



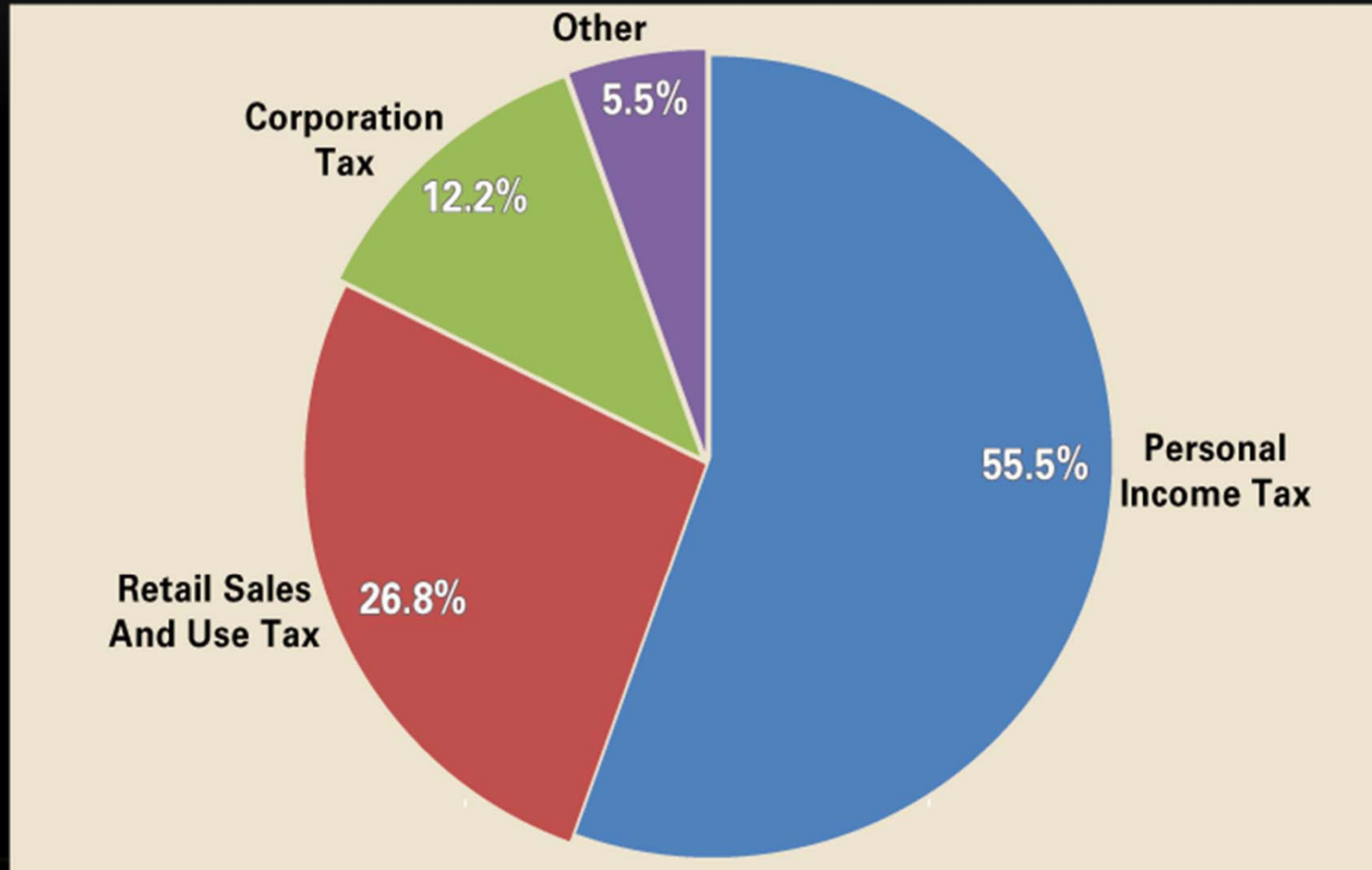
CALIFORNIA'S BUDGET DILEMMA

Senate Budget and Fiscal Review Committee

