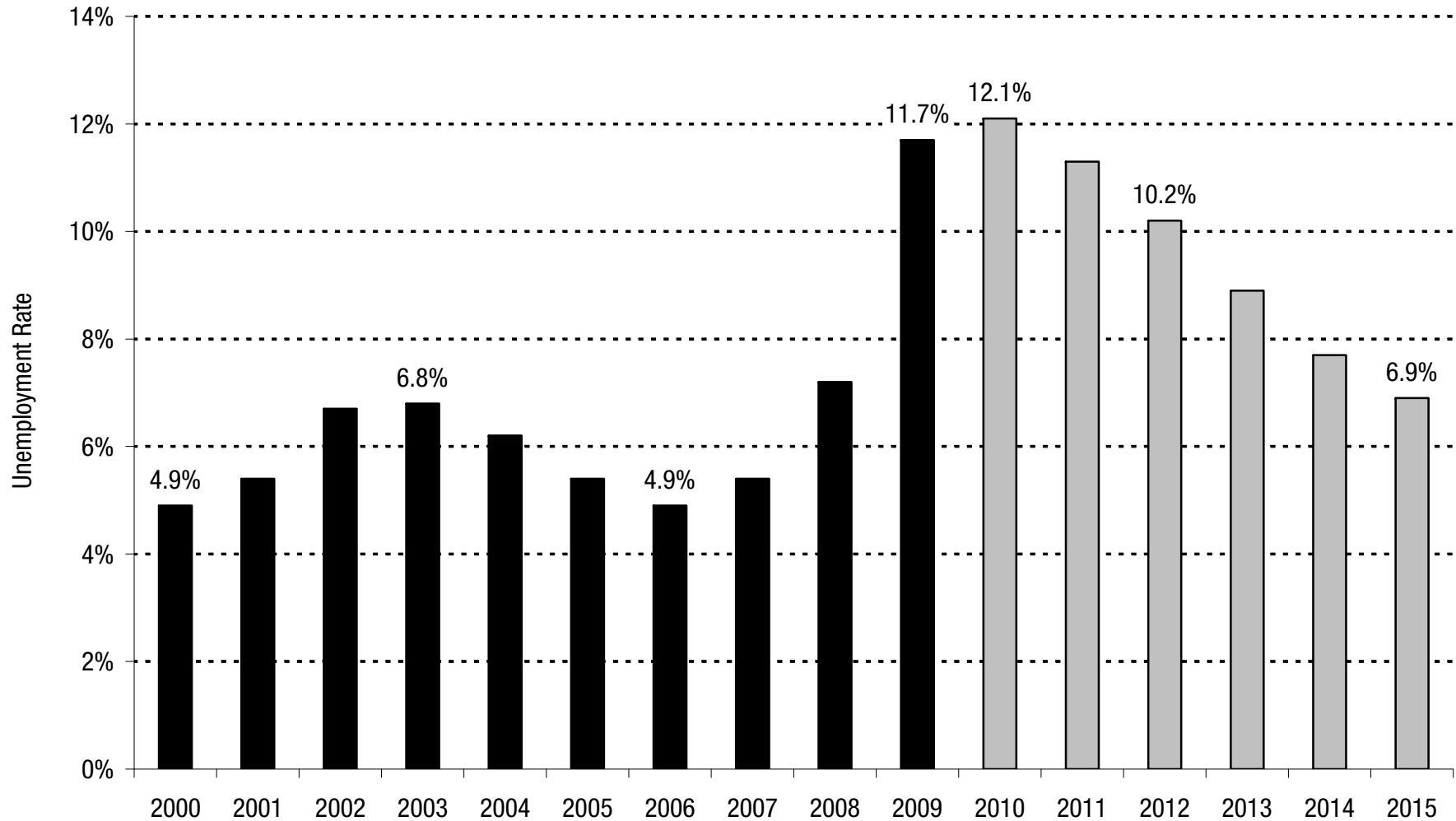


Note: Data reflect 12-month averages ending in December of each year.
Source: Employment Development Department

California Faces a Long Road to Recovery

- Most experts anticipate that the economy will grow too slowly during the first few years of recovery to substantially reduce unemployment. Forecasts project that California's annual unemployment rate will remain above 10 percent through 2012. Continued weakness in the job market is likely to further diminish workers' earnings and incomes.
 - The hourly wage of California's low-wage workers declined by 0.3 percent between 2007 and 2009, after adjusting for inflation, while that of workers at the middle of the distribution was flat.
 - California's inflation-adjusted median household income fell by more than \$2,000 (3.5 percent) between its recent peak in 2006 and 2008 – the most recent year for which data are available. In addition, the state's poverty rate increased from 12.2 percent in 2006 to 14.6 percent in 2008.

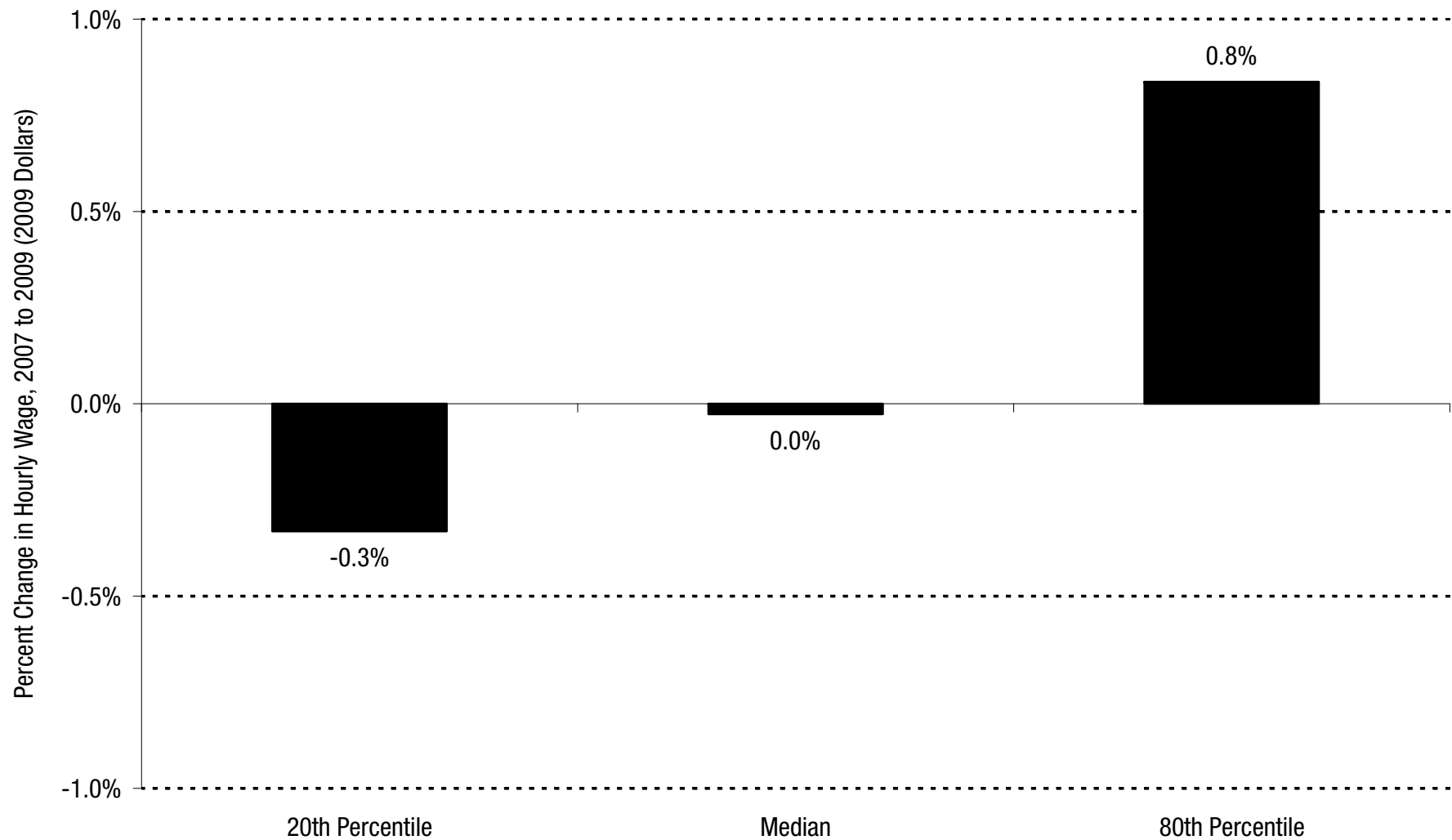
California's Annual Jobless Rate Is Projected To Peak in 2010 and Remain Above 10 Percent Through 2012



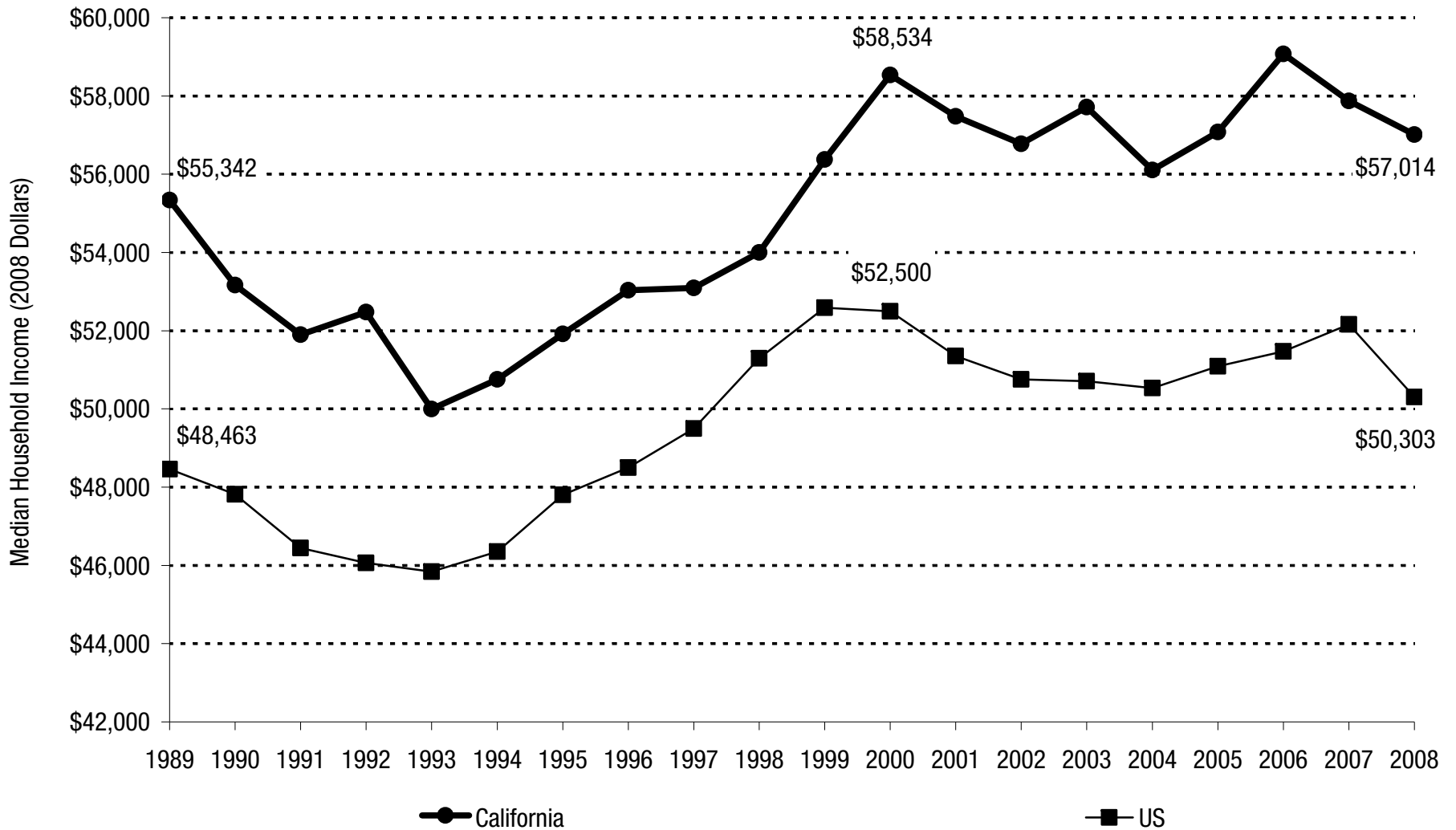
Note: 2009 estimated; 2010-2015 projected.

