

California at the Brink of Financial Disaster

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\$41.6 Billion of Budget Deficit

(General Fund in Billions)

Carry Forward Deficit	-\$14.8
Revenues and Transfers	86.3
Total Available Resources	<hr/> \$71.5
Target Reserve	2.0
Expenditures	111.1
2009-10 Budget Deficit	<hr/> <hr/> -\$41.6

What Happens When the State "Runs Out of Money"?

(Amounts in Billions)

	Jan	Feb	Mar	Apr	May	Jun	Jul
Beginning Balance With Borrowables	\$3.7	\$3.2	-\$0.5	-\$4.2	-\$3.5	-\$4.4	-\$3.7
Receipts	7.8	5.3	4.9	11.8	5.8	6.9	5.8
Disbursements	8.3	9.0	8.6	11.1	6.7	6.2	12.5
Ending Cash Balance Including Borrowables	3.2	-0.5	-4.2	-3.5	-4.4	-3.7	-10.4
General Fund Cash Balance	-\$11.8	-\$15.6	-\$18.8	-\$18.0	-\$19.2	-\$18.4	-\$26.3

Who Will and Who Won't Be Paid?

Will Pay

- Public Schools
- Debt Service, GO and Lease Revenue
- Repayments to Special Funds
- Payroll and Benefits
- Medi-Cal Claims
- RANs Repayment

Will Not Pay

- Tax Refunds
- Vendors
- Social Services Payments to Counties
- Healthy Families Program
- Developmental Services - Regional and Developmental Centers
- Mental Health Programs
- Cal Grants

Infrastructure Projects Will Stop

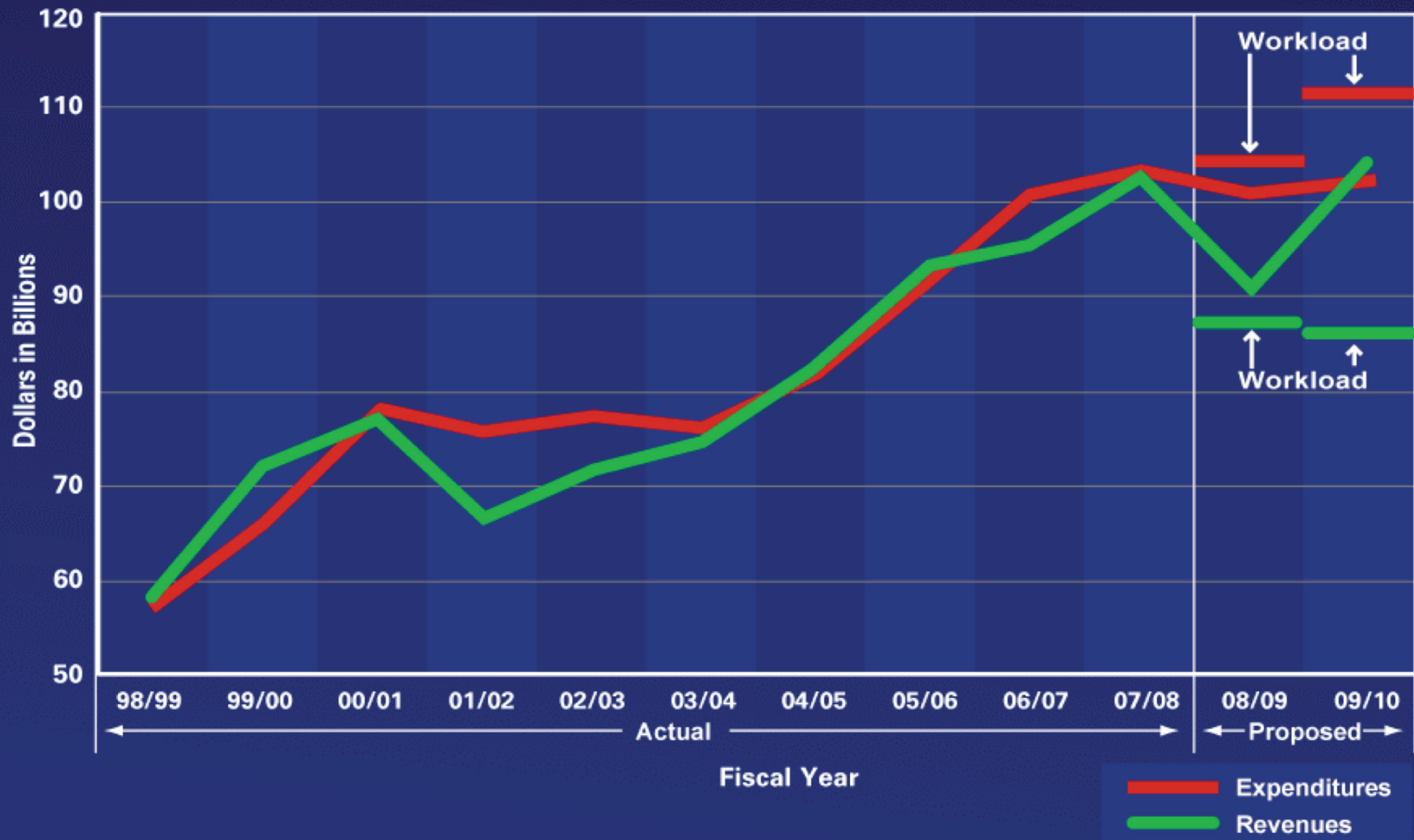
Over 5,700 infrastructure projects are at risk including

