



INFORMATION SHEET: MAY 19, 2009 SPECIAL ELECTION

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In recent years, the state's General Fund has experienced problems due to an ongoing gap between revenues and expenditures, use of one time solutions to support higher ongoing spending, declining revenues, the financial credit market crisis and the national recession. The General Fund is the state's core account that pays for most services including: education (50%), health and social services (29%), prisons and other services¹. In February 2009, after a protracted process of securing necessary votes, the Legislature and Governor agreed on a budget package to bring the 2008-2009 and 2009-2010 budgets into balance. The total shortfall projected in the budget at that time was \$39.56 billion (\$41.7 billion assuming a \$2.1 billion reserve)². With a combination of spending reductions, new revenues, federal funding and borrowing, this 17-month budget provided a fiscal plan for California to solve this \$39.56 billion fiscal shortfall. As part of the budget package, six propositions (1A through 1F) were placed on the ballot for the May 19, 2009 special election. During the intervening months, the state's fiscal climate has worsened to the extent that even if Propositions 1A through 1F are approved by voters, the California Legislative Analyst Office's (LAO) has projected that revenues will fall short of the assumptions in the budget package by \$8 billion, further increasing the state's deficit.

By voting in this election, you can play an active role in deciding California's future. Voting is easy, and any registered voter can vote by mail or at their polling site. For more information on voting in San Diego County, visit: <http://www.sdcountry.ca.gov/voters/Eng/Eindex.shtml>.

COMMUNITY HEALTH IMPROVEMENT PARTNERS (CHIP) POSITION

The Community Health Improvement Partners (CHIP) is a collaboration of San Diego health care systems, hospitals, community clinics, insurers, physicians, universities, community based organizations and the County of San Diego who are dedicated to a common vision. The mission of CHIP is to improve the health of all San Diegans through needs assessment, advocacy, education, and programs best accomplished collectively. On April 2, 2009 the CHIP Board voted to approve the following position:

“The Community Health Improvement Partners (CHIP) takes a position in support of Propositions 1A through 1F (being considered on the May 19, 2009 special election ballot.) Despite some flaws with the individual propositions, it is important that the propositions be passed as a package. The consequences of the propositions failing will be of greater risk to the health of all San Diegans and to the healthcare system. Currently, there is no contingency plan for dealing with the state budget issues, and should the ballot initiatives fail, more severe cuts will be imminent.”

As indicated, CHIP recognizes that the state budget process and these ballot measures are not without their flaws. The healthcare community does not want to see cuts to early childhood and mental health services. However, should Propositions 1A through 1F fail, it is highly unlikely that the current legislative environment will allow for revenue increases. As a result, even greater spending cuts will occur. These cuts will negatively affect an already burdened healthcare safety net and San Diegans' access to healthcare. Supporting the passage of the propositions is essentially the better of two difficult options and we therefore urge voters to approve the passage of propositions 1A through 1F.

Ultimately, voters should be educated about the upcoming election and exercise their right to vote. For more information on CHIP's position, you may contact Kristin Garrett, Executive Director at kgarrett@hasdic.org or 858-614-1543.



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PROPOSITIONS 1A THROUGH 1E

1A: This measure would require the state to make annual contributions to a budget reserve until the balance in the reserve reaches 12.5% of General Fund revenues, impose limits on the use of the reserve in “bad budget” years and limit the state’s ability to spend existing revenues³. As a result, Proposition 1A could have significant impacts on the state’s budgeting practices in the future⁴. The measure would tend to increase the amount of money set aside in the state’s rainy day account by increasing how much money is put into this account and restricting the withdrawal of these funds⁴. If this measure is approved, several tax increases passed as part of the February 2009 budget package would be extended by one to two years⁴.

1B: Proposition 1B would only take effect if voters also approve Proposition 1A³. Proposition 1B establishes a mechanism for increasing funding subject to the Proposition 98 guarantee in future years to make up for the reductions in the 2007-2008 and 2008-2009 budgets³. Essentially, 1B would require supplemental payments to local school districts and community colleges to address recent budget cuts⁴. It also provides greater discretion to the Legislature and Governor regarding how the payments would be distributed⁴.

1C: This measure makes major changes to the 1984 voter initiative that created the California Lottery⁴. These changes could increase lottery ticket sales and allow the state to borrow \$5 billion in the 2009-2010 fiscal year from future lottery profits⁴. In addition to borrowing this \$5 billion, the state could also borrow more from lottery profits in future years⁴. Under the measure, lottery profits now dedicated to schools and colleges would be used to pay back the borrowing⁴. The measure would increase state payments to education from the state General Fund to make up for the loss of these lottery payments⁴.

