



CALIFORNIA BUDGET PROJECT

# The Governor's Proposed 2010-11 Budget and California's Budget Crisis

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A PRESENTATION BY  
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February 2010

## Overview

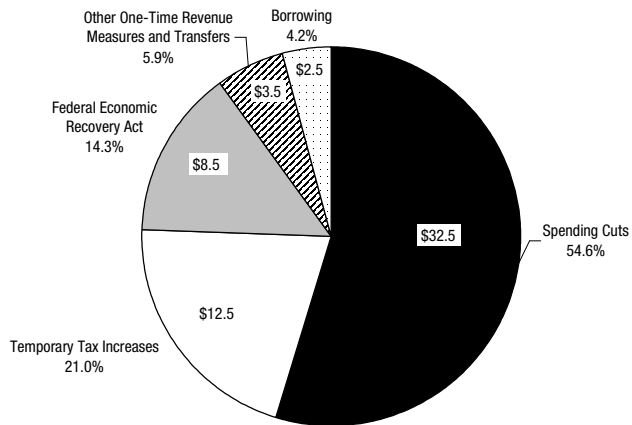
- California faced a \$59.5 billion, two-year budget gap in 2009: How did policymakers close it?
- A new, two-year \$18.9 billion budget gap has emerged: How does the Governor propose to close it?
- Additional state budget shortfalls are on the horizon.
- Some of the roots of the state's budget crisis: The double two-thirds vote requirement, years of tax cuts, and the Great Recession.
- Looking toward the future: The big questions and the information challenge.



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# California Faced a \$59.5 Billion Budget Gap in 2009 (2008-09 and 2009-10 Combined): How Did the Legislature and the Governor Close It?

How Was the Budget Balanced in 2009?  
(Dollars in Billions)



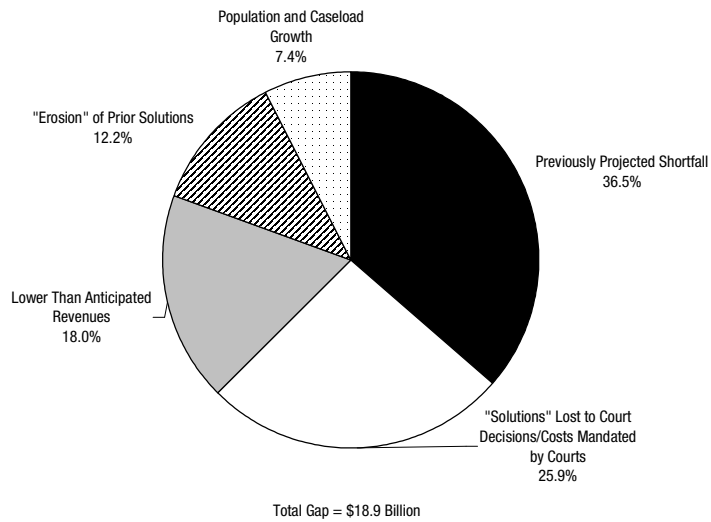
Total Solutions = \$59.5 Billion

Note: Includes February and July 2009 budget agreements.  
Source: Legislative Analyst's Office

# A New \$18.9 Billion Budget Gap Has Emerged (2009-10 and 2010-11 Combined): How Does the Governor Propose To Close It?



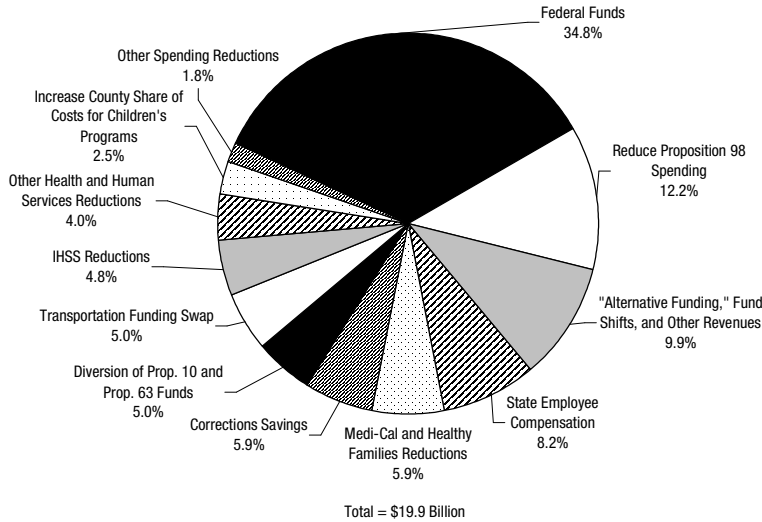
### How Did We Get Here: Causes of the Shortfall