Source: Legislative Analyst's Office and US Bureau of Labor Statistics

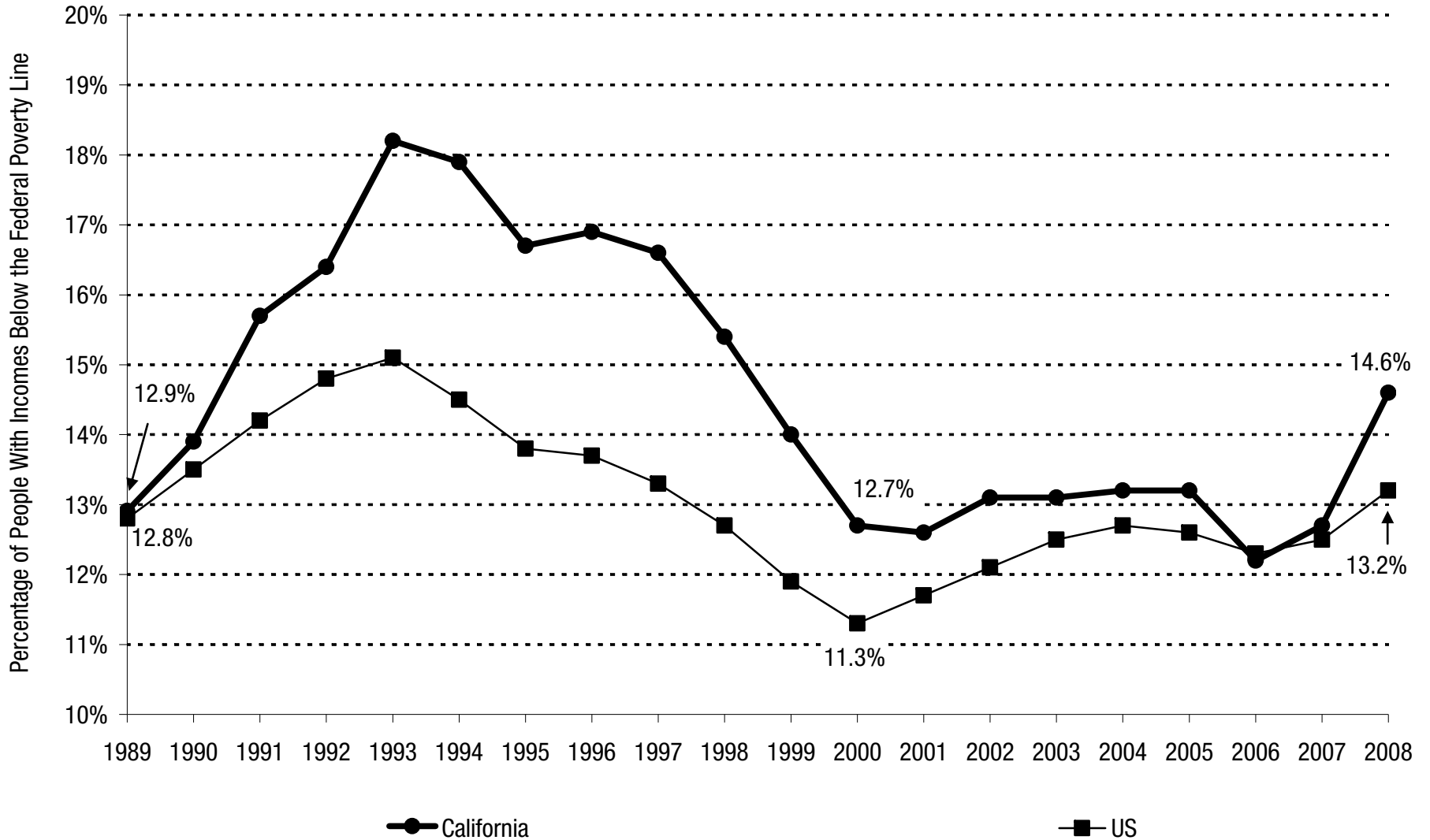
The Hourly Wages of California's Low-Wage Workers Lost Purchasing Power During the Recession



California's Median Household Income Has Declined Since 2006



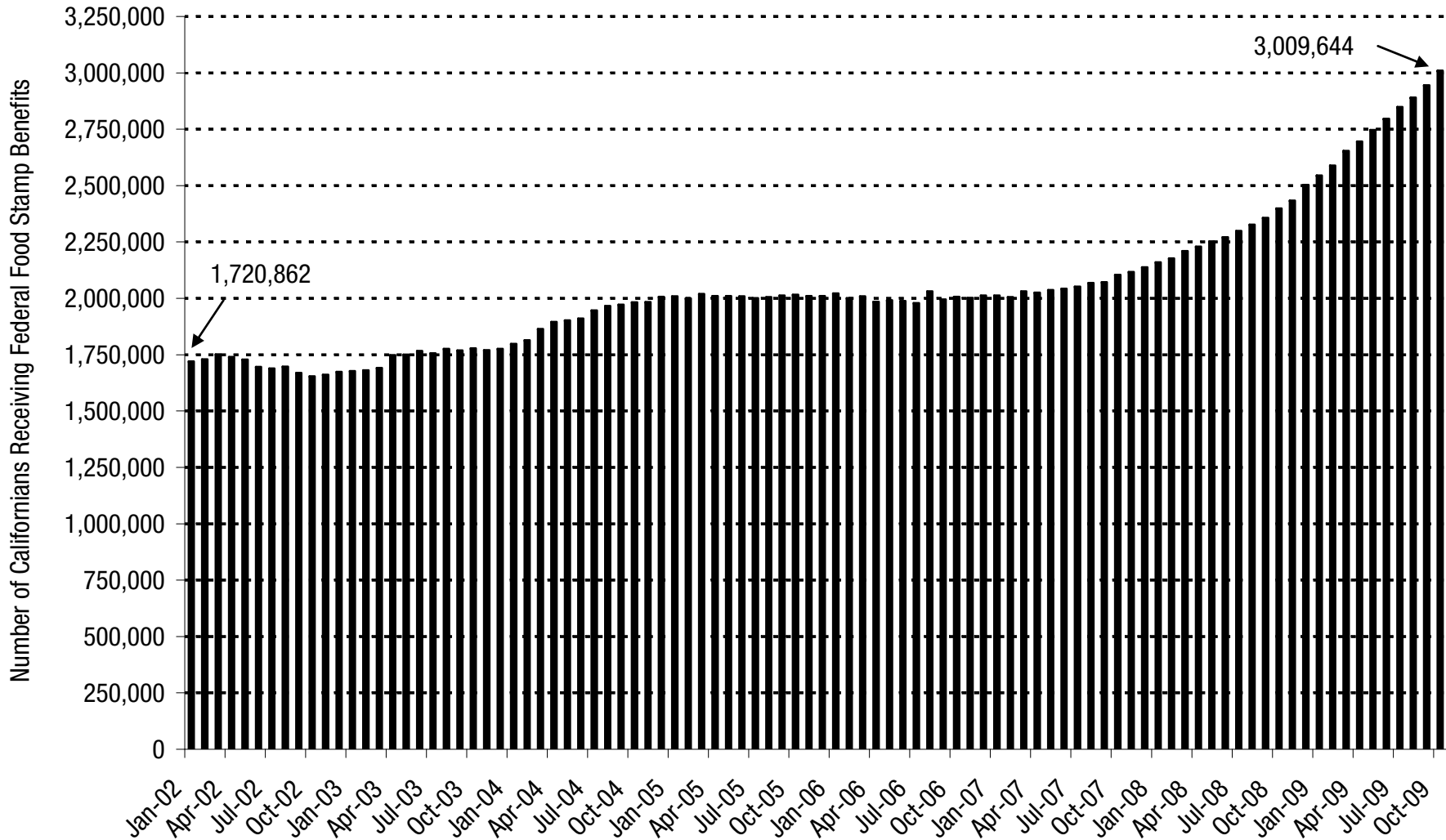
California's Poverty Rate Increased Significantly Between 2007 and 2008



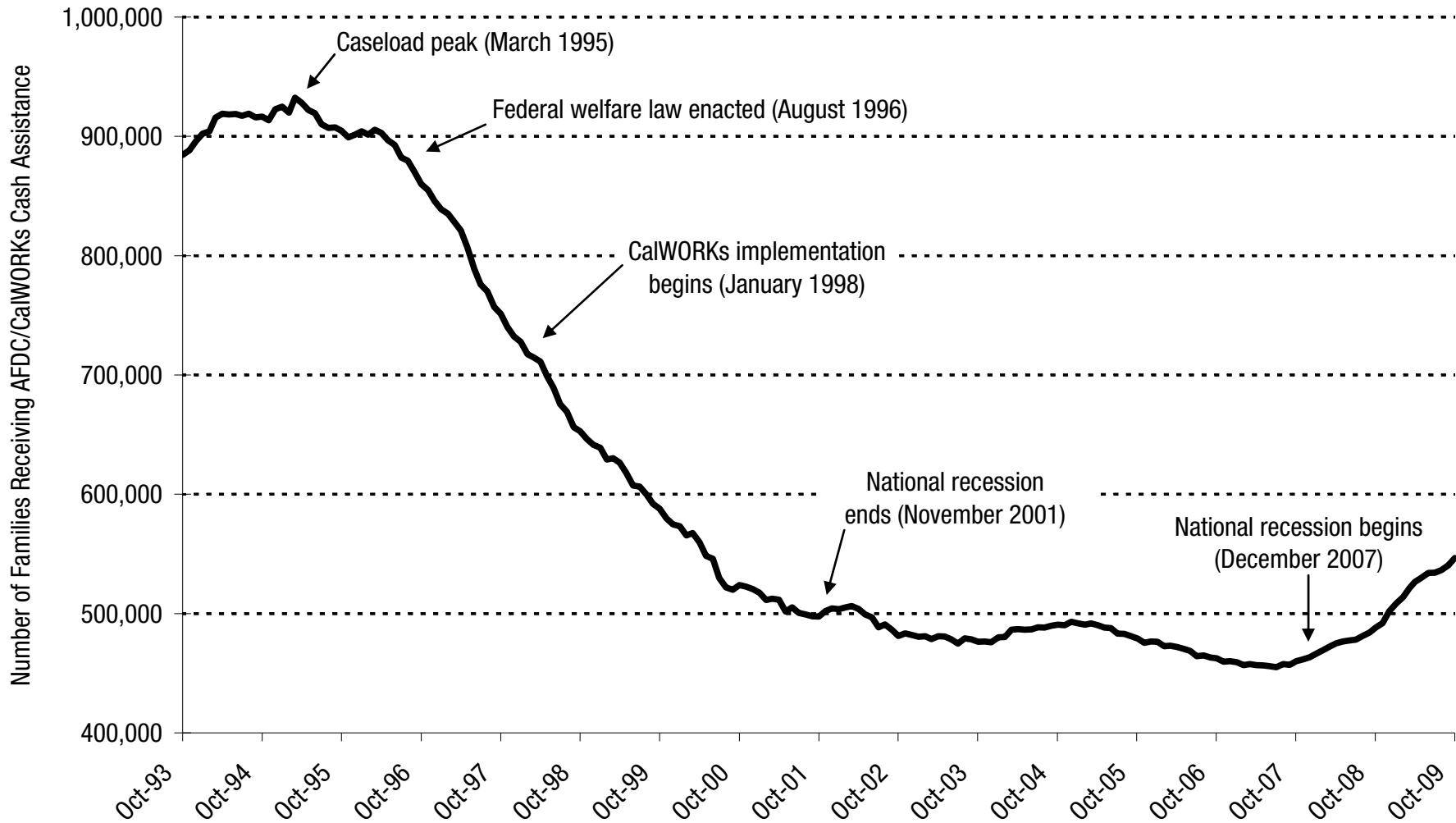
The Recession Has Boosted Demand for Services

- California's families have turned to public programs to help make ends meet during the recession:
 - The number of Californians receiving food stamp benefits increased by more than 905,218 (43.0 percent) between October 2007 and October 2009.
 - The number of children enrolled in the Healthy Families Program rose by 97,172 (11.8 percent) between July 2007 and July 2009. A temporary enrollment freeze due to budget cuts reduced enrollment between July 2009 and October 2009. However, enrollment has started to rebound since October.
 - The number of Californians enrolled in Medi-Cal rose by 470,965 (7.2 percent) between May 2007 and May 2009.
 - The number of families receiving CalWORKs cash assistance increased by 86,524 (18.8 percent) between October 2007 and October 2009, marking the first substantial rise since the enactment of state and federal welfare reform.