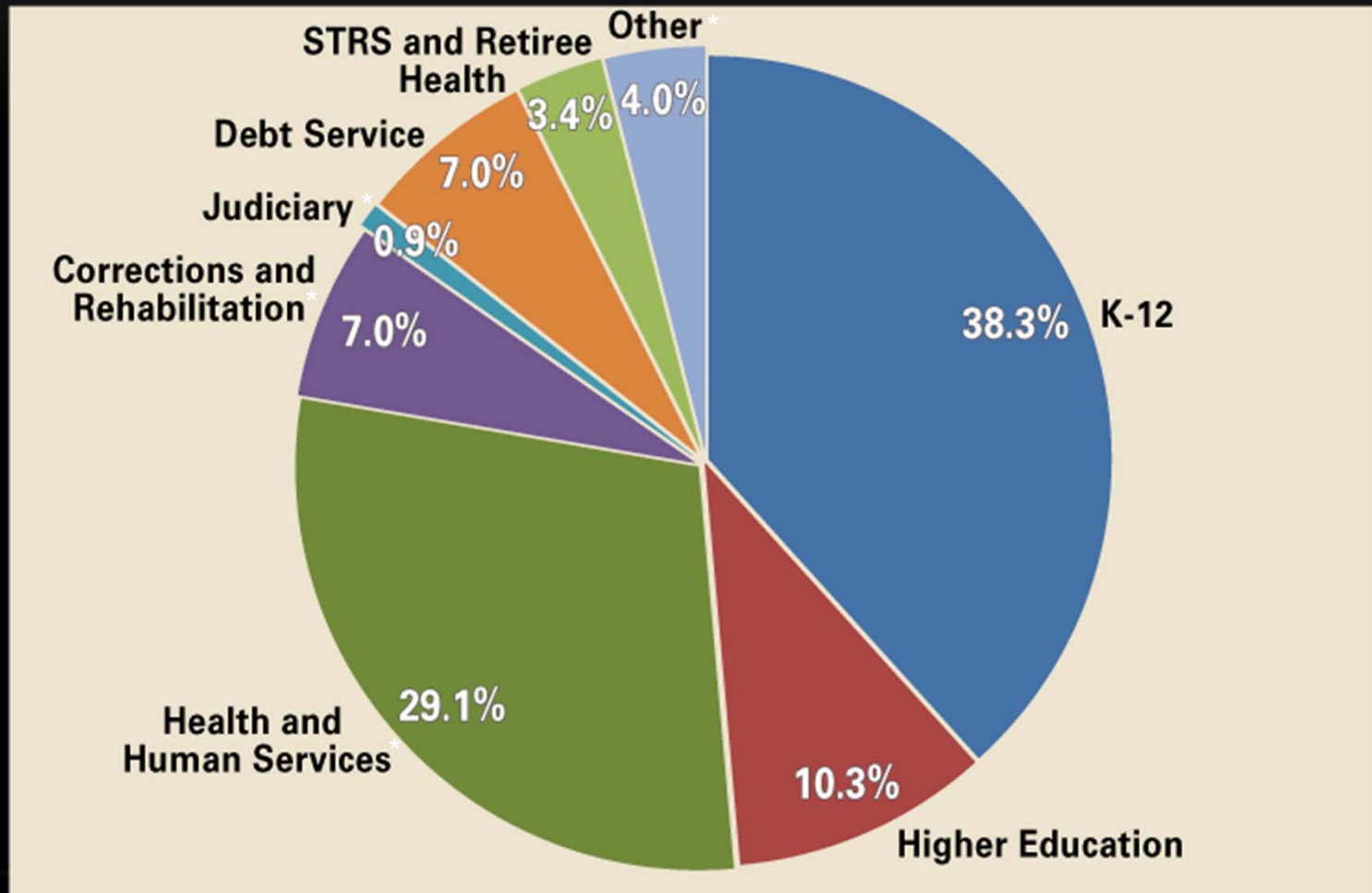
Senator Mark Leno, Chair

April 29, 2011

WHERE DO STATE GENERAL FUND REVENUES COME FROM?



