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

2011-12

- $17.2
- $8.2
- $25.4

2012-13

- $19.2

2013-14

- $17.4

2014-15

- $21.5

Carry In Deficit for 2010-11

Operating Deficit without Solutions
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.
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)

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2011-12</th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure Reductions</td>
<td>$422</td>
<td>$12,075</td>
<td>$12,497</td>
<td>47%</td>
</tr>
<tr>
<td>Revenues</td>
<td>3,163</td>
<td>8,864</td>
<td>12,027</td>
<td>46%</td>
</tr>
<tr>
<td>Other</td>
<td>506</td>
<td>1,379</td>
<td>1,885</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>$4,091</td>
<td>$22,318</td>
<td>$26,409</td>
<td>100%</td>
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Major Cuts Are Necessary to Reduce Spending

<table>
<thead>
<tr>
<th>Reductions</th>
<th>Savings (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal</td>
<td>1,689</td>
</tr>
<tr>
<td>CalWORKs</td>
<td>1,528</td>
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<tr>
<td>University of California and California State University</td>
<td>1,002</td>
</tr>
<tr>
<td>Developmental Services</td>
<td>750</td>
</tr>
<tr>
<td>In-Home Supportive Services</td>
<td>486</td>
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<tr>
<td>Lower take-home pay of state employees without contracts (10 percent)</td>
<td>308</td>
</tr>
</tbody>
</table>
Under Current Law, Proposition 98 Funding Would Decline in 2011-12

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

- 2007-08: $56.6
- 2008-09: $49.1
- 2009-10: $49.9
- 2010-11: $49.6
- 2011-12: $47.3
Maintaining Existing Taxes Helps Stabilize K-12 Education Funding

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

2007-08: $56.6
2008-09: $49.1
2009-10: $49.9
2010-11: $49.6
2011-12: $49.3
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

<table>
<thead>
<tr>
<th>Program</th>
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<tr>
<td>Fire</td>
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<tr>
<td>Court security</td>
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<tr>
<td>Community-based corrections</td>
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<tr>
<td>Mental health services</td>
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<td>Foster care, child welfare, substance abuse, and adult protective services</td>
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<tr>
<th>Dedicated Revenues</th>
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<tr>
<td>1% sales tax</td>
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<tr>
<td>0.5% vehicle license fee</td>
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</tbody>
</table>
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.