

CA *forward*

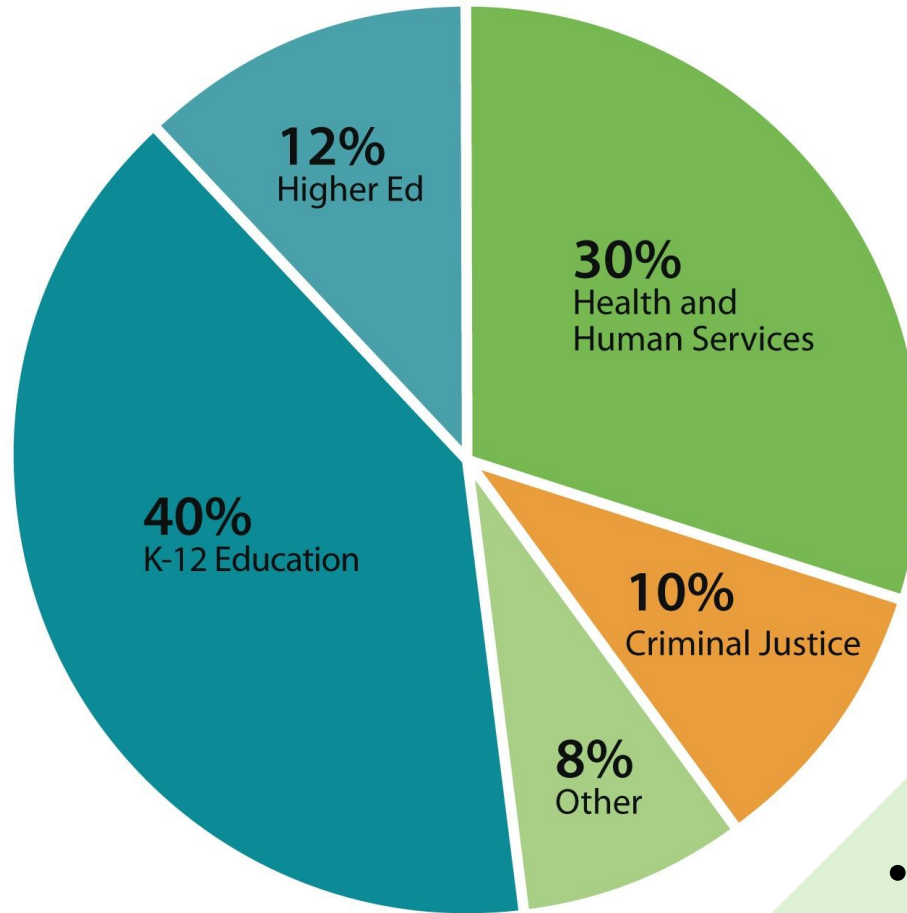
**Fred Silva, Senior Fiscal Policy Advisor
Real Estate and Economics Symposium
University of California, Berkeley
November 23, 2009**