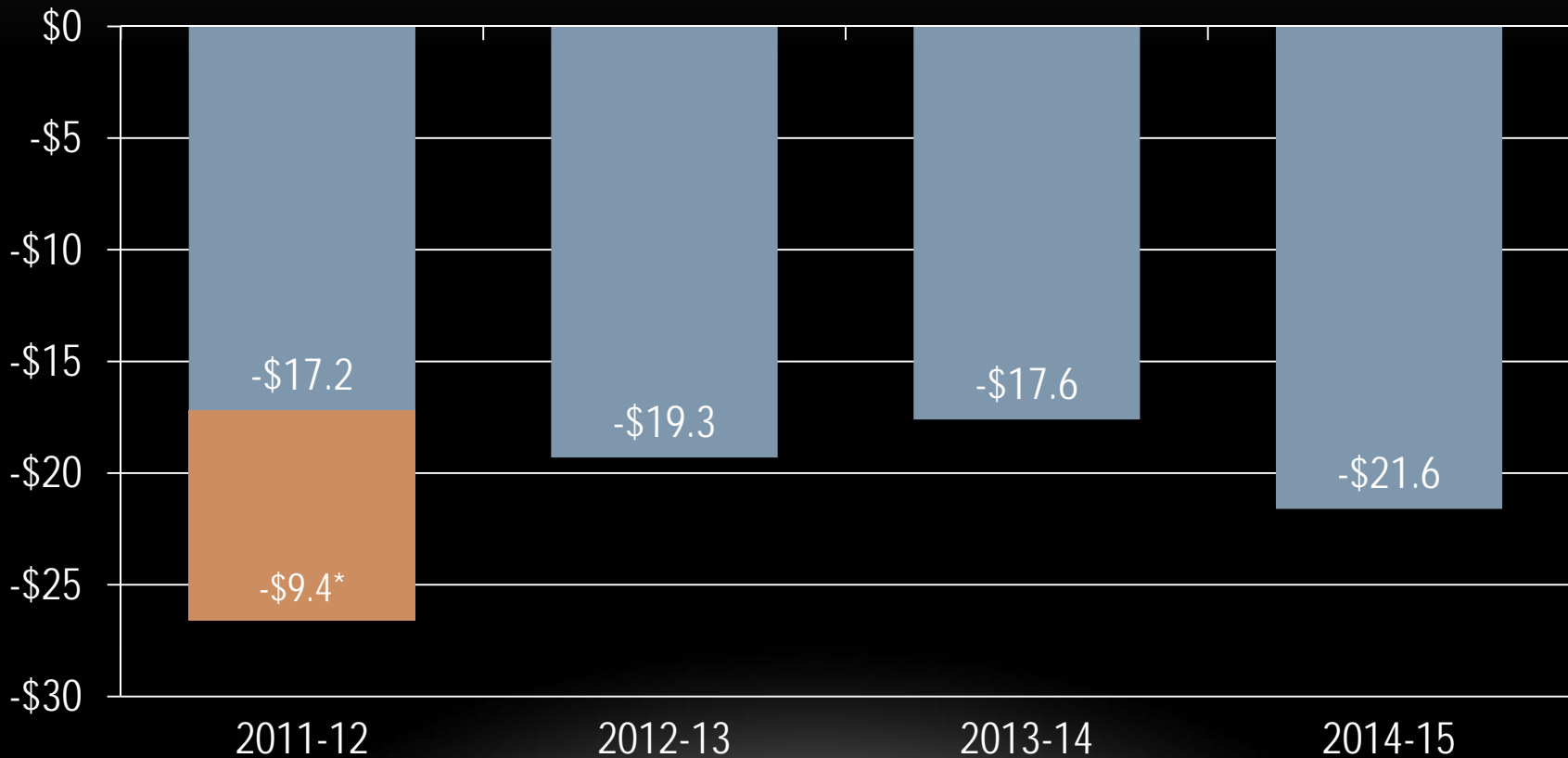
WHERE DO STATE GENERAL FUND DOLLARS GO?



