

February 19, 2009

## **California State Budget Overview**

Earlier this morning the California Legislature passed the 2009-2010 budget after months of difficult negotiations and numerous failed attempts. California's Constitution requires a two-thirds vote by both houses of the Legislature, thereby requiring the support of at least 3 Republicans in both houses.

The Assembly had the needed support from Republicans Anthony Adams (R-Hesperia), Roger Niello (R-Sacramento) and Assembly Republican Leader Mike Villines (R-Clovis). Passage in the Senate proved much more difficult as they needed one more Republican vote in addition to the support of Republican Senators Roy Ashburn (R-Bakersfield) and former Leader Dave Cogdill (R-Fresno).

Lawmakers had been at a five-day impasse until Governor Arnold Schwarzenegger and legislative leaders agreed to give Senator Abel Maldonado (R-Santa Maria) the major changes he demanded in exchange for providing a crucial 27th vote for the state budget. As part of Maldonado's agreement, lawmakers approved measures asking voters to approve constitutional amendments to establish an open primary system and ban legislative pay increases during deficit years.

Leaders also agreed to Maldonado's demand to eliminate the 12-cent additional gas tax, which was estimated to bring in \$2.1 billion through June 2010, and up to a 5 percent surcharge on income tax liability. The money will be replaced with a 0.25 percent increase in the state income tax rate, federal stimulus dollars and more than \$600 million in line-item vetoes.

With the changes made Thursday, the deal totals \$15 billion in state spending reductions, \$12.8 billion in temporary tax increases, \$11.4 billion in borrowing and a \$1 billion reserve.

Below is a brief overview of the approved budget.

### **Tax Hikes:**

Vehicle license fee nearly doubles to 1.15%

Sales tax rises 1 cent

State income tax rate increase of .25%

Dependent care tax credit reduces by \$200

### **Spending cuts\***

\$8 billion from public schools, community colleges

\$567 million from grants to disabled and blind

**\$1.4 billion from state worker salaries and overtime**

**\$787 million from state colleges, universities**

**\$460 million from public transit**

**\$185 million from programs for the developmentally disabled**

**Tax breaks**

**\$690 million for multi-state/multi-national companies**

**\$200 million for small businesses hiring new people**

**\$100 million for Hollywood production companies**

**\$100 million in credits for people buying newly built homes**

**\* Cuts will be larger if federal stimulus money does not materialize as expected.**