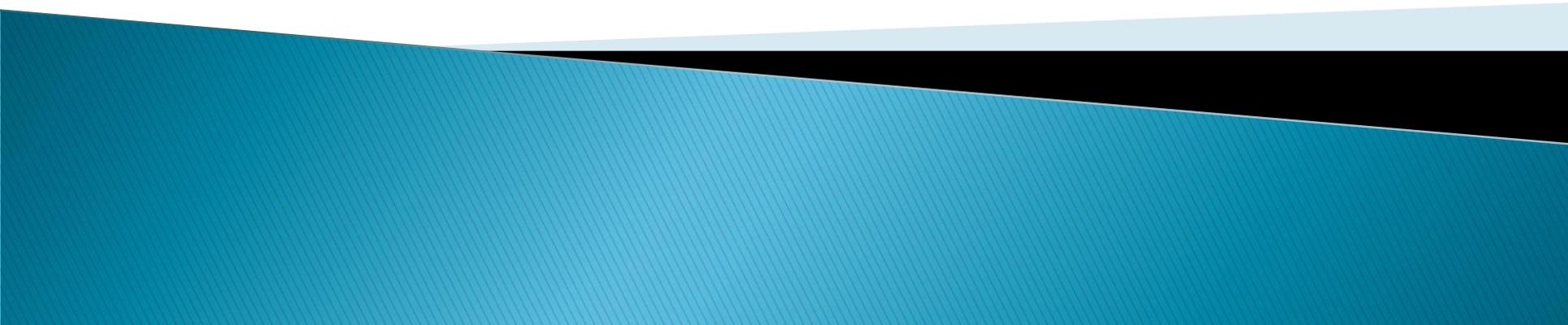
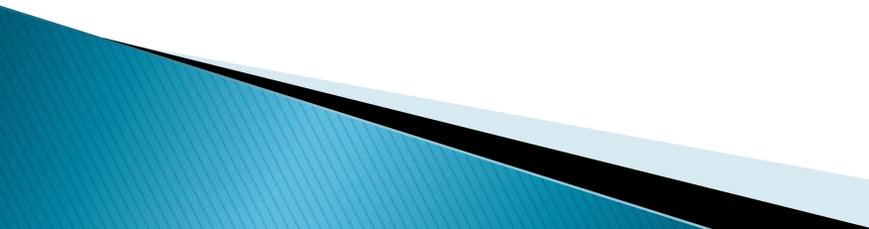


Putting the Budget Into Perspective

Breaking Down the Numbers



2011–12 Revenues Strong

- ▶ Personal Income Taxes for 2010–11 and 2011–12 are \$10 billion higher than projected by the Governor's Jan 2011 no-tax increase budget projections.
 - ▶ Overall tax collections for 2011–12 are \$8.4 billion higher than the Governor's January 2011 no-tax increase budget projections.
- 

Governor Projects Strong Growth of Baseline Tax Revenues in 2012–13

- ▶ Personal Income Tax + 7.9%
- ▶ Sales and Use Tax + 4.4%
- ▶ Corporation Tax – 1.4%

