



News Update

May 17th 2011

1904 Naomi Place, Prescott, AZ 86303
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Our Corporate Partners



Renaissance Palm Springs Hotel



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April 12 ~ 14, 2012

Governor Issues May Revise of Budget

The Governor issued the May Revise on Tuesday, May 17th, a revision of his January budget. The new budget reflects better information on state revenues than was available in January. For example, State revenues came in \$2.5 billion above expectations by the end of April. The new budget assumes revenues above predictions of \$2.8 billion for the current fiscal year (2010-2011). For the 2011-2012 budget year the Governor is predicting additional revenues of \$3.5 billion above previous forecasts. These two increases, together with what the Governor terms "minor revenue adjustments" result in an additional \$6.6 billion available for the 2011-2012 fiscal year. We will have more updates for you as these issues continue to unfold.

However, the May Revise notes that these new revenues are more than offset by growing expenditures and an ongoing structural deficit. Thus, the May Revise states "After accounting for the solutions already adopted by the Legislature, higher revenues, and updated spending projections, the state's \$26.6 billion budget problem has been reduced to \$9.6 billion." Building in a \$1.2 billion reserve means that the current deficit is \$10.8 billion.

The Governor proposes raising income tax rates on Californians for four years rather than the five years he proposed in January. The higher rate would not take effect until 2012. The income tax surcharge would raise about \$2 billion annually.

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Next Board Meeting

May 20, 2011 ~ Oakland

For more information, on-line registration and hard copy registration forms, please visit our web site at: www.californiadialysis.org

The governor will continue to push for a five-year extension of increases in sales taxes and vehicle fees that are due to expire on July 1. Brown wants lawmakers to put these levies in place before July 1, to be ratified later by voters in a special election this fall.

The governor would use the unexpected multibillion-dollar influx of tax receipts to fill the gap left in his budget by the shorter period of income tax increases. He would also use the new money to keep in place "enterprise zone" tax credits for businesses that hire workers from blighted areas. Brown originally proposed eliminating those tax credits to save the state \$924 million. His new budget proposal would reform the tax credits provided to businesses locating within enterprise zones so that they get credit only when they create "new" jobs.

The Governor continues to propose the elimination of Redevelopment Agencies. The budget assumes a "savings" of \$1.7 billion from that action.

The revised budget eliminates 43 boards, commissions, task forces, offices and departments that represent an inefficient use of taxpayer dollars. As services are returned to the local level, the Departments of Mental Health and Alcohol and Drug Programs will be eliminated. The revised budget also proposes to merge the Healthy Families Program into the Medi-Cal program, reducing costs and creating a single health care program for low income families

Finally, the Governor proposes to improve debt management. More than \$11 billion in cash from bond sales is sitting in department accounts, where it costs taxpayers more than \$700 million a year in debt service for projects that have yet to be completed. The revised budget proposes expediting projects, moving cash out of accounts and into projects that create jobs and improve state infrastructure.

The Governor's budget summary for can be found at:

<http://www.ebudget.ca.gov/pdf/Revised/BudgetSummary/FullBudgetSummary> .