



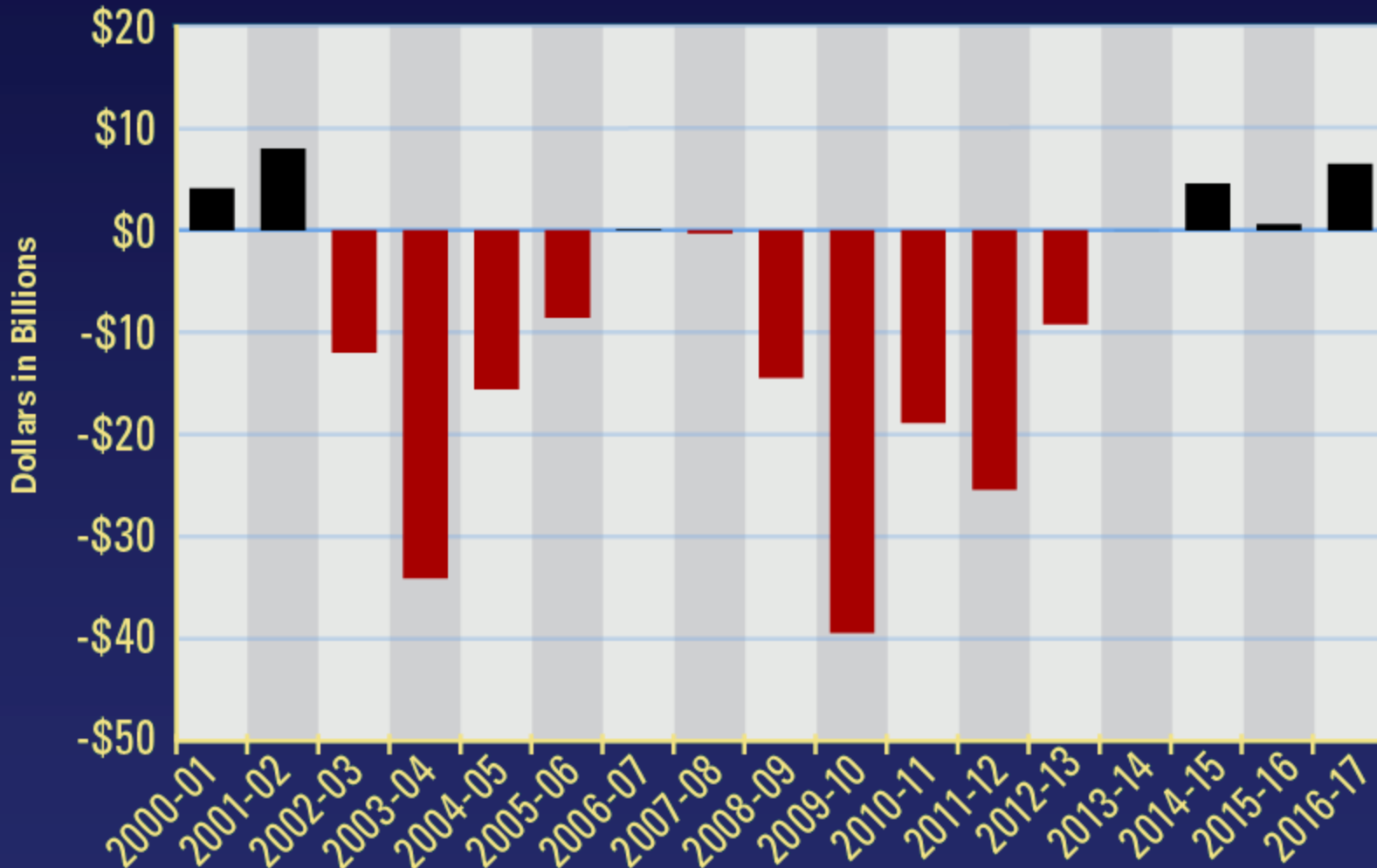
Overview of the 2016-17 Governor's Budget

January 2016