Governor Projects Big 3 Baseline Tax Revenues Up 8.4%

Big 3 Tax Revenues

2011 Budget Act

Forecast for 2011–12

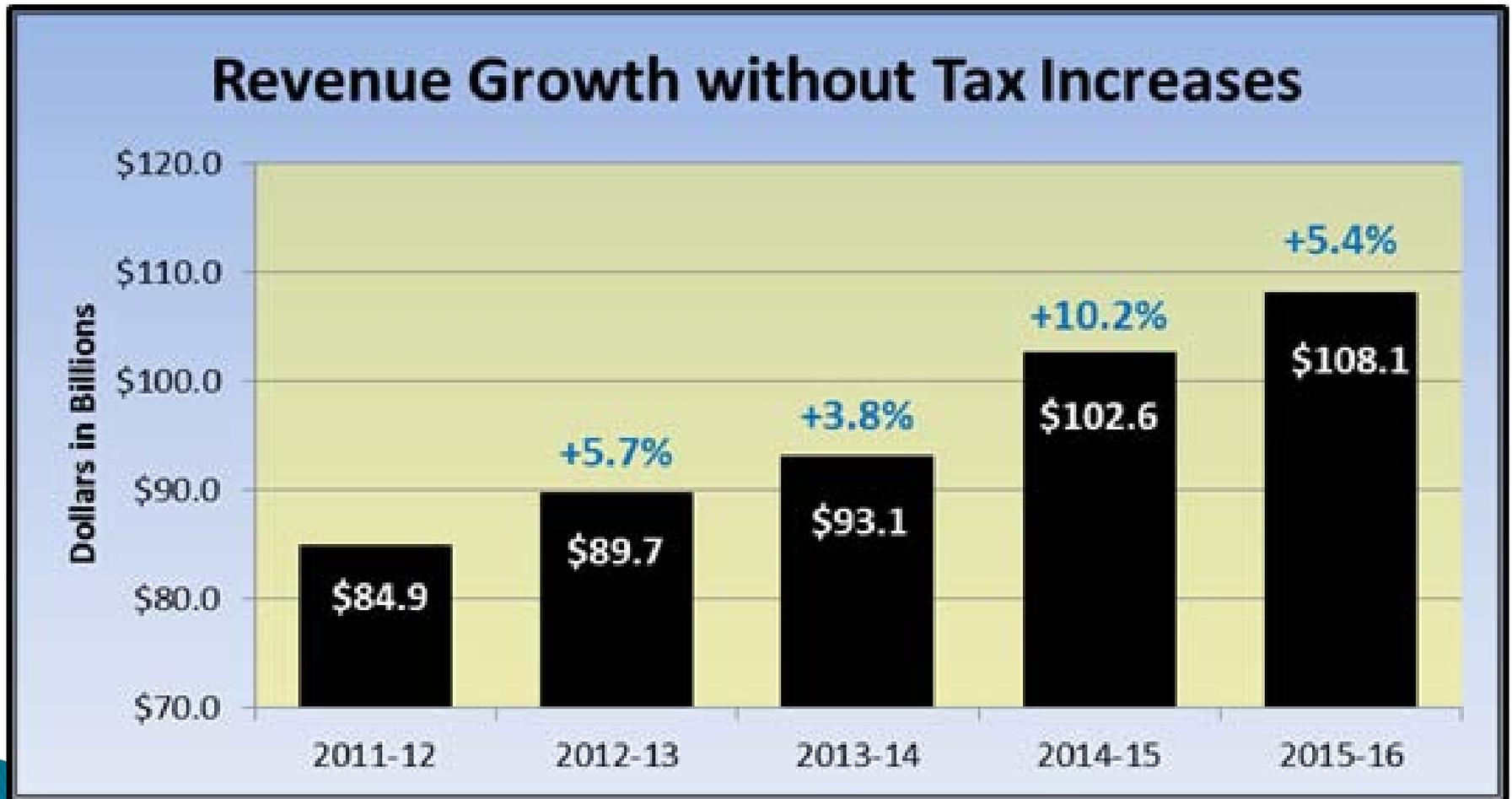
\$78.4 billion

Governor's Budget

Baseline Forecast for 2012–13

\$85.0 billion

Long-term: Revenues on the Rise Without Tax Increases



Governor's 2012-13 Budget Projections

- ▶ Big 3 Baseline Tax Revenues projected to grow \$4.8 billion – 5.9% increase
 - ▶ Personal Income Taxes to grow 7.9%
- 

Will there be more revenues in 2012-13?

- ▶ Senator Steinberg :

