



The California Jobs Budget

**John A. Pérez
Speaker of the Assembly**

**Bob Blumenfield
Chair, Assembly Budget Committee**

May 25, 2010

The California Jobs Budget: Introduction

The California economy has been battered by the Great Recession. In recent years more than one million Californians have become unemployed and the unemployment rate has nearly doubled to 12.6 percent.

Fortunately, economic data indicates that California has hit bottom and is on the rebound, though the recovery will likely be somewhat sluggish and job growth will be slow.

With the potential for a sluggish recovery, it is critical California enact a budget that boosts the private sector job growth that has begun and that does not undermine this growth through massive local government and school district job cuts.

Unfortunately, the Governor's May Budget Revision does undermine a jobs recovery. Just when California needs job growth more than anything else, the Governor's Budget Revision sacrifices another 430,000 private sector, local government, and local school jobs.

The California Jobs Budget, which will be presented to the Legislature and the public for a full and transparent review, will protect and create jobs while also ensuring minimum funding for schools, public safety, and a basic safety net.

The Jobs Budget matches the priorities of the people of California, as measured by the recent PPIC Poll, and it reflects the contributions of thousands of Californians who have testified and participated in over 50 subcommittee hearings, 12 full committee hearings, and seven Budget Forums held throughout the state.

The centerpiece of the California Jobs Budget is a \$10.1 billion Jobs Package that provides \$1.5 billion for targeted Jobs Initiatives, repays debts to local governments and schools to avoid massive local government layoffs, and maintains critical employment services and training programs that get people back to work and keep them on payrolls and off government aid.

The California Jobs Budget closes the \$17.9 billion General Fund shortfall and ends the year with a \$1 billion final reserve.

Snapshot of the Governor's May Revision

- ◆ **More Job Loss:** In total, the Governor's budget eliminates over 430,000 private sector, school, and local government jobs. Cutting jobs, as outlined below, make chances of a strong jobs recovery much worse:
 - Schools are facing layoffs of 35,000 teachers and other important school jobs, yet the Governor underfunds Proposition 98.
 - Local Governments have shed over 20,000 jobs including public safety. The Governor proposes no relief for these community jobs.
 - The Governor proposes elimination of Childcare programs which will force tens of thousands of working poor parents to leave the workforce and put over 50,000 small-business child care providers out of business.
 - The Governor proposes elimination of Welfare-to-Work, which strips critical employment services and takes over \$5 billion out of the state's economy (mostly by losing available federal funds). All told, this will result in over 140,000 lost jobs in the private sector.
 - The Governor proposes \$2 billion in Health Care cuts (Losing \$1.2 billion in federal funds), which translates into 25,000 lost jobs.
 - The Governor proposes to cut IHSS spending in half, which if achieved would mean the loss of 161,000 jobs.
- ◆ **Devastates Education:** The Governor cuts \$4.3 billion in Prop 98 spending to schools and childcare. The LAO reports that the Governor's level of funding does not meet Proposition 98 required minimums.
- ◆ **Punishes the Working Poor.** The Governor wipes out critical childcare and employment services that enable the working poor to stay in the workforce, and instead forces tens of thousands out of work.
- ◆ **Billions in Hidden Borrowing.** The Governor hides \$5 billion in borrowing in his budget (in addition to \$2 billion in acknowledged borrowing). The Governor's attempts to violate Proposition 98, wipe out safety net programs and underfund IHSS will only lead to cost shifts to other parts of the budget and to courts overturning the cuts, These cuts are unachievable and the state will ultimately pay for the costs.
- ◆ **Protects Big Oil and Corporate Loopholes.** Keeps California as the only oil producing state that lets Big Oil companies take oil out of our ground and not pay a fee; also protects billion dollar corporate loopholes.