The Number of Californians Receiving Food Stamp Benefits Has Risen Substantially Since Mid-2007



The Number of Families Receiving CalWORKs Cash Assistance Has Increased Since July 2007

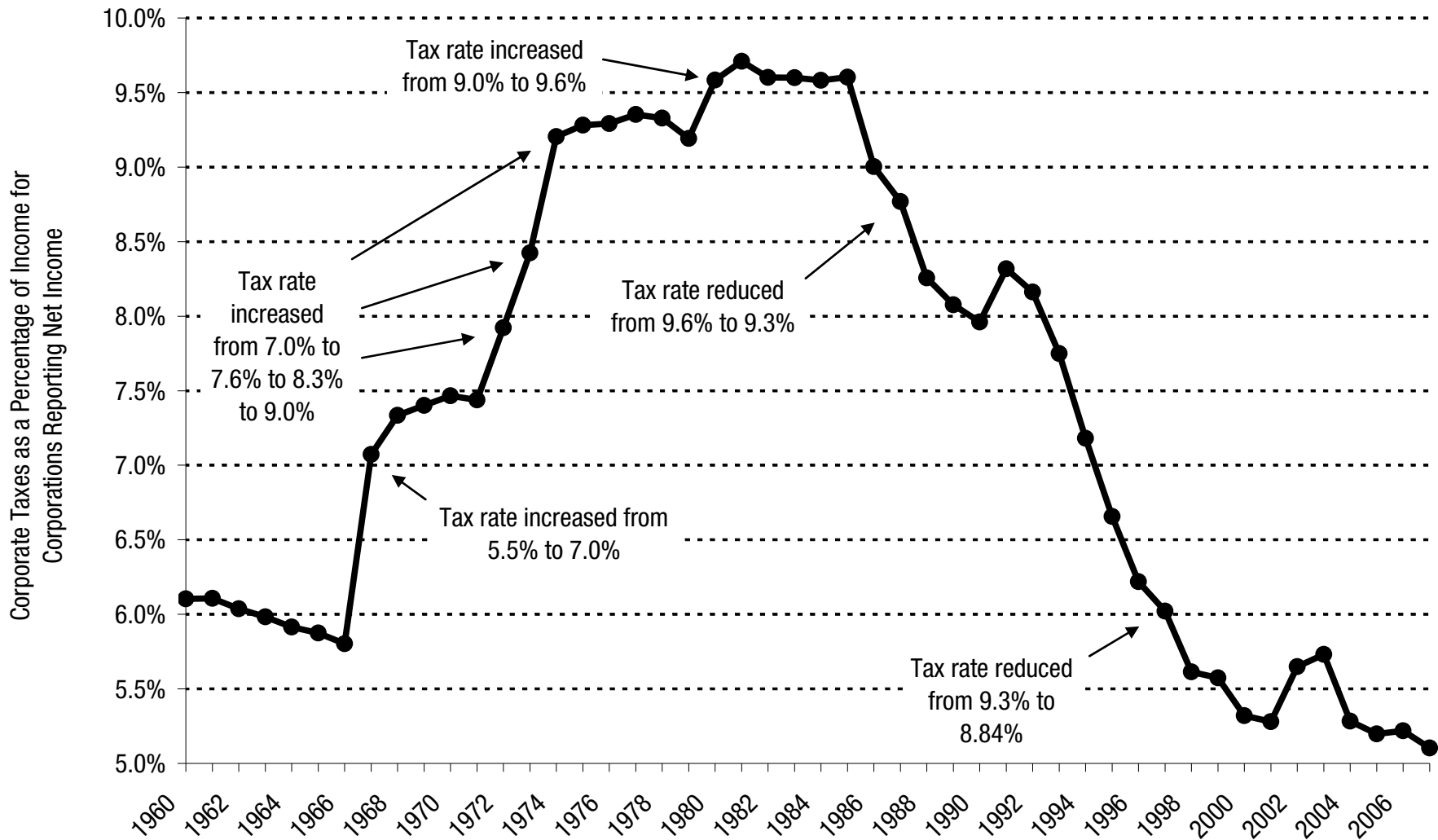


Source: Department of Social Services

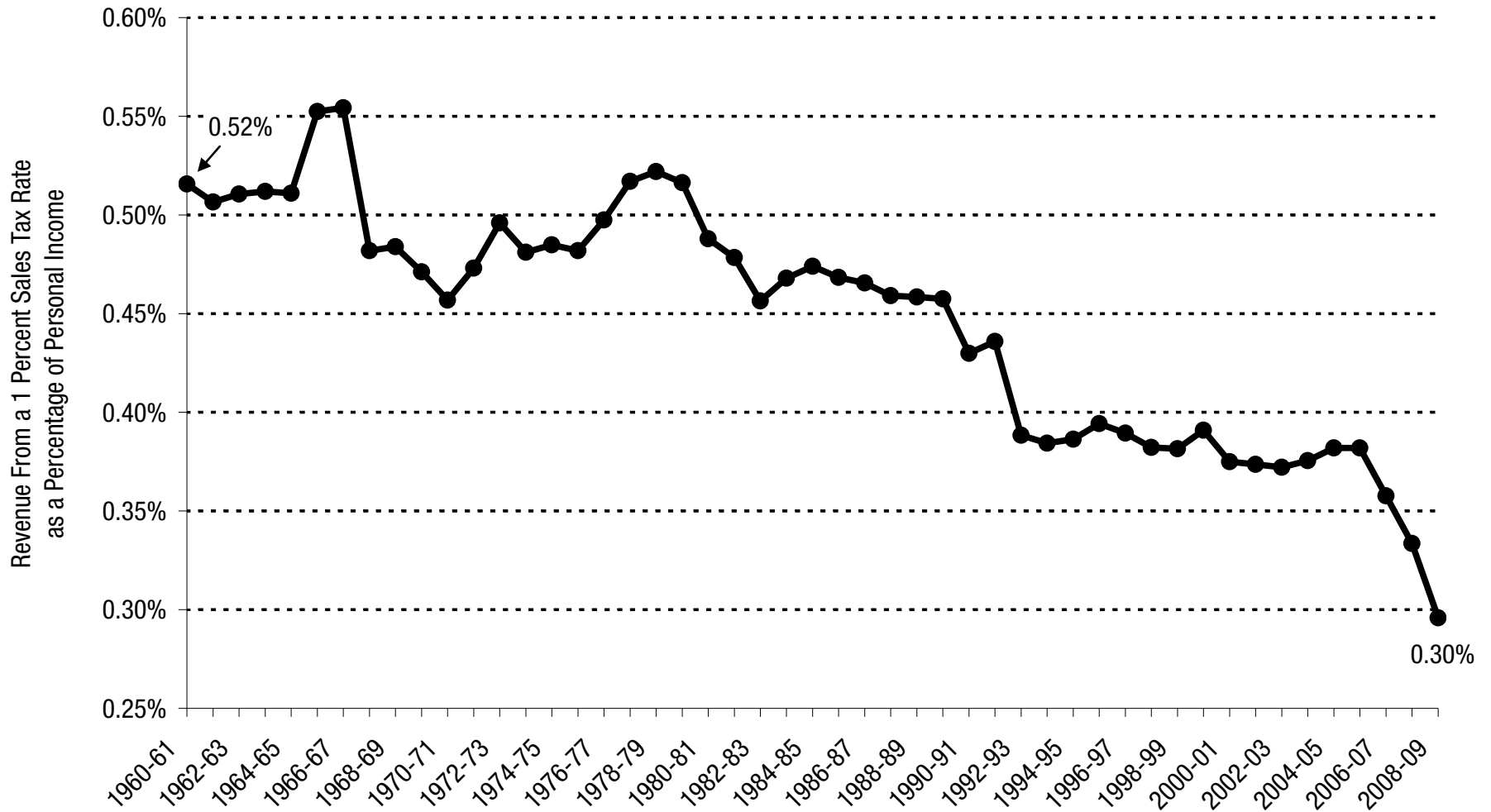
California's Tax System Contributes to the Budget Gap

- Tax policies and economic trends contribute to the state's budget problems:
 - Corporate income taxes have declined over time as a share of corporate profits. If corporations had paid the same share of their profits in corporate taxes in 2007 as they did in 1981, collections would have been \$8.3 billion higher.
 - The yield of the state's sales tax has declined over time, reflecting the shift in economic activity from goods to services and the rise of Internet and mail-order sales that escape taxation. If taxable purchases accounted for the same share of personal income in 2008-09 as they did in 1966-67, the state would have collected an additional \$21.5 billion in sales tax revenues.
 - Backloaded corporate tax cuts enacted in 2008 and 2009 will reduce future years' revenues by upwards of \$2 billion, widening future budget gaps.

The Share of Corporate Income Paid in Taxes Has Fallen by Nearly Half Since 1981



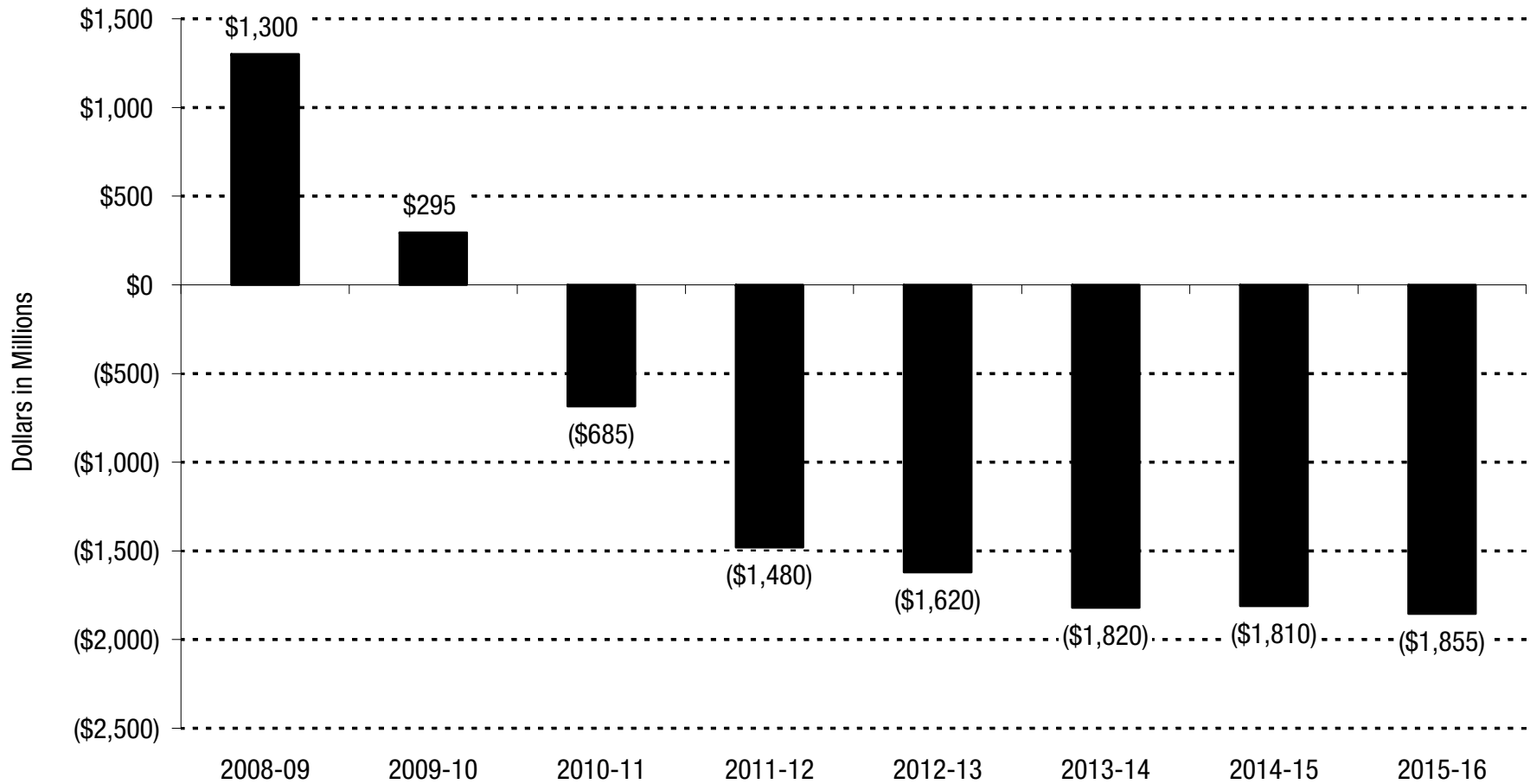
Sales Tax Collections Have Declined as a Share of Personal Income



