



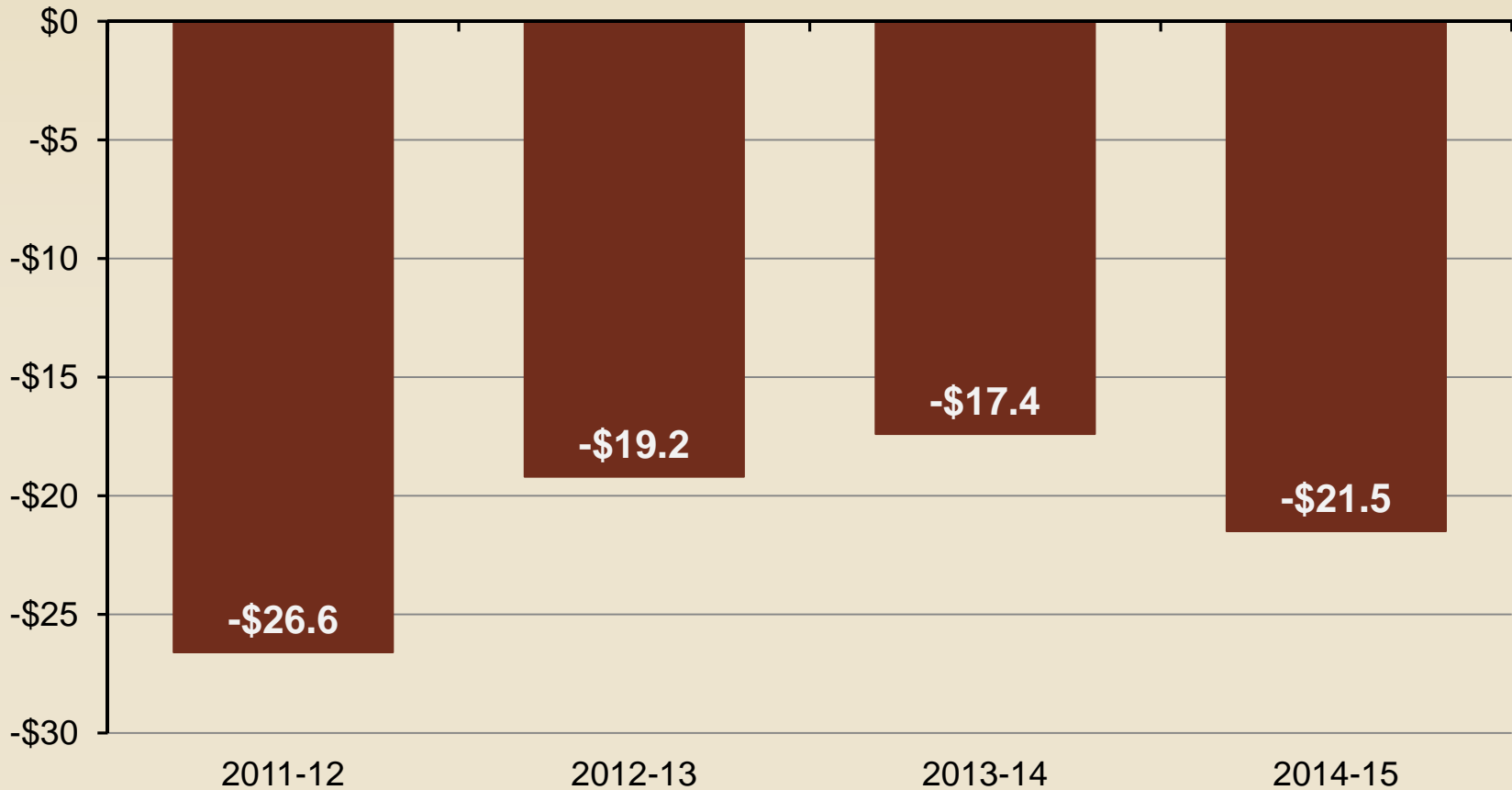
# 2012-13 May Revision

May 2012

Governor Edmund G. Brown Jr.

# A Year Ago, The State Faced An Enormous Budget Problem

(Dollars in Billions)