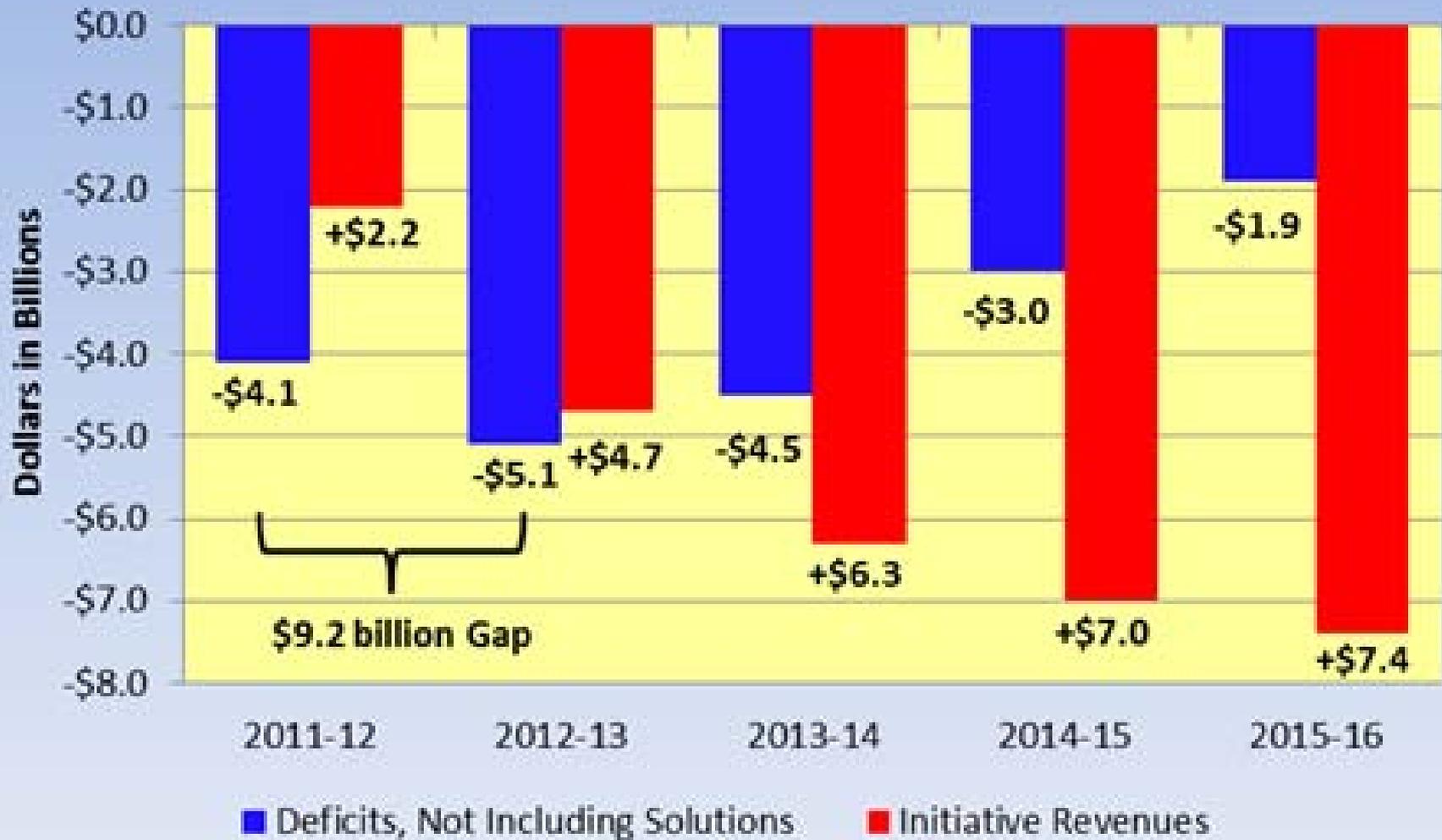
"Why would we make cuts that are going to harm people and harm the economy in March when in fact in May there's a real not just possibility, but if the trend continues, a probability that the deficit number is going to be less,' (Sacramento Bee, January 5, 2012)

Will there be more revenues in 2012-13?

- ▶ Chris Thornberg

“Tax revenue in the upcoming fiscal year could top Brown's forecast by around \$4 billion.”
(Source: Sacramento Bee, January 6, 2012).

