

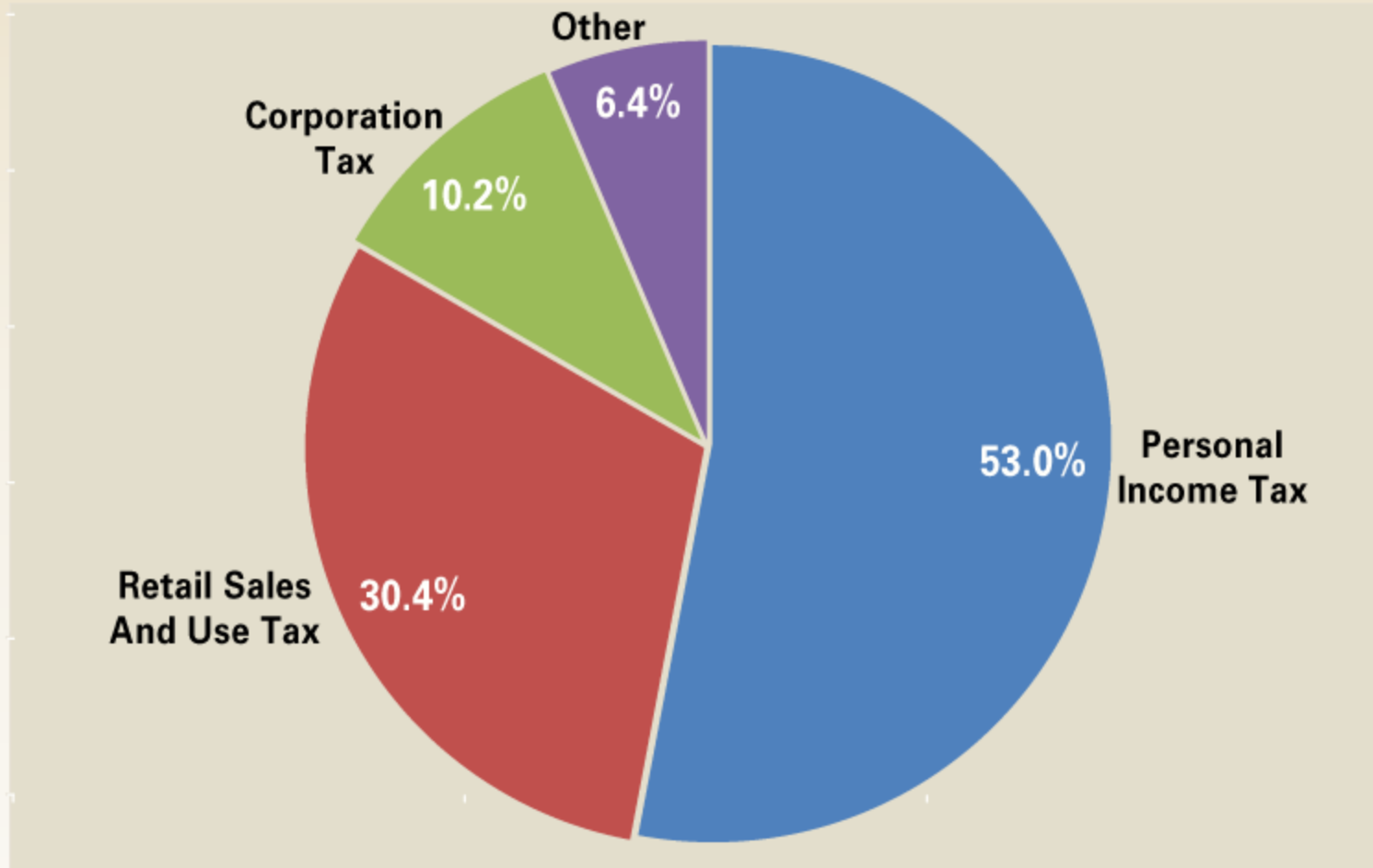


Budget Discussion

Governor-Elect Edmund G. Brown Jr.