Source: Department of Finance

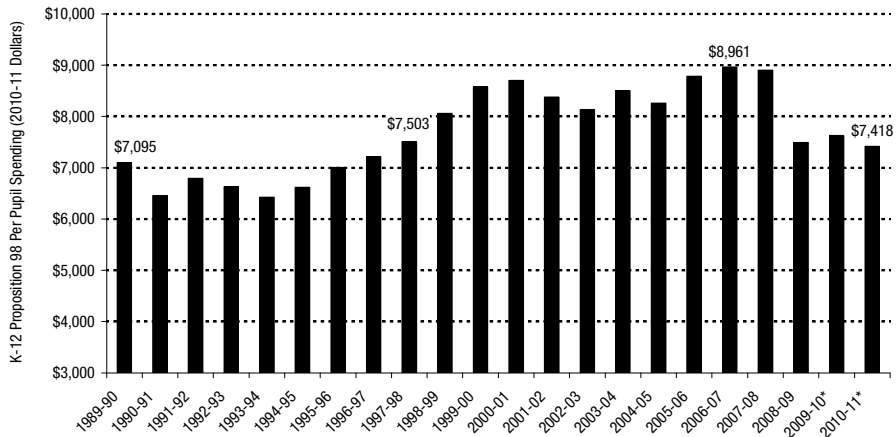


### How Does the Governor Propose To Balance the Budget?



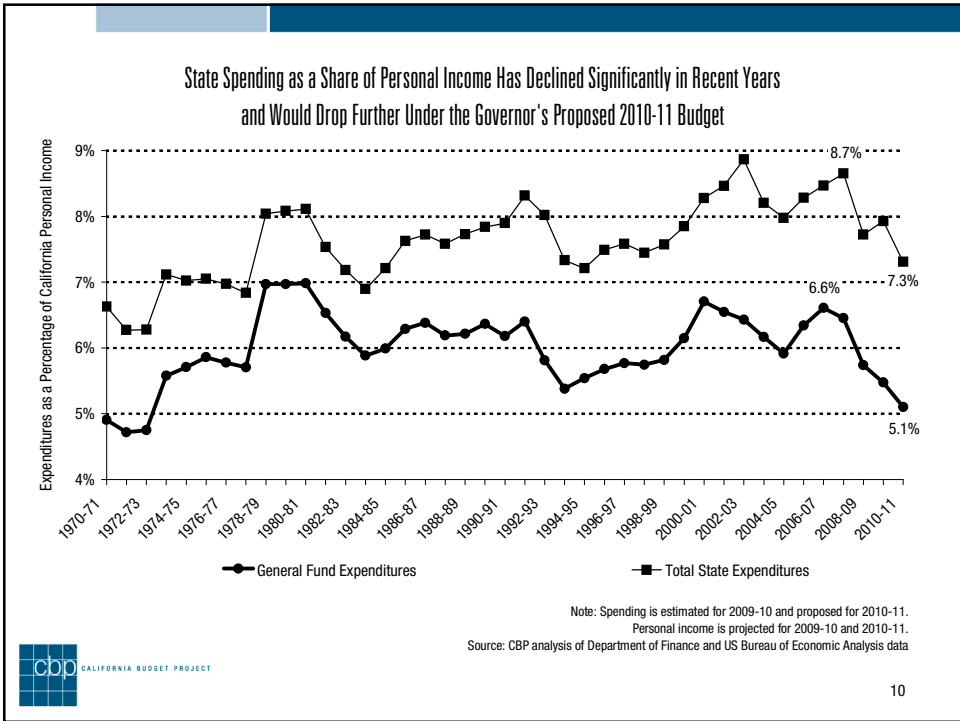
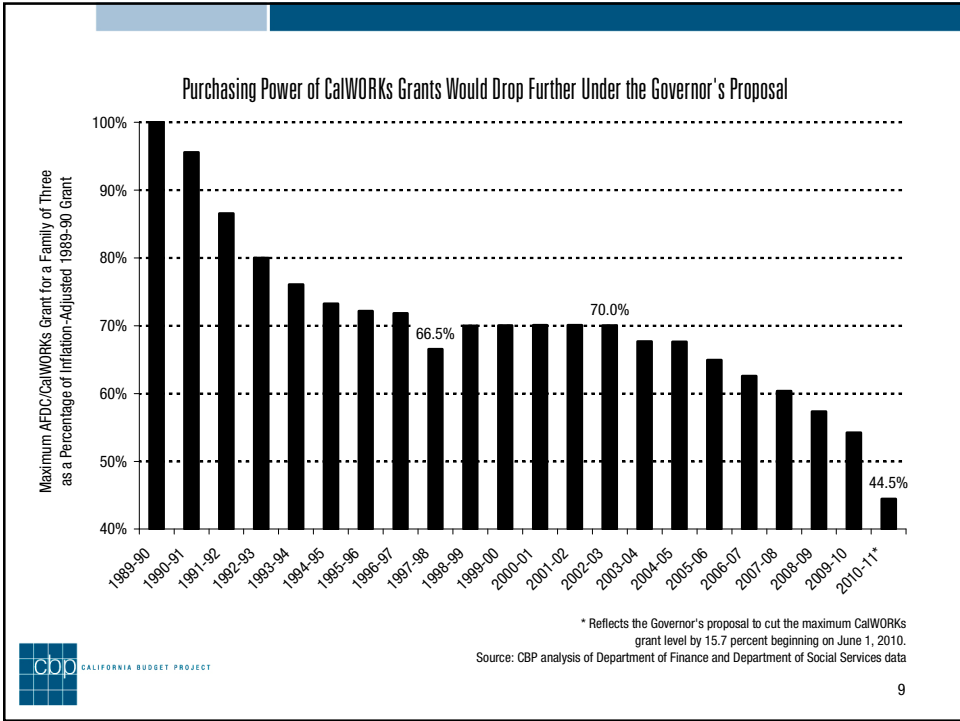
Source: Department of Finance

