

# The 2005-06 Budget: Perspectives and Issues



Legislative Analyst's Office

# The Legislature's Budget Opportunity

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## The Building Blocks:

- **Healthy Revenues**
  - \$2.2 billion more than Governor
- **Ongoing 2005-06 Solution**
  - \$4 billion to \$5 billion—  
similar in magnitude to budget

# The Payoff of Acting Now:

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- **2005-06 Balanced, With Solid Reserve**
- **2006-07 Close, Using Remaining Bonds**
- **Out-Year Problem Persists, But Smaller**

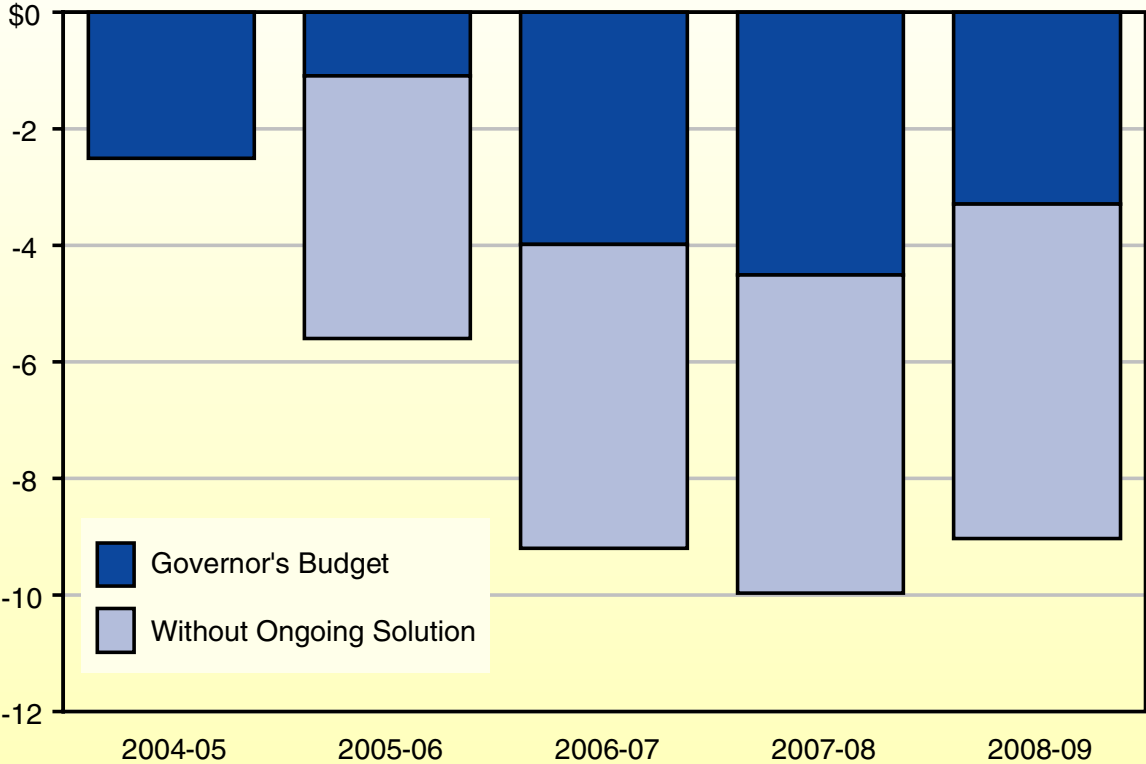
# The Price of Inaction:

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- **2005-06 Precariously Balanced**
- **Major Shortfalls in 2006-07 and Beyond**
  - **Close to \$10 billion**

# General Fund Operating Shortfalls, Under Alternative Scenarios

(In Billions)



# Strengthen Budgetary Tools:

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- **Do Not Make Problem Worse**
  - Some of Governor's proposals increase autopilot spending
- **Make It Better**
  - Modify cruise-control provisions