

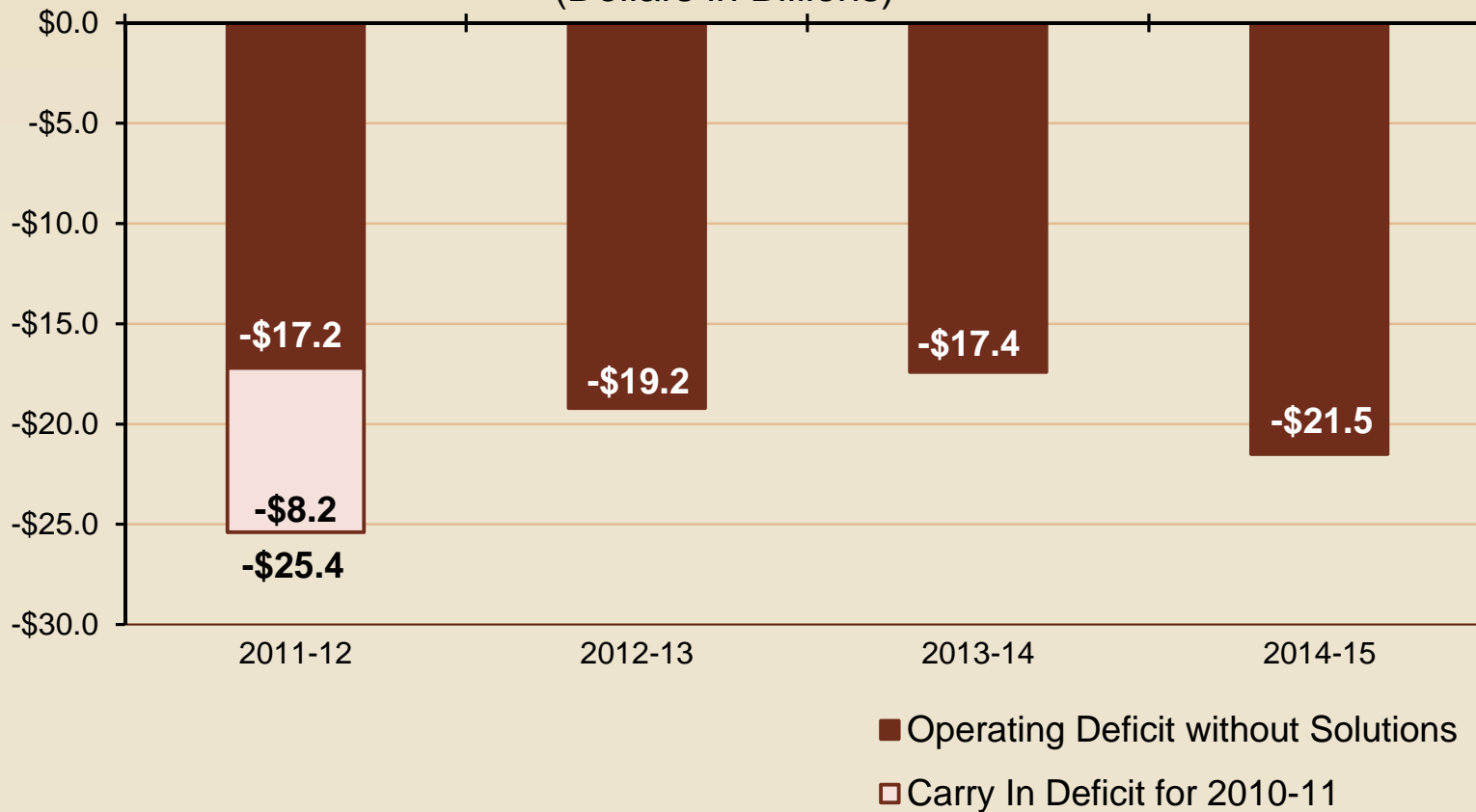


# Summary of the 2011-12 Governor's Budget

Governor Edmund G. Brown Jr.