### Schools Would Receive Less in 2010-11 Than in 1997-98 Under the Governor's Proposals After Adjusting for Inflation



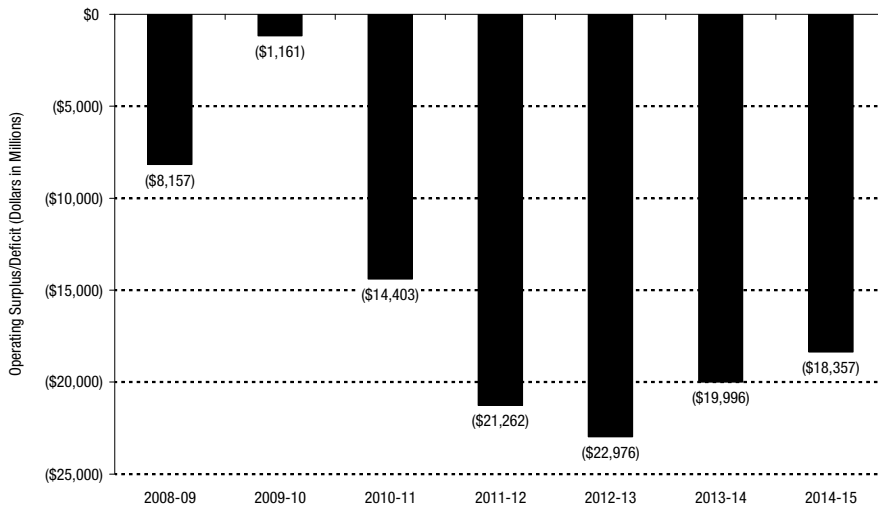
\* 2009-10 estimated and 2010-11 proposed.  
 Note: Excludes one-time "settle-up" funds.  
 Source: Department of Finance and Legislative Analyst's Office