Highlights of the California Jobs Budget

- ◆ **Jobs, Jobs, Jobs.** Puts job creation and protection first, with a \$10 billion Jobs Package that promotes and protects private sector jobs, school, and local government jobs, invests in job training, and jump starts California's clean and green industries and other targeted jobs investments.
- ◆ **Protects Critical Education Dollars.** Rejects Governor's devastating cuts to education and instead meets the Proposition 98 guarantee and puts a stop to the endless cuts to K-12 and Higher Education in order to protect California's future.
- ◆ **Rejects Phony Cuts to Safety Net.** Rejects the Governor's slashing of safety net programs, which would actually cost the state more, and instead maintains welfare to work, childcare, and cost effective alternatives to expensive nursing homes.
- ◆ **No New Broadbased Tax Increase.** Makes no broad based tax increases, and instead delays corporate loopholes and closes the California Oil Severance Tax loophole to generate ongoing funding source for Jobs Package.
- ◆ **Reflects Californians' Priorities.** Reflects Californians' priorities as measured by the recent PPIC Poll:
 - **Jobs:** The PPIC Poll shows "jobs and the economy" are by a wide margin the most important issues, and the California Jobs Budget rejects the Governor's proposals to cut 430,000 jobs and instead creates tens of thousands of new jobs.
 - **Education:** The PPIC Poll shows "K-12 Education" as the most important area of the budget to protect from cuts. The California Jobs Budget rejects the Governor's \$4.3 billion in Proposition 98 Cuts and instead fully funds the Constitutional requirement.
 - **Revenues to Maintain Education and Safety Net Funding:** The PPIC Poll shows a majority of Californians support new revenues for K-12 Education, Higher Education, and Health and Human Services. The California Jobs Budget includes no new broadbased taxes, but does delay new tax business tax breaks to avoid cuts to education and the safety net. (The Governor allows the new cuts to take effect and slashes K-12 and safety net funding).

Highlights of the Jobs Package

The centerpiece of the California Jobs Budget is a \$10.1 billion Jobs Fund that will protect against the loss of 430,000 private sector, local government, and school jobs in the Governor's proposal and that will also generate tens of thousands of new jobs.

- ◆ **Generates Billions for Jobs By Closing the California Oil Severance Loophole:**
 - **\$900 million from Oil Severance in 2010-11.** The Oil Severance Tax will generate \$900 million in 2010-11 and billions more each year, to be deposited into the Jobs and Economic Security Fund.
 - **\$9.2 billion by Marshalling other State Resources in 2010-11.** In order to maximize the immediate attack on job losses now, the Jobs and Economic Stability Fund also borrows \$8.7 billion from the California Beverage Recycling Fund¹ and \$500 million from the Disability Insurance Fund (similar to Governor's proposal).
 - **Hundreds of Millions per Year Ongoing.** Beginning in 2011-12, the Jobs and Economic Security fund will have hundreds of millions available for Jobs Priorities, even after making repayments and other required transfers resulting from the 2010-11 Jobs and Economic Security Fund Loans.

Allocation of \$10.1 billion Jobs and Economic Security Funds:

- ◆ **\$1.1 Billion Targeted Jobs Investments.** Provides \$1.1 billion for targeted jobs strategies to develop and strengthen California industries, including green and clean tech industries. These investments can generate tens of thousands more jobs and strengthen California's economy for a generation. This provides a potential funding source for numerous Democratic and Republican jobs bills that are making their way in both houses of the Legislature this year.
- ◆ **\$900 million Repayment to Local Governments.** The California Jobs Budget protects thousands of local police, fire, and other local jobs by repaying \$900 million owed to local governments for past mandates. This provides local governments with \$900 million in discretionary funds to assist their budget challenges and avoid layoffs to critical public service jobs.

¹ Funds will be available from the Beverage Container Recycling Fund due to the acceleration of Beverage Recycling Fees to meet the needs of the program and for other permitted uses. The loan will be repaid from the Jobs Fund to meet the expanded in order to fund the expanded Recycling Program needs.

- ◆ **\$3.8 Billion Repayment to Local School Districts.** Protects tens of thousands of jobs for teachers, aides, and counselors by fully funding Proposition 98 and eliminating portions of the “Education Credit Card” rather than the Governor's proposal to cut schools by \$2.8 billion, which leads to thousands of lost jobs.
- ◆ **\$900 million to Protect Higher Education's Role in Our Economic Future.** Provides \$1 billion to restore recent education cuts and fully fund the UC and CSU to prevent the devastating economic and jobs impact of decimating Higher Education. Also protects access to higher education by reducing the Governor's student fee hike by 50 percent, which will save UC students \$628 and CSU students \$202.
- ◆ **\$1.9 Billion Keeping Working Poor Parents in Workforce.** Maintains necessary childcare programs funded through CalWORKS and Prop 98 to ensure working parents can stay employed and over 50,000 small business childcare providers can stay in business.
- ◆ **\$1.4 Billion Getting Californians Back to Work.** Invests in critical employment services to move people from welfare to work and to retrain workers at Community Colleges. Helps make employment a reality once again to Californians struggling to get back into the workforce through increased job training and employment services.
- ◆ **\$100 Million for Oil Producing Communities.** Provides \$100 million to local communities impacted by the new Oil Severance Fee. Experts project the Oil Severance Fee will have little impact on jobs statewide, but there may be localized impacts. Therefore, an ongoing \$100 million allocation is included to offset any negative impacts of the fee.
- ◆ **\$200 million for the Bottle Bill.** Separate from the Jobs and Economic Security Fund, the package increases funding by \$200 million for the Beverage Container Recycling program to strengthen and stabilize the state's recycling program. California's recycling program was nearly bankrupt due to the downturn in the economy, and this increase in support will provide long term secure funding for the program, which will protect local conservation corps, protect bottle manufacturing jobs through processing fee relief and drive green technology investment through product development grants.