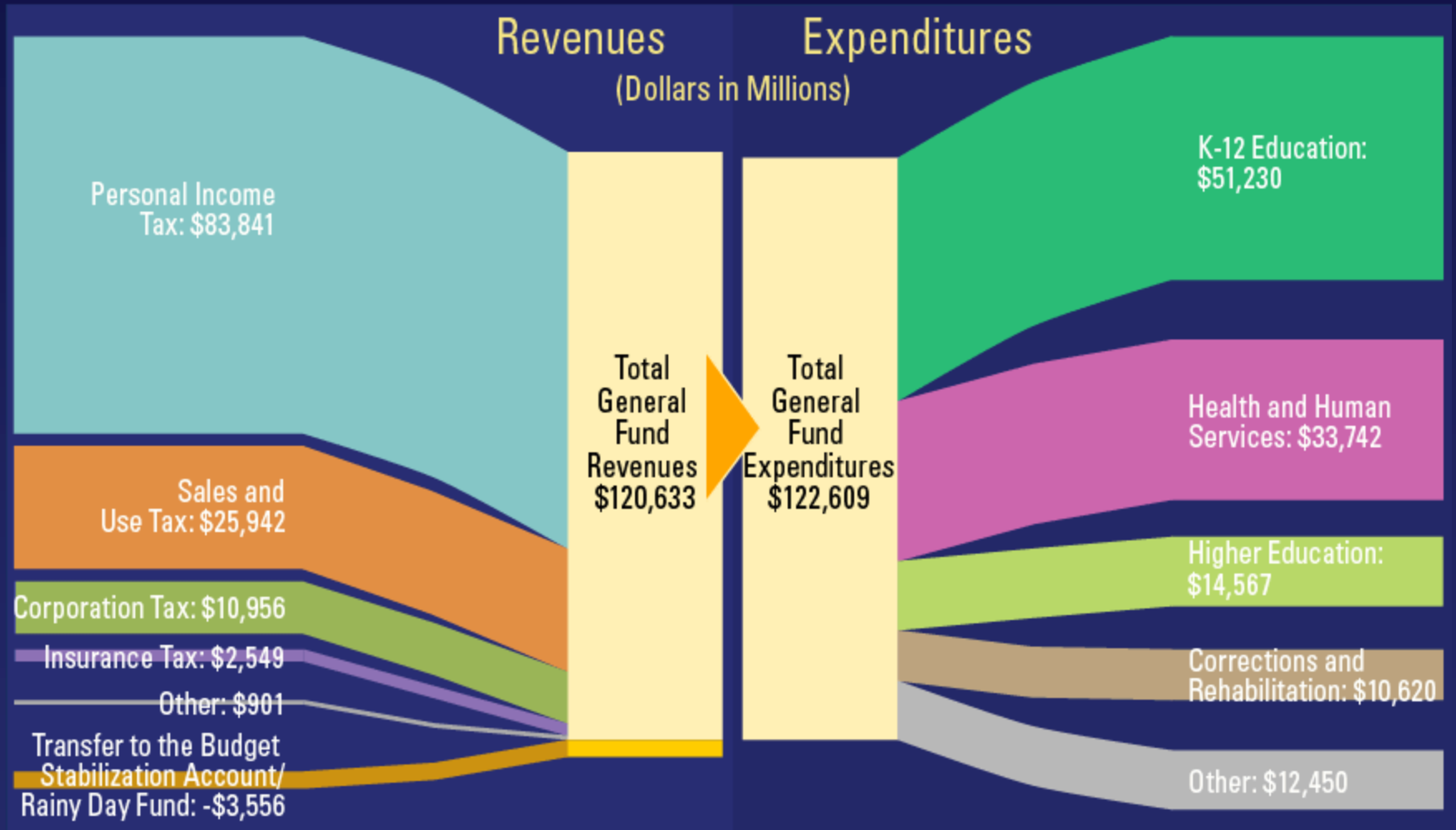
Michael Cohen

Director, Department of Finance