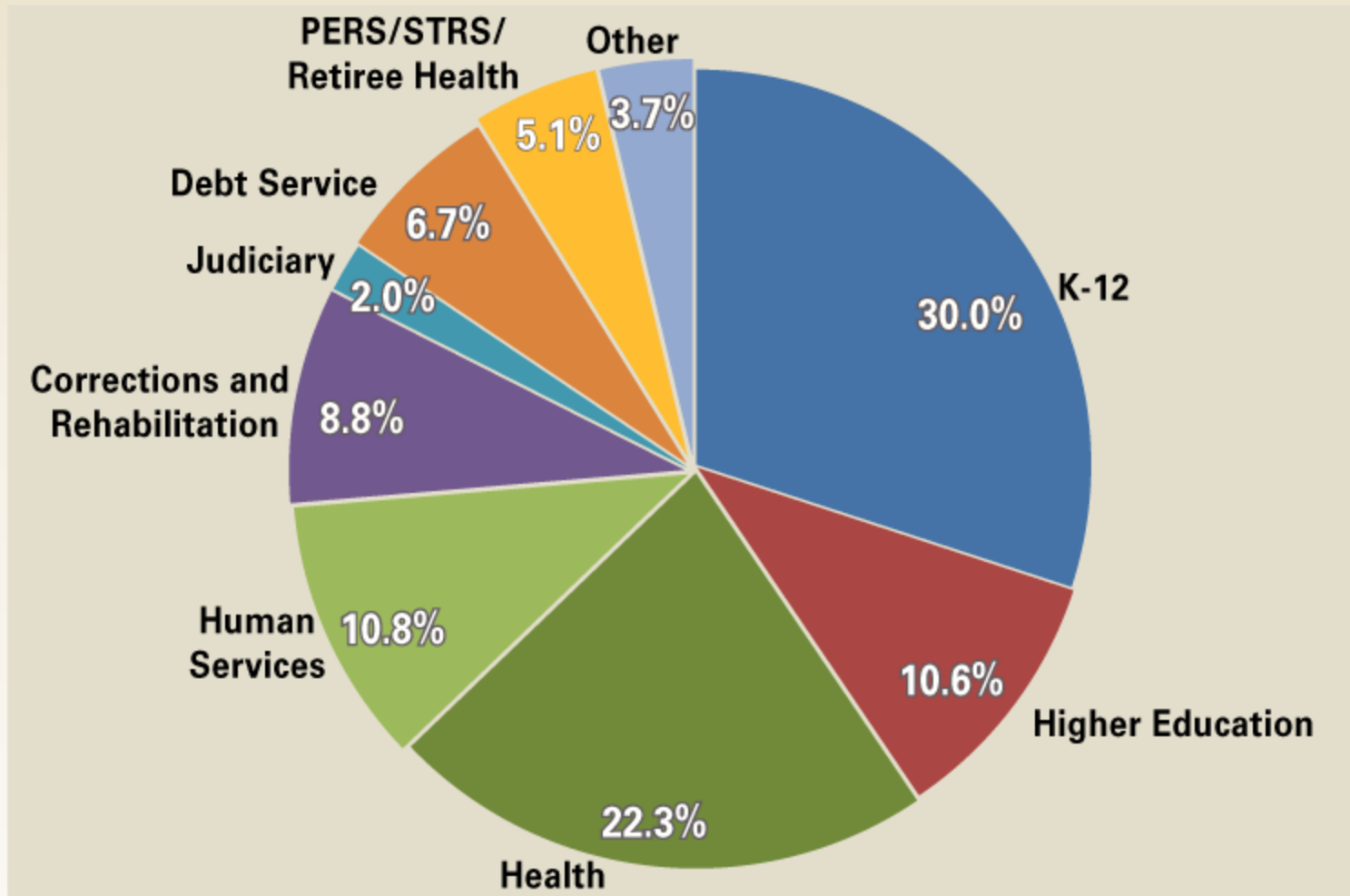
December 2010

Where Do State General Fund Revenues Come From?



