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## News Clerks Should Know:

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### Governor Releases 2009-10 Budget

On New Year's Eve Day, the Governor's Office released his 2009-10 Budget, which was not expected to be released until Friday January 9, 2009. The plan includes many concepts put forward in earlier budget proposals made by the governor or the legislature. League staff are still studying the proposal, but there do not appear to be any significant impacts on cities, including no raids or borrowing from property taxes (including redevelopment) or transportation sales tax revenues (Prop. 42/1A).

The Budget projects a deficit in the current year of \$14.8 billion, which, if unaddressed, will grow to almost \$41.6 billion by the end of the 2010 fiscal year.

Noting that he has declared a "fiscal emergency," and called Special Sessions of the Legislature November 6, December 1, and again on December 19, the Governor says it is imperative that solutions be enacted immediately, as opposed to waiting until the 2009-10 Budget is approved by the Legislature next summer.

The Governor's proposed Budget solutions include many of his earlier proposals as well as provisions put forth by the Democrats, December 19, during the Special Session. Expenditure reductions account for about 42% of the proposed \$41.8 billion in solutions, followed by new revenues of 34%, "Securitizing the Lottery" to generate \$5 billion, or approximately 12%, and another \$5 billion or 12% through borrowing. Almost \$4.7 billion of the borrowed funds would be through selling Reimbursement Warrants (commonly known as RAW's) in July of 2009.

Most of the reductions would be in the areas of education, health and human services, and the corrections and rehabilitation budget. Savings would also be generated by requiring state employees to take two days furlough per month, beginning February 1, 2009, and the elimination of 2 state holidays. The major revenue proposals include: A temporary 1.5 cent increase in the sales tax through December 2011, broadening the sales tax to appliance and furniture repair, vehicle repair, veterinary services, amusement and sporting events, and golf, instituting a nickel-per-drink tax, adopting a 9.9% oil severance tax, increasing vehicle registration fees by \$12, and shifting tribal revenues from transportation to the General Fund. Combined these revenue sources would generate about \$17.5 billion over the next 18 months.

For more information, visit [www.cacities.org](http://www.cacities.org) and click on the news story [Administration Posts Early Release of 2009-10 Budget Proposal](#) (of particular interest, scroll down to "Summary of Proposed Actions of Interest or Concern to Cities").