

Balancing California's Checkbook



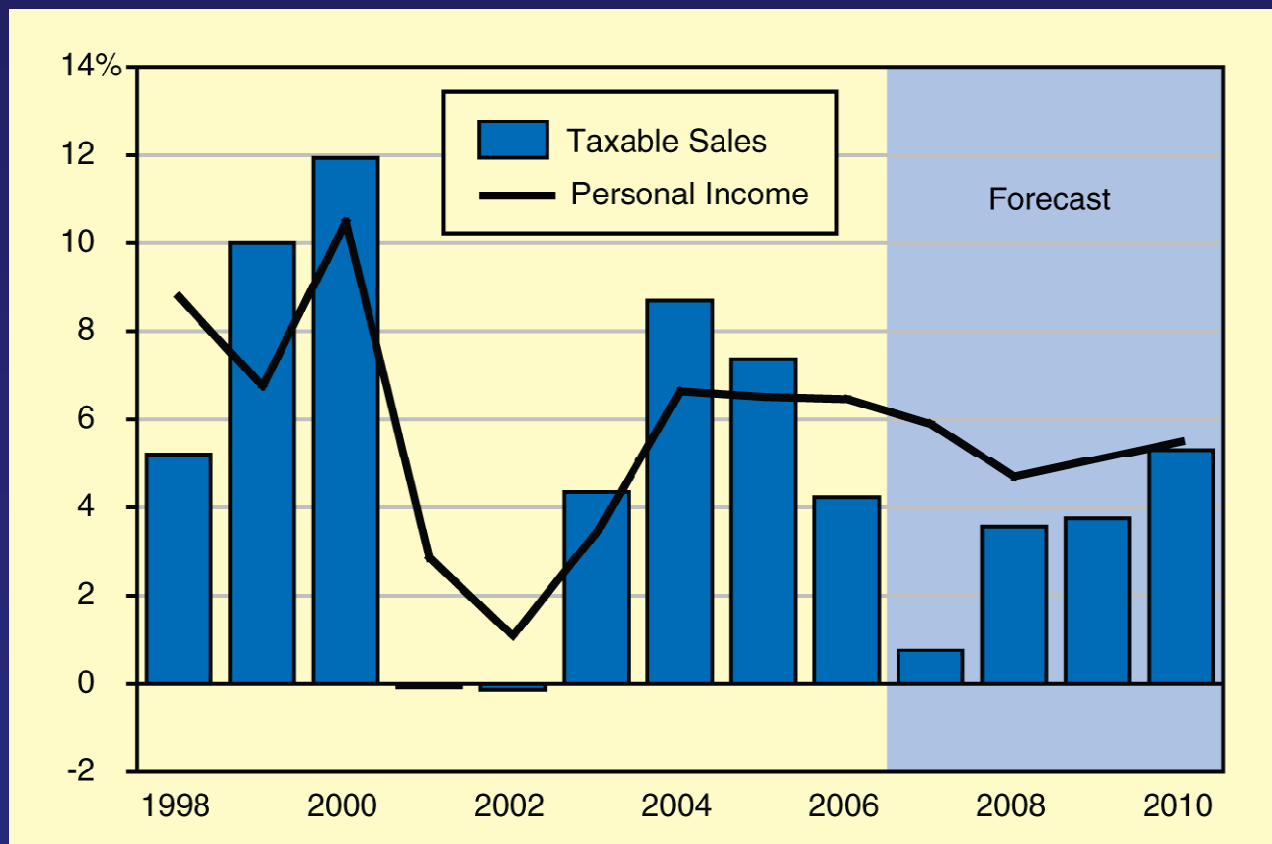
Legislative Analyst's Office
February 28, 2008

Key LAO Findings

- ▶ **Lower Revenues**
- ▶ **Larger Budget Problem**
- ▶ **Structural Shortfall After 2008-09**
- ▶ **Failure to Set Priorities**

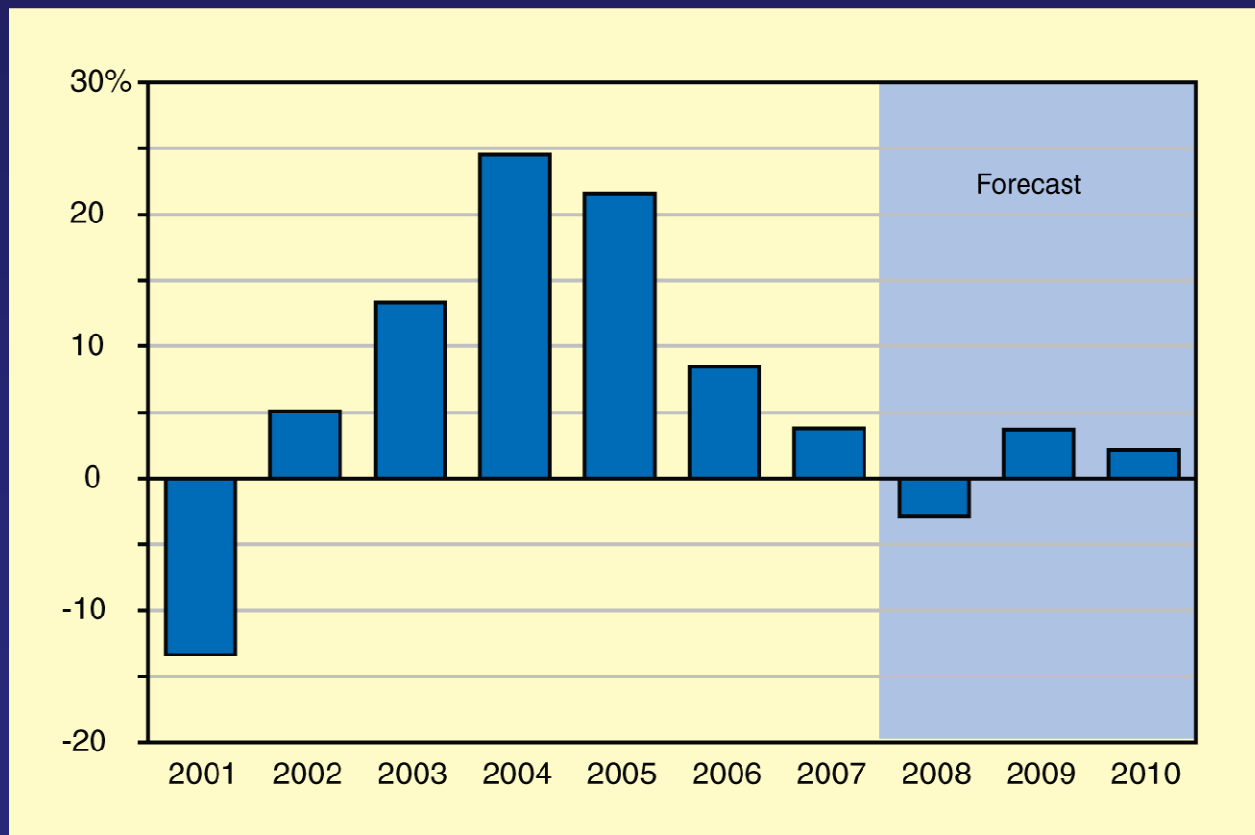
Taxable Sales Growth to Trail Personal Income