Source: Legislative Analyst's Office — 2011-12

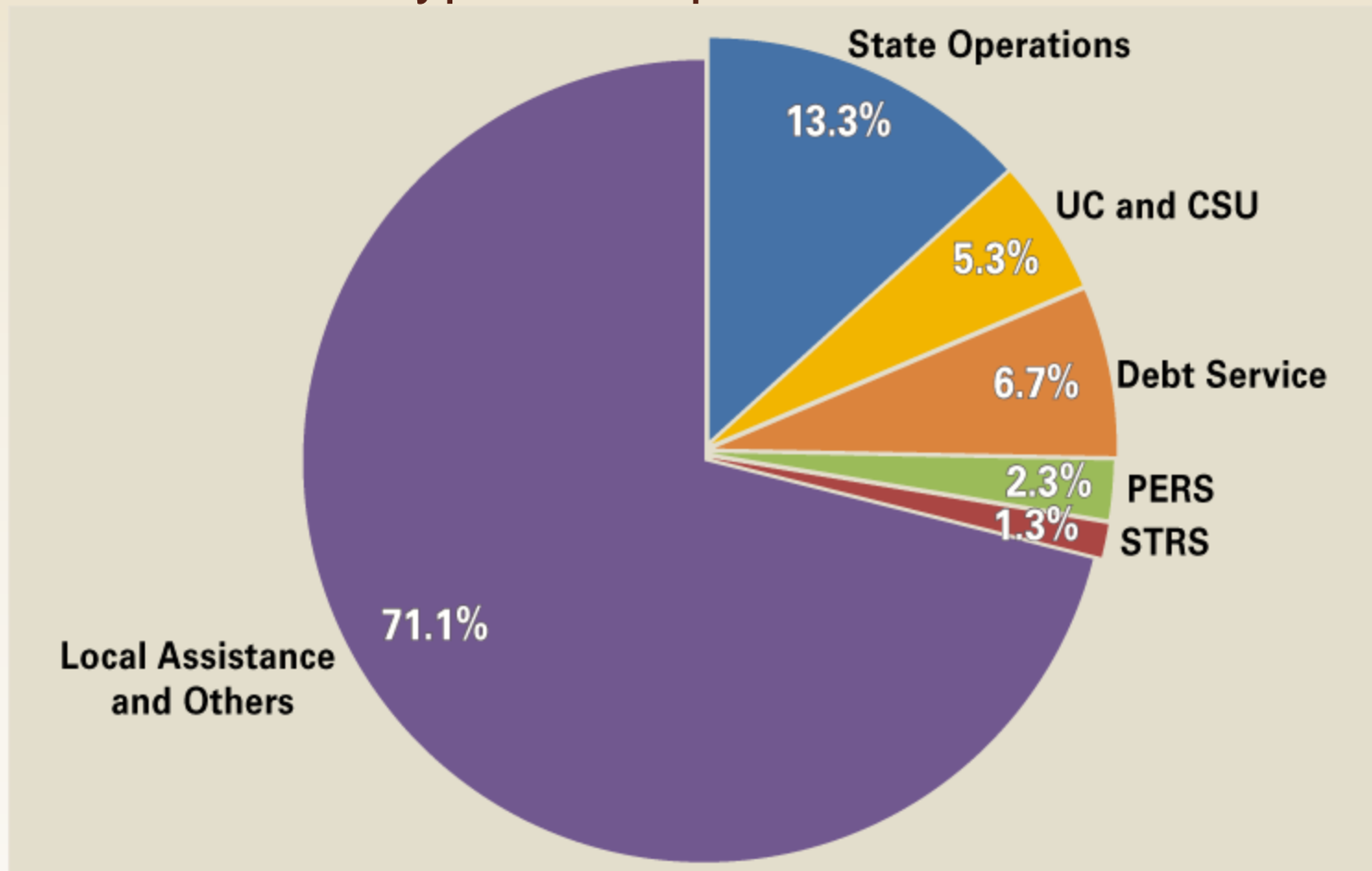
Where Do State General Fund Dollars Go?



Source: Legislative Analyst's Office — 2011-12

Understanding the Make-Up of General Fund Expenditures

Types of Expenditures



Source: Department of Finance — 2011-12

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Examples of General Fund Expenditures

- Medi-Cal: \$17.6 billion.
- All state prisons: \$9 billion.
- All funding for UC and CSU: \$5.4 billion.
- Services to the developmentally disabled: \$3.1 billion.
- CalWORKs : \$3 billion.
- State mental health hospitals: \$1.2 billion.
- In-Home Supportive Services: \$1.7 billion.
- State Employee Payroll: \$9.2 billion
(67% in Corrections)

Source: Legislative Analyst's Office, except State Employee Payroll (Department of Finance)

2011-12 Budget Problem Up to \$28 Billion

LAO Projected Budget Gap	\$25.4 billion
Possible Estate Tax Revenue Loss	\$2.7 billion
Total	\$28.1 billion

