

CALIFORNIA INITIATIVE REVIEW

Introduction: The 2009 Budget Compromise

Copyright © 2009 by University of the Pacific,
McGeorge School of Law

By

David Cox

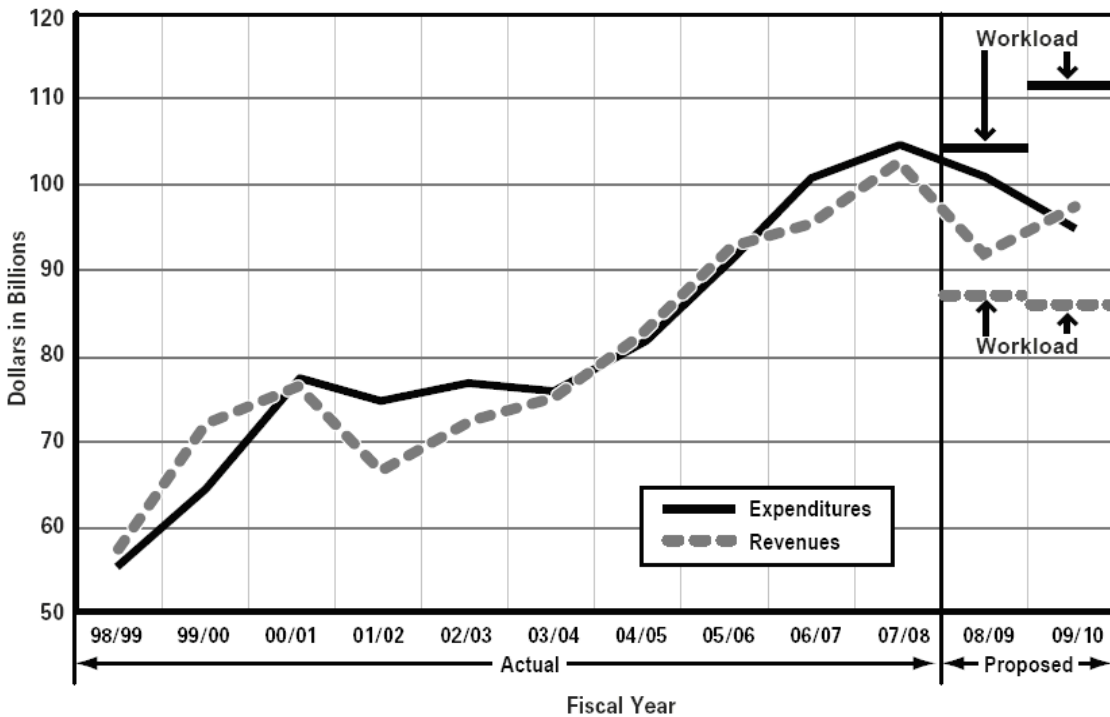
*J.D., University of the Pacific, McGeorge School of Law, to be conferred May 2010
B.A., Political Science, Westmont College, Santa Barbara, CA 2005*

Introduction: The 2009 Budget Compromise

In February 2009, the state faced a \$42 billion budget deficit, largely attributed to a poor global economy and the California Legislature’s commitment of funds to annually recurring programs. Legislative leaders met with Governor Schwarzenegger to develop a compromise to balance the state budget. The finished product was presented to the State Senate and Assembly. In a series of over twenty separate bills, Democrats and six Republicans voted to approve cuts to program funding, two years of temporary tax increases, and the ballot measures under consideration by the Voters on May 19, 2009.

The Governor’s Budget projected a shortfall of \$14.8 billion in the 2009 fiscal year, and, if left unaddressed, projected the deficit would grow to \$41.6 billion by the end 2010.¹ Figure INT-01 from the Governor’s Budget Summary highlights expenditures and revenue from 1998-99 to the present budget year, including the Governor’s proposals.

Figure INT-01
General Fund Revenue and Spending Growth



"Workload" means the projected levels of spending and revenues if the state were to make no changes to current law or practice. When the budget reflects spending that is lower than the workload level, that means spending cuts are proposed. When the budget reflects revenues that are higher than the workload level, that means revenue increases are proposed. As the figure shows, the budget proposes both spending cuts and revenue increases in 2008-09 and 2009-10.

¹ Governor’s Budget Summary 2009-10, <http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>.

Introduction: The 2009 Budget Compromise

To address this projected shortfall, the Governor declared a fiscal emergency and called several special sessions of the Legislature. From November 2008 to February 2009, Governor Schwarzenegger met with Assembly Speaker Karen Bass, Assembly Republican Leader Mike Villines, Senate Minority Leader Dave Cogdill, and Senate President pro Tempore Darrell Steinberg, to negotiate a compromise budget deal. The “Big 5” emerged from the Governor’s first floor Capitol office and declared they had reached an agreement that included \$17.4 billion in program cuts, \$14.3 billion in new taxes, \$5 billion borrowed against future lottery earnings, \$358 million in additional borrowing, and \$4.7 billion in Reimbursement Warrants to be repaid in future fiscal years.

The Legislature reviewed the proposal, added provisions to secure sufficient votes for passage, and eventually approved an historic, mid-year, budget compromise. In all, over 20 separate bills were approved by the legislature in mid-February, including proposed initiatives for a budget spending cap (See Prop. 1A), additional taxes (Also Prop. 1A), increases in education funding (See Prop. 1B), security bonds against future lottery revenue (See Prop. 1C), borrowing from First Five California and from the Mental Health Services Fund (See Props. 1D and 1E), prevention of salary increases for Legislators and statewide constitutional officers in deficit years (See Prop. 1F), and a change to an open primary voting system (to appear during a future election).