



2011-12 Governor's Budget

Governor Edmund G. Brown Jr.

2011-12 Governor's Budget Highlights

- **Cut Spending by \$12.5 Billion**
- **Reduce Employee Compensation**
- **Vast and Historical Restructuring of Government**

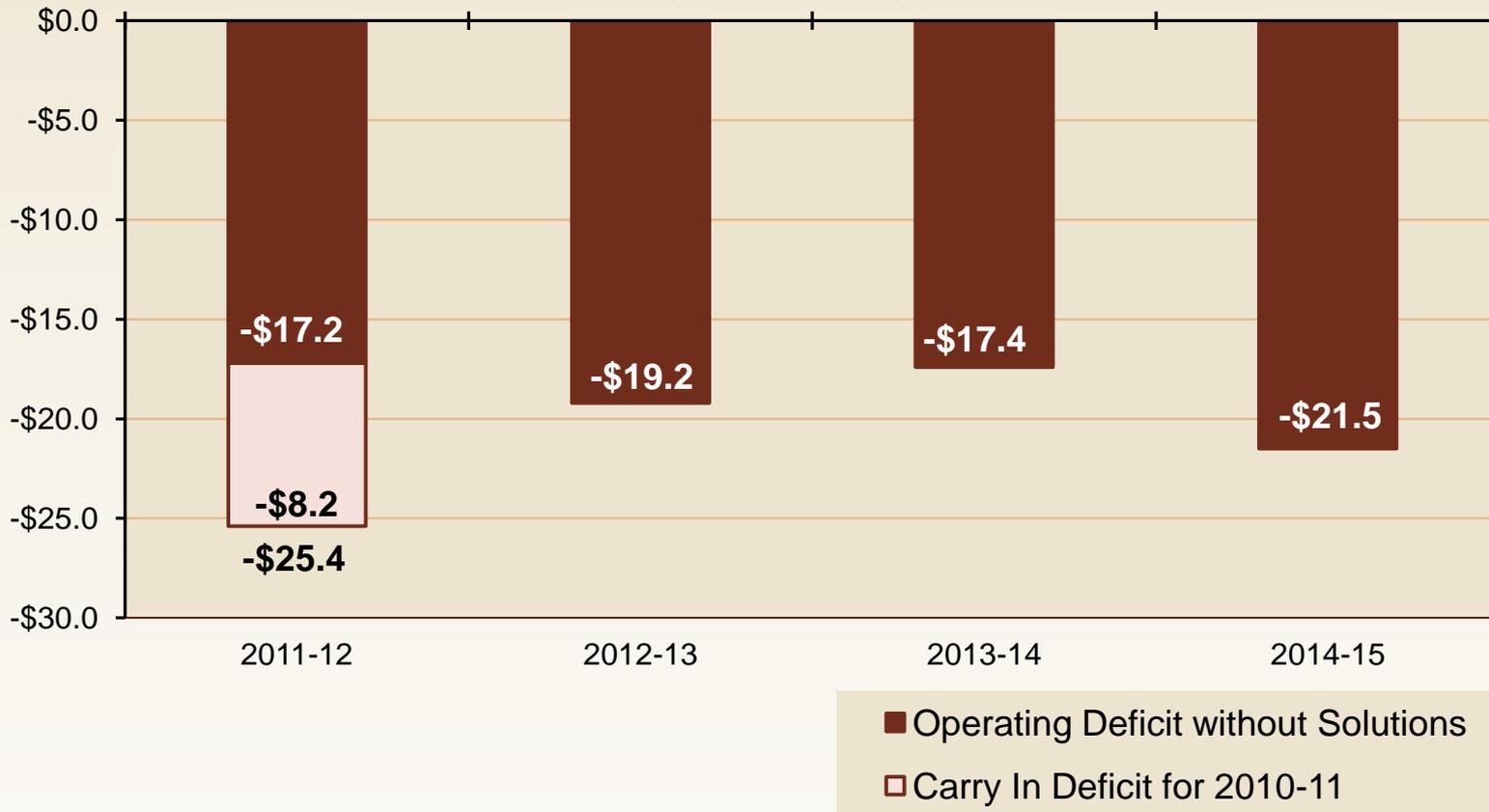
Ten Years of Budget Gimmicks and Tricks

- **Economic Recovery Bonds**
- **Tobacco Securitization**
- **Shifting of State Payroll by One Day**
- **Medi-Cal Accounting Shift from Accrual to Cash Basis**
- **Sale of SCIF and EdFund**
- **Changing Accrual Practice for Tax Revenues**
- **Overly Optimistic of Federal Fund Assumptions**