## Additional State Budget Shortfalls Are on the Horizon

### Significant Budget Shortfalls Are Expected To Continue



Note: 2008-09 and 2009-10 are estimated; 2010-11 through 2014-15 are projected.  
Source: Legislative Analyst's Office

# Some of the Roots of the State's Budget Crisis: The Double Two-Thirds Vote Requirement, Years of Tax Cuts, and the Great Recession

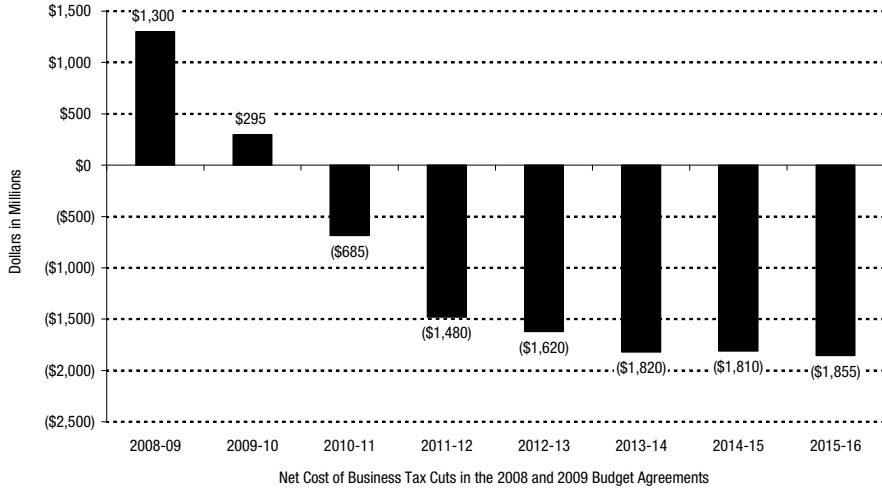
## California Is the Only State To Require a Supermajority Vote To Pass Both a Budget and Any State Tax Increase



Note: Arkansas, Florida, and Michigan require a supermajority vote for certain taxes.  
Source: National Conference of State Legislatures

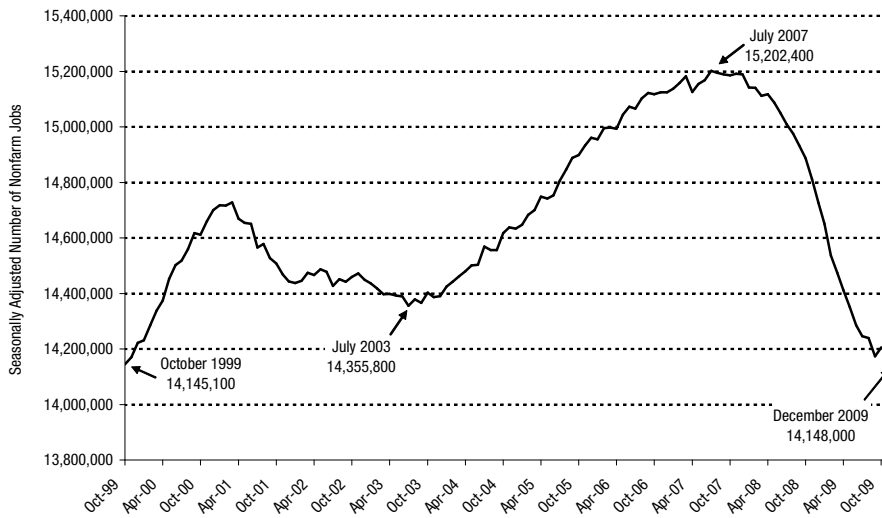
### 2008 and 2009 Tax Deals Will Reduce State Revenues by Nearly \$8 Billion Over Eight Years

