

Rough Waters: Navigating Local Governments Through California's Fiscal Troubles



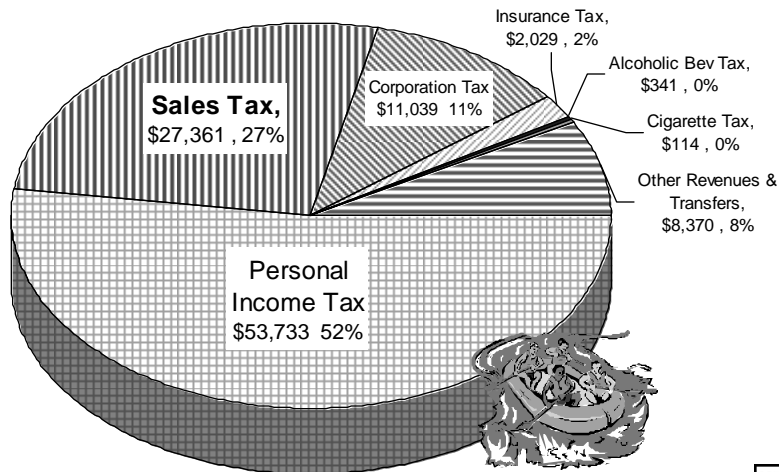
CSMFO
Legislative
Symposium
May 26, 2009

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He does not solicit or accept contracts with individual local agencies.*

Calif State General Fund Revenues

FY08-09 Budget (Amended Feb09)



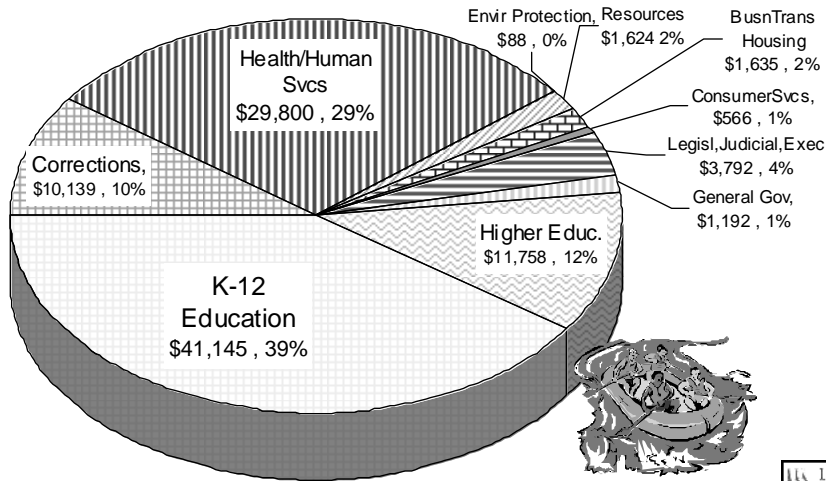
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Calif State General Fund Spending

FY08-09 Budget Amended Feb 09



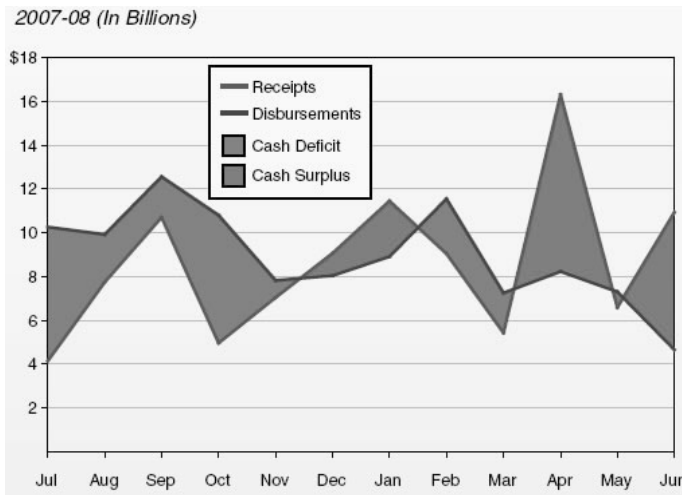
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State Cash Flow Woes

Will Available Cash Be Insufficient to Make Regular Payments?