Source: Department of Finance, Legislative Analyst's Office, and US Bureau of Economic Analysis

2008 and 2009 Tax Deals Will Lose Nearly \$8 Billion Over Eight Years

Losses Will Continue Permanently



Net Cost of Business Tax Cuts in the 2008 and 2009 Budget Agreements

The Governor Proposes Deep Cuts to Public Education

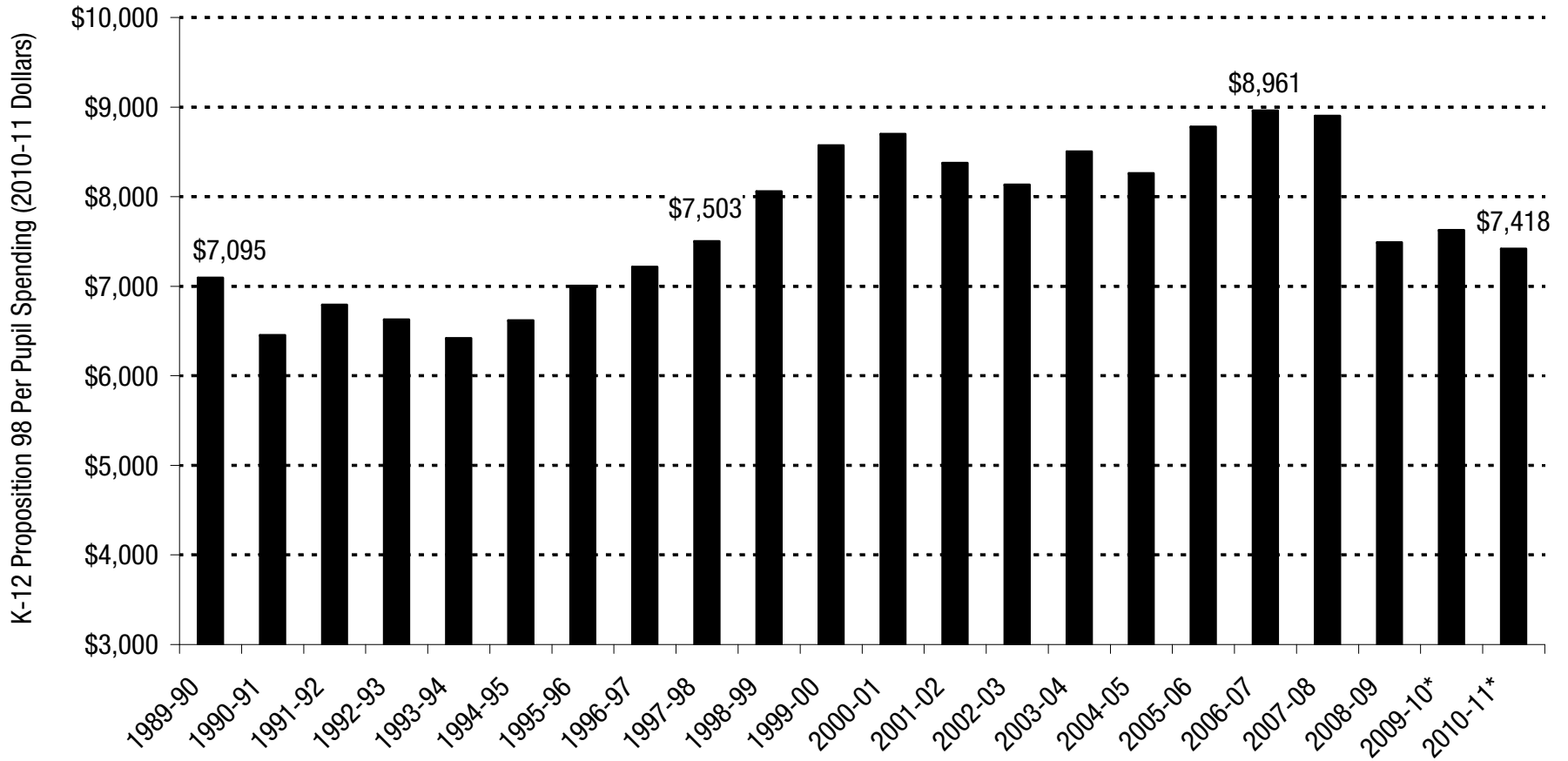
- The Governor proposes to:
 - Reduce spending on K-14 education to the minimum level required based on the Governor's assumptions, a reduction of \$2.4 billion in 2009-10 and 2010-11 combined.
 - Reduce 2010-11 general-purpose funding for school districts and county offices of education by \$1.5 billion and reduce 2010-11 general-purpose and categorical funding for school districts and county offices of education by \$229.5 million due to lower average daily attendance, retirement costs, and cost-of-living adjustments.
 - Reduce funding for the K-3 Class Size Reduction Program by \$340 million in 2009-10 and by \$550 million in 2010-11.

How Do California's Schools Compare?

	California Rank	California	US
K-12 Per Pupil Spending (2009-10)	45	\$8,825	\$11,052
K-12 Spending as a Percentage of Personal Income (2008-09)	46	3.3%	4.1%
Number of K-12 Students Per Teacher (2009-10)	51	21.3	14.4
K-12 Per Pupil Spending, Adjusted for Regional Cost Differences (2006-07)	46	\$8,164	\$10,557
Percentage of K-12 Students in Districts With Adjusted Per Pupil Spending at or Above the US Average (2006-07)	21	34.6%	40.5%
Percentage of High School Students Who Graduate With a Diploma (2005-06)	36	67.5%	69.2%

Source: Education Week, National Education Association, and US Bureau of Economic Analysis

Schools Would Receive Less in 2010-11 Than in 1997-98 Under the Governor's Proposals, After Adjusting for Inflation



* 2009-10 estimated and 2010-11 proposed.

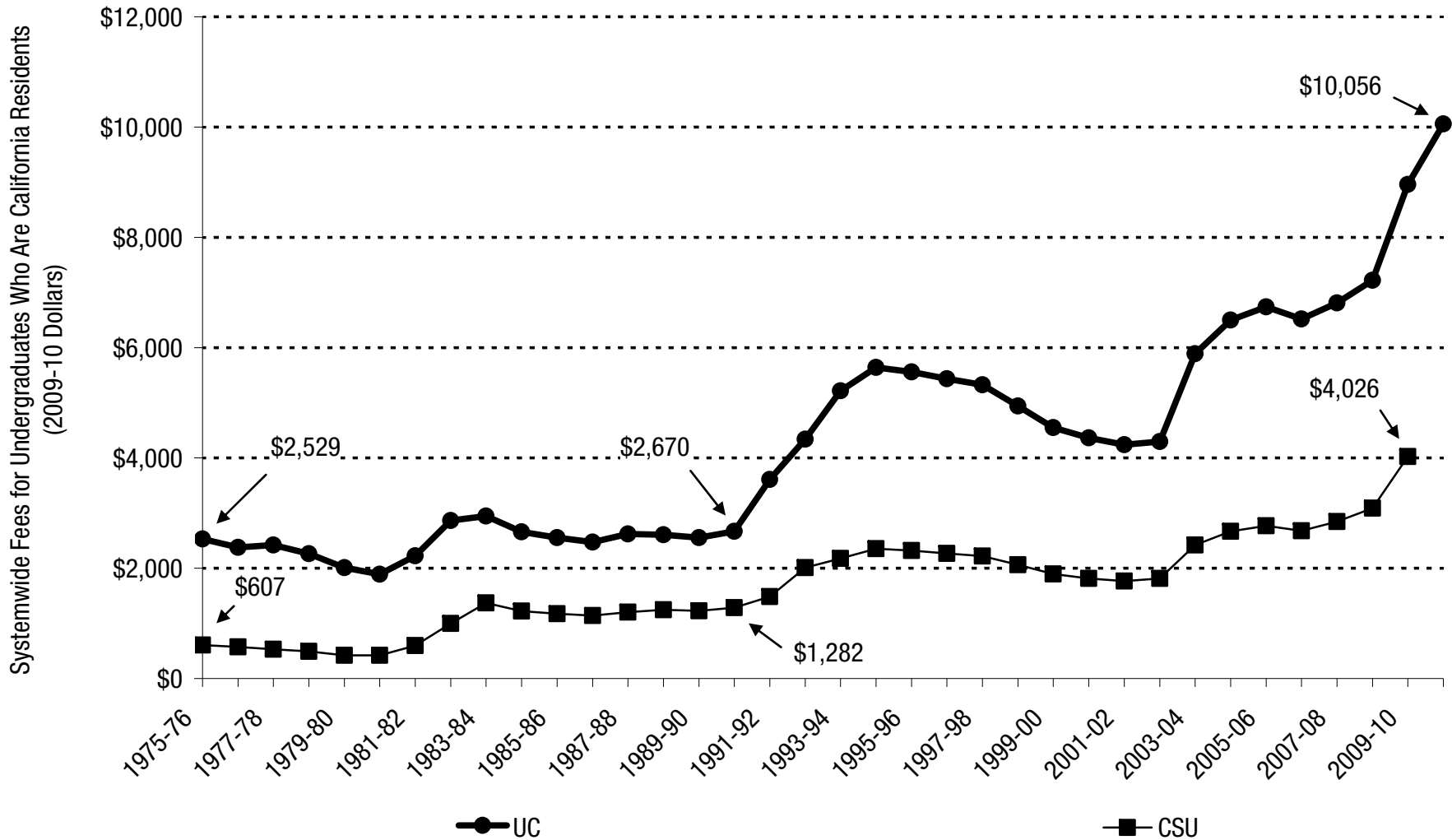
Note: Excludes one-time "settle-up" funds.

Source: Department of Finance and Legislative Analyst's Office

The Governor Proposes Increases for Higher Education

- The Governor:
 - Proposes to increase 2010-11 funding for the UC and the CSU by \$610 million to backfill one-time reductions of \$305 million for each system. This amount partially restores reductions made to the UC and CSU in 2009. The Governor also proposes to increase funding by \$111.9 million to reflect an increase in enrollment at the UC (\$51.3 million) and CSU (\$60.6 million). The proposed increase would fund 2.5 percent enrollment growth; however, according to the Senate Budget and Fiscal Review Committee, this “will still leave current enrollment levels underfunded.” The Governor also proposes to allocate \$126 million to community colleges to support an increase in enrollment equivalent to 2.2 percent.
 - Assumes \$1.1 billion in 2010-11 support from the continuation of the 2009-10 fee increases at the UC and CSU and imposition of an additional 15 percent UC fee increase in 2010-11. The Governor’s proposal would maintain community college fees at the current level of \$26 per unit.