Losses Will Continue Permanently



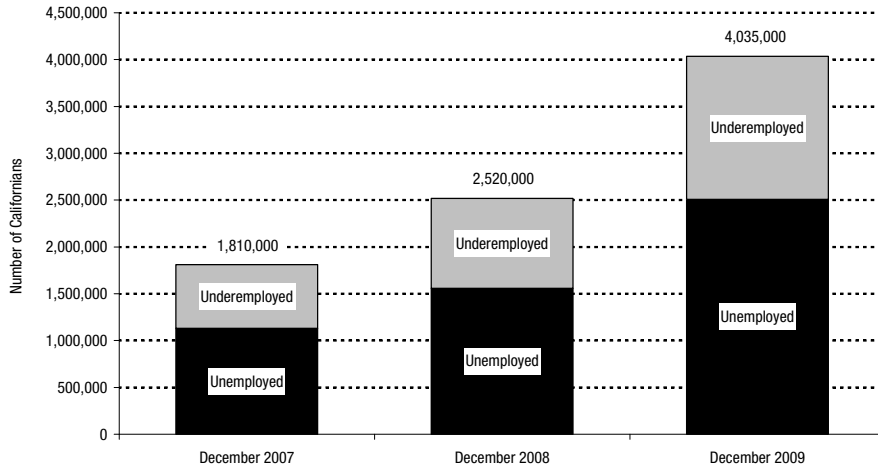
Source: Franchise Tax Board

### California Has Lost More Than 1 Million Jobs Since the Recession Began



Source: Employment Development Department

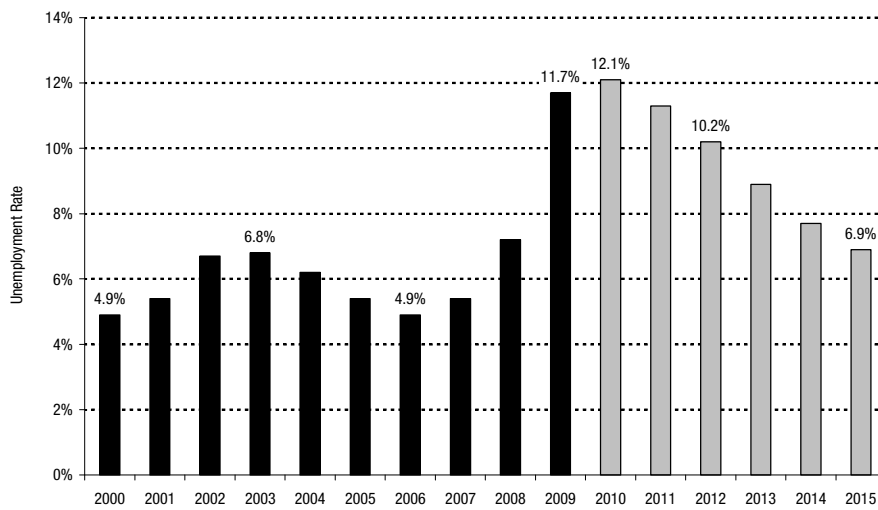
### The Number of Unemployed and Underemployed Californians More Than Doubled Between December 2007 and December 2009



Note: Data reflect 12-month averages ending in December.  
Source: Employment Development Department