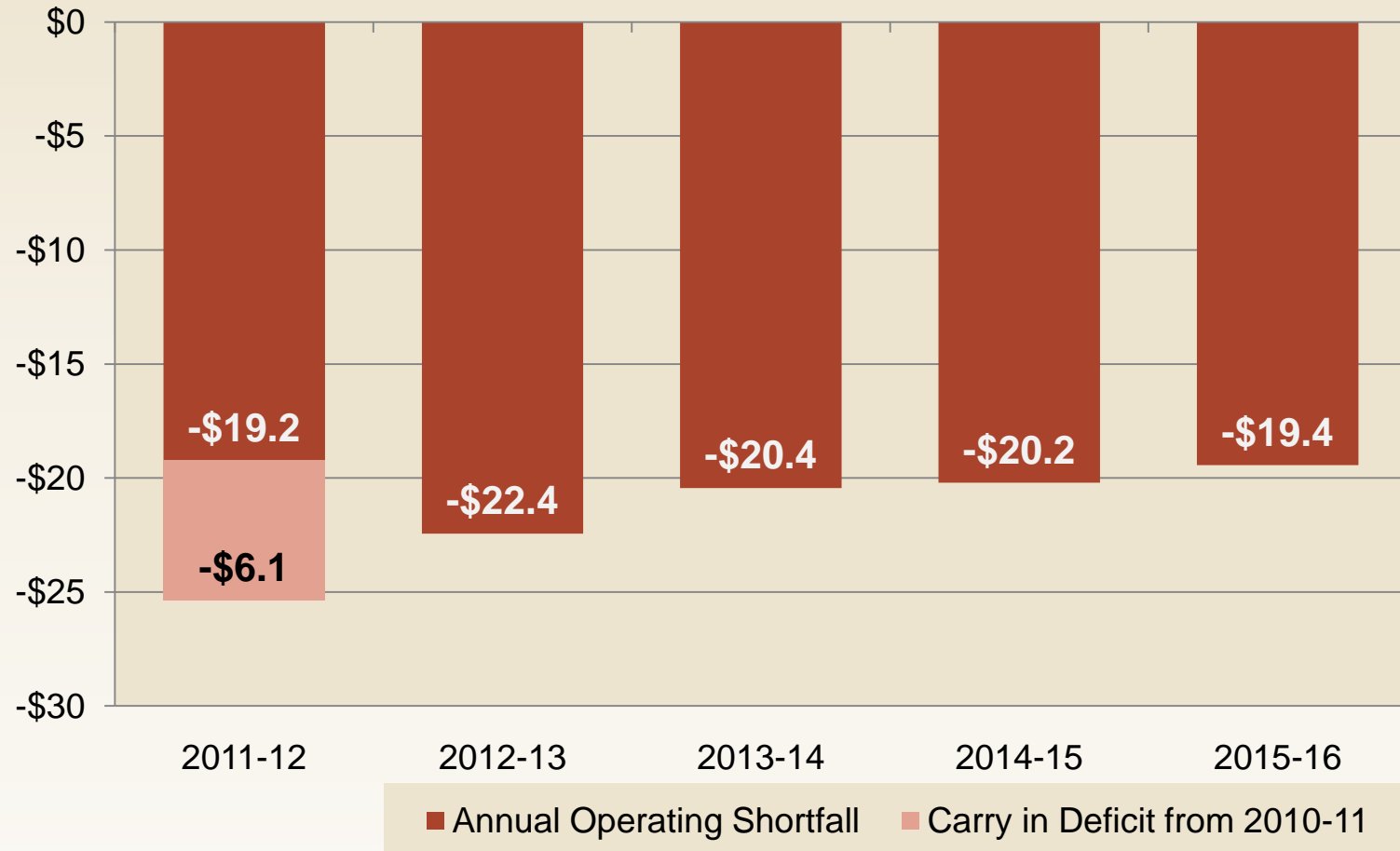
Source: Legislative Analyst's Office

Worse Next Year Than This Year

- Revenues Temporarily High This Year
 - Last year of temporary tax increases (\$8.3 billion).
 - One-time revenues (sale of state buildings)
- Federal stimulus funds used up