# Makings of the Budget Deficit

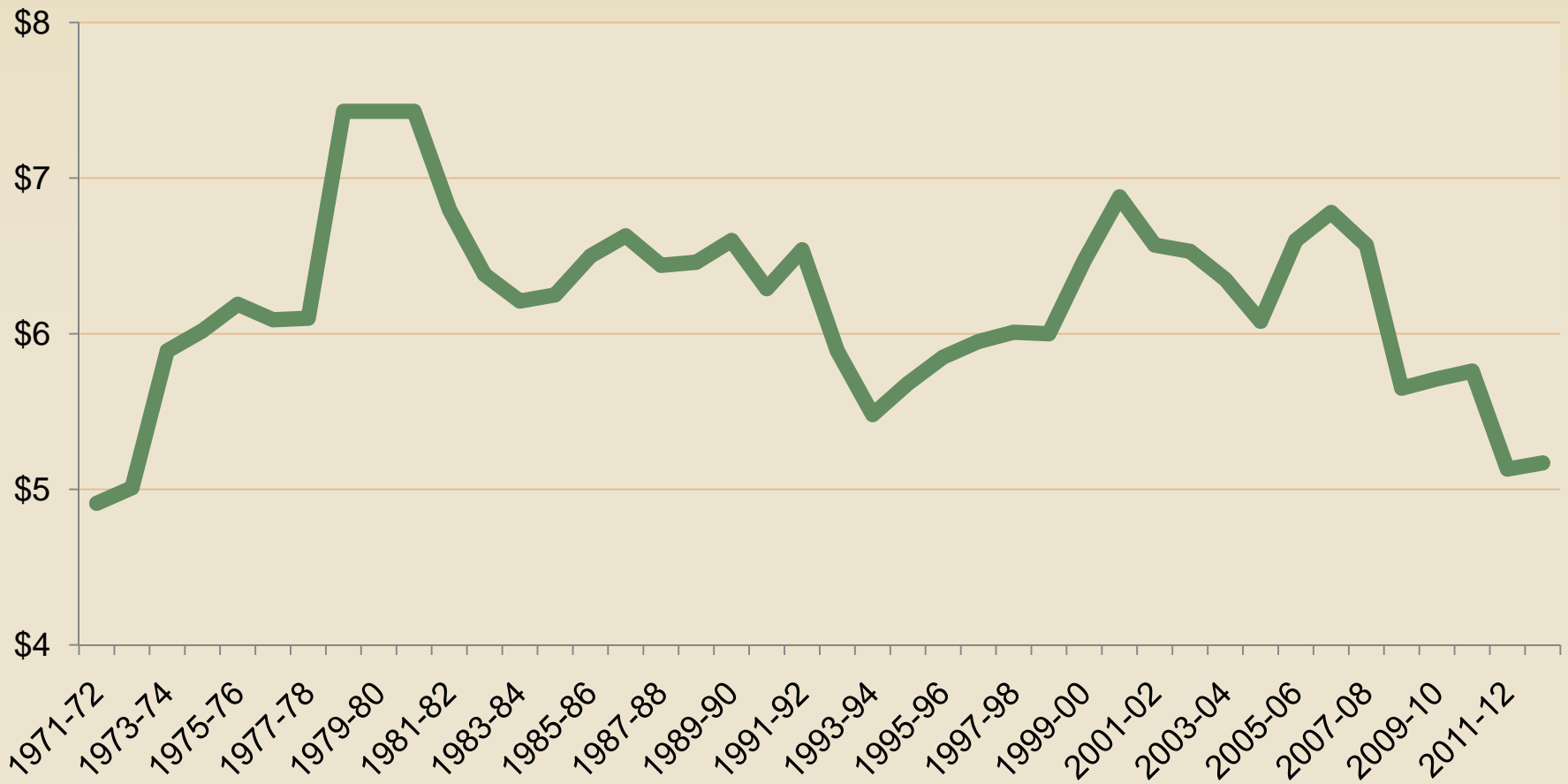
- State had an underlying Budget problem coming into the Recession
- Recession dropped tax revenues by 24 percent
- Budgets in the last decade relied mostly on short-term solutions and gimmicks – 75 to 85 percent of budget solutions

# 2011-12 Budget Made Substantial Progress

- On-time budget that avoided the gimmicks of prior budgets
- Made deep spending cuts – \$16 billion
  - Billions in additional cuts were made – including \$150 million to the Judiciary – when the taxes were not extended
- Reduced ongoing budget problem from about \$20 billion to \$8 billion annually

