Statewide Issues

This section includes issue(s) that affect multiple departments in various major program areas.

2008-09 State Appropriations Limit Calculation

Pursuant to Article XIIIB of the California Constitution, the 2008-09 State Appropriations Limit (SAL) is estimated to be $79.808 billion. The revised limit is the result of applying the growth factor of 4.95 percent. The revised 2008-09 limit is $70 million above the $79.738 billion estimated in January. This increase is due to changes in the following factors and shifts in financial responsibility:

- Per Capita Personal Income
  - January Percentage Growth: 4.16
  - May Revision Percentage Growth: 4.29
- State Civilian Population
  - January Percentage Growth: 1.16
  - May Revision Percentage Growth: 1.31
- K-14 Average Daily Attendance
  - January Percentage Growth: -0.21

- May Revision Percentage Growth: -0.37

For SAL purposes, per capita personal income is defined as calendar fourth quarter California personal income, as estimated by the US Bureau of Economic Analysis (BEA), divided by California civilian population, estimated by the California Department of Finance. Since BEA does not release its personal income estimate until April, the Department of Finance uses its own estimate for the Governor's Budget in January. The May Revision reflects the BEA's estimate of California personal income.

The SAL for 2007-08 does not change since it was statutorily established by Control Section 12.00 of the 2007 Budget Act.

State Cash Management Improvement

The proposal will smooth out General Fund disbursements throughout the fiscal year to better align receipts and disbursements. It will reduce the state's reliance on external borrowing. Effective cash management is one major factor considered by rating agencies in evaluating the state's credit-worthiness. Improving cash management could improve accessibility to the credit markets and reduce borrowing costs on long-term bonds. Under current projections, the state will need at least $9 billion of external cash flow borrowing in 2008-09. This improved cash management program would result in a reduction in external cash flow borrowing by several billion dollars.

Item 9800 – Augmentation for Employee Compensation

The 2008-09 Governor's Budget proposed $260.4 million General Fund for 2007-08 and $230.2 million General Fund for 2008-09 for the Administration's Last, Best, and Final Offer (LBFO) to Bargaining Unit 6, California Correctional Peace Officers Association.

Section 3517.8 (b) of the Government Code (Dills Act) states: "If the Governor and the recognized employee organization reach an impasse in negotiation for a new memorandum of understanding, the state employer may implement any or all of its LBFO. Any proposal in the state employer's LBFO that, if implemented, would conflict with existing statutes or require the expenditure of funds shall be presented to the Legislature for approval and, if approved, shall be controlling without further legislative action, notwithstanding Sections 3517.5, 3517.6, and 3517.7."

Consistent with statutory requirements, the Administration has submitted to the Legislature for its consideration those items of the LBFO which require legislative approval. To date, the Legislature has not approved those items or appropriated funding for the 2007-08 portion of the LBFO. Therefore, the Administration is proposing that funds proposed in the budget to implement the salary increase and other financial provisions of the LBFO be shifted from the specific budget item and placed in the reserve. Funding for the proposed health benefits increase will remain in the budget.

The Administration continues to pursue legislation to implement the LBFO. When the Legislature approves the requested changes, the Administration will implement those provisions of the LBFO.

Reimbursable State Mandates Program

The May Revision proposes a decrease of $75 million General Fund to reflect a delay of the third payment of the 15-year payment plan for mandate costs incurred prior to July 1, 2004. Statute requires these costs be fully paid by the 2020-21 fiscal year.

Tax Modernization Commission

California's tax system was designed decades ago and has not been adjusted to reflect a shift from a manufacturing and agriculture-based economy to an information, service, and technology-based economy. The state's tax system contributes to revenue volatility and to the substantial swings in available resources that the state has experienced during the past decade. California would benefit from an improved and more modern tax system that supports a strong economy, job creation, and provides a more predictable revenue source for essential government services.

As part of budget reform, Governor Schwarzenegger will issue an executive order to establish a bipartisan commission of legislative and gubernatorial appointees to modernize the state's tax laws and better reflect the current economy. The Tax Modernization Commission will make recommendations to assist the state in becoming less susceptible to revenue swings in the future.