Highlights For Education:

- ◆ **Rejects Governor's Devastating School Cuts.** The California Jobs Budget rejects the Governor's proposal to eliminate \$3 billion from our schools and fully funds the Budget Year minimum guarantee (with updated revenues) at \$54.4 billion. Schools have already suffered through \$17 billion in cuts over the last few years. Education is vital to economic recovery and future economic growth and continuing to shortchange schools undermines this effort.
- ◆ **Rejects Governor's Call to Break Education Agreement and Manipulate Proposition 98.** California Jobs Budget rejects the Governor's call to break last year's education deal. Proposition 98 is a critical commitment between the voters and our schools that should not be violated.
- ◆ **Reduces State's "Education Credit Card" Debt.** The California Jobs Budget fully funds education and provides \$1.8 billion to pay down the "Education Credit Card" (\$1.3 mandate payment and \$500 million toward deficit factor) and avoid adding \$1.5 billion to the Credit Card balance.

Highlights for Higher Education:

- ◆ **Restores Funding for UC and CSU.** The California Jobs Budget restores \$610 million in funding for UC and CSU in last year's budget, consistent with the Governor's proposal, but from the Jobs and Economic Security Fund.
- ◆ **Cuts Governor's Fee Increases in Half.** The California Jobs Budget reduces the Governor's 15% UC increase and 10% CSU increase by half by providing the UC and CSU \$275 million from the Jobs and Economic Security Fund.
- ◆ **Major Increase for Community College Job Training.** The California Jobs Budget provides \$100 million from the Jobs and Economic Security Fund to provide a 400% increase for the Economic Development Program, which successfully gets unemployed Californians back to work.

Highlights For Local Government:

- ◆ **Repays \$931 million to Cities, Counties, and Special Districts.** The California Jobs Budget protects thousands of police, fire, and other local community jobs by repaying \$931 million owed to local governments for past mandates. This provides local governments with \$931 million in discretionary funds to assist their budget challenges and avoid layoffs to critical public service jobs.

Highlights for Health:

- ◆ **Fully Funds Healthy Families.** The California Jobs Budget fully funds the Healthy Families program to enable children of working families to have access to health care.
- ◆ **Rejects Governor's Elimination of Adult Day Healthcare.** The California Jobs Budget rejects the Governor's call to eliminate Adult Day Healthcare. Not only would eliminating these services be devastating to individuals dependent upon the program, but it would be fiscally irresponsible with more individuals needing to rely on more costly institutional care.
- ◆ **Rejects Governor's Medi-Cal Cuts.** The California Jobs Budget rejects the Governor's Medi-Cal cuts, including cuts to legal immigrant programs for immigrants who have played by the rules, and funding for critical family planning funds which receive a 9-to-1 federal match. The Jobs Budget also rejects numerous cuts to Medi-Cal that would have violated federal laws and greatly reduced access to health services for the state's lowest-income families.
- ◆ **Protects Community Mental Health.** The California Jobs Budget rejects several proposals that collectively would decimate community mental health services, increase crime, increase costs through state mental hospitals, emergency rooms, and jails, and return the state to conditions in the 1960s, before the deinstitutionalization of mental health care (including for children).
- ◆ **Rebuilds the State's Public Health Infrastructure.** The California Jobs Budget recognizes that protecting the public health is a core function of state government, and therefore rejects cuts to key public health programs such as cancer screening and treatment programs, and restores programs single-handedly eliminated by the Governor last year, namely HIV/AIDS and maternal, child, and adolescent health programs.

Highlights For Transportation:

- ◆ **Reflects Prop 58 Session Actions:** The California Jobs Budget accepts the Governor's General Fund savings proposals consistent with the Proposition 58 Session actions.