1D: This measure would temporarily redirect a significant portion of Proposition 10 (First 5 program) funds to achieve budgetary savings and would make permanent changes to state and local First 5 commission operations⁴. Over five years, about \$1.6 billion (\$608 million in 2009-2010 and \$268 in the subsequent 4 fiscal years) of First Five’s funds would be diverted to the State’s General Fund⁵. Programs that could be supported by these funds include child welfare services, foster care, adoption assistance and services for infants and toddlers with developmental disabilities⁵. Proposition 1D would also limit the use of remaining First 5 funds to the provision of direct health care services; direct early education services, including preschool and child care; and human services, including services for families who are involved with the child welfare system (the measure does not define “direct services”)⁵. If Proposition 1D is rejected by voters, policymakers would have to adopt other measures such as additional spending cuts and/or revenue increases to make up for the lost General Funds savings and to help bring the state’s budget into balance in 2009-2010 and beyond⁵.

1E: This measure allows for the temporary redirection of some Proposition 63 funds—specifically, \$226.7 million in 2009-2010, and between \$226.7 million and \$234 million in 2010-2011, to the state’s General Fund⁴. Diverted funds would be used to support Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program’s mental health services – a federally mandated program that requires the state to provide these services to Medi-Cal recipients under the age of 21⁶. Thus, if voters reject 1E, state General Fund dollars would be used to support EPSDT mental health services and additional spending cuts and/or tax increases would be needed to backfill the loss of funds that would have been provided by 1E⁶. A majority of the revenues raised by Proposition 63 have not been spent due to implementation delays (e.g. a report documenting expenditures from revenues raised by Proposition 63 shows that as of the end of 2007-2008, approximately \$1.5 billion of the more than \$4.1 billion raised had been distributed by the State Department of Mental Health)⁶.



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1F: This proposition amends the Constitution to prevent the California Citizens Compensation Commission from approving increases in the annual salary of elected state officials in certain cases when the state General Fund is expected to end the year with a deficit⁴.

SUPPORTERS (*Not an exhaustive list, visit the website for more information*):

California Chamber of Commerce, California Hospital Association, California Teachers Association, Hospital Association of San Diego and Imperial Counties, San Diego County Sheriff William Kolender, San Diego Regional Chamber of Commerce,

Budget Reform Now: http://www.cabudgetreformnow.com/team/?_c=xv2ragdj16xq7c

This campaign is paid for by Budget Reform Now, a coalition of taxpayers, business, labor, public safety, seniors, Henry T. Segerstrom Properties LLC, and Governor Schwarzenegger's California Dream Team, a ballot measure committee - Yes on 1A, 1B, 1C, 1D, 1E and 1F.

OPPONENTS (*Not an exhaustive list, various opponents against some propositions*):

California Nurses Association, Mental Health Association of America – California, NAMI California, San Diego County Taxpayers Association, SEIU,

FOR MORE INFORMATION

California Budget Project: <http://www.cbp.org/>

California Healthcare Foundation (will be updated on April 20, 2009): <http://www.healthvote.org/>

California Legislative Analyst's Office:

http://www.lao.ca.gov/laoapp/ballot_source/propositions.aspx

Insure the Uninsured Project: <http://www.itup.org/reports.html#castatebudget>

Secretary of State Voter Guide:

<http://www.voterguide.sos.ca.gov/pdf-guide/complete-vig-may192009.pdf>

References:

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2. Evans, N. (2009). *Final Summary of: 2008-2009 Special Session Budget Adjustment and 2009-2010 State Budget Act*. Retrieved April 9, 2009, from California State Assembly Official Site, Website: <http://www.assembly.ca.gov/acs/Committee/C4/FinalFloorReportFeb80910budget22409.doc>
3. Ross, J. (March 2009). *Budget Brief, What Would Proposition 1A Mean for California's Future?* Retrieved April 14, 2009, from California Budget Project Official Site, Website: http://www.cbp.org/pdfs/2009/090318_prop1A.pdf
4. California Legislative Analyst's Office (LAO). (2009). *Ballot Propositions*. Retrieved March 26, 2009, from LAO. Website: http://www.lao.ca.gov/laoapp/ballot_source/propositions.aspx
5. Graves, S. (April 2009). *Budget Brief, What Would Proposition 1D Mean for California?* Retrieved April 14, 2009, from California Budget Project Official Site, Website: http://www.cbp.org/pdfs/2009/090413_bb_prop1D.pdf
6. Anderson, A. (April 2009). *Budget Brief, What Would Proposition 1E Mean for California?* Retrieved April 14, 2009, from California Budget Project Official Site, Website: http://www.cbp.org/documents/0904_bb_Prop1E.pdf