Inflation-Adjusted UC and CSU Fees Have More Than Tripled Since 1990-91

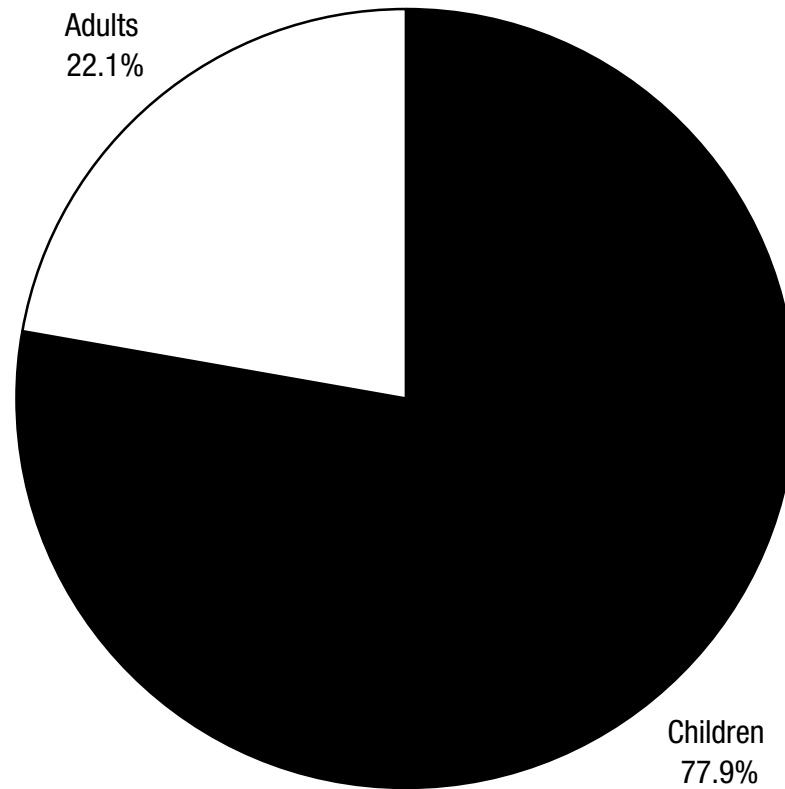


Source: California Postsecondary Education Commission, the California State University, and the University of California

The Governor Proposes To Substantially Reduce CalWORKs Grants

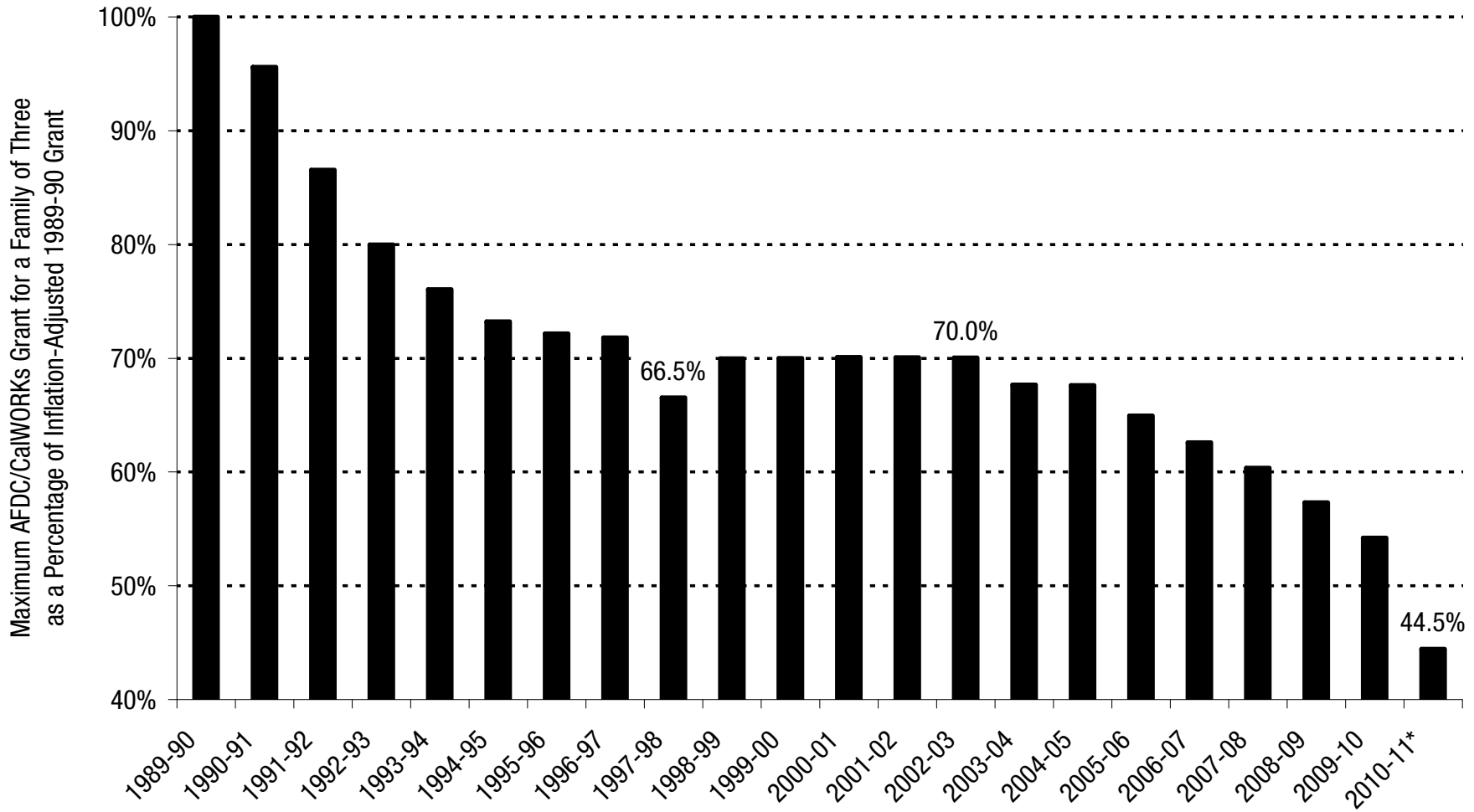
- The Governor proposes to cut CalWORKs grants by 15.7 percent effective June 1, 2010 for savings of \$9.4 million in 2009-10 and \$120.6 million in 2010-11. This cut would reduce the maximum monthly grant for a family of three in high-cost counties from \$694 to \$585.
- CalWORKs grants have not kept pace with inflation and their purchasing power would decline further under the Governor's proposal.
- The maximum monthly grant for a family of three would have to increase to \$1,316 in 2010-11 – more than double the Governor's proposed grant level of \$585 – to have the same purchasing power as it did in 1989-90.

More Than Three Out of Four CalWORKs Recipients Are Children



Number of Individuals Receiving CalWORKs Cash Assistance in October 2009 = 1.3 Million

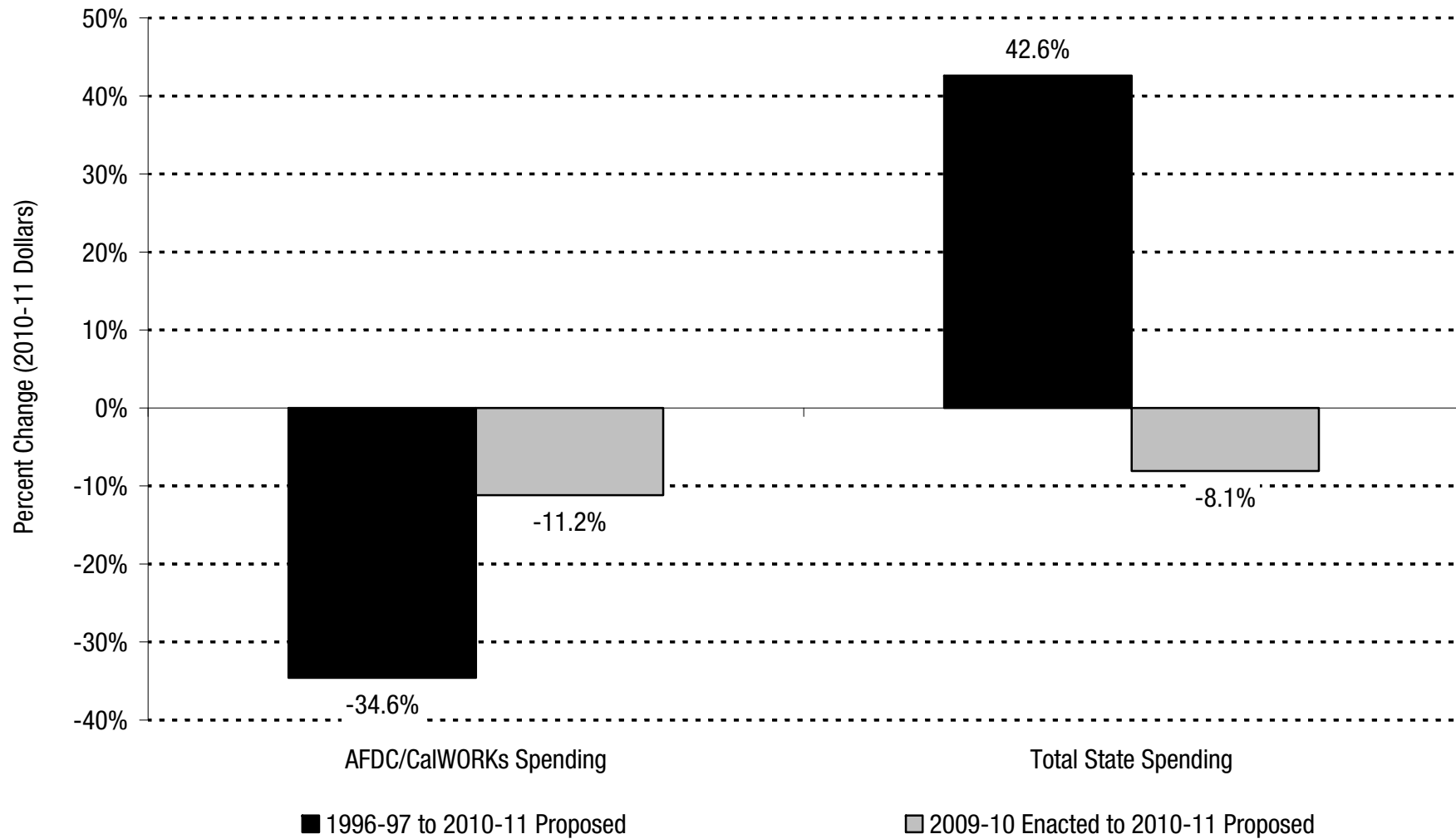
Purchasing Power of CalWORKs Grants Would Drop Further Under the Governor's Proposal



* Reflects the Governor's proposal to cut the maximum CalWORKs grant level by 15.7 percent beginning on June 1, 2010.

Source: CBP analysis of Department of Finance and Department of Social Services data

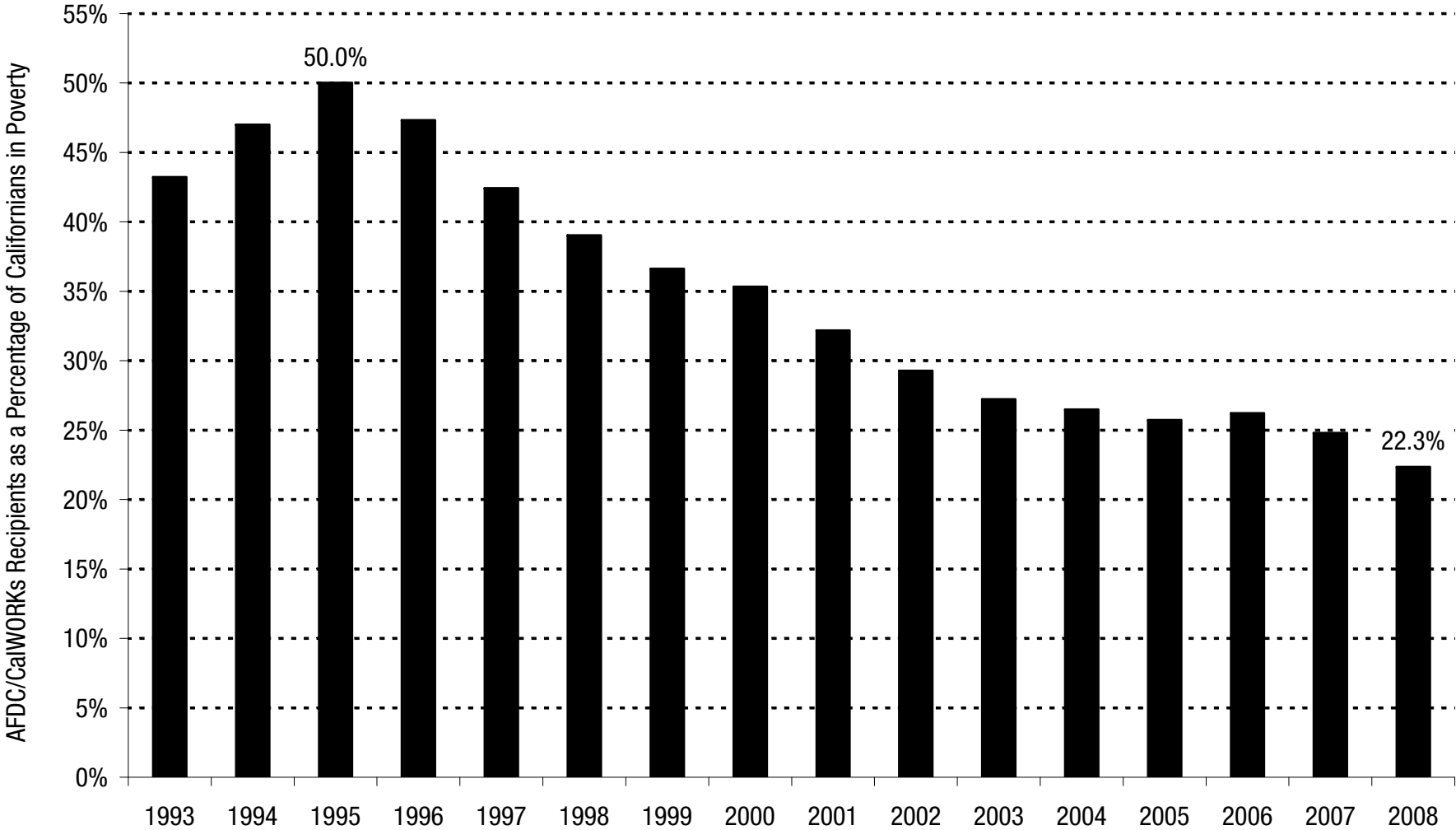
Welfare Spending Has Declined by More Than One-Third Since 1996-97



Note: AFDC/CalWORKs spending includes federal, state, and county funds. Total state spending includes federal and state funds.

