



April 1, 2008

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable John Laird, Chair
Assembly Budget Committee

Attention: Mr. Christopher W. Woods, Chief Consultant (2)

Updated Total Reserve, including April 1 Finance Letters

The January 10 Budget proposed difficult but necessary steps to bring the state's chronic structural deficit under control on a permanent basis. Consistent with that goal, we have approved April 1 Finance Letters that result in a small net improvement on the reserve. However, as shown in the table below, in spite of the actions taken by the Legislature in the Special Session, there is still considerable work to be done to address the expected deficit.

Here is a summary of the major General Fund changes since the Governor's Budget.

Note: (Dollars in Millions)

Size of Deficit, 2008-09 Governor's Budget, January 10	-\$14,479
Major Changes Since Governor's Budget:	
Special Session Actions	7,043
April 1 Finance Letters	89
Other Baseline Adjustments	-38
Remaining Deficit	-\$7,385
Solutions Proposed by the Administration and Not Yet Approved by the Legislature	\$10,550
Erosions to Solutions If Not Adopted Until July	\$410

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We are separately transmitting electronically the necessary trailer bill language for implementation of the April 1 Finance Letters. In addition, trailer bill language which has not been approved by the Legislature in the Special Session will be provided in a comprehensive list to the Legislature.

Finally and importantly, we would like to thank the Legislature for their swift actions in approving various proposals to address an impending cash shortfall that would have occurred in the summer of 2008, absent approval of the cash conservation measures.

If you have any questions or need additional information regarding this matter, please contact me.

Sincerely,

/s/ Michael C. Genest

MICHAEL C. GENEST
Director

cc: Honorable Tom Torlakson, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mark Leno, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Ms. Elizabeth Hill, Legislative Analyst (4)
Ms. Diane Cummins, Senate President pro Tempore's Office
Mr. Craig Cornett, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office