*Includes savings due to realignment.

ABSENT PERMANENT SOLUTIONS, DEFICITS WILL PERSIST FOR YEARS

GENERAL FUND (IN BILLIONS)



*Includes \$1.2 billion due to the cancellation of the Sale Leaseback transaction.

HISTORICALLY LOW REVENUES

General Fund

- Except for 2008-09, 2011-12 proposed General Fund revenues per \$100 of personal income is at the lowest level since 1972-73.

Total State Funds

- Except for the recent recession years, 2011-12 proposed total revenues per \$100 of personal income is at the lowest level since 1982-83. Without the proposed tax extension, it would drop to the 1972-73 level.

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: <i>(Including a \$1 billion reserve)</i>	\$13.6 billion

WHAT COULD THE LACK OF A TAX EXTENSION MEAN FOR PUBLIC SAFETY?

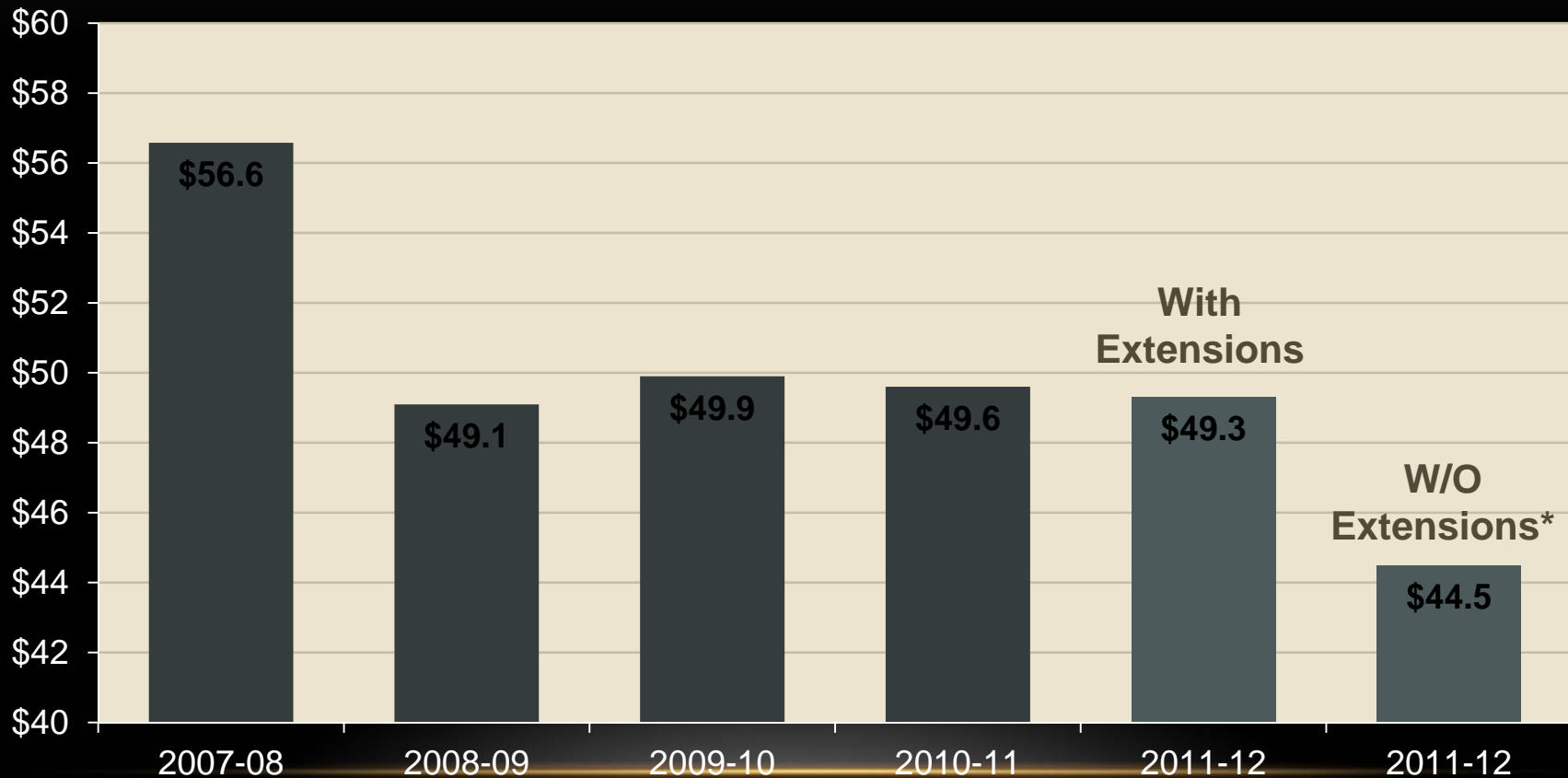
- Non-partisan Legislative Analyst's Office suggested \$2.6 billion in additional cuts to the courts and criminal justice. This equates to:
 - Closing 2 prisons and housing 8,000 less inmates,
 - Eliminating state funding for local law enforcement,
 - Shifting all the state's juvenile offenders to the local level,
 - Eliminating almost all state supervision of parolees, and
 - Closing the courts one day each week.