Tax Increase Exceeds Deficits

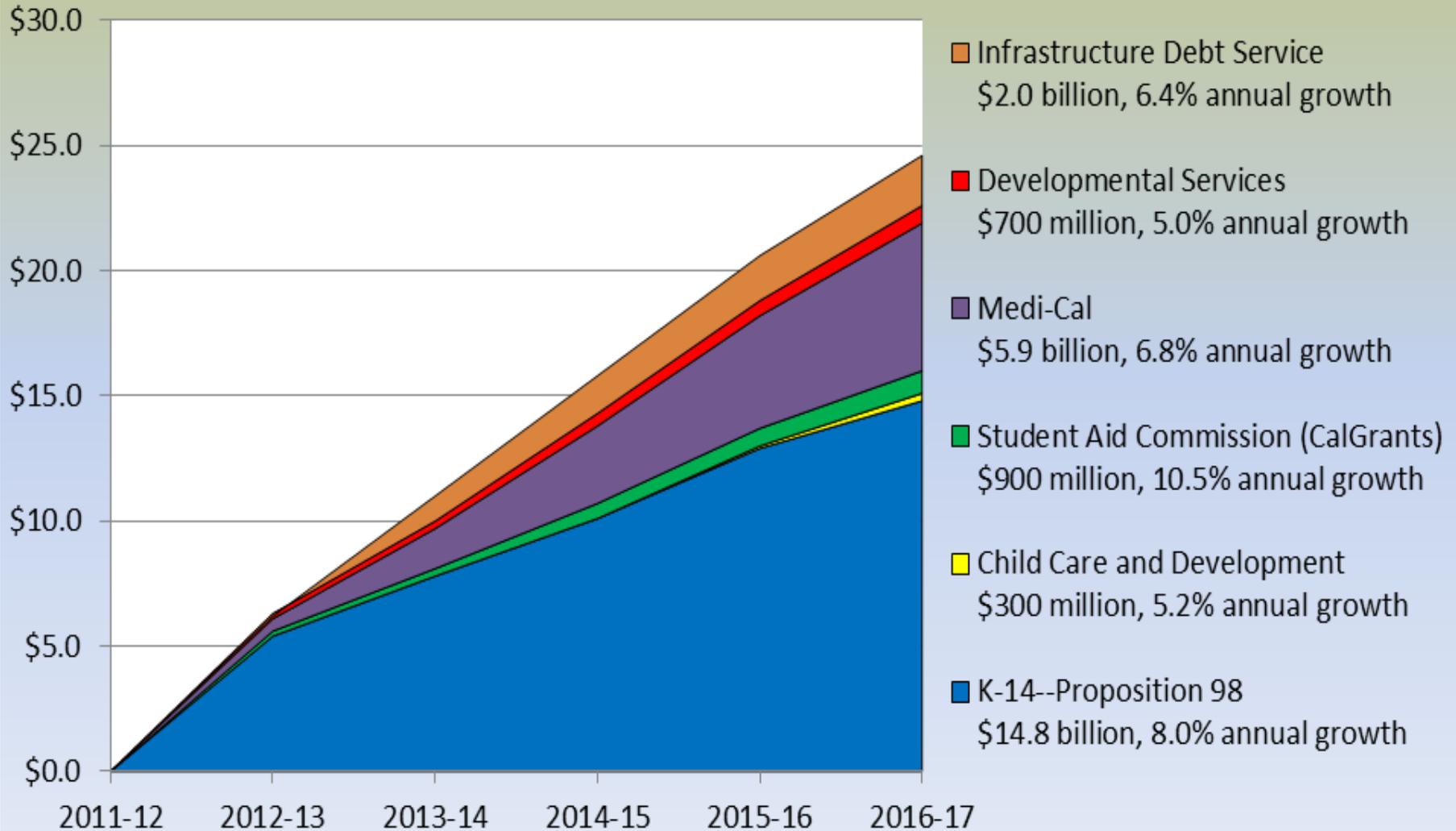


General Fund Expenditures By Agency

(dollars in millions)