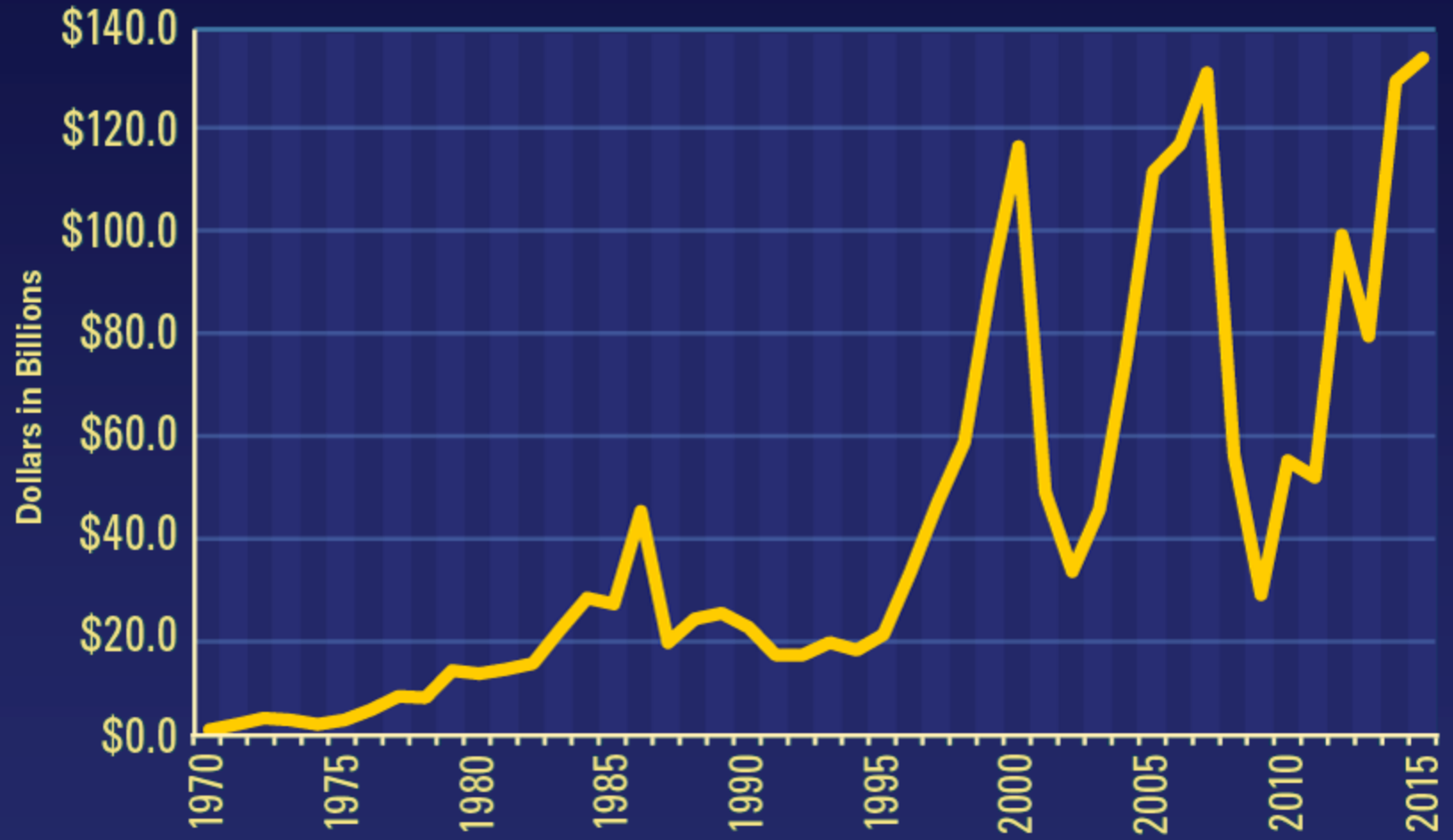
Balanced Budgets Have Been Quickly Followed by Huge Deficits