Interrelated Fiscal Issues



State General Fund Spending

2008-09

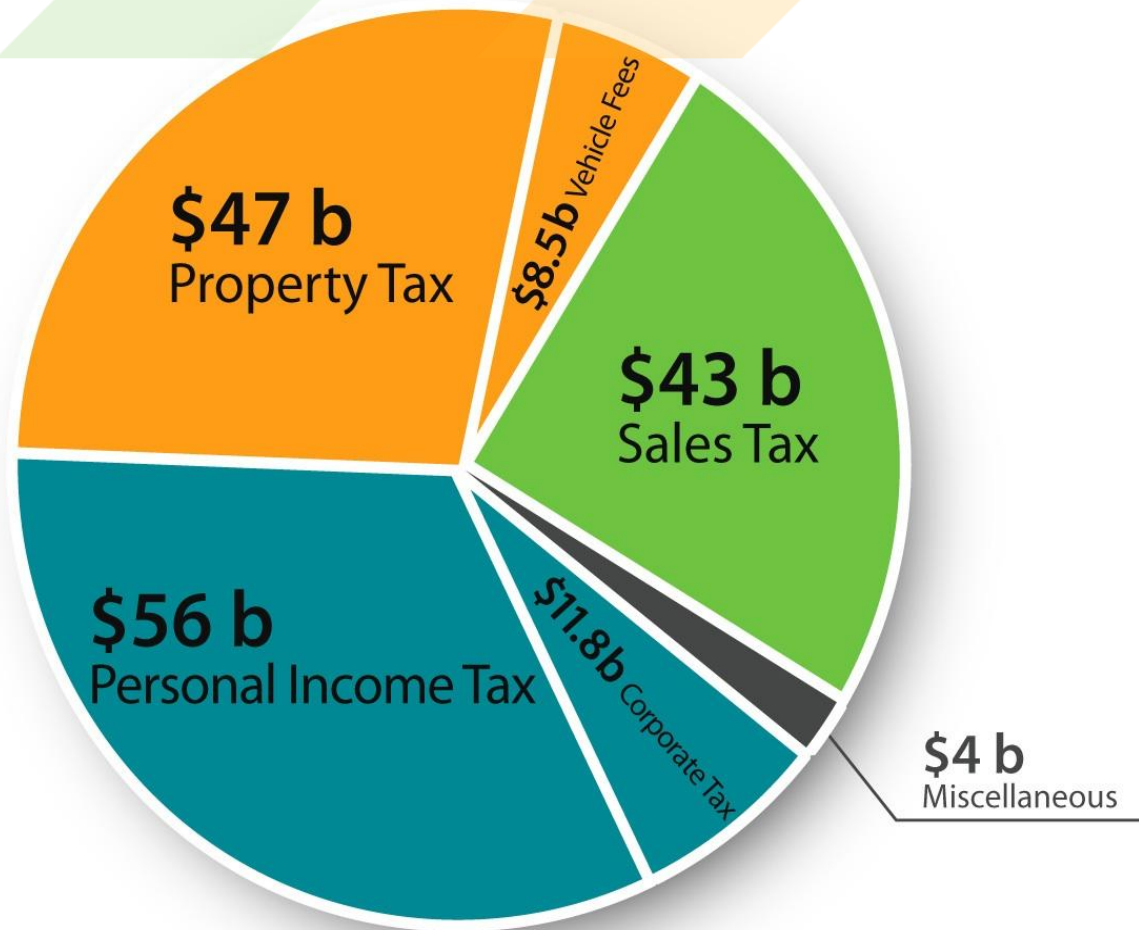


- 25% at state
- 75% local

State & Local Tax Revenues

FY 2007-2008 (Billions)