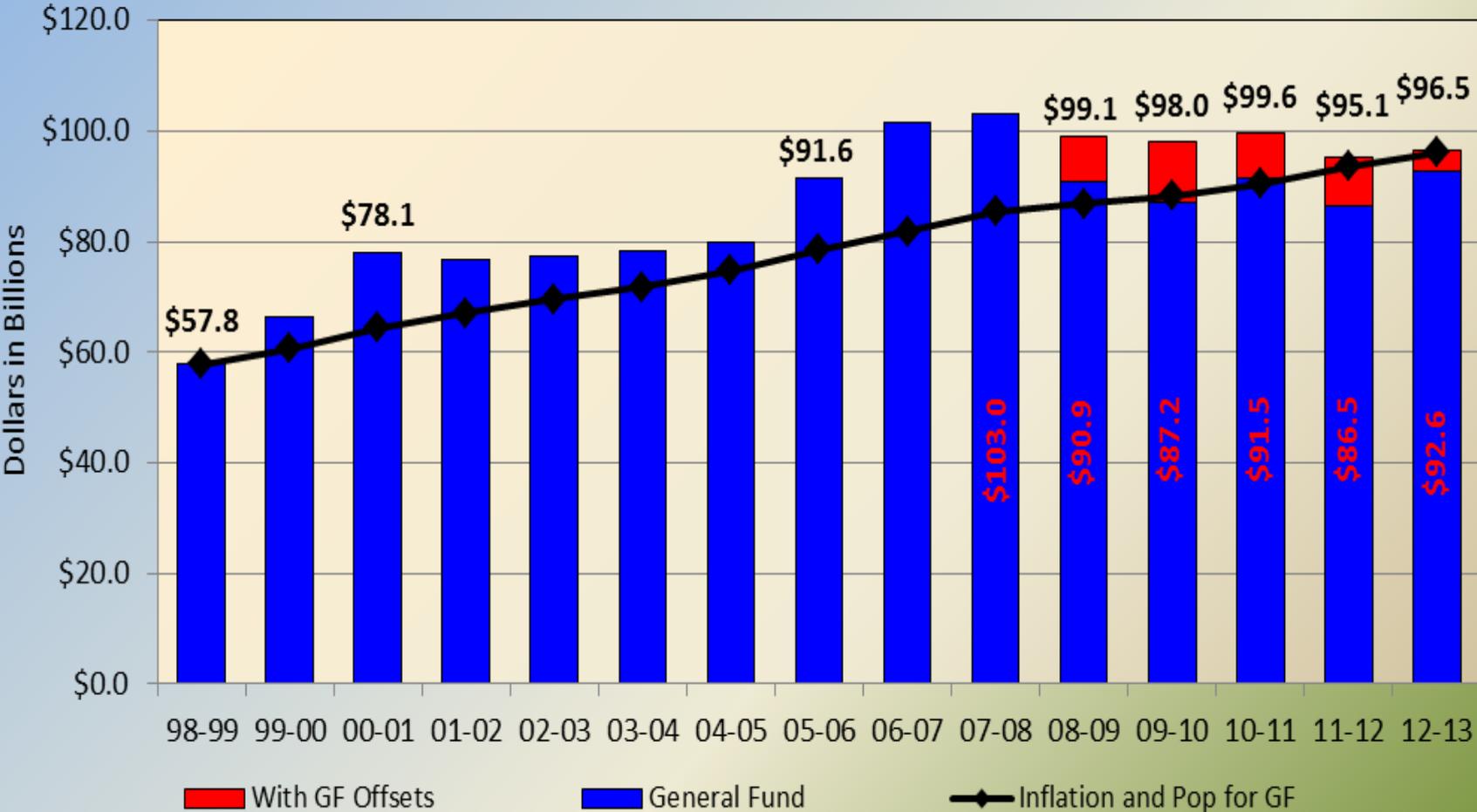
Agency	Actual 2010-11	2011-12 Budget Act	Revised 2011-12	Proposed 2012-13
Legislative, Judicial, Executive	\$3,054	\$3,151	\$2,540	\$2,600
State and Consumer Services	\$548	\$624	\$619	\$689
Bus, Trans, and Housing	\$424	\$603	\$679	\$558
Resources	\$1,913	\$1,946	\$1,935	\$1,896
Environmental Protection	\$70	\$51	\$51	\$47
Health and Human Services	\$26,825	\$23,043	\$26,668	\$26,414
Corrections and Rehabilitation	\$9,649	\$9,821	\$7,849	\$8,744
K-12 Education	\$35,236	\$34,302	\$34,162	\$38,179
Higher Education	\$11,569	\$10,248	\$9,821	\$9,377
Labor and Workforce Development	\$48	\$371	\$354	\$448
General Government	\$2,213	\$1,777	\$1,834	\$3,601
Total, General Fund Expenditures	\$91,549	\$85,937	\$86,512	\$92,553
Year-Over-Year Change		-\$5,612	\$575	\$6,041
- As a Percentage		-6.1%	0.7%	7.0%