Absent Permanent Solutions, Deficits Will Persist for Years

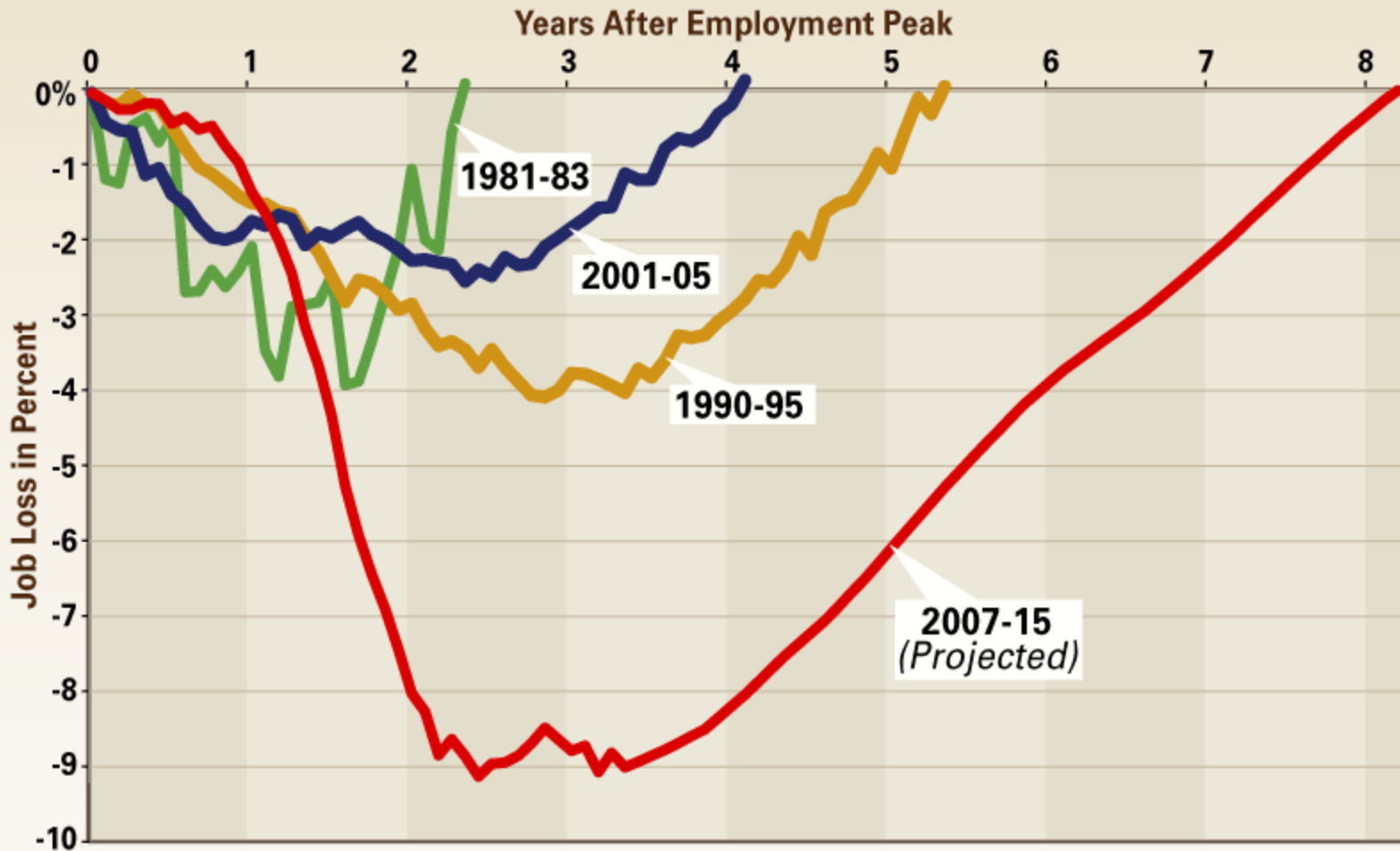
General Fund (In Billions)



Source: Legislative Analyst's Office

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Very Modest Recovery Forecast