Source: Department of Finance and Department of Social Services

Californians in Poverty Are Less Likely To Receive Cash Assistance



Source: Department of Social Services, US Census Bureau, and US Department of Health and Human Services

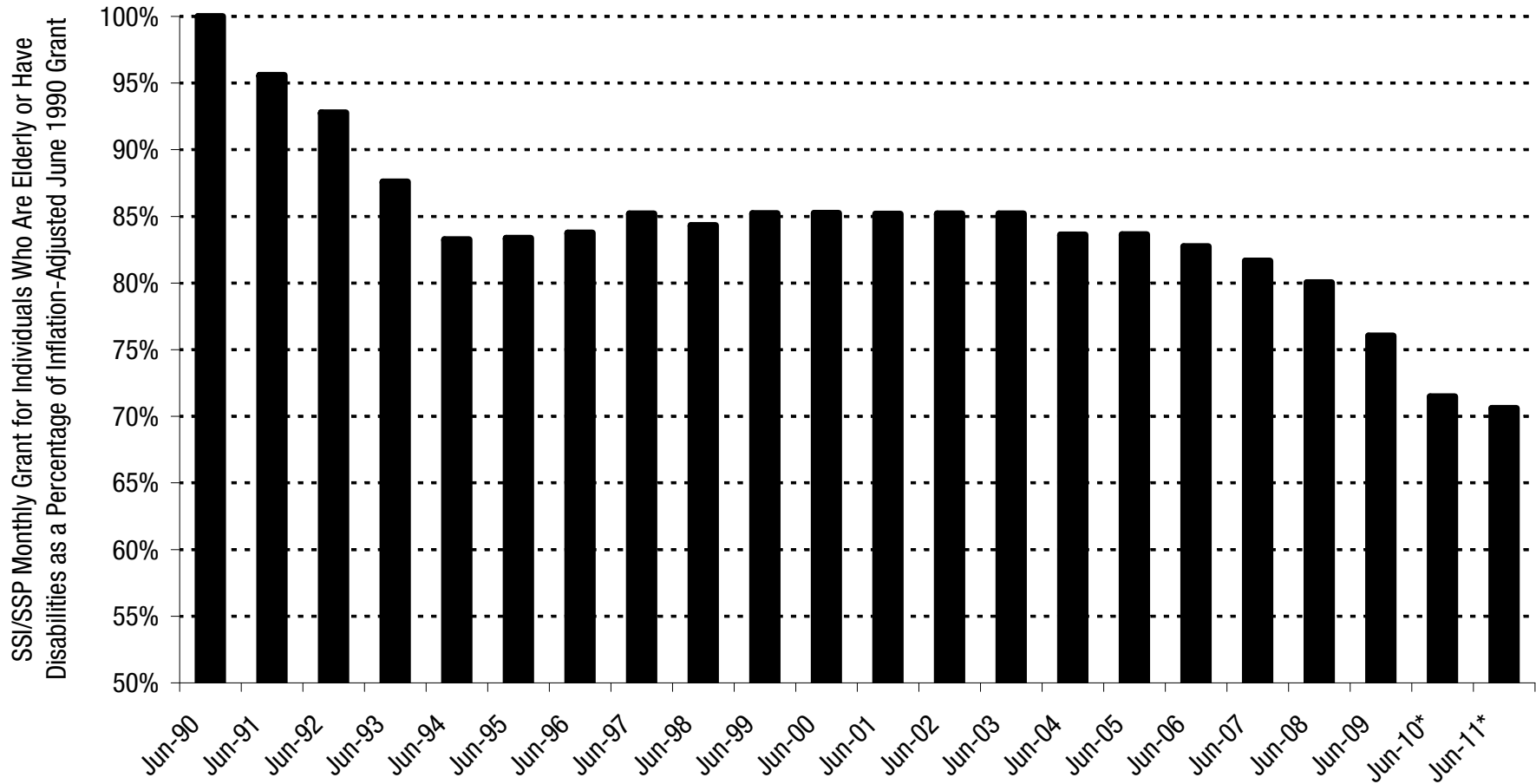
The Governor Proposes Cuts to Child Care Programs

- The Governor proposes to:
 - Reduce CalWORKs Stage 3 child care funding by \$122.9 million, making Stage 3 available only to the “neediest families,” rather to all former CalWORKs families who meet eligibility requirements. This cut would reduce Stage 3 child care enrollment by 31.7 percent from 55,873 in 2009-10 to 38,165 in 2010-11.
 - Reduce reimbursement rate limits in voucher-based programs from the 85th percentile to the 75th percentile – based on the 2005 Regional Market Rate survey – for savings of \$77.1 million in 2010-11. This proposal also would reduce reimbursement rate limits for license-exempt providers from 90 percent to 70 percent of the limits for licensed family child care homes.

The Governor Proposes To Cut SSI/SSP Grants

- The Governor proposes to reduce maximum SSI/SSP grants for elderly and disabled individuals from \$845 to \$830 per month, the minimum allowed by federal law, for savings of \$13.7 million in 2009-10 and \$177.9 million in 2010-11. This change would take effect June 1, 2010.
- The February and July 2009 budget agreements reduced SSI/SSP grants for individuals and couples three times in 2009:
 - The maximum monthly grant for individuals was reduced in three steps from \$907 to \$845, a \$62-per-month (6.8 percent) cut.
 - The maximum monthly grant for couples was reduced in three steps from \$1,579 to \$1,407 – the federal minimum – a \$172-per-month (10.9 percent) cut.

Purchasing Power of SSI/SSP Grants Would Drop Further in June 2010 Under the Governor's Proposals



* June 2010 proposed, June 2011 projected.

Note: The July 2009 budget agreement permanently eliminated the statutory state COLA for SSI/SSP grants starting in 2011.

Source: CBP analysis of Department of Finance, Department of Social Services, and Legislative Analyst's Office data

The Governor Proposes Significant Cuts to IHSS

- The Governor proposes two major changes to the IHSS Program effective June 1, 2010. The Governor proposes to:
 - Cap the state’s contribution toward the wages of IHSS providers at the minimum wage of \$8.00 per hour plus \$0.60 per hour for benefits for savings of \$21.3 million in 2009-10 and \$271.8 million in 2010-11.
 - Limit IHSS services to individuals with “functional index” scores of 4.0 and higher for savings of \$56.6 million in 2009-10 and \$650.8 million in 2010-11. This change would eliminate services for approximately 87 percent of the IHSS caseload, reducing the number of recipients from 489,972 to 63,239.
- The February and July 2009 budget agreements capped the state’s contribution toward IHSS workers’ wages and benefits at \$10.10 per hour and eliminated or reduced IHSS services for more than 130,000 recipients. However, federal district court injunctions prevented the state from implementing those reductions.

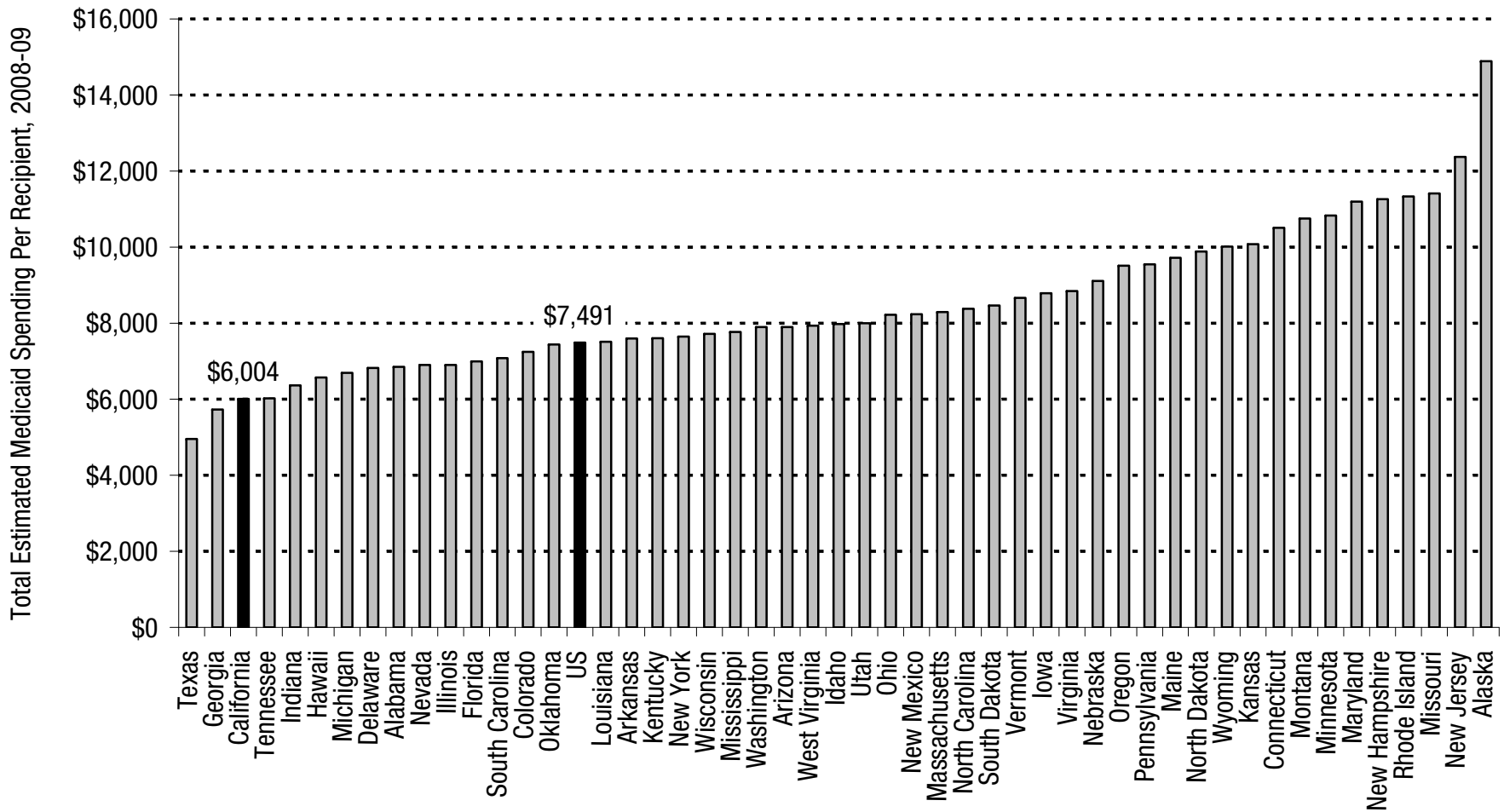
The Governor Proposes To Increase Counties' Costs for Human Services Programs

- The Governor proposes to use county savings that would result from both the proposed cuts to the CalWORKs and IHSS programs and the assumed extension of federal ARRA funds to pay for a \$505.5 million increase in counties' costs for human services programs in 2010-11.
- The Governor's proposal would boost counties' share – and reduce the state's share – of costs for the Adoption Assistance Program (AAP), the Child Welfare Services (CWS) Program, and the Foster Care Program.
- Counties' share of total costs would rise from 25 percent to 59 percent in the AAP, from 30 percent to 70 percent in CWS, and from 60 percent to 75 percent in Foster Care.

The Governor Proposes Significant Cuts to Medi-Cal

- The Governor proposes a number of reductions in Medi-Cal spending for savings totaling \$1.1 billion, including a number of proposals that have been rejected by courts or the Legislature. Specifically, the Governor proposes to:
 - Limit services, increase cost-sharing, and/or make other unspecified changes to Medi-Cal for a total 2010-11 reduction of \$917.1 million.
 - Eliminate Adult Day Health Care benefits for 37,000 individuals for savings of \$1.5 million in 2009-10 and \$134.7 million in 2010-11.