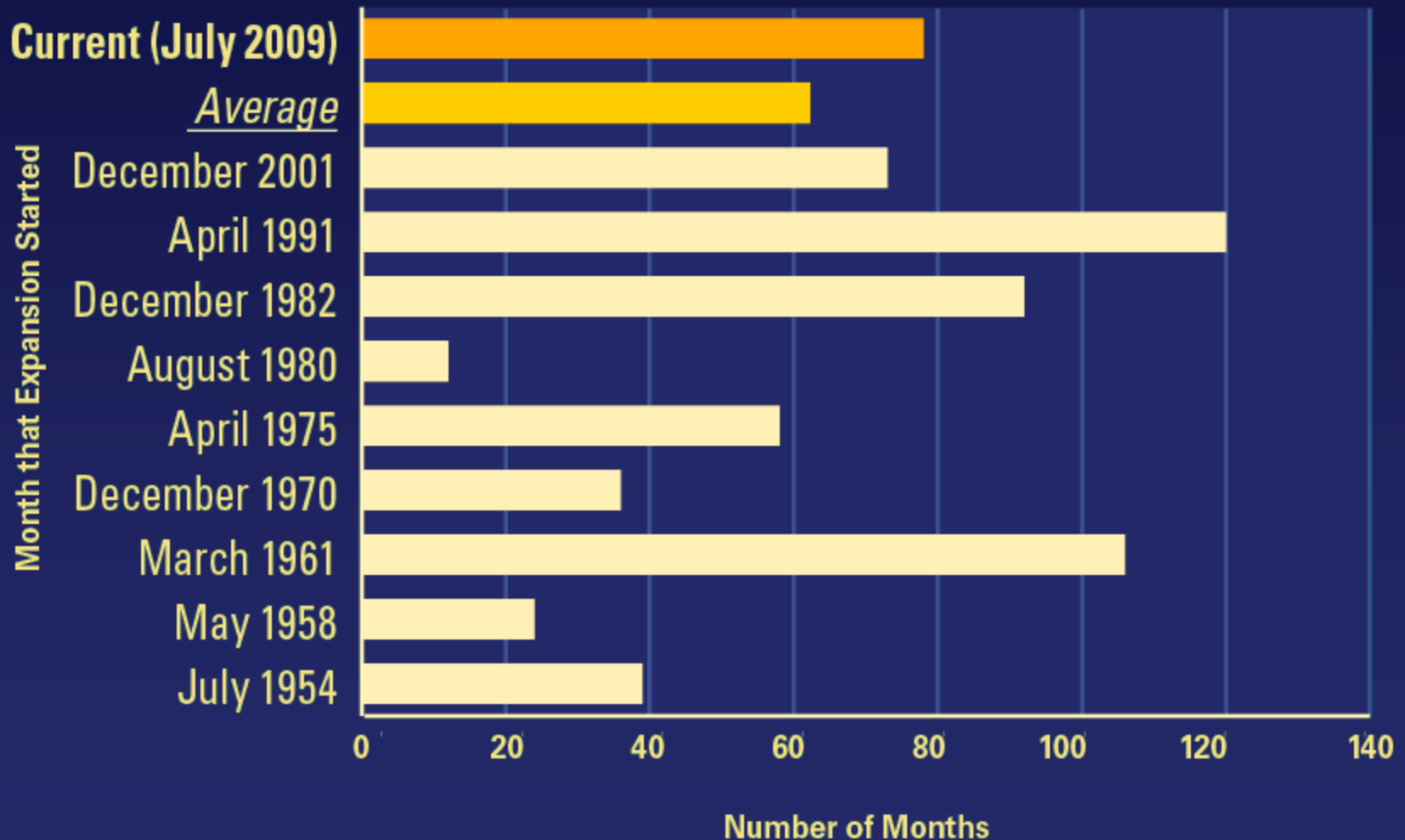
2016-17 General Fund Revenues vs Expenditures



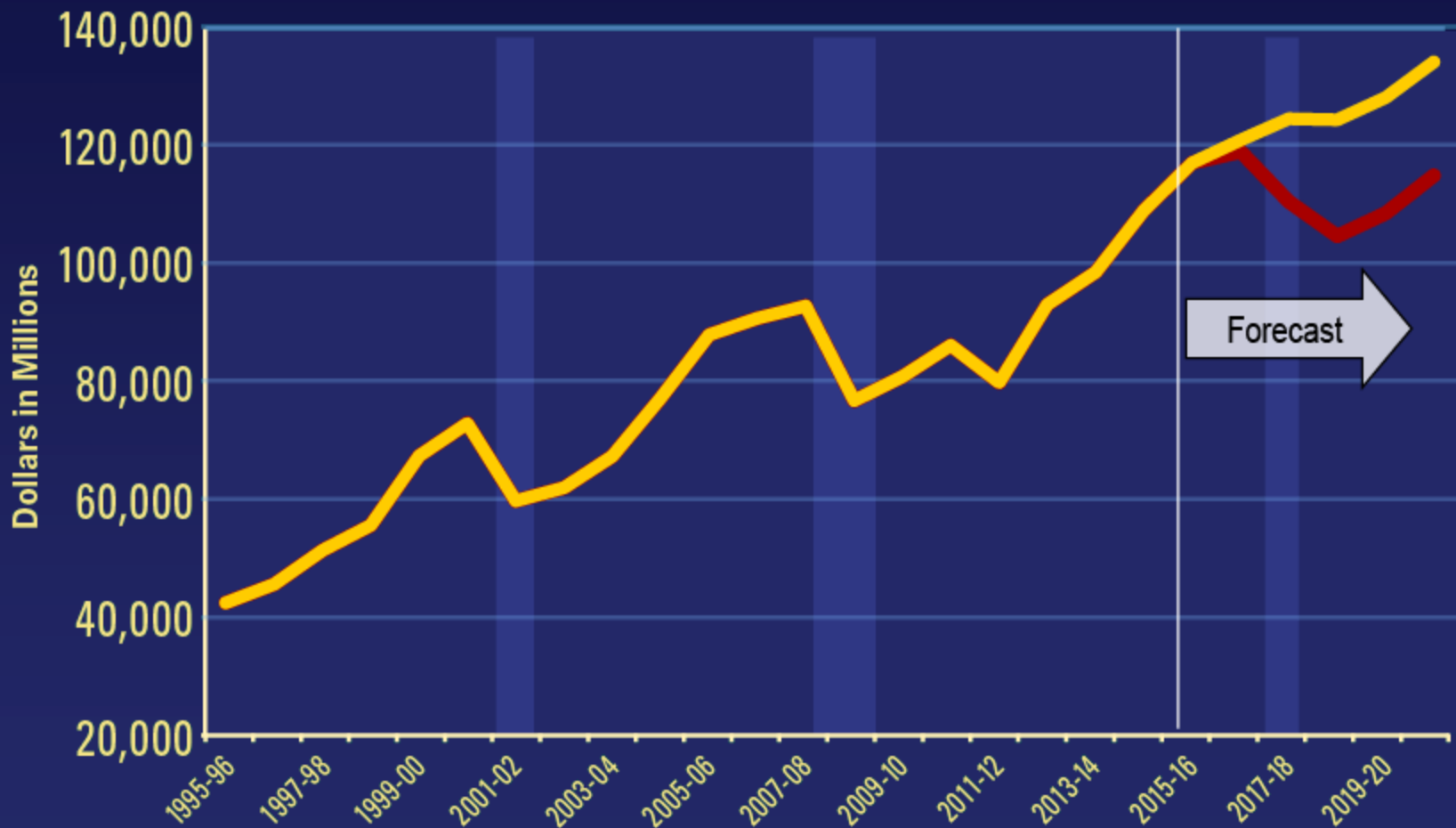