Highlights for Human Services:

- ◆ **Bolsters Employment Services and Job Training.** The California Jobs Budget minimizes General Fund costs in CalWORKs and utilizes the Jobs and Economic Security Fund to provide employment training and job skills to unemployed and underemployed parents so that they can adequately care for their children.
- ◆ **Fully Funds Childcare Programs.** The California Jobs Budget fully funds childcare programs, including through Proposition 98, to ensure working poor parents can remain in the workforce and thousands of small business child care providers are not put out of business.
- ◆ **Protects IHSS for Aged, Disabled Consumers.** The California Jobs Budget restores funding for IHSS to ensure that aged and disabled needy Californians can continue receiving the services they need to stay out of costly institutions and to hold onto their quality of life. In addition, the Jobs Budget establishes a provider fee mechanism which will generate approximately \$150 million in General Fund savings and establishes a stakeholder process to develop strategies to bring down future General Fund costs of the program, while strengthening important IHSS services.
- ◆ **Rejects Harmful Cuts and Their Dramatic, Negative Cost Shifts.** The California Jobs Budget rejects cuts to SSI/SSP recipients, including programs for vulnerable, needy legal immigrants who have played by the rules, and Medi-Cal Drug services.

Highlights for Resources and Environmental Protection:

- ◆ **Provides Full Funding for State Parks.** The California Jobs Budget fully funds the state parks system to avoid closures and maintain funding for rangers and lifeguards for state parks and beaches.
- ◆ **Strengthens the Bottle Bill.** The California Jobs Budget increases funding by \$200 million for the Beverage Container Recycling program to strengthen and stabilize the state's recycling program. California's recycling program was nearly bankrupt due to the downturn in the economy, and this increase in support will provide long term secure funding for the program, which will protect local conservation corps, protect bottle manufacturing jobs through processing fee relief, and drive green technology investment through product development grants.

Highlights for Public Safety:

- ◆ **Reduces Prison Health Costs.** The California Jobs Budget achieves \$811 million in savings by accepting the Governor's proposal to reduce support for the Prison Receiver's Medical Services Program to a per-inmate medical cost level that is comparable to other states' correctional health care programs.
- ◆ **Establishes the Emergency Response Initiative.** The California Jobs Budget enacts the Emergency Response Initiative, which assesses a 4.6% surcharge on all statewide property insurance policies to generate over \$400 million per year to fund emergency response activities at the Department of Forestry and Fire Protection, Cal EMA and at the local level.
- ◆ **Shifts Certain Offenders to Local Jails.** The California Jobs Budget saves \$243.8 million by accepting the Governor's proposal to create a system of block grants to provide evidence-based programming and other probation and jail services at the local level. The block grants will be funded from a portion of state savings generated by having non-sex offender, non-serious, non-violent offenders convicted with sentences of three years or less to serve their felony sentence in local jails.
- ◆ **Keeps Courts Open.** The California Jobs Budget ends the one-day per month closing of trial courts and additional layoffs of court employees by providing funding to keep California's courts operating full-time. This funding is a result of various fee increases and the redirection of court construction funds and does not negatively impact the General Fund.

Highlights For Revenue:

- ◆ **Delays New Tax Business Tax Breaks.** The California Jobs Budget delays the start of new business tax breaks scheduled to take effect in 2010-11. Delaying these new tax breaks avoids over \$2 billion in cuts to education and other critical services.
- ◆ **Closes Oil Severance Loophole.** The California Jobs Budget closes the Oil Severance loophole to be the primary fund source for the Jobs and Economic Security Fund. This will generate billions to protect and create jobs. An additional \$100 million will be allocated annually to oil producing communities to offset any potential impacts of the loophole closure.

**Side-by-Side Comparison:
Governor's May Revision & California Jobs Budget**

Starting Problem	-\$17.9	Starting Problem:	-\$17.9
<p>Governor Education:</p> <ul style="list-style-type: none"> • Funds Proposition 98 at \$48.4 billion (no funding for childcare) and cuts Prop 98 funding for schools over the current year and budget year by \$2.8 billion. • LAO believes this does not meet Prop 98 Obligation. 	\$2.9	<p>Jobs Budget Education:</p> <ul style="list-style-type: none"> • Funds Proposition 98 \$5.9 billion (including \$1.4 for Child Care) above the Governor for the Budget Year. • Provides \$3.9 billion from Jobs and Economic Security Fund to meet Prop 98 minimums. • Saves \$1 billion in the Current Year by maintaining the existing appropriation level. 	\$4.9
<p>Governor's Prop 98 Child Care:</p> <ul style="list-style-type: none"> • Eliminates Child Care. 	\$1.4	<p>Jobs Budget Prop 98 Child Care:</p> <ul style="list-style-type: none"> • Fully Funds Child Care from the Jobs and Economic Security Fund 	\$1.4
<p>Governor's Higher Ed:</p> <ul style="list-style-type: none"> • Restores \$600 million in cuts to UC and CSU. • Increases UC fees by 15% and CSU fees by 10%. 	--	<p>Jobs Budget Higher Ed:</p> <ul style="list-style-type: none"> • Restores \$600 million in cuts to UC and CSU with the Jobs and Economic Security Fund. • Reduces Governor's UC and CSU fee increases by 50% by providing an additional \$275 million for the UC and CSU from the Jobs and Economic Security Fund. 	\$.6
<p>Governor's Health:</p> <ul style="list-style-type: none"> • Various significant cuts to Medi-Cal to save nearly \$700 million. • Eliminates Adult Day Healthcare to save nearly \$200 million. • Cuts county Mental Health Funds to save \$600 million. • Makes various other health care cuts to save \$200 million. 	\$1.6	<p>Jobs Budget Health:</p> <ul style="list-style-type: none"> • Makes no significant cuts to healthcare. • Restores \$70 million for critical public health and clinic programs that were vetoed by the Governor last year. 	-.1