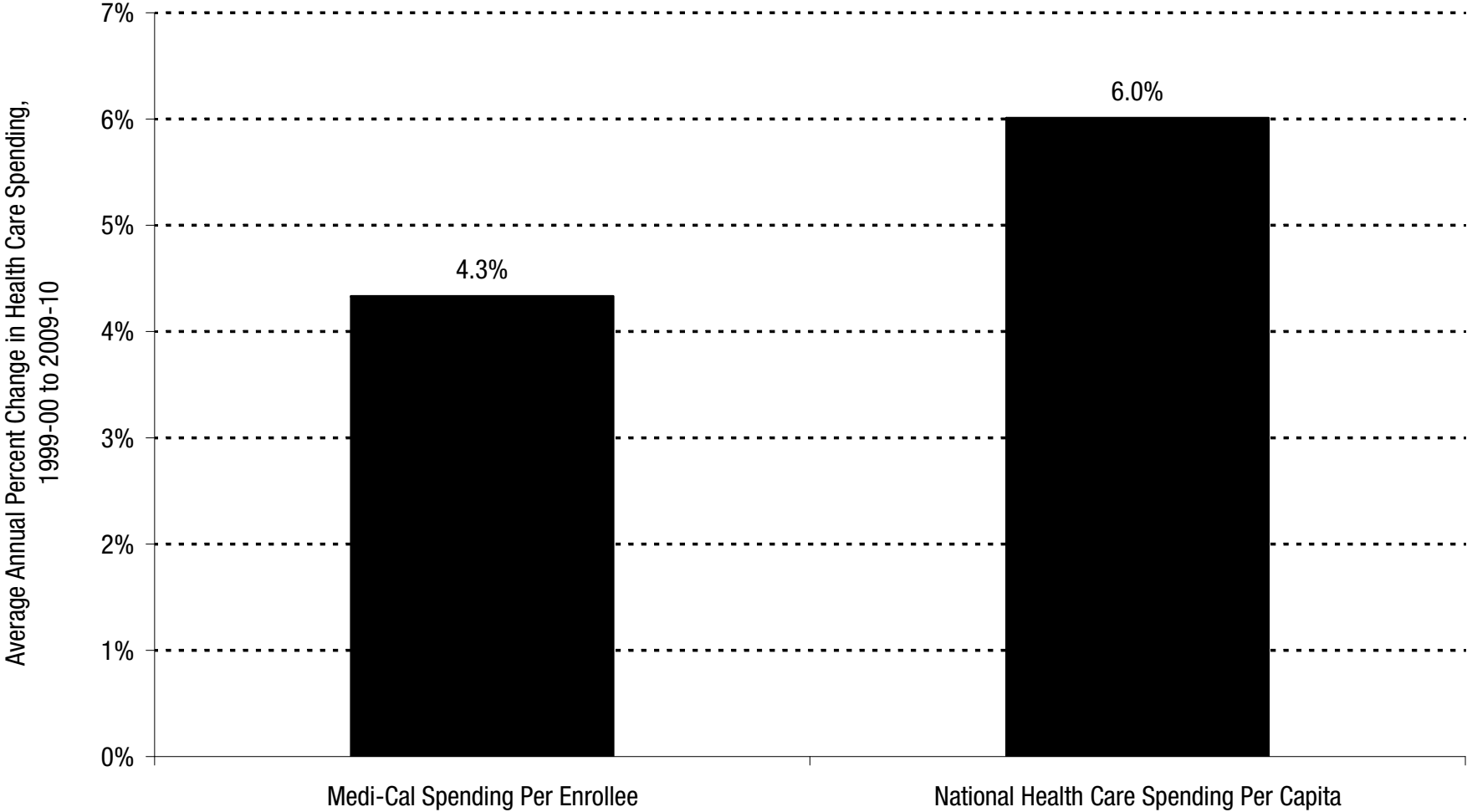
California's Spending Per Medi-Cal Enrollee Is Among the Lowest Nationwide



Note: Number of recipients is for December 2008. Medicaid spending for 2008-09 is estimated.
 Source: Kaiser Family Foundation and National Association of State Budget Officers



National Health Care Spending Has Increased More Rapidly Than Medi-Cal Spending in the Past Decade

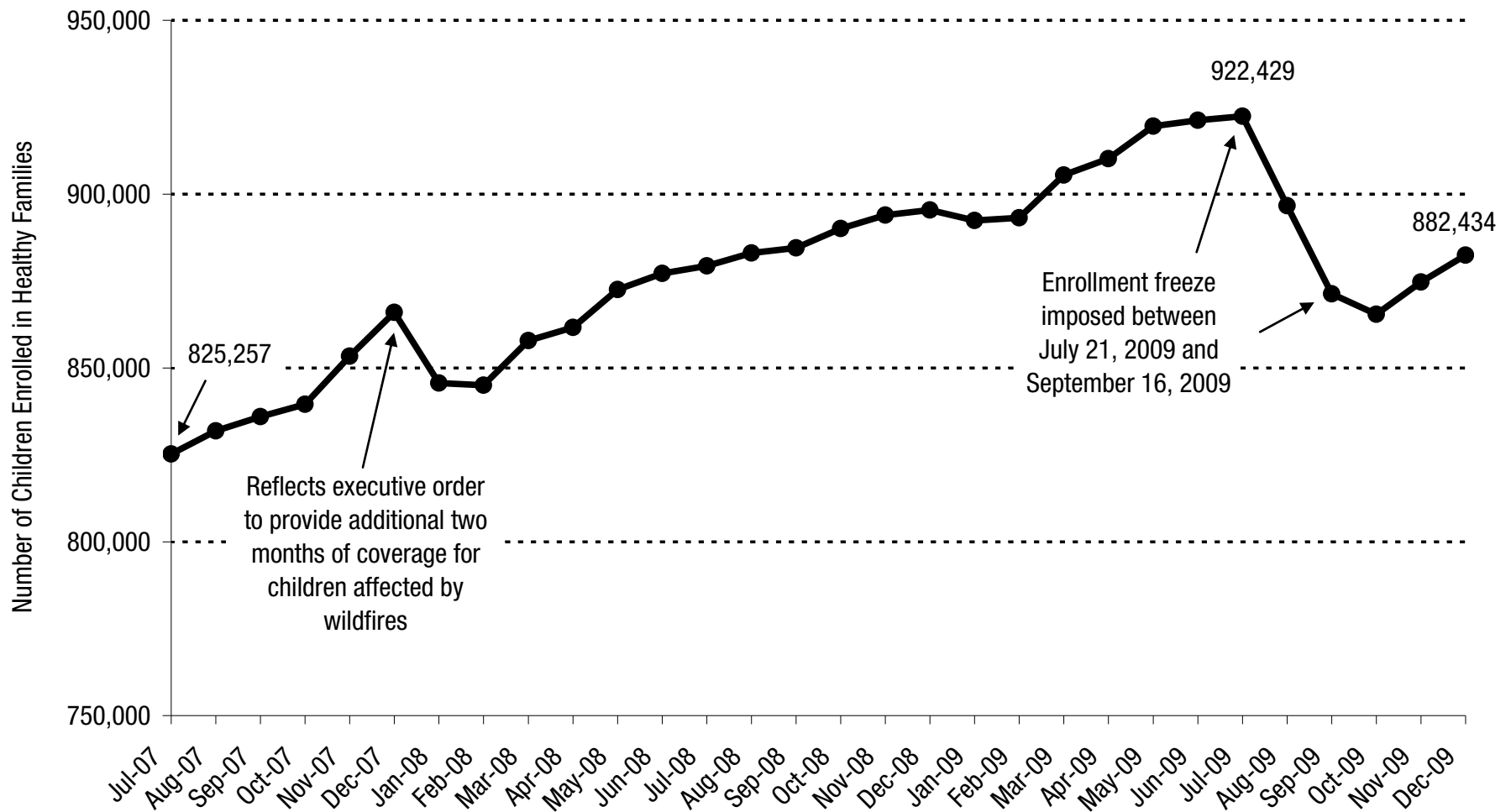


Note: Medi-Cal 2009-10 spending is estimated. National 2009-10 spending is projected.
Source: Department of Health Care Services and US Centers for Medicare and Medicaid Services

The Governor Proposes Cuts to Healthy Families

- The Governor proposes to:
 - Restrict eligibility to children in families earning less than 250 percent of the federal poverty level (\$36,620 a year for a family of three) for savings of \$10.5 million in 2009-10 and \$63.9 million in 2010-11. This reduction could result in 203,300 children losing coverage.
 - Eliminate vision benefits for all participants and increase premiums for some children in the Healthy Families Program. These two actions, effective July 1, 2010, would save a total of \$21.7 million in 2010-11. Premiums would increase from \$16 to \$30 per child per month.

The Number of Children Enrolled in Healthy Families Increased Steadily Until a Temporary Enrollment Freeze Was Imposed



California Would Lose Nearly \$5 Billion in Federal Funds Under the Governor's Proposed Budget Cuts

- The federal government shares the cost of many health and human services programs with the state. Therefore, the state loses federal funds when it reduces state funding for these programs. For example, \$1.2 billion of the Governor's proposed state funding cuts to health programs would result in a loss of federal funds totaling \$2.0 billion. In addition, \$859.9 million of the Governor's proposed state funding cuts to human services programs would cost the state \$2.9 billion in forgone federal funds.
- Under the Governor's proposals, the state would lose:
 - \$2.4 billion in federal funds due to reducing IHSS eligibility;
 - \$1.5 billion from changes to the Medi-Cal Program;
 - \$468.9 million as a result of reducing CalWORKs grants by 15.7 percent; and
 - \$234.1 million from changes to the Healthy Families Program.

The Governor Proposes To Eliminate Programs for Legal Immigrants

- The Governor proposes to eliminate – effective June 1, 2010 – several programs that provide state-funded assistance to legal immigrants who are not eligible for federally funded benefits. Specifically, the Governor proposes to eliminate:
 - Non-emergency Medi-Cal services for certain legal immigrants for savings of \$73.7 million in 2009-10 and 2010-11 combined. An estimated 65,600 individuals would be affected by this proposal.
 - The California Food Assistance Program (CFAP) for savings of \$3.8 million in 2009-10 and \$56.2 million in 2010-11. Approximately 37,000 legal immigrants would lose CFAP under this proposal.
 - CalWORKs eligibility for recent legal immigrants for savings of \$0.7 million in 2009-10 and \$21.8 million in 2010-11. Approximately 24,000 individuals would be affected by this proposal.
 - The Cash Assistance Program for Immigrants (CAPI) for savings of \$8.1 million in 2009-10 and \$107.3 million in 2010-11. Approximately 10,900 CAPI households would lose monthly grants under this proposal.

