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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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# State of California 2008-2009 Budget Impacts

On Thursday, September 18, Governor Schwarzenegger and State legislative leaders appeared to come to an agreement on the State of California 2008-2009 Budget, after nearly three months of deadlock. The budget compromise was approved by the legislature on Friday and sent to the Governor for signature. The IBA has done a preliminary review of the State Budget, and has identified the following key elements and anticipated impacts to the City of San Diego:

- No **Proposition 1A** borrowing of local property tax revenues
  - *Potential loss of \$34 million if Prop. 1A borrowing had occurred*
- \$350 million shift in property tax increment from **Redevelopment Agencies**
  - *\$11.7 million estimated impact to the City of San Diego Redevelopment Agency; see Attachment for breakdown by project area*
- Full funding of **Proposition 42** (\$1.4 billion total, \$286 million for cities) for local streets and roads
  - *\$12.1 million estimated for the City of San Diego; \$12.7 million budgeted*
- \$187 million in **Proposition 1B** funding allocated to cities
  - *City of San Diego still eligible for approx. \$20 million, but 2008-09 allocations unknown; \$21.2 million budgeted*
- \$107 million in funding for **Citizen Options for Public Safety (COPS)**
  - *\$2.1 million estimated for the City of San Diego; \$1.5 million budgeted*
  - *Payments made in quarterly installments instead of annual lump-sum*

- \$31.5 million in funding for **Booking Fees**, a 10% reduction from 2007-08
  - *Allows counties to charge cities in proportion to reduced funding*
  - *\$3.1 million budgeted as contingency in FY 2009; however, full impact to City unknown pending outcome of negotiation with County.*
  
- Budget still relies on a **Lottery Securitization** proposal that, if approved by voters, is expected to generate \$5 billion in FY 2009-10
  - *Not anticipated to generate revenues or provide relief in FY 2008-09*
  
- As part of **Budget Reform** package, the Governor is allowed to make mid-year reductions if certain conditions are met
  
- Does not solve the State's **Structural Budget Deficit**, thereby making budgetary challenges likely in future years
  
- The **2009-2010 Budget** process will begin soon, and cities will need to continue to be vigilant in their effort to protect local revenues

The IBA will continue to monitor the State Budget, and will report back on any additional impacts to the City that develop as a result of State actions. In addition, we recommend that the Financial Management Department report on any projected budgetary variances due to State Budget impacts in the First Quarter Budget Monitoring Report.

**[SIGNED]**

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**[SIGNED]**

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Attachment