<p>Governor's Human Services:</p> <ul style="list-style-type: none"> • Eliminates CalWORKS to save \$1.2 billion. • Reduces IHSS by 50% to save \$750 million. • Reduces SSI/SSP grants for individuals to the federal minimum to save \$133 million. • Shifts county human service funds and various other reductions to save \$600 million. 	\$2.7	<p>Jobs Budget Human Services:</p> <ul style="list-style-type: none"> • Provides \$1.8 billion from the Jobs and Economic Security Fund for employment services and childcare portions of CalWORKS, and shifts all General Fund costs to Federal Funds to save \$1.5 billion. • Establishes an IHSS provider fee to save \$150 million. • Rejects cuts to SSI/SSP. • Restores critical funds that the Governor vetoed last year, including \$80 for Child Welfare Services, \$6.4 million for core aging nutrition and support programs, and \$20.4 for domestic violence shelters. 	\$1.5
<p>Governor's Public Safety:</p> <ul style="list-style-type: none"> • Unspecified reduction to prison healthcare costs to save \$811 million. • Shifts certain offenders to county jail and provides a block grant to save \$200 million. 	\$1.0	<p>Jobs Budget Public Safety:</p> <ul style="list-style-type: none"> • Generally the same as proposed by the Governor. 	\$1.0
<p>Governor's Local Government:</p> <ul style="list-style-type: none"> • Suspends and defers certain mandate payments to save \$200 million. 	\$.2	<p>Jobs Budget Local Government:</p> <ul style="list-style-type: none"> • Provides \$931 million to repay local mandate funds owed to local governments, which also saves \$200 million. 	\$.2
<p>Governor's State Employee Comp.:</p> <ul style="list-style-type: none"> • Avoids collective bargaining to cut salaries 5%, increase employee retirement contributions 5%, reduces staff funding by 5%, and have a floating furlough day to save \$2.1 billion. 	\$2.1	<p>Jobs Budget State Employee Comp:</p> <ul style="list-style-type: none"> • Cuts staffing funds and overhead by 5% to save \$700 million. • All other reductions should be accomplished through collective bargaining and any savings will increase the reserve. 	\$.7

Governor's Federal Funds: <ul style="list-style-type: none"> Projects \$3.4 billion in additional Federal Funds. 	\$3.4	Jobs Budget Federal Funds: <ul style="list-style-type: none"> Accepts Governor's projection of \$3.4 billion. 	\$3.4
Governor's Special Fund Loans, Transfers, Fund Shifts: <ul style="list-style-type: none"> Proposes \$2.6 billion in various special fund loans, transfers, and fund shifts. 	\$2.6	Jobs Budget Special Fund Loans, Transfers, Fund Shifts: <ul style="list-style-type: none"> Generally accepts Governor's proposals. Various costs (as specified above are shifted to the Jobs and Economic Security Fund). 	\$2.6
Governor's Revenue Solutions: <ul style="list-style-type: none"> Establishes Speed Cameras to generate \$200 million. Extends Hospital Fees to generate \$200 million. Establishes the Emergency Response Initiative property insurance fee to fund fire costs to save almost \$100 million. Estimates \$450 million in various other revenues. 	\$.9	Jobs Budget Revenue Solutions: <ul style="list-style-type: none"> Rejects the Speed Cameras but includes all other Governor's revenue solutions to generate \$700 million. Accepts LAO Current Year Revenues of \$400 million. Accepts LAO Budget Year Revenues of \$1 billion (\$430 million net of Prop 98) Delays various new business tax breaks to generate \$2.1 billion (\$903 net of Prop 98) 	\$2.4
Governor's Various Others:	\$.3	Jobs Budget Various Others (inc Prop 98 reserve):	\$.3
Final Reserve	\$1.2	Final Reserve	\$1.0