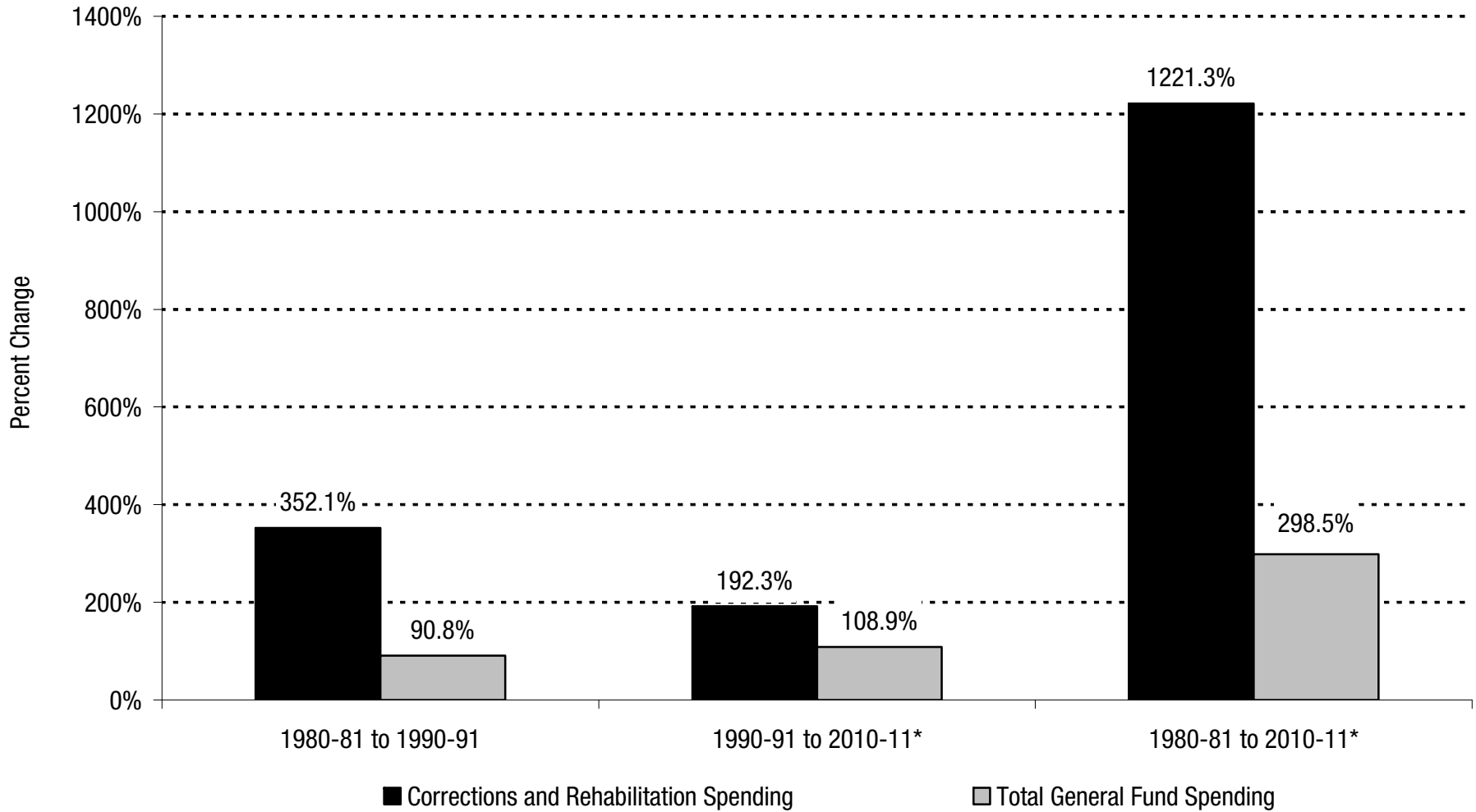
The Governor Proposes To Shift Funding From Programs Funded by Propositions 10 and 63

- The Governor proposes two fund shifts that would require voter approval and that are similar to measures that the voters rejected in 2009. Specifically, the Governor proposes to:
 - Divert \$550.0 million of Proposition 10 funds in 2010-11 to pay for certain health and human services program costs currently supported with state General Fund dollars. The Governor's proposal also would shift about half of annual tobacco tax revenues raised by Proposition 10 to offset state General Fund costs between 2011-12 and 2014-15. Proposition 10 funds support state and local First 5 programs for children from birth to age 5.
 - Divert \$904.6 million of Proposition 63 funds through June 2012 to pay for mental health services currently supported with state General Fund dollars. Proposition 63 imposes a 1 percent tax on the portion of individuals' taxable incomes that exceeds \$1 million. Proposition 63 provides dedicated funding for mental health services and specifically prohibits using revenues raised by the measure to supplant existing funds for mental health services.

The Governor Proposes Cuts to Corrections Funding

- The Governor proposes to:
 - Reduce per-inmate medical care to a level comparable to that of New York for savings of \$811.0 million in 2010-11. California's prison health care system is currently overseen by a federal court-appointed receiver. Therefore, any changes to inmate medical care would likely require approval of the receiver and/or the court.
 - Require that offenders with no prior serious or violent offenses who are convicted of certain property and drug felony crimes serve a maximum sentence of 366 days in county jail instead of state prison for savings of \$291.6 million in 2010-11. In 2009, the Legislature rejected a similar proposal that would have required certain lower-level crimes to be prosecuted as misdemeanors, thereby reducing the number of offenders sent to state prison.
 - Reduce the juvenile offender population for savings of \$41.3 million in 2010-11.

Corrections Spending Has Grown at More Than Four Times the Rate of General Fund Spending as a Whole

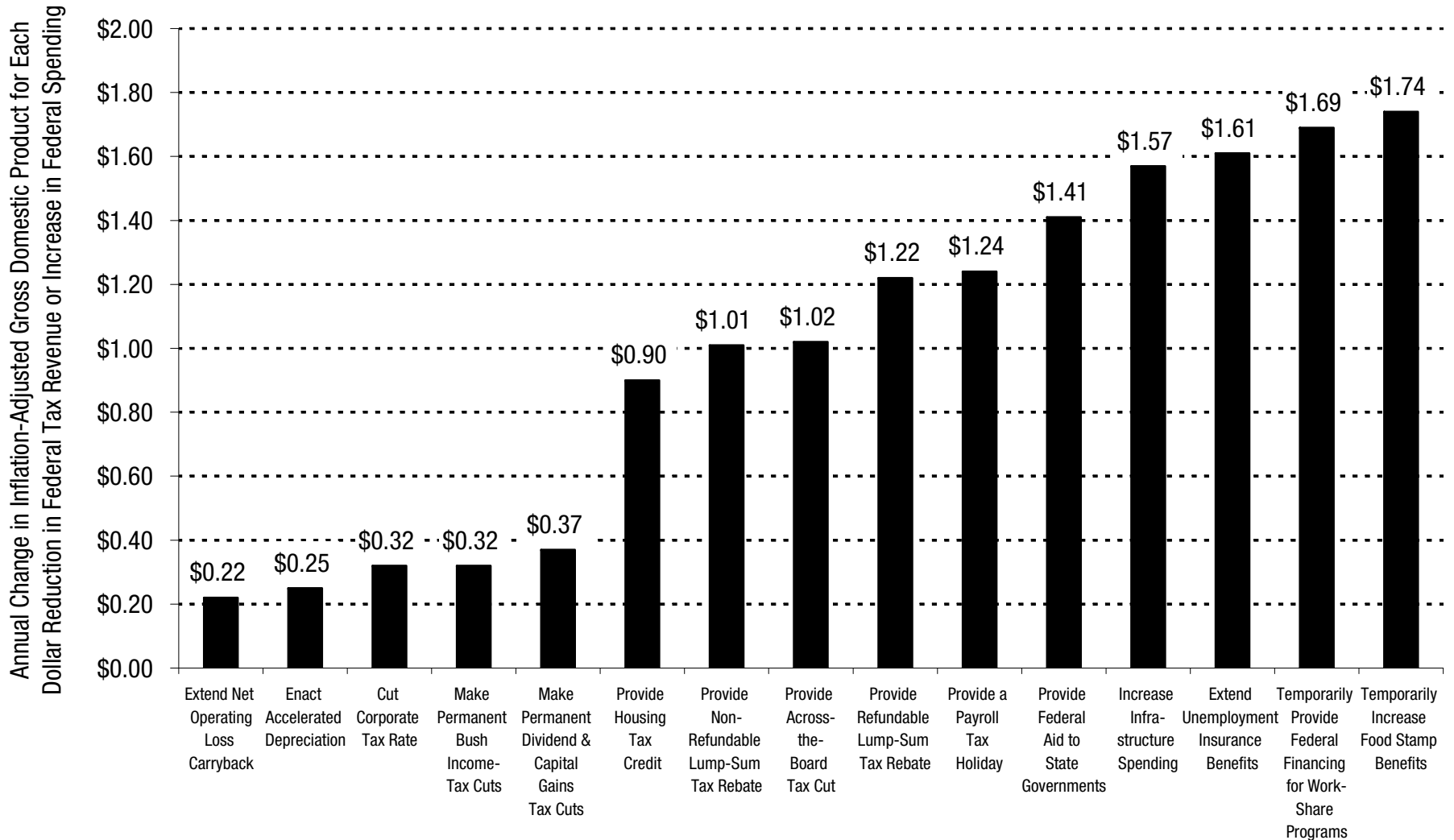


* 2010-11 proposed.
Source: Department of Finance

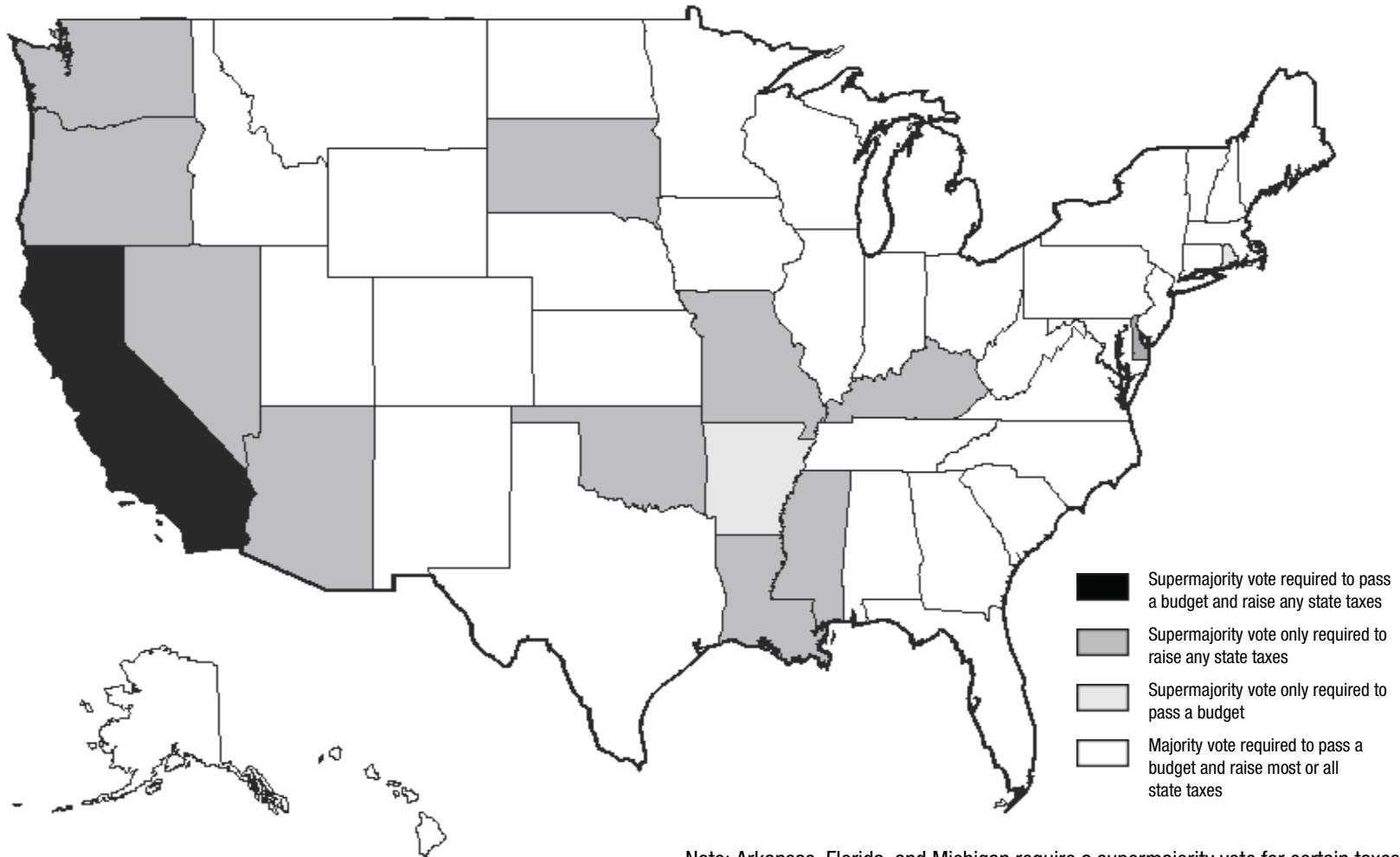
The Big Questions

- What kind of California do we want, now and in the future?
- What is the appropriate role of public institutions in securing broadly shared prosperity and opportunity for all Californians?
- What role should government play in providing a safety net for vulnerable families and individuals?
- What changes are needed in California's budget rules, taxing, and spending in order to promote our vision for California's future?

Federal Spending on Food Stamp Benefits Has the Biggest “Bang for the Buck”



California Is the Only State To Require a Supermajority Vote To Pass Both a Budget and Any State Tax Increase



Note: Arkansas, Florida, and Michigan require a supermajority vote for certain taxes.

Source: National Conference of State Legislatures