

2012-13 STATE BUDGET

Governor Brown's 2012-13 budget presents the stark reality that additional revenue is necessary to stave off devastating cuts to education and public safety programs. The 2011-12 budget reduced the structural deficit facing the state from \$20 billion annually to \$5 billion this budget year. A budget shortfall of \$9.2 billion still remains and the Governor laid out a budget that combines cuts and proposed tax increases to bridge the gap. If the tax proposals are not approved by voters, the budget outlines more devastating cuts to public education, courts and public safety.

Revenue Solutions

The budget proposes a tax measure that would raise \$6.9 billion if approved by voters in November 2012. The funding is dedicated only to education and public safety. The proposal includes:

- Temporary ½ cent increase in state sales tax to 7.75 percent. The sales tax increase would begin in 2013 and sunset in 2018.
- Increase in taxes on the wealthy retroactive to the start of 2012:
 - 1 percentage point increase on annual incomes of \$250,000 to a rate of 10.3 percent;
 - 1.5 percentage point increase on annual incomes between \$300,000 and \$500,000 to a rate of 10.8 percent; and
 - 2 percentage point increase on top earners with annual incomes above \$500,000 to a rate of 11.3 percent.

The Legislative Analyst Office came up with a different estimate of the Governor's tax plan. The LAO report predicts the proposal will raise \$4.8 billion in the 2012-13 budget year and about \$5.5 billion in following years.

Trigger Cuts

The budget includes \$5.4 billion in additional cuts if the proposed tax increases are not approved by voters in November. Those cuts include:

- \$4.8 billion from K-14 education;
- \$200 million each from UC and CSU;
- \$125 million from courts, equivalent to court closures of three days per month according to the Budget Summary;
- \$15 million from Department of Forestry and Fire Protection;
- \$3.5 million from Department of Fish and Game;
- \$1 million each from funding for Park Rangers, State beach lifeguards and Department of Justice law enforcement programs.

State Government and Workforce

The Governor's budget proposes reorganizing state government by eliminating 39 state entities and nine programs and consolidating agencies and departments. Some of the consolidated Agencies include:

- **The Business and Consumer Services Agency;**

- **The Government Operations Agency** which will include, among other departments, PERS, STRS and the State Personnel Board;
- **The Transportation Agency** which will include among others the High-Speed Rail Authority, DMV, Caltrans, Highway Patrol and the Transportation Commission.

The Governor also proposes to eliminate the Unemployment Insurance Appeals Board, Occupational Safety and Health Standards Board and the Managed Risk Medical Insurance Board (administers Healthy Families).

Education

- **K-14:** Provides a Prop 98 funding level of \$52.5 billion, an increase of \$4.9 billion over 2011-12. This assumes that voters approve the Governor's tax proposal.
 - Reduces supplemental funding for schools by \$544 million from eliminating the sales tax on gasoline and making Prop 98 adjustments.
 - Cuts \$302 in Cal Grants to students attending private schools

Health and Human Services

- **Medi-Cal:** Cuts \$842 million by shifting 1 million "dual eligible" into managed care and introduces "flexibility" to allow benefit, service and rate changes more quickly.
- **CalWORKS:** Cuts \$956 million by reducing monthly cash grant for child-only families by 15 percent and reducing from 4 years to 2 years the time for adults to receive services and grants.
- **Child Care:** Cuts \$517 million from subsidized child care which would eliminate an estimated 62,000 child care slots.
- **IHSS:** Cuts \$164 million by eliminating domestic services for 254,000 IHSS recipients and reducing service hours by 20 percent across-the-board for IHSS recipients.

Unemployment Insurance

- **Loan from DI:** Proposes a loan from the Disability Insurance (DI) Fund, paid for by workers, to pay for interest on the federal loan to the UI fund;
- **Employer Surcharge:** Imposes a surcharge on employers starting 1/2013 to pay future interest payments on the federal loan and to repay the DI fund for the UI loan;
- **Changes Eligibility:** Increases eligibility requirements for workers to qualify for UI benefits that would cut off benefits for up to 40,000 UI beneficiaries.

Read the complete Budget at:

<http://www.ebudget.ca.gov/>