\$170.3 billion
total revenue

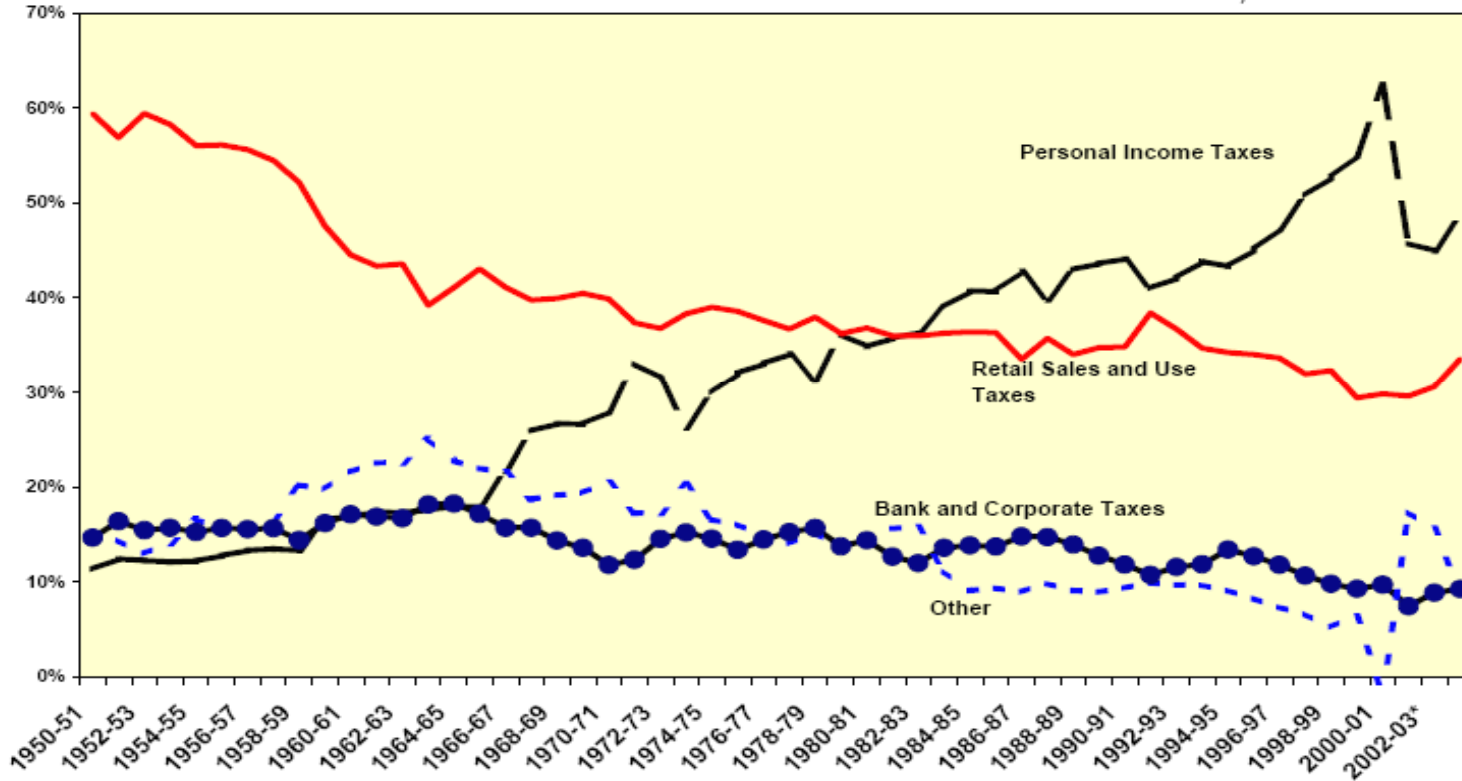


Confusion in Roles; Lack of Accountability

Kind of tax	Who decides	Who uses
Income	State	State, counties, schools
Sales	State, counties, cities	State, counties, cities
Property (property tax, vehicle fees)	State	Counties, cities, schools and special districts

