Analysis of the 2008-09 Budget Bill
Key LAO Findings

- Lower Revenues
- Larger Budget Problem
- Structural Shortfall After 2008-09
- Failure to Set Priorities
Operating Shortfalls Return After 2008-09

General Fund (In Billions)

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<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
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LAO Alternative

- ✔ Targeted Approach to Spending
- ✔ Balanced Approach Includes Revenues
- ✔ Balanced Budget Through 2012-13
Targeted Program Reductions

- ✔ Core Services at Current Levels
- ✔ Eliminate/Modify Ineffective Programs
- ✔ Use Other Funding Sources For Services
- ✔ Local Administrative Flexibility
Better Proposition 98 Approach

Governor’s Plan
- Funding level: $55.6
- $4 Billion Suspension
- Minimum guarantee: $59.6

Alternative
- Funding level: $57.7
- Minimum guarantee: $58.5
- $800M Suspension

(In Billions)
Add Revenues In a Reasonable Manner

- Reduce Dependent Credit
- Limit R&D Credit
- Limit NOL Carryforwards
- No Broad-Based Tax Rate Increases
LAO Alternative—
Other Key Elements

- Rethink State Responsibilities
- No Additional Borrowing or Debt
LAO Alternative—A Starting Point

✔ Tough Decisions Ahead

✔ Legislative Priorities Will Set Framework