

2009 Budget Act

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Why Was There a \$41.6 Billion Budget Gap

(Dollars in Millions)

Three-year Revenue Shortfall	\$31,283
Workload Budget Growth from 2008-09 revised to 2009-10	6,600
2008-09 Workload Budget Growth from 2008 Budget Act to 2009-10 Governor's Budget	1,088
Loss in Beginning Balance and Other Changes	589
Reserve Target	2,000
	<hr/> \$41,560

How We Solved the Budget Deficit for 2009-10

Budget Gap as of Governor's Budget

-\$41,560

	<u>2008-09</u>	<u>2009-10</u>		
Expenditure Solutions	\$6,724	\$9,004	15,728	38%
Revenue Increases	1,533	10,980	12,513	30%
Federal Stimulus Funds	2,825	5,191	8,016	19%
Borrowing	268	5,135	5,403	13%
Total	\$11,350	\$30,310	\$41,660	100%

Cash Shortfall

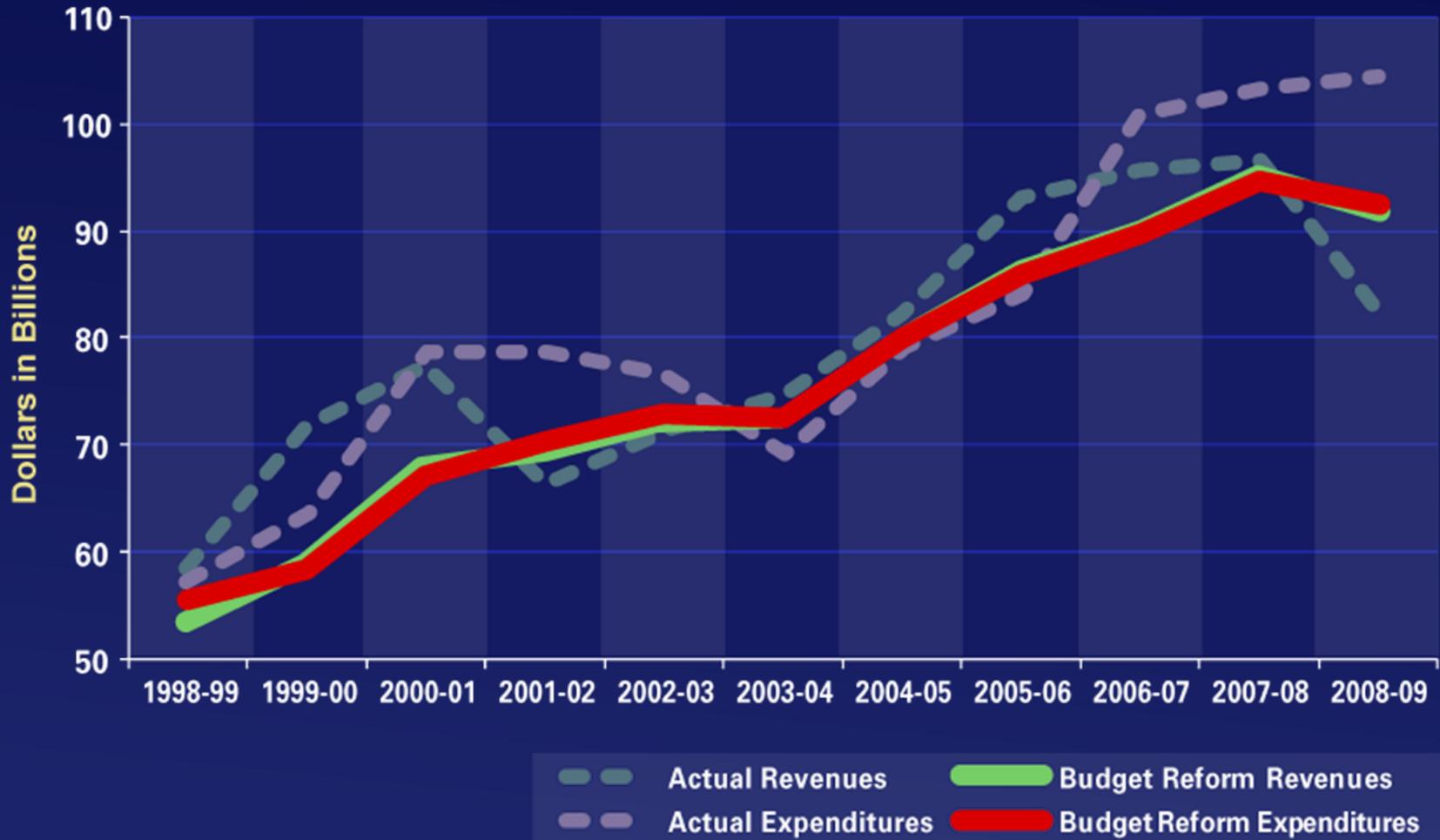
(Amounts in Billions)