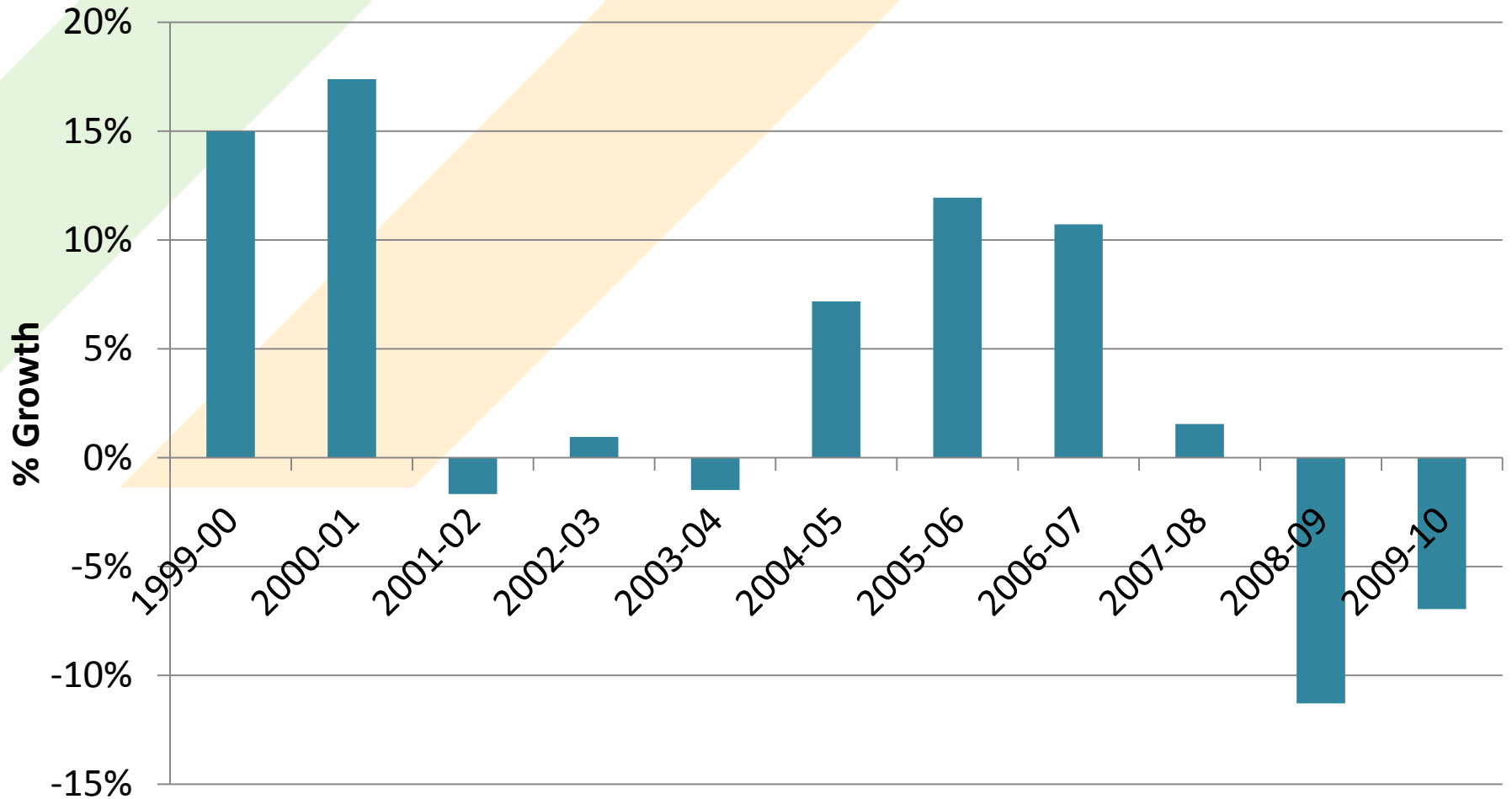
Revenue Trends Over Time

General Fund Revenue Sources: Historical Timeline, 1950-2004



General Fund Expenditure Growth

FY 1999-00 to 2009-10



State Program Growth

1998 to 2008

- **New Obligations**

- ✓ Reduction in Vehicle License Fee - \$6 Billion
- ✓ Diversion of general fund sales tax on gas to transportation funds - \$1.5 Billion

- **Expanding existing Obligations** (Average Annual % growth)

- ✓ Social Services 14%
- ✓ Healthy Families 39%
- ✓ Debt Service 9%
- ✓ Courts 10%
- ✓ K-14 4.5%

What happened to state spending in 2009-10?

Workload Requirements **\$100 Billion**
(Assuming you did everything the law required you to do)

Budget Agreement July 21 **\$ 84.5 Billion**

Solving the \$26 Billion Problem

Program Reductions - \$16 billion

K-14 Education	\$4.3
Higher Education	\$3
Health and Human Services	\$2
Prisons	\$1.2
State employee salaries	\$1.3
Misc.	\$4.2

...Complicating the Long Term

Using tomorrow's money today – *\$11 Billion*

Local Government Property tax	\$2
Redevelopment revenue	\$1.7
Revenue accelerations	\$2.3
Current year obligations paid in 2011	\$5

Budget Reforms

- **Goal:** Identify shared priorities, focus on outcomes and better manage public resources.
- **Changes:**
 - Multi-year budgeting that is performance based
 - A legislative oversight and performance review
 - New programs have a funding source (“paygo”)
 - Budget reserve to even out “surges” in income
 - Budget Enacted by a majority vote

The State/Local Relationship: The *Local* Side

- Protect locally levied taxes
- Enhance local public service collaboration by authorizing cities/counties and school districts to solve common community problems with additional revenues.

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