Source: Legislative Analyst's Office

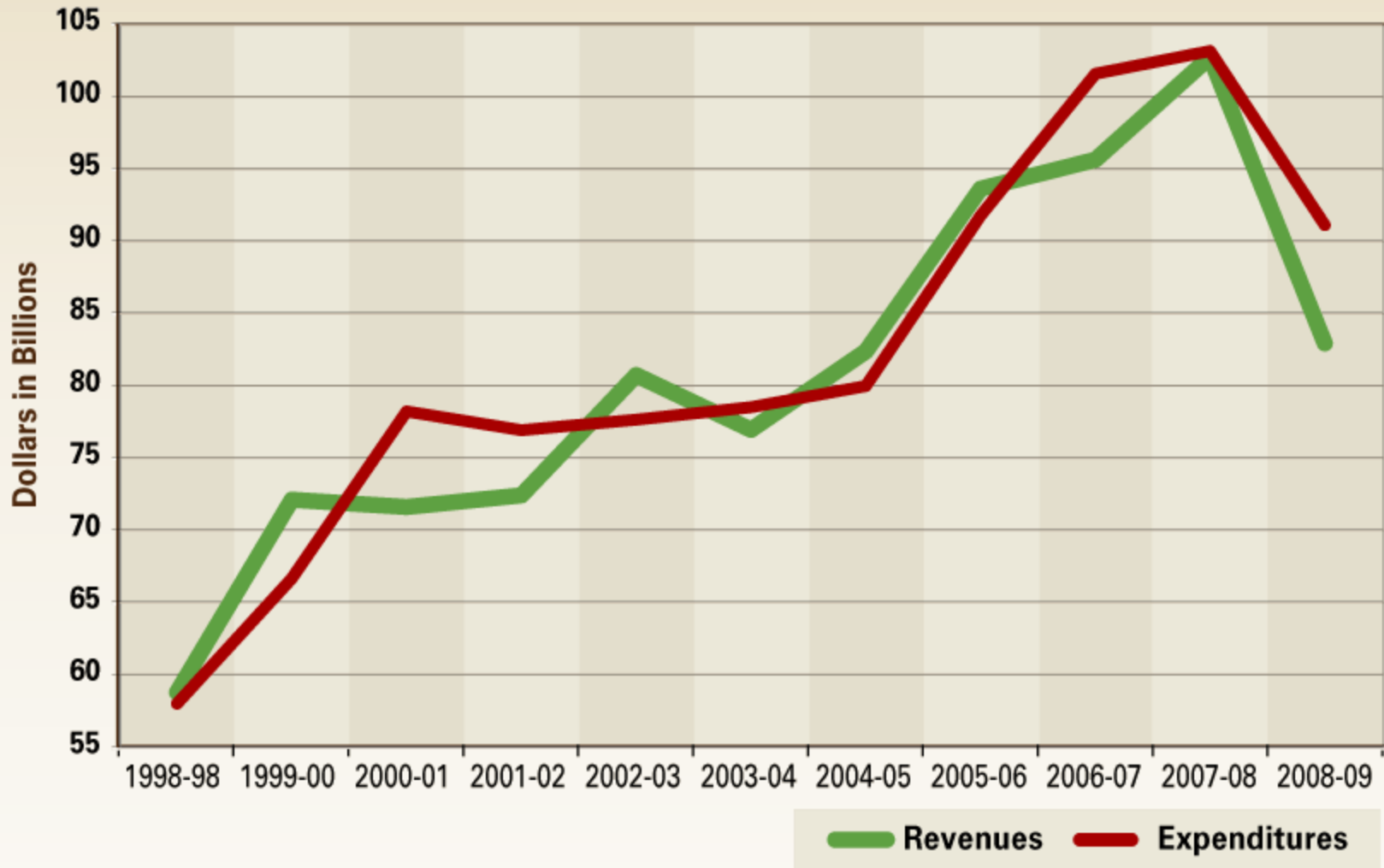
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Billions in Threats and Future Pressures

- Pension Liabilities —
\$100.0 Billion To \$500.0 Billion
- Unemployment Insurance Fund Deficit —
\$10.3 Billion
- Outstanding Budgetary Borrowing —
\$15.3 Billion
- Health Care Reform —
\$3.5 Billion

