



***2002-03  
Cumulative  
Budget  
Shortfall***

2001 – 2002 Budget Deficits \$ 3.0 Billion

2002 – 2003 Budget Deficits \$ 9.0 Billion

Rebuilding Reserve \$ 0.5 Billion

\$12.5 Billion

# *Bridging the Gap*

<b>Major Spending Reductions</b>	<b>\$5,226</b>
November Revision Reductions	2,449
Budget Year Reductions	2,677
Reserve for Litigation	100
<b>Fund Shifts</b>	<b>\$586</b>
Shifts proposed in November Revision	152
Other Shifts	434
<b>Federal Funding Increases</b>	<b>\$1,066</b>
Medi-Cal FMAP offset	400
Security/bioterrorism funding	350
Child support system penalty relief	181
Undocumented felon incarceration (SCAAP)	50
All others	85
<b>Loans/Accelerations/Transfers</b>	<b>\$5,624</b>
Securitization of tobacco settlement funds	2,400
Loan from traffic Congestion Relief Fund	672
Loans from various special funds	579
STRS payment deferral	508
PERS payment deferral	371
All others	1,904
<b>Total</b>	<b>\$12,502</b>



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## *Planning Assumptions*

- Economy Currently in Recession
- Personal Income Especially Hit Hard
- Rebound Expected in Spring
- Recovery to Accelerate Through 2003
- Revenues to Fall in 2001-02, Rebound in 2002-03
- Revenue Estimates is Far Above November  
Legislative Analyst's Office Projection
- Stock Options and Capital Gains Are the Issue
- Administration Overly Optimistic.



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## *HOW DOES THE GOVERNOR'S PLAN "STACK UP?"*

- Budget Plan Contains Numerous Risks
  - ✓ Revenues estimates too optimistic
  - ✓ Federal Funding unlikely to meet expectations
  - ✓ Proposition 98 could prove to be \$900 million above the budget forecast
- Budget Plan Does Not Eliminate Out-Year Deficits
- Additional Solutions Should Be Considered.

Education



## *Meeting the Challenge to Higher Education*

*Accessibility, Affordability, and Accountability*

- Improving Accessibility
  - ✓ Broadening Admissions
  - ✓ UC Merced
  - ✓ Year-Around Instruction
  - ✓ Community College Transfers
  - ✓ General Obligation Bonds for Facilities
  
- Continuing Affordability
  - ✓ No Fee Increases
  - ✓ Expansion of the Cal Grant Program
  
- Demanding Accountability
  - ✓ Partnership Agreement with UC and CSU
  - ✓ Partnership for Excellence with the CCC
  
- K-12/Higher Education Collaboratives

## Reactions to Governor's Proposed Budget



*“A Pander Budget: Davis Takes the Path of Least Resistance.” (SacBee, Editorial, 1-14-02)*

**“Budget begs, borrows, steals – but doesn’t balance.” (Daniel Weintraub, 1-13-02)**

**“Defer, delay and deflect, that’s all this budget is.” (Dave Cox of Carmichael, Assembly Republican Leader)**

**“It’s an outrage.” (Senate President Pro Tem John Burton, Democrat)**

**“My budget is balanced, is responsible, ..... and it does not require new taxes.” (Governor Gray Davis)**



*Davis’ Financial Scrambling Carries  
the Distinct Aroma of Enron.*

*Davis’ Budget Closet May Contain  
Some Billion-Dollar Skeletons*