INLAND EMPIRE RECEIVES SUBSTANTIAL AMOUNT FROM STATE FOR PUBLIC SAFETY

- Riverside and San Bernardino Counties expected to receive about \$23 million each in 2011-12 for various local public safety programs, including:
 - Citizens Option for Public Safety (augmentations to local public safety spending).
 - Juvenile Justice Crime Prevention Act grants.
 - "Booking fees"
 - Grants for juvenile probation departments.
 - Funds to combat methamphetamine production.
 - Funds to support "vertical prosecution" teams.

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

WHAT COULD THE LACK OF A TAX EXTENSION MEAN FOR K-12 EDUCATION?

- Legislative Analyst's Office suggested \$4.5 billion in additional cuts to K-12 education. This equates to:
 - Laying off 51,000 teachers, raising the average class size from 25 to 30 students, or
 - Eliminating 4 weeks of the school year, or cutting school administration by 46%.

- *In the Inland Empire:*
 - There are about 900,000 K-12 students.
 - Based on LAO figures, "all-cuts" approach would probably drop per pupil spending in Inland Empire by at least \$570 per student, which equates to about \$245 million less for Riverside County schools and about \$240 million less for San Bernardino County schools.

WHAT COULD THE LACK OF A TAX EXTENSION MEAN FOR HIGHER EDUCATION?

- Legislative Analyst's Office suggested \$847 million in additional cuts to the universities. This equates to:
 - Eliminating about 3 UC and 3 CSU campuses, or
 - Not serving 100,000 full-time students.
 - *In the Inland Empire: There are about 58,000 students at 1 UC campus and 2 CSU campuses.*
- In addition, LAO suggested \$685 million in additional cuts to community colleges. This equates to:
 - Eliminating 52,000 courses, or
 - Raising student fees from \$36/unit to \$125/unit.
 - *In the Inland Empire: There are about 125,000 students in 9 CC districts.*

SOME KEY FACTS ABOUT THE INLAND EMPIRE

- 4.2 million people:
 - Riverside County: 2.24 million (5.7% of state's population).
 - San Bernardino County: 2.18 million (5.6% of state's population).
- High growth in population expected to continue: By 2020, Riverside expected to grow to 2.9 million; San Bernardino expected to grow to 2.6 million.
- Huge share of California's total geography: More than 27,000 square miles. San Bernardino is largest county; Riverside is 4th largest.
- Unemployment rates in both counties are higher than statewide rate: Statewide: 12.3%; Riverside: 14.1%; San Bernardino: 13.7%.