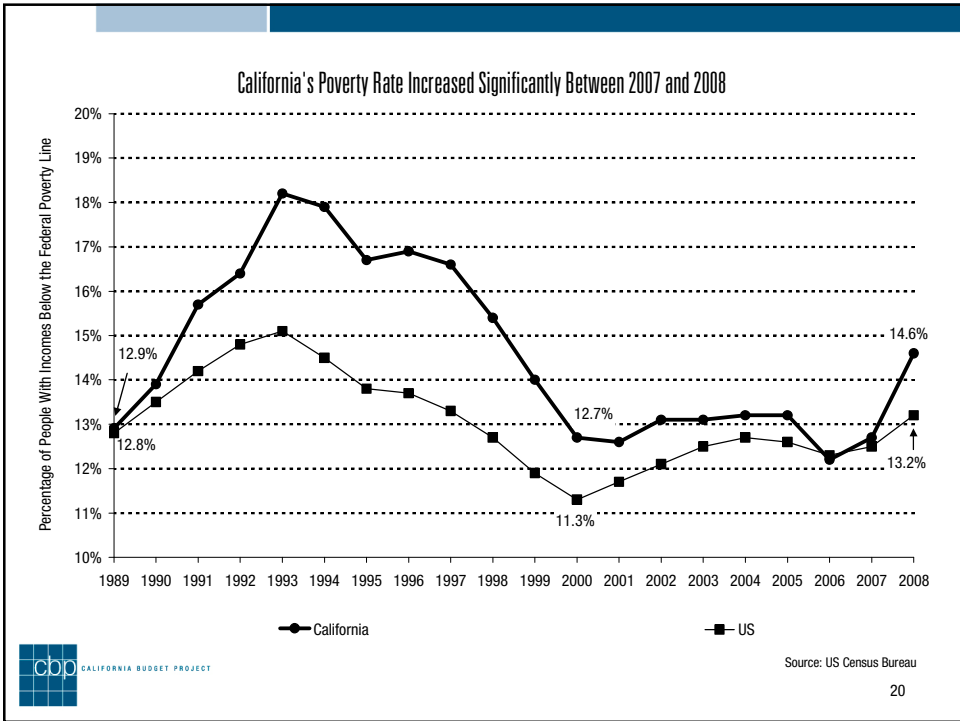
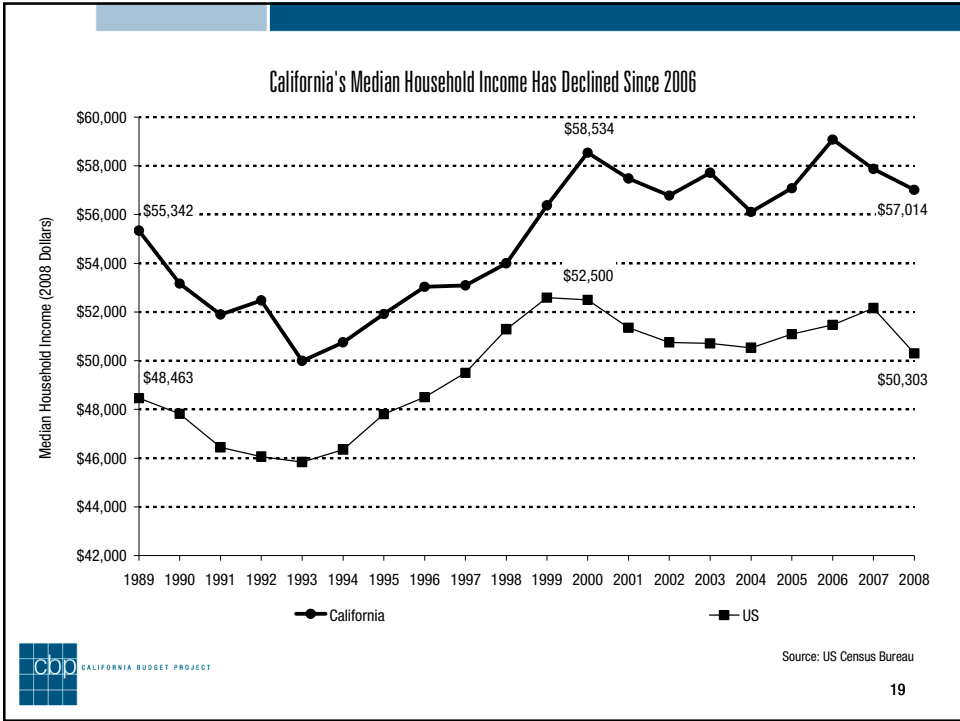