Source: Legislative Analyst's Office

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Adopted FY2009-10 Budget & FY2008-09 Budget Fix Feb'09

<i>(in millions)</i>	2008-09	2009-10	2YearTotal
Revenue Increases	\$ 1,534	\$ 10,980	\$ 12,514
Expenditure Savings	\$ 6,765	\$ 8,595	\$ 15,360
New Budgetary Borrowing	\$ 234	\$ 5,095	\$ 5,329
Total Solutions	\$ 8,533	\$ 24,670	\$ 33,202
Federal Revenue (Stimulus Package)	\$ 2,825	\$ 5,701	\$ 8,527
Total Solutions	\$ 11,358	\$ 30,371	\$ 41,729



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Adopted FY2009-10 Budget & FY2008-09 Budget Fix Feb'09

<i>(in millions)</i>	2008-09	2009-10	2YearTotal
Expenditure Savings			
Reduce Prop 98 K-14 Education	\$ 5,775	\$ 2,647	\$ 8,422
Reduce Higher Education	\$ 132	\$ 756	\$ 888
Various health & social service reductions	\$ 131	\$ 1,518	\$ 1,649
Eliminate state funding to local transit	\$ 254	\$ 407	\$ 661
Senior Citizen's Property Tax Deferral	\$ 7	\$ 32	\$ 39
Redirect Prop 10		\$ 608	\$ 608
Redirect Prop 63		\$ 227	\$ 227
Various criminal justice savings	\$ 107	\$ 335	\$ 442
Shift Tribal \$ to Gen Fund		\$ 101	\$ 101
Defer Mandate reimbursements		\$ 91	\$ 91
Furlough state workers & employee costs	\$ 333	\$ 834	\$ 1,167
Other reductions	\$ 27	\$ 639	\$ 666
Reduce Corrections & Rehab (Governor's Veto)		\$ 400	\$ 400
Total Solutions	\$ 6,765	\$ 8,595	\$ 15,360
Shift Publ Transp Acct \$ to school transp	\$ 619	\$ 272	\$ 891

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Adopted FY2009-10 Budget & FY2008-09 Budget Fix Feb'09

<i>(in millions)</i>	2008-09	2009-10	2YearTotal
Revenue Increases			
Increase sales tax by 1% for three years*	\$ 1,203	\$ 4,553	\$ 5,756
Increase personal income tax rates by 0.25%		\$ 3,658	\$ 3,658
Reduce PIT dependent credit		\$ 1,440	\$ 1,440
Vehicle License Fee Increase from 0.65% to 1%	\$ 242	\$ 1,185	\$ 1,427
Vehicle License Fee 0.15% increase	\$ 104	\$ 508	\$ 611
Hiring and Retention Credits	\$ (15)	\$ (363)	\$ (378)
Total Solutions	\$ 1,534	\$ 10,981	\$ 12,514
Gas Tax increase \$.12/gallon (Feb 12 Big5)	\$ 250	\$ 1,812	\$ 2,062
Expand sales tax to some services (Gov Prop.)	\$ 272	\$ 1,111	\$ 1,383
Impose oil severance tax (Gov Proposed)	\$ 348	\$ 836	\$ 1,184
Raise alcohol tax by a nickel a drink (Gov Prop.)	\$ 244	\$ 585	\$ 829

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Hiring and Retention Credits	\$ (15)	\$ (363)	\$ (378)
Total Solutions	\$ 1,534	\$ 10,981	\$ 12,514
Budgetary Borrowing			
Lottery		\$ 5,001	\$ 5,001
Borrowing from Internal Special Funds	\$ 234	\$ 94	\$ 328
Total Solutions	\$ 234	\$ 5,095	\$ 5,329
RAWS	\$ 5,918		

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New State Taxes

Feb 2009 Budget Fix

\$ 1.203	\$ 4.533			
	\$ 3.658			
	\$ 1.440			
\$ 0.264	\$ 1.213			
\$ 0.111	\$ 0.508			

Prop1A(09) rejected

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Governor's May Revision 2009

May 14, 2009



A Worsening Situation

May '09 Forecast

	<u>billions</u>
Lower revenues (PIT, SUT, CIT)	
2008-09	-3.5
2009-10	-9.0
Rejected Propostions	
Prop 1C (Lottery)	-5.0
Prop 1D (Prop10\$)	-0.6
Prop 1E (Prop63\$)	-0.2
Lower K-14 PropTax	-1.1
HHS caseload incr	-1.1
Other	-0.8
Total Budget gap thru 6/30/10	-21.3

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Governor's May Revision 2009

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Governor's Proposed Solutions

May 14, 2009

	billions
K-14 Education	-5.300
*Use FedStimulus\$ for UC/CSU	-1.020
Reduce UC/CSU	-0.760
Eliminate CalGrants (college loans)	-0.201
Reduce Medical & health programs	-1.903
Eliminate CalWORKS	-1.309
Reduce Inhome Support Services (IHSS)	-0.302
Eliminate Healthy Families Program	-0.248
Reduce SSI/SSP grants to fed minimum	-0.200
Cut Corrections Rehab Programs	-0.789
Reduce prison pop & change sentencing laws ..	-0.282
Commute Non-Violent Prisoner sentences	-0.121
**Borrow local property tax	-1.982
Take Local GasTax\$(HUTA) to pay debt	-0.744
Use transit spillover for bond costs	-0.300
Cut Court Funding	-0.182
Cut General Fund to State Parks	-0.070
State Employee 2-day/month Furlough	-0.210
Sell parts of State Comp Insurance Fund	-1.000
** Increase PIT withholding by 10%	-1.700
** Accelerate estimated tax payments	-0.610
Cash flow / timing solutions	-0.210
Other	-1.850
Total	-21.300