# General Fund Spending Near 1972-73 Level

*(Per \$100 of Personal Income)*

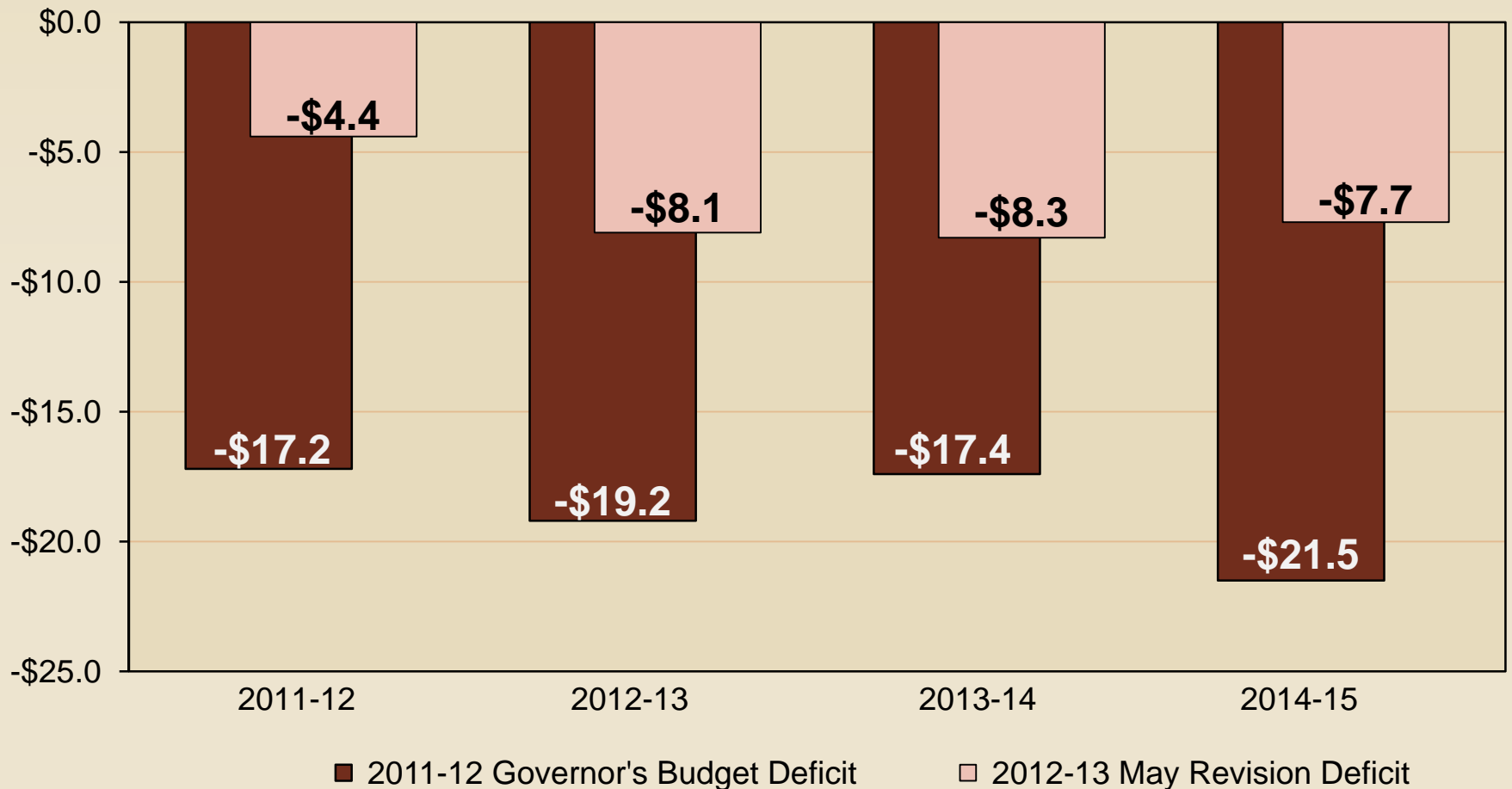


# Massive Spending Cuts Have Been Made

- Entire programs, including the refundable child care and dependent credits, Williamson Act subventions, and redevelopment agencies, were all eliminated.
- Reduced state government by more than 15,000 positions and eliminated 20 boards, commissions, and other entities
- The Department of Corrections and Rehabilitation's expenditures will be reduced by \$1.5 billion.
- State grants for low income seniors and persons with disabilities reduced to below the level in effect in 1983 and CalWORKs grants reduced to below the 1987 level.
- General Fund support for the University of California, California State University cut by approximately 25 percent.
- K-14 education funding remains \$9 billion below the funding level in 2007-08.

# Annual Budget Shortfall Reduced by More than Half from \$20 Billion to \$8 Billion

(Dollars in Billions)



# May Revision Projects 2012-13 Problem Has Grown to \$15.7 Billion

## May Revision Budget Problem

<b>Governor's Budget</b>	<b>\$9.2 Billion</b>
Prior Revenue Forecast Was Too High	+\$4.3 Billion
Proposition 98 Spending Increases	+\$2.4 Billion
Federal Government Blocked Budget Cuts	+\$1.7 Billion
Lower Caseload and Other Spending Decreases	-\$1.9 Billion
<b>May Revision</b>	<b>\$15.7 Billion</b>