Annual Percentage Change



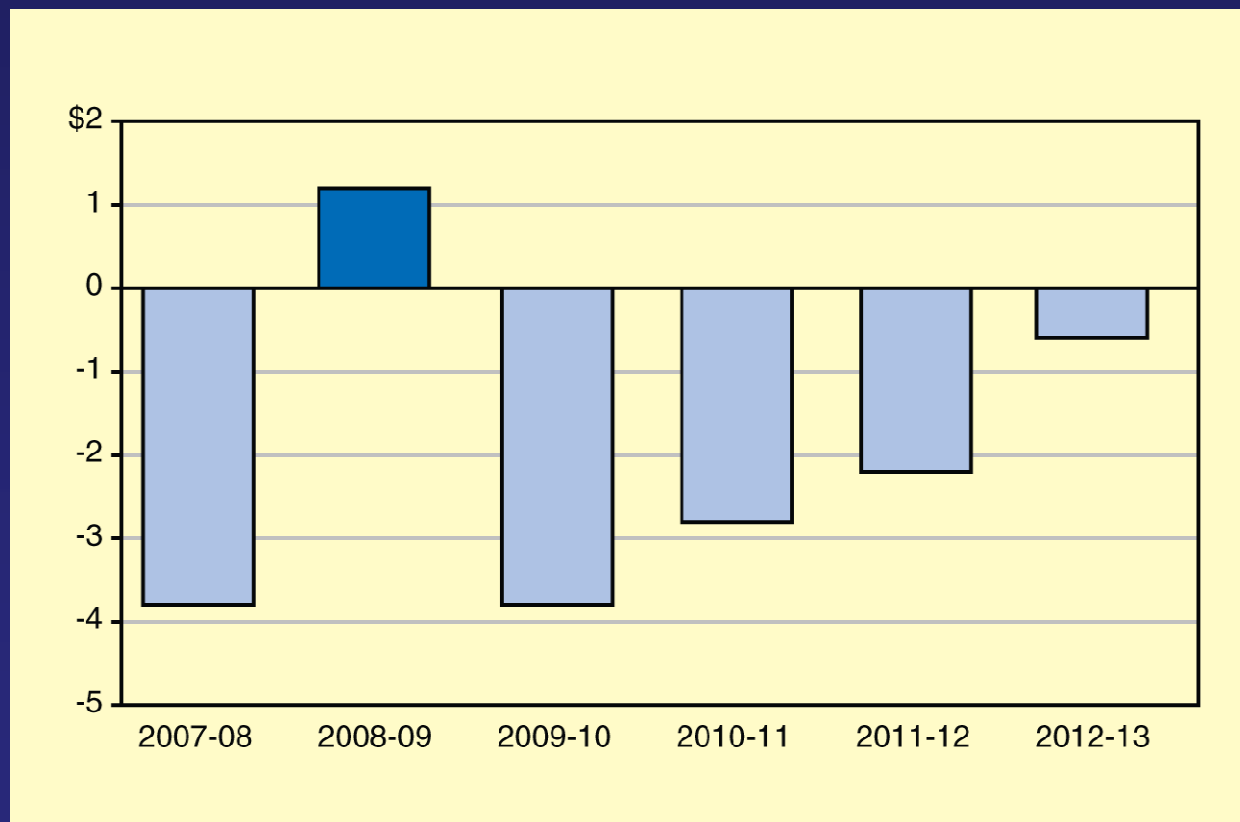
Weakness in California Corporate Profits Expected

Annual Percentage Change



Operating Shortfalls Return After 2008-09 Under Governor's Budget

General Fund (In Billions)



LAO Alternative

- ▶ Targeted Approach to Spending
- ▶ Balanced Approach Includes Revenues
- ▶ Balanced Budget Through 2012-13

LAO Alternative: Key Elements

- ▶ **Targeted Program Reductions**
- ▶ **Rethink State Responsibilities**
- ▶ **Better Proposition 98 Approach**
- ▶ **Add Revenues in a Reasonable Manner**
- ▶ **No Additional Borrowing or Debt**

Budgetary Reform Alternative

- ▶ **Build Upon Proposition 58 Reserve Framework**
- ▶ **Rethink State's Budgetary Formulas**