Source: Department of Finance

General Fund Revenues vs. Expenditures



Source: Department of Finance

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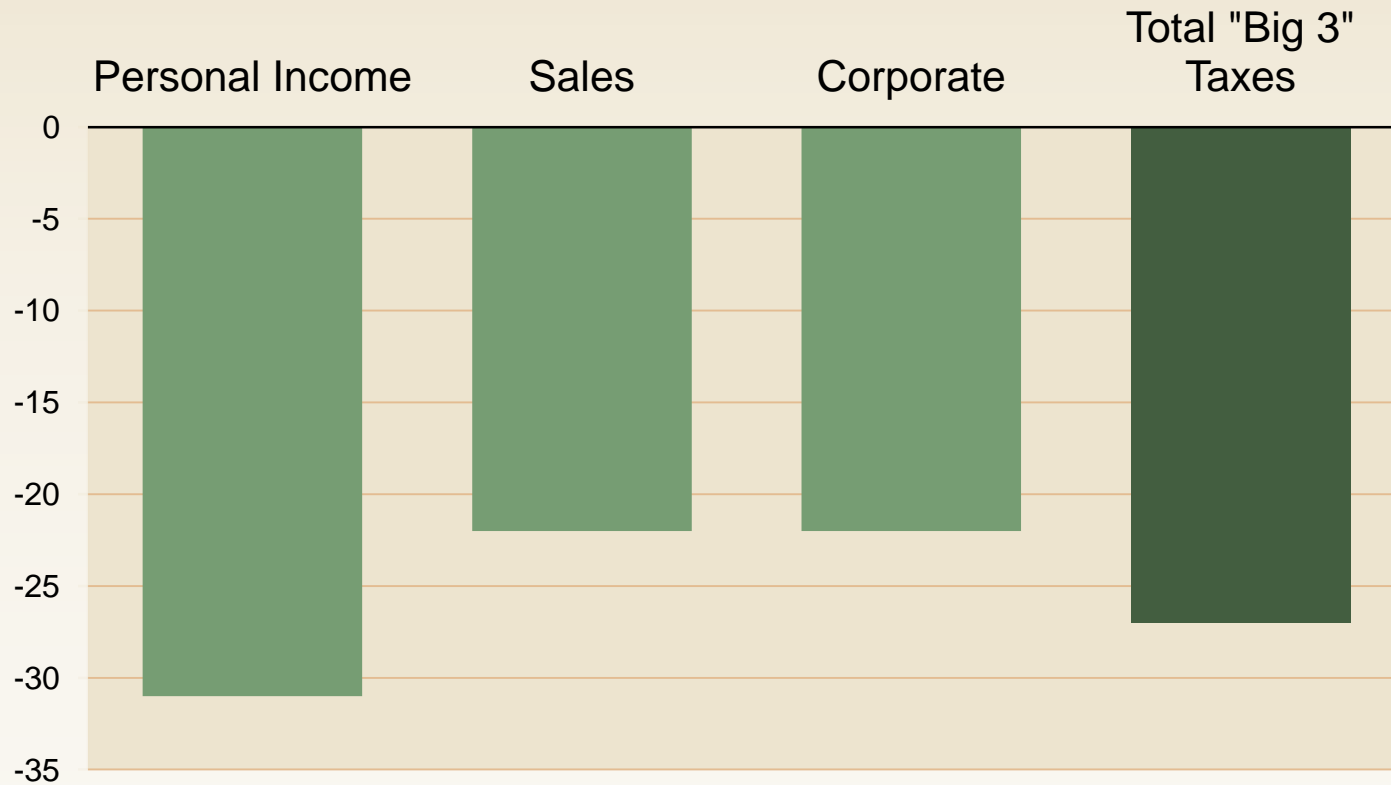
State Entered Recession in Fall 2008 in Poor Fiscal Shape

- State Had an Underlying Out-Year Budget Problem in Excess of \$7 Billion
- No Budgetary Reserve to Cushion Blow of Recession

Source: Legislative Analyst's Office

Recession Devastated State Revenues

Percent Reduction in Baseline Revenues
November 2010 Estimates Compared to January 2008 Estimates



Source: Legislative Analyst's Office

California Relied Mostly On Short-Term Solutions

	Solutions (In Billions)	Short-Term / Did Not Materialize as a Percent of Total
2008-09	\$24.3	75%
2009-10	60.0	84%
2010-11	19.3	85%

Source: Department of Finance

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Some Things We've Done to Balance the Budget in the Last Decade

(Dollars in Billions)

Temporary Solutions

1 Federal Stimulus Funds	2008-09 to 2010-11	\$17.4
2 Expiring Tax Measures (2010-11 Value)	2009-10	8.3
	SUBTOTAL	\$25.7

Solutions That Can't Be Repeated

1 Accelerate Collection of Personal Income Tax and Corporate Taxes	2008-09 and 2009-10	\$6.5
2 One-Time Shift of Property Taxes from Redevelopment Agencies	2009-10 and 2010-11	2.1
3 Medi-Cal Program Budget Costs on a "Cash Basis"	2005-06	0.9
4 Shift State Employee Payroll from June 30th to July 1 st	2009-10	0.8
	SUBTOTAL	\$10.3

Solutions That Made the Future Deficit Worse

1 Economic Recovery Bonds	Various	\$14.6
2 Sale of Future Tobacco Lawsuit Funds	Various	7.6
3 Loans from Special Funds	Various	3.5
4 Borrowing from Local Government	2009-10	2.0
5 Sale of State Buildings	2010-11	1.2
6 Deferral of State Mandates	Various	1.2
	SUBTOTAL	\$30.1