Fast Growing State Programs

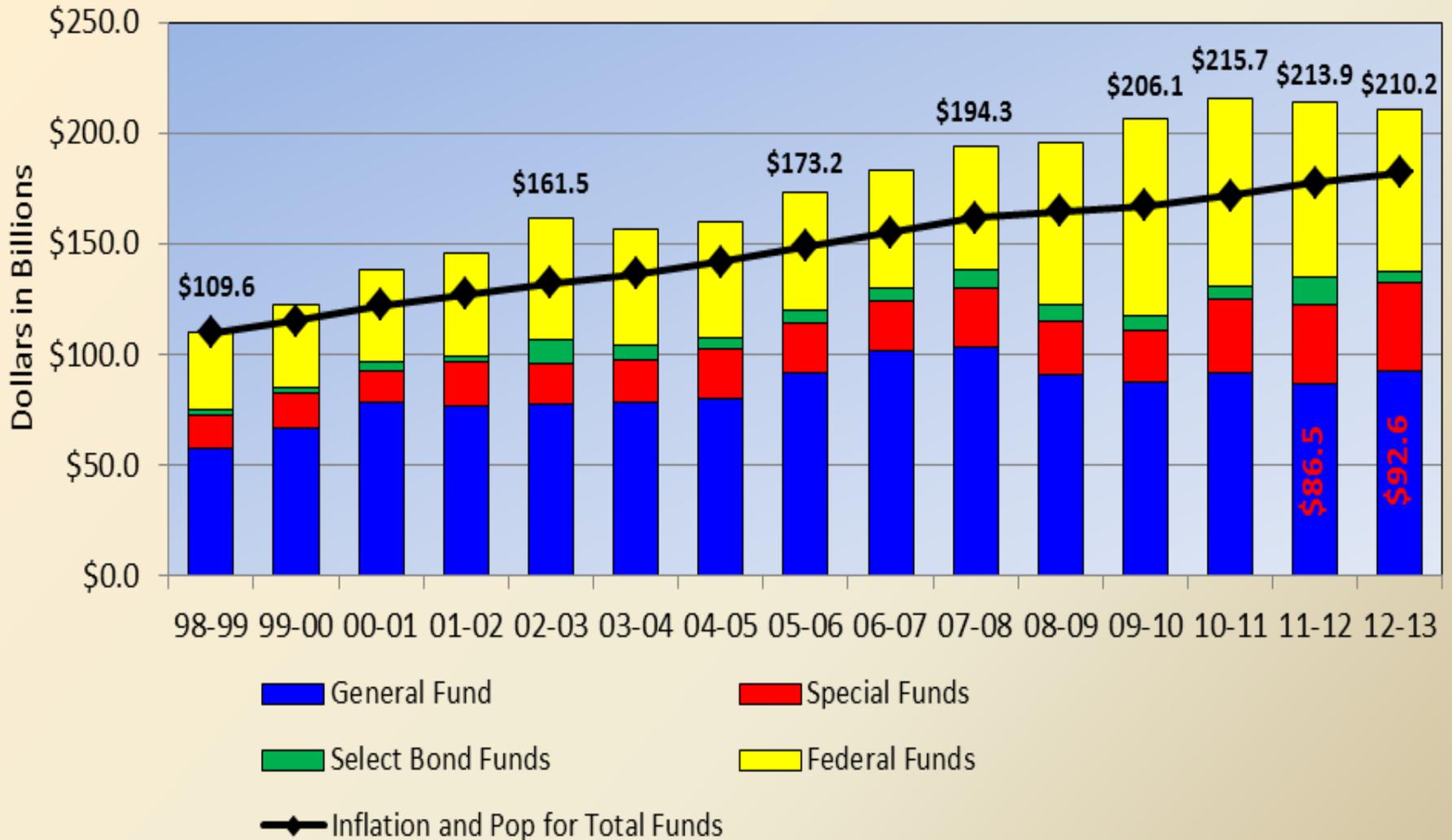


Legislative Analyst Projections – November 2011

True General Fund Spending



Total State Spending



Cap and Trade and SPEND

- ▶ The Governor's Budget will impose a Cap and Trade Program "fee" in 2012-13 estimated to generate \$1 billion in revenues through the auctioning of Greenhouse Gas emission allowances by the Air Resources Board as a market-based compliance mechanism. The Department of Finance advises that *\$500 million would be used to offset unspecified General Fund programs.*
- ▶ These tax proceeds are expected to grow significantly in future years to as much as \$10 billion annually. At present, there is **no clear nexus between who will pay the fee and who will benefit from the programs.**
- ▶ The AB 32 Implementation Group, a coalition of employers and taxpayer groups are "*...greatly concerned that the Governor's budget would allow use of \$1 billion raised in the AB 32 cap and trade program in a manner that is beyond the scope of authority under AB 32 and the California constitution. The purpose of cap and trade is to reduce greenhouse gas emissions from regulated sources - including manufacturers, electric generators, universities, and public agencies. AB 32 and cap and trade is not intended to be a revenue source for the state of California.*"