



BUDGET AND SPECIAL ELECTION Q&A

Q1. What did the legislature actually do on Thursday, February 19, 2009?

A1. The legislature adopted a package of 34 bills that address the \$41 billion shortfall and economic downturn in California. As part of this package the legislature made revisions to the 2008-09 budget it passed last September. This included a \$66 million cut to the CSU that we anticipated, but fought to the last moment.

The Legislature also adopted the 2009-10 budget in record early time. The budget is constitutionally due on June 15th each year and adopting the budget on February 19th makes this the earliest budget adoption in state history. Unfortunately, but again as anticipated, the 2009-10 budget also carried over the \$66 million cut to the CSU. (For an overview of the “bottom line” please see the chart at the end of this document.)

Additionally, the legislature adopted a “trigger” mechanism tied to federal stimulus money that includes an additional \$50 million dollar cut to the CSU for budget year 2009-10 if federal stimulus dollars do not reach \$10 billion.

The legislature set the date for a May 19, 2009 special election and placed seven propositions on upcoming ballots including six for May 19 and one for the June 2010 primary ballot. More about the special election measures below.

Q2. What is a “trigger” cut and why did the legislature do this?

A2. Intended as an insurance policy in case the state did not receive what it expects to from the federal government, a “trigger” cut is one that is agreed to in the budget deal that would be forestalled if a specified “trigger” is pulled. In this case, the CSU would receive an additional 2009-10 cut of \$50 million UNLESS California receives at least \$10 billion in federal stimulus dollars that can be used to replace General Fund dollars in 2009-10 fiscal year.

Q3. Did the legislature single out public higher education with the trigger cuts or are there others who will be cut?

A3. According to AB16/SB16, should California receive \$10 billion or more in federal stimulus money, the following items are “triggered” for possible augmentations that total \$947 million:

- University of California, \$50 million;

- California State University, \$50 million;
- Judicial Branch, Trial Courts, \$100 million;
- Judicial Branch, New Judges, \$71.4 million;
- Department of Social Services, CalWORKs grants, \$147 million;
- Department of Social Services, IHSS, \$78 million;
- Department of Social Services, SSI/SSP grants, \$268 million;
- Department of Health Care Services, Optional Services, \$129 million; and
- Department of Health Care Services, Safety Net Pool funds, \$54 million.

Q4. Why did the legislature set the federal stimulus trigger so high?

A4. While the conservative estimate for federal stimulus money is \$7.9 billion, there was every expectation that the state would receive approximately \$9.1 billion. The initial trigger mechanism was meant to be an insurance policy in case the federal money did not meet expectations and was therefore set at \$9.1 billion.

As part of his ransom package Senator Abel Maldonado demanded that the legislature drop its planned gasoline tax increase of \$0.12/gallon. In order to do this without blowing a \$1.8 billion dollar hole in the general fund (the expected revenue from the gas tax increase) the legislature needed to rebalance the budget deal. To do this the legislature agreed to a series of adjustments and line item vetoes. One such adjustment was moving the trigger number on federal funds from \$9.1 to \$10 billion. This makes up for about \$1 billion of the gas tax and means an additional 2009-10 budget year cut of \$50 million to the CSU if California doesn't reach the \$10 billion threshold for federal stimulus dollars.

In addition to increasing the trigger number from \$9.1b to \$10b the legislature also agreed to allow the Governor to line item veto enough to bring the budget back into balance from the loss of the gas tax.

Q5. What did the governor do in his line item vetoes before signing the budget?

A5. Neither the CSU administration nor CFA was aware that the Governor was going to cut an additional \$255 million dollars from the CSU budget. As the Governor stated in his veto messages this money is a one-time cut from the support budget of the CSU that will be backfilled with federal stimulus dollars. While we were surprised by the governor's action there is no reason to believe that this cut will not be backfilled with stimulus money.

Q6. What is the \$95.7 million cut to higher education for retirement contributions and how does it affect me?

A6. This cut refers to reduced cost for start-up of retirement contributions to UC retirement fund and does not apply to the CSU. It will not affect your pension.

Q7. Since the stimulus money is so important to CFA and the CSU, how can CFA affect the amount of fed stimulus CA receives?

A7. Long before the budget deal was cut CFA was working on a plan to help maximize the amount of federal stimulus money the CSU received. In January CFA president Lil Taiz sent a letter to legislative leadership, the Governor and the Department of Finance making sure

that they knew we were watching how the federal package was moving and that we expected them to use some of these funds for the CSU and public higher education.

Further, when the federal package was completed President Taiz sent a letter to the entire California congressional delegation including Senators Feinstein and Boxer urging them to deliver as much stimulus money as possible to their home state.

Additionally, CFA is planning in March 2009 to send a delegation to Washington, DC where we will be lobbying the California congressional delegation in person.

Finally, CFA has a document ready that outlines how the CSU could best use federal stimulus money to help the CSU and the state economy. Keep an eye on CFA Headlines for this information.

Q8. What are all these ballot initiatives that the legislature passed?

A8. As part of the budget solution package the legislature placed seven issues on the ballot – six for May 19 and one for June 2010. Only five of the seven measures are actually budget-related with the remaining two related to legislative pay and primary elections. The latter two were placed on the ballot at the behest of Senator Abel Maldonado. While we will be having further discussions about all these measures, the CFA Board of Directors voted on Monday, February 23, 2009 to oppose proposition 1A – the spending cap proposal. Here is a brief explanation of the measure:

Proposition 1A: Spending Cap

- Creates a “Rainy Day Fund” called the Budget Stabilization Fund (BSF) that will ultimately become a slush fund that would allow unlimited borrowing and Pork Barrel spending.
- Requires that 3 percent of annual general fund revenue be diverted from the budget and deposited into the BSF until the BSF balance equals 12.5 percent of General fund revenues – even in a year like this when we are in the depths of a recession and State revenues are falling.
- Gives the Governor extraordinary unilateral power over the budget. The Director of Finance – a political appointee of the Governor – makes all the critical decisions determining when revenues are “excessive” and can be diverted into the “Rainy Day” slush fund, with no checks and balances from the Legislature.
- And if 1A is adopted by voters, another law which was part of the budget deal gives the Governor more power to make unilateral cuts to the budget after it is signed into law, again with no oversight by the Legislature.

Q9. What can we do on campus to help?

A9. Continue your outreach programs, fax campaigns and lobbying efforts. This year more than any other it is important for chapters to make lobby appointments in the district offices of our elected officials so that they see a constituent bringing them concerns. The most

effective lobbying is done at the district level and will add weight to our statewide efforts in Sacramento.

Also, keep an eye on CFA Headlines and other communications for Special Election activities in your area.

THE CSU BOTTOM LINE

2008/09 Budget Actions

31.3 million 1x GF cut
66.3 million GF cut

10% fee hike

2008/09 Budget Results

97.6 million Less than 07/08
313 million Less than Compact

10% Higher Fees

2009/10 Budget Actions

66.3 million GF cut
255 million 1x GF cut
255 million 1x Federal Stimulus Funds
50 million augmentation GF "trigger-cut"

10% fee hike

2009/10 Budget Results (assumes \$50 m trigger cut is enacted)

116 million Less than 07/08
333 million Less than Compact

10% Higher Fees

If you have any questions please feel free to contact Lil Taiz, John Travis or Chris Garland or send an email to budgetquestions@calfac.org.