The State Faces An Enormous Budget Problem

Operating Deficits without Corrective Actions

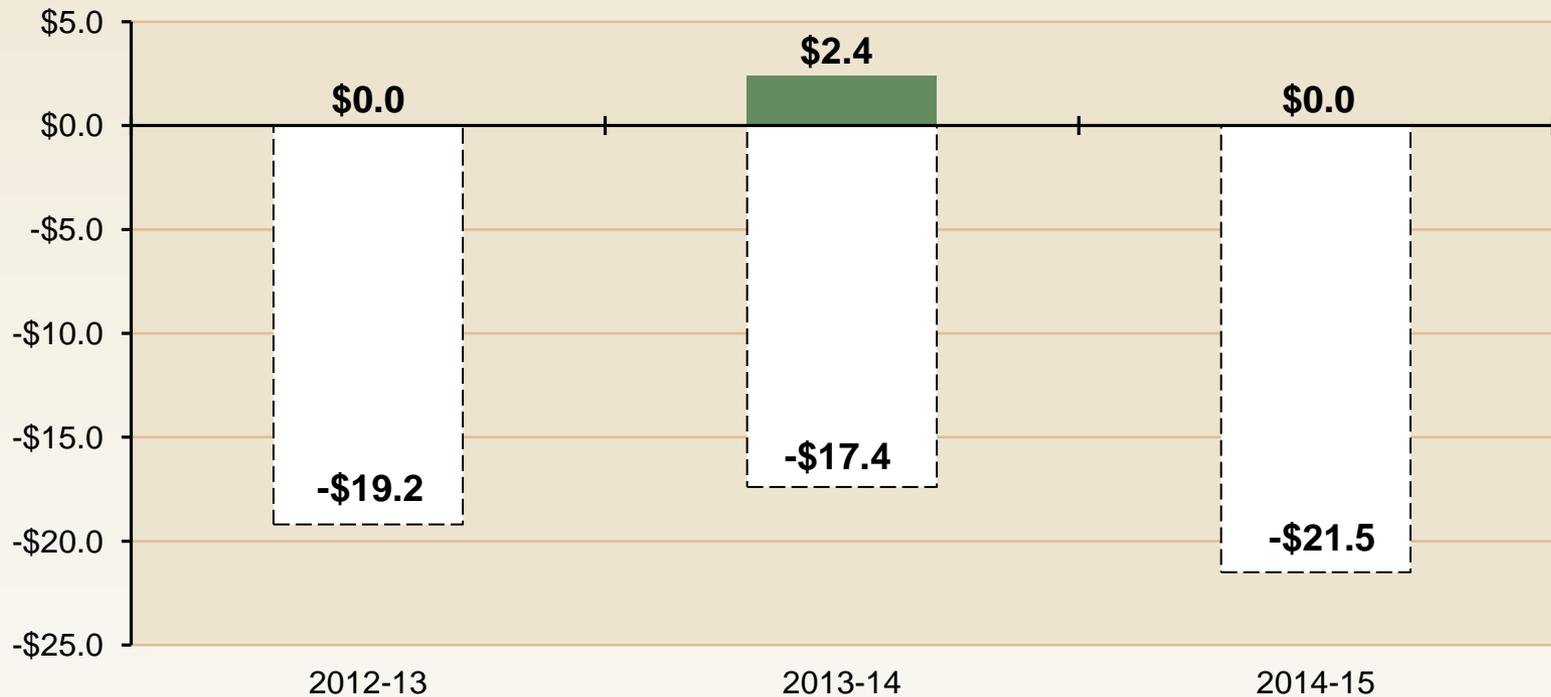
Dollars in Billions



With Proposed Solutions, Budget Balances In Each Future Year

Operating Surplus/Deficits with/without Corrective Actions

Dollars in Billions



With proposals included in the Governor's Budget, the projected operating surplus is \$15 million for 2012-13, \$2.4 billion for 2013-14, and \$7 million for 2014-15.

- Operating Deficit without Solutions
- Operating Surplus with Solutions

Budget Proposes a Comprehensive Solution

- **Takes a balanced approach—**
 - \$12.5 billion in cuts.
 - Protects K-12 education and public safety by maintaining existing tax rates, with voter approval.
- **Returns decisions and authority to local governments in a major restructuring.**
- **Makes government more efficient and effective.**
- **Multiyear plan balances every year.**

Budget Takes A Balanced Approach

Proposed Budget Solutions (Dollars in Millions)

	2010-11	2011-12	Total	
Expenditure Reductions	\$422	\$12,075	\$12,497	47%
Revenues	3,163	8,864	12,027	46%
Other	506	1,379	1,885	7%
Total	\$4,091	\$22,318	\$26,409	100%

Major Cuts Are Necessary to Reduce Spending

Reductions	Savings (in millions)
Medi-Cal	1,689
CalWORKs	1,528
University of California and California State University	1,002
Developmental Services	750
In-Home Supportive Services	486
Lower take-home pay of state employees without contracts (10 percent)	308

Under Current Law, Proposition 98 Funding Would Decline in 2011-12

Proposition 98 Funding for K-12 and CCC
(Dollars in Billions)



Maintaining Existing Taxes Helps Stabilize K-12 Education Funding

Proposition 98 Funding for K-12 and CCC
(Dollars in Billions)



Stabilizing K-12 Education Requires Reductions to Other Proposition 98 Programs

■ **Community Colleges**

- \$400 million reduction, accompanied by reforms of funding
- Fee increased from \$26 to \$36 per unit (still lowest in country)

■ **Child Care**

- \$716 million in savings by reducing levels of subsidies and other reductions

Realignment Proposal Restores Authority to Local Governments

Program

Fire

Court security

Community-based corrections

Mental health services

Foster care, child welfare, substance abuse, and adult protective services

Dedicated Revenues

1% sales tax

0.5% vehicle license fee

Ending Subsidies

- **Redevelopment (*\$1.7 billion*)**
 - Future year benefits would go to schools, fire, police, and other local services.
 - Existing projects would not be affected.
- **Enterprise Zones (*\$924 million*)**
 - Zones have not proven to be effective.
- **Local voters would be given the option to raise revenues for economic development.**