### California's Annual Jobless Rate Is Projected To Peak in 2010 and Remain Above 10 Percent Through 2012

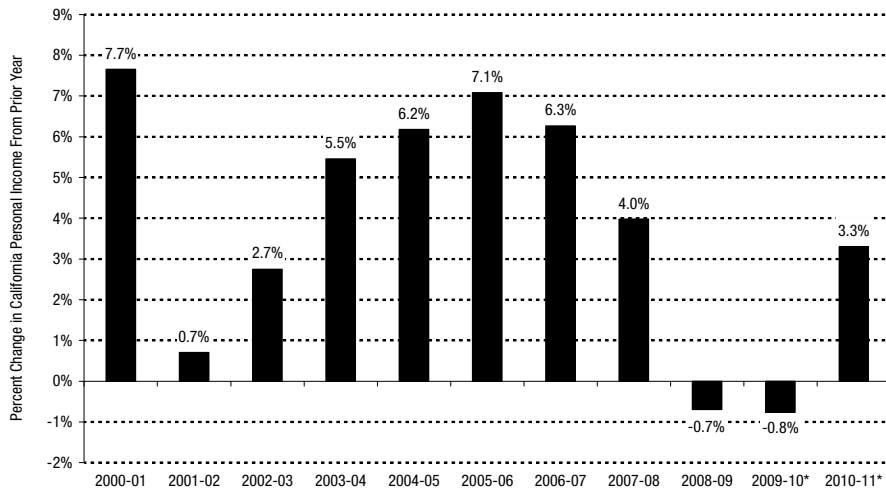


Note: 2009 estimated; 2010-2015 projected.  
Source: Legislative Analyst's Office and US Bureau of Labor Statistics





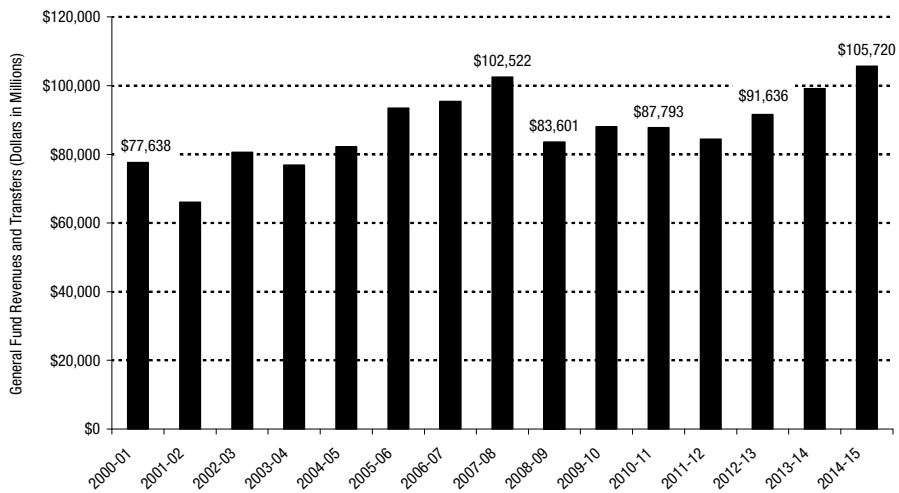
### Personal Income Is Projected To Decline Again in 2009-10



\* Projected.  
Source: Department of Finance and US Bureau of Economic Analysis



### General Fund Revenues Are Not Projected To Rise Until 2012-13



Notes: 2000-01 excludes a \$6.2 billion loan from the General Fund to the Electric Power Fund, and 2001-02 excludes the repayment of that loan to the General Fund. 2008-09 and 2009-10 are estimated; 2010-11 through 2014-15 are projected.  
Source: Legislative Analyst's Office



## Looking Toward the Future: The Big Questions and the Information Challenge

## The Big Questions

- What kind of future do we want as Californians?
- What is the appropriate role of public institutions in securing broadly shared prosperity and opportunity for all Californians?
- What role should government play in providing a safety net for vulnerable families and individuals?
- What changes are needed in California's budget rules, tax policies, and spending to promote our vision for California's future?

## The Information Challenge

- A recent poll by the Public Policy Institute of California found that only:
  - 20 percent of likely voters correctly identified K-12 education as making up the largest share of the state budget.
  - 32 percent of likely voters correctly identified the personal income tax as the largest source of state revenues.
  - 8 percent of likely voters answered both questions correctly.
- However, this same poll found that 69 percent of likely voters think that major decisions about reforming the state's budget process should be made by Californians at the ballot box.



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## For More Information

- Visit the CBP's website at [www.cbp.org](http://www.cbp.org).
- For more information on the Governor's budget proposals, see the CBP's *Searching for Balance: The Social and Economic Context of the Governor's Proposed 2010-11 Budget* (February 2010).
- For more information on last year's cuts to safety-net programs, see the CBP's *An Overview of Recent Cuts to California's Safety Net* (October 2009).
- Attend the CBP's annual policy conference on March 25 in Sacramento. The theme is *The 3 Rs: Recession, Recovery, Reform – What's in Store for California?*



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