	Jan	Feb	Mar	Apr	May	Jun	Jul
Beginning Balance With Borrowables	\$3.7	\$3.2	-\$0.5	-\$4.2	-\$3.5	-\$4.4	-\$3.7
Receipts	7.8	5.3	4.9	11.8	5.8	6.9	5.8
Disbursements	8.3	9.0	8.6	11.1	6.7	6.2	12.5
Ending Cash Balance Including Borrowables	3.2	-0.5	-4.2	-3.5	-4.4	-3.7	-10.4
General Fund Cash Balance	-\$11.8	-\$15.6	-\$18.8	-\$18.0	-\$19.2	-\$18.4	-\$26.3

Budget Related Ballot Measures

- 1a.** Budget Reform -- Stabilizes future revenue and spending, builds a rainy day fund to help offset future recessions.
- 1b.** Supplemental Educational Payments -- Easy payment plan to restore lost education funding.
- 1c.** Lottery -- Allows securitization of Lottery; budget relies on this for \$5 billion.
- 1d.** First Five -- Allows use of tobacco tax money to cover children's services costs currently funded by the General Fund; \$608 million next year and \$268 million annually thereafter for four more years.
- 1e.** Mental Health -- Allows use of "millionaire tax" proceeds for children's mental health services currently funded by the General Fund; \$230 million for the next two years.
- 1f.** Elected Official Pay Raises -- prohibits raises for state elected officials when there is a budget deficit.

The Impact of Budget Reform



The Impact of Budget Reform

The state would have had \$13 billion dollars to spend on infrastructure or tax cuts

\$9 billion would have been available to transfer from the Rainy Day fund to help with this year's budget

The 2008-09 deficit , as a result, would have been \$5 billion instead of \$15 billion

There would have been less need to raise taxes and cut programs this year.

Tax Changes Adopted in 2008-09 and 2009-10

(Dollars in Millions)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Baseline revenues*	96,939	81,652	80,122	91,462	97,210	103,197	109,458
Borrowing	3,784	982	5,135				
Personal Income Tax:		1,092	4,807	3,669	3,745	1,889	72
1.0% Sales Tax		1,203	4,766	5,089	5,503		
Corporation Tax:	1,851	4,098	1,205	-578	-1,423	-1,430	-1,565
VLF		346	1,693	1,728	1,763	1,803	
Total Tax Increases	5,635	7,721	17,606	9,908	9,588	2,262	-1,493
Total Revenues With Policy	102,574	89,373	97,728	101,370	106,798	105,459	107,965

Tax Changes Adopted In 2008-09 and 2009-10

(Dollars in Millions)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Personal Income Tax:							
0.25 Percent PIT Rate Add-on			3,658	2,453	2,526	1,147	
Dependent Exemption Credit			1,440	1,227	1,181	670	
Accrual Accounting Change		1,107	72	72	72	72	72
Jobs Tax Credit		-15	-330	-50			
Home Buyer's Credit			-33	-33	-34		
Corporation Tax:							
Corporation Tax 20% Underpayment Penalty	1,435	-5	-25	-1	100	105	110
Accrual	416	333	61	146	56	56	56
LLC Payment Date		335	34	37	41	39	39
Estimate payments 60/40 + safe harbor		1,890	320	45	190	120	125
NOLs (<i>2 yr suspension then 2 yr carryback</i>)		800	460	-230	-675	-525	-620
50% Credit Limit (<i>then use within unitary</i>)		530	230	-340	-425	-430	-435
Interaction of credit limit and NOL		215	125	45	125	60	55
Single Sales Factor				-235	-700	-750	-800
Film Credit				-45	-135	-105	-95