GRAND TOTAL \$66.1

Source: Department of Finance, except for Expiring Tax Measures (Legislative Analyst's Office)

California Ranks 15th In Taxes and Fees Compared to the Other States

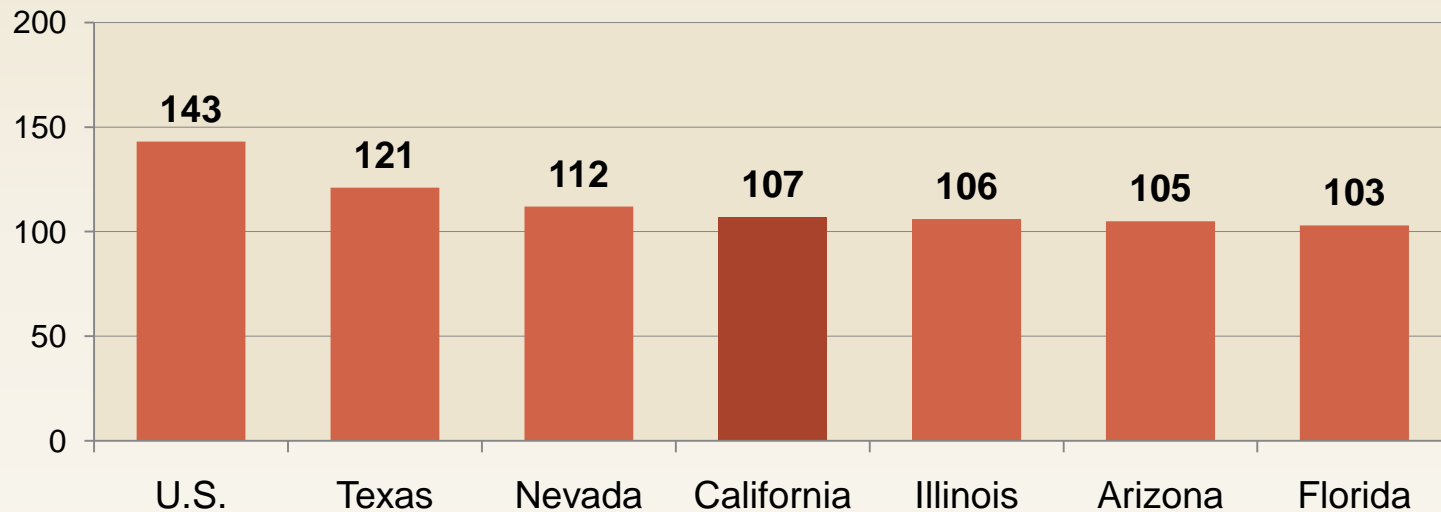
Revenues Per \$100 of Personal Income

Alaska	56.55	Michigan	16.93
Wyoming	24.97	Ohio	16.91
North Dakota	20.40	Kansas	16.82
New Mexico	20.15	Wisconsin	16.78
New York	20.09	Indiana	16.65
Delaware	18.89	Minnesota	16.41
West Virginia	18.76	Alabama	16.06
District of Columbia	18.69	New Jersey	16.01
Hawaii	17.85	Oregon	15.96
Utah	17.77	Washington	15.91
Maine	17.42	Pennsylvania	15.72
Louisiana	17.40	Florida	15.66
Vermont	17.33	Nevada	15.19
Mississippi	17.25	Texas	14.85
California	17.22	Illinois	14.65

Source: Department of Finance

Government Employees in California Compared to Other States

- Ratio of state employees per 10,000 residents in 2009, California ranked the 4th lowest.



- Ratio of state and local government employees per 10,000 residents in 2009, California ranked the 6th lowest.

Source: The Center for Continuing Study of the California Economy

California's Pupil-Staff Ratios are Among the Highest in the Nation

	Students per Teacher		Students per Counselor		Students per Librarian		Students per School Administrator	
	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
California	20.8	49	809.2	49	5,038.5	50	433.1	47
Florida	15.8	37	433.3	30	912	36	333.3	37
New York	13.1	9	463.1	37	876.8	32	294.6	28
Texas	14.5	26	249.7	29	922.8	37	231.7	9
All other states	15.1		440.0		782.8		312.3	

Source: National Center for Education Statistics, Common Core Data, 2007-08

Note: Rankings based on all 50 states. The "all other states" category includes all states except California, Florida, New York, and Texas. The District of Columbia is excluded.