- 1,411 K-12, community college and university projects
- 203 transportation projects
- 481 flood control and water projects
- 671 housing projects

The value of all those projects exceeds \$22.5 billion

Shutting down these projects will result in closure costs and penalties that could be hundreds of millions of dollars

How Did We Get Into This Mess?



How Did We Get Into This Mess?

Average Annual Growth from 1998-99 to 2009-10 Governor's Budget

Major General Fund Programs	Average Annual Percentage Growth
Prop 98	4.6%
Base	2.7%
VLF Tax Cut	<i>Did not exist in 1998-99</i>
ERB Triple Flip	<i>Did not exist in 1998-99</i>
Corrections	6.3%
Higher Education (<i>excluding Comm. Colleges</i>)	2.5%
Medi-Cal	6.4%
SSI/SSP	1.5%
Developmental Services	13.1%
Mental Health	9.5%
CalWORKs	0.0%
IHSS	11.2%
Other HHS	4.3%
Prop 42	<i>Did not exist in 1998-99</i>
Courts	9.7%
Debt Service/Pension Contribution/Other Non-Discretionary	10.1%
Total	4.7%

What Do We Propose To Do About It?

(Dollars in Billions)

	December 19 Special Session Proposals		Additional Special Session Proposals		Proposals to be Enacted By July 1		Total	
Expenditure Reductions	\$9,811	44%	\$4,049	87%	\$3,567	24%	\$17,427	42%
Revenues	12,505	56%	236	5%	1,545	10%	14,286	34%
Lottery	0	0%	0	0%	5,001	34%	5,001	12%
Borrowing	0	0%	358	8%	0	0%	358	1%
RAWs	0	0%	0	0%	4,673	32%	4,673	11%
Total	<u>\$22,316</u>	100%	<u>\$4,643</u>	100%	<u>\$14,786</u>	100%	<u>\$41,745</u>	100%

What Do We Propose To Do About It?

Cuts

(Dollars in Millions)

Program Area	2008-09 and prior	2009-10	Two-Year Total
Health and Human Services	\$461.8	\$4,332.5	\$4,794.3
Corrections and Rehabilitation	85.1	960.5	1,045.6
K-14 Education	5,027.8	2,683.2	7,711.0
Higher Education	132.2	725.0	857.2
Employee Compensation	414.6	1,288.5	1,703.1
Other	339.4	976.8	1,316.2
Total	\$6,460.9	\$10,966.4	\$17,427.4

What Do We Propose To Do About It?

Revenues

(Dollars in Millions)

Program Area	2008-09 and prior	2009-10	Two-Year Total
Temporary 1.5 cent Sales Tax Increase*	\$2,350.0	\$6,758.0	\$9,108.0
Sales Tax on Selected Services*	272.4	1,110.9	1,383.3
Reduce Dependent Exemption Credit	0.0	1,440.0	1,440.0
Oil Severance Tax**	348.2	836.4	1,184.6
Nickel a Drink Alcohol Tax Increase	244.0	585.0	829.0
Special Fund Loans and Transfers	399.0	195.2	594.2
Other	0.0	2.8	2.8
Total	\$3,613.6	\$10,928.3	\$14,541.9

* Net of Prop 42 revenues

** Net of Costs and Tidelands Revenue reduction

Do The Solutions Hold Up?