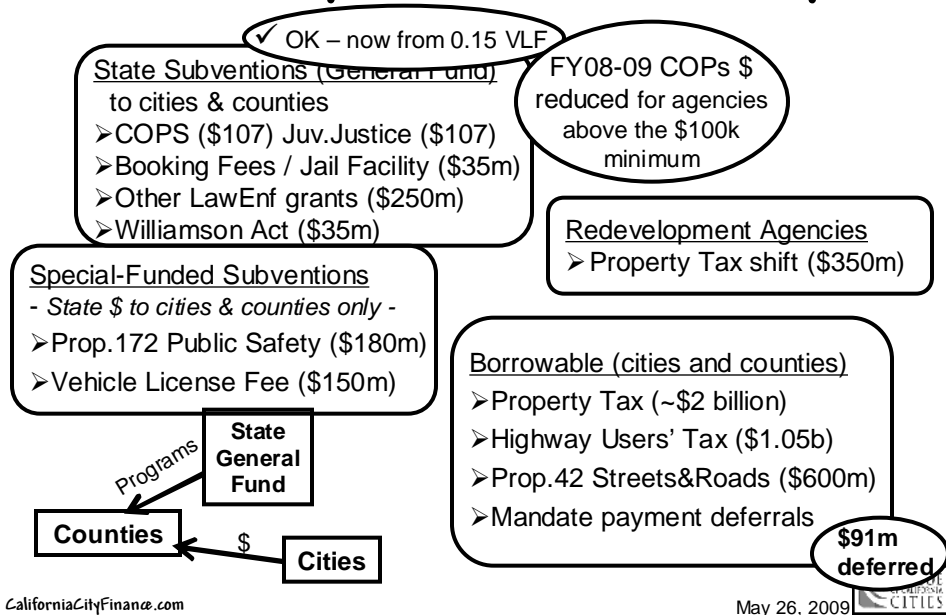
* one-time solution

** borrowing

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Summary of Local \$ in Play

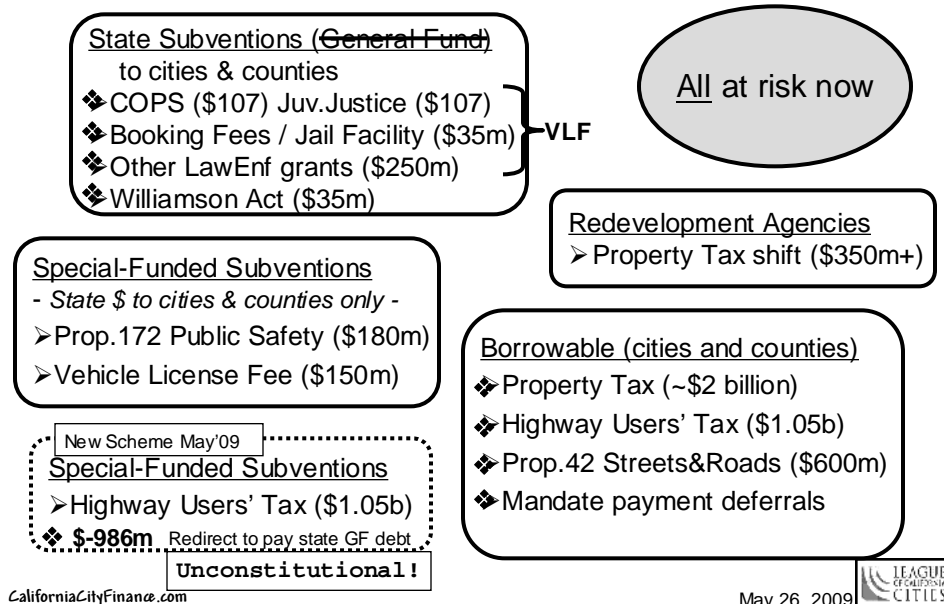


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Summary of Local \$ in Play



A Property Tax Borrowing from Local Governments?

Under the State Constitution (Prop 1A '04):

- ◆ Governor must declare "fiscal hardship;"
- ◆ Legislature must enact by 2/3 vote;
- ◆ 8% of the property tax revenues within each county (currently about \$2 Billion statewide total);
 - Legislature has wide latitude as to how this borrowing would be spread among local agencies.
- ◆ Legislature must enact a law directing the repayment (with interest) within three years;
- ◆ May not enact another until previous borrowing is repaid;
- ◆ May not enact more than twice in ten years.