# The State Faces An Enormous Budget Problem

Operating Deficits without  
Corrective Actions  
(Dollars in Billions)



# 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

(Dollars in Billions)

<b>Eliminate Redevelopment Agencies</b>	<b>\$1.7</b>
<b>Health and Human Services Programs</b>	
Medi-Cal	1.7
CalWORKs	1.5
Shift Proposition 10 Funds	1.0
Shift Proposition 63 Funds	0.9
Developmental Services	0.8
In-Home Supportive Services (IHSS)	0.5
Supplemental Security Income/State Supplementary Payment Grants	0.2
Other HHS	0.1
<b>Higher Education</b>	<b>1.0</b>
<b>Weight Fees</b>	<b>1.0</b>
<b>Corrections and Rehabilitation</b>	<b>0.8</b>
<b>State Operations</b>	<b>0.6</b>
<b>Other</b>	<b>0.7</b>
<b>Total Expenditure Reductions</b>	<b>\$12.5</b>

# 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 General Fund 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.**

# Revenue Solutions

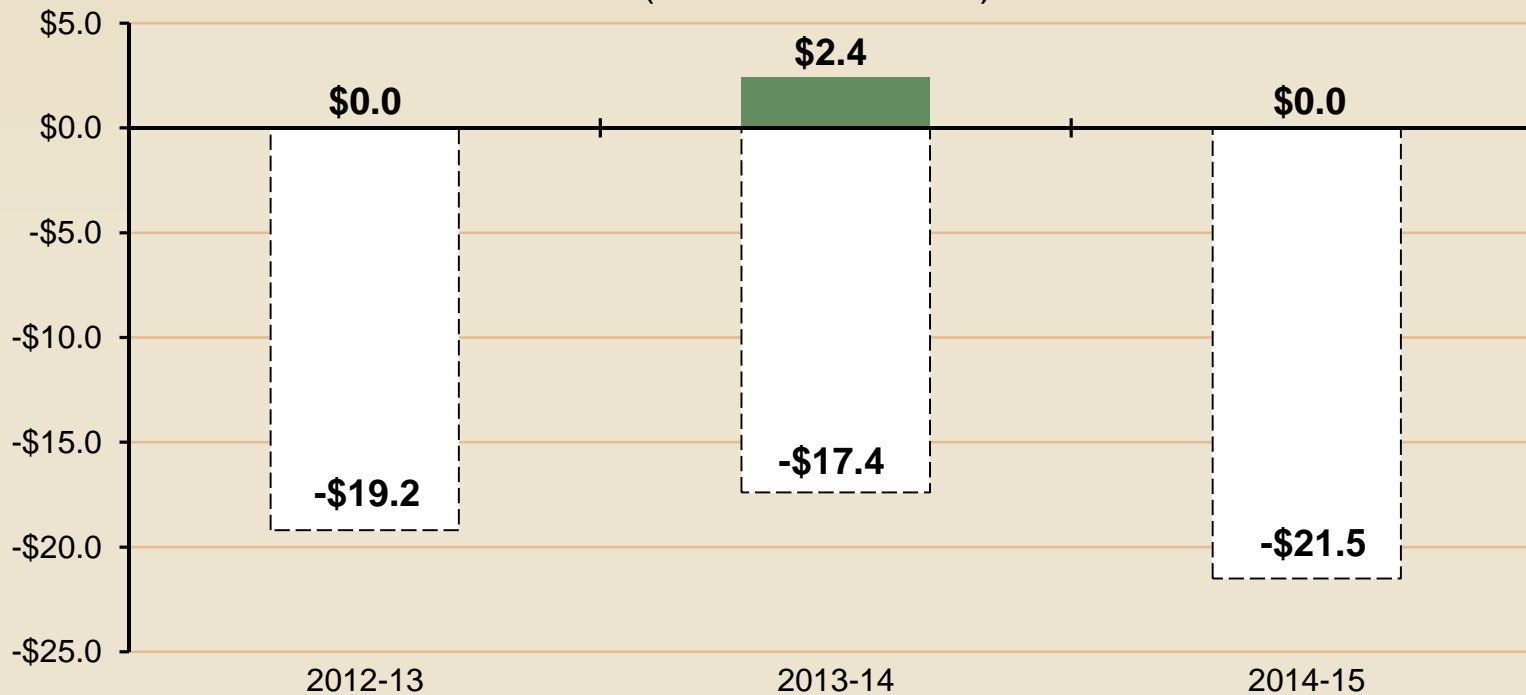
(Dollars in Billions)

Realignment: Maintain Sales Tax Rate of 6 percent for Five Years	\$4.5
Realignment: Maintain Vehicle License Fee Rate of 1.15 Percent for Five Years	1.4
Maintain Personal Income Tax 0.25-percent Surcharge for Five Years	3.3
Maintain Personal Income Tax Dependent Exemption at Same Level as Personal Exemption Credit for Five Years	2.0
Mandatory Single Sales Factor Apportionment	1.4
Repeal Enterprise Zone Tax Benefits	0.9
Proposition 98 interaction	-2.0
All Other Revenue Proposals	0.5
<b>Total Revenue Solutions</b>	<b>\$12.0</b>

# 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