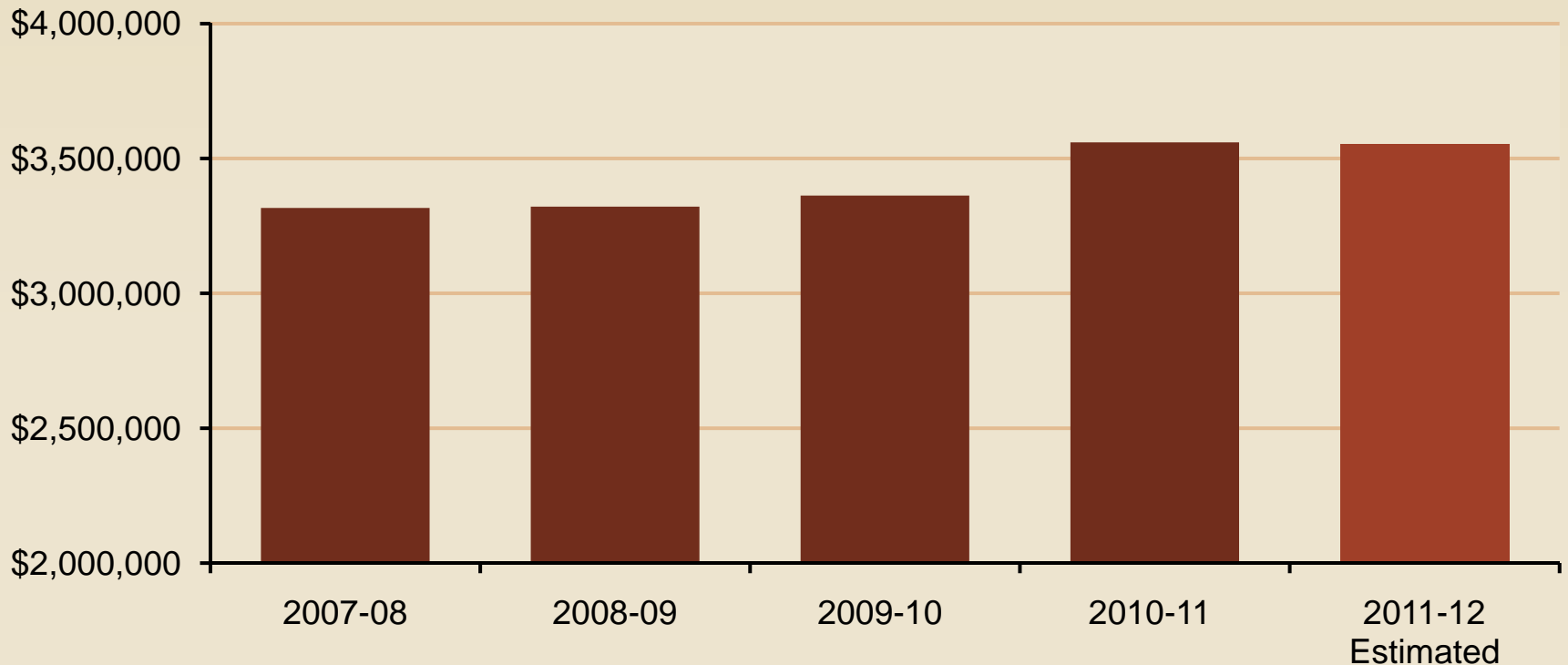


# 2012-13 May Revision

- Balanced approach – \$8.3 billion in additional cuts, \$5.9 billion in revenues, \$2.5 billion in other proposals
- Assumes revenues from the Governor's Tax Initiative to balance the budget and avoid deeper cuts
- Budget is balanced next year and into the future
- Pays down budgetary debt from \$33 billion to \$6.6 billion by 2015-16

# Trial Court Funding Has Increased by 7% Despite General Fund Reductions

(Dollars in Thousands)



- Under May Revision, trial court funding in 2012-13 would be 1.5% above 2007-08 level

# May Revision Approach for Judiciary Budget

- Maintaining local court reserves is a lower priority in light of the state's fiscal challenge
- Court construction program should be reduced and delayed to help fund court operations
- State employees working for the judicial branch should be treated similarly to other state employees

# Restructure Trial Court Reserves— \$300 Million, one time

- Establishes statewide reserve equal to 3 percent of total allocation (about \$80 million)
- Allocation of reserve by Judicial Council to courts as necessary to address emergencies and unavoidable shortfalls
- Uses available local reserves to maintain court operations
  - End of 2010-11, total trial court reserves equaled \$562 million
- Reduces state's allocations to individual courts on dollar-for-dollar basis to reflect available reserves

# **Delay Court Construction— \$240 Million, one time**

- Review of construction program, court construction standards, and facility standards
- Pause of construction and use the funds for operations. Up to 38 projects affected.
- Projects ready for construction could proceed after a review of costs and scope of the project

# **Increase Retirement Contributions for State Court Employees— \$4 Million**

- State employees contribute 8 to 11 percent of their salary to retirement
- State court employees currently pay 5 percent
- Increase state court employee contributions to 8 percent of salary and discontinue the practice of the state paying the employee share

# Ongoing Reductions— Beginning 2013-14

- \$125 Million
  - \$50 Million from court construction
  - \$75 Million from operations