April 2011 Budget Discussion

Governor Edmund G. Brown Jr.
Where Do State General Fund Revenues Come From?

- Personal Income Tax: 55.5%
- Retail Sales And Use Tax: 26.8%
- Corporation Tax: 12.2%
- Other: 5.5%

2011-12 Governor's Budget
Where Do State General Fund Dollars Go?

- K-12: 38.3%
- Health and Human Services*: 29.1%
- Higher Education: 10.3%
- Corrections and Rehabilitation*: 7.0%
- Judiciary*: 0.9%
- Debt Service: 7.0%
- STRS and Retiree Health: 3.4%
- Other*: 4.0%

*Includes savings due to realignment.
## California Relied Mostly On Short-Term Solutions

<table>
<thead>
<tr>
<th>Year</th>
<th>Solutions (In Billions)</th>
<th>Short-Term / Did Not Materialize as a Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>$24.3</td>
<td>75%</td>
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<tr>
<td>2009-10</td>
<td>60.0</td>
<td>84%</td>
</tr>
<tr>
<td>2010-11</td>
<td>19.3</td>
<td>85%</td>
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</tbody>
</table>

*Source: Department of Finance*
Absent Permanent Solutions, Deficits Will Persist for Years

General Fund (In Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Operating Shortfall</th>
<th>Carry in Deficit from 2010-11</th>
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<tbody>
<tr>
<td>2011-12</td>
<td>-$17.2</td>
<td>-$9.4*</td>
</tr>
<tr>
<td>2012-13</td>
<td>-$19.3</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>-$17.6</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>-$21.6</td>
<td></td>
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*Includes $1.2 billion due to the cancellation of the Sale Leaseback transaction.

2011-12 Governor’s Budget
Significant Progress in Balancing the Budget

Size of the Budget Problem: $26.6 billion

Solutions Approved by the Legislature: $14.0 billion

Remaining Budget Problem to Solve: $13.6 billion
(Including a $1 billion reserve)
Education Funding Would Decline in 2011-12 Without Tax Extensions

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

* Based on LAO Proposition 98 reductions
Fees are Paying an Increasing Share of University Costs
(Dollars in Billions)
General Fund Spending (Per $100 of Personal Income) Would Drop to 1972-73 Level