Unpredictable Capital Gains



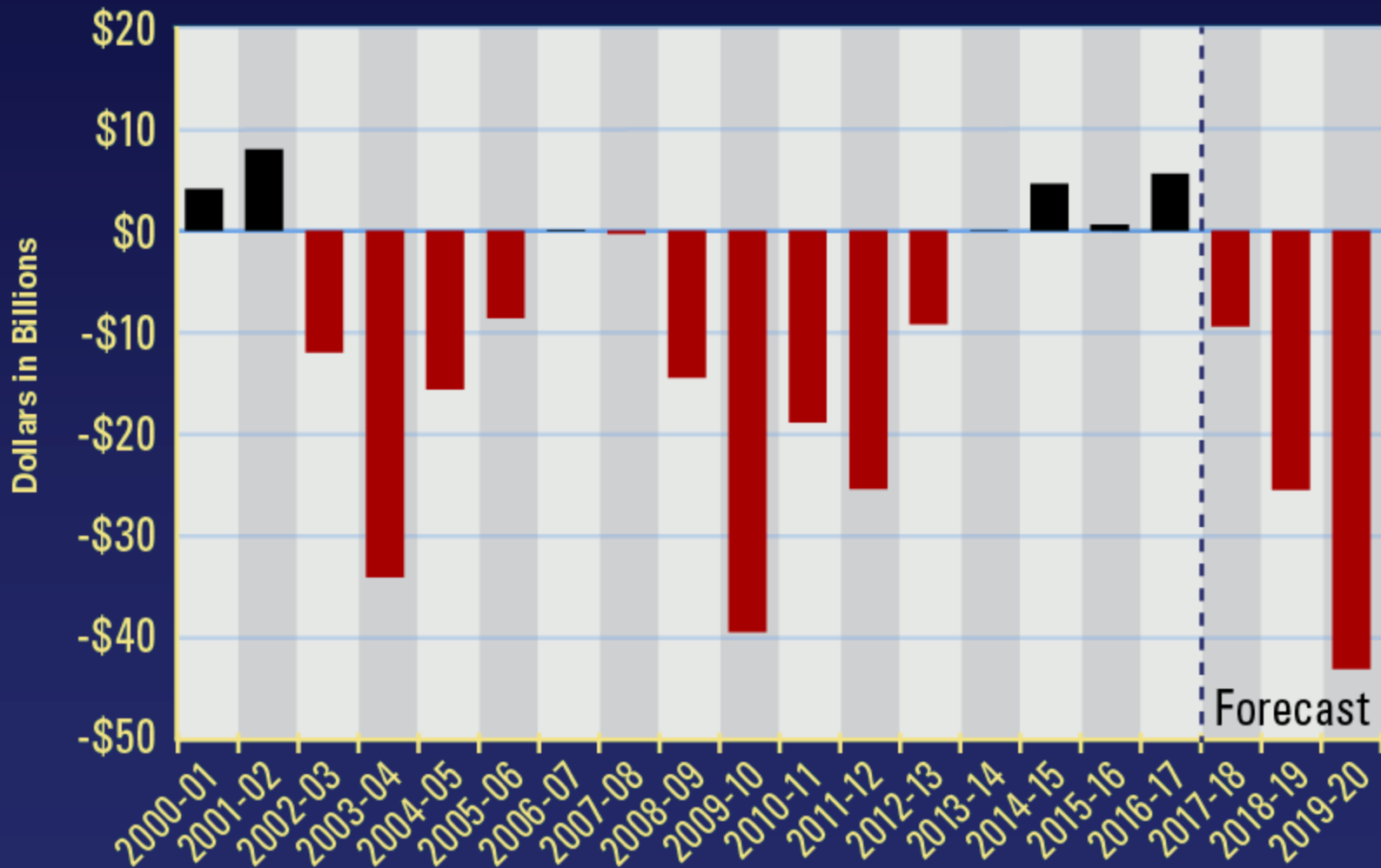
Current Recovery Already Two Years Longer Than Average



Recession Could Cause Loss of \$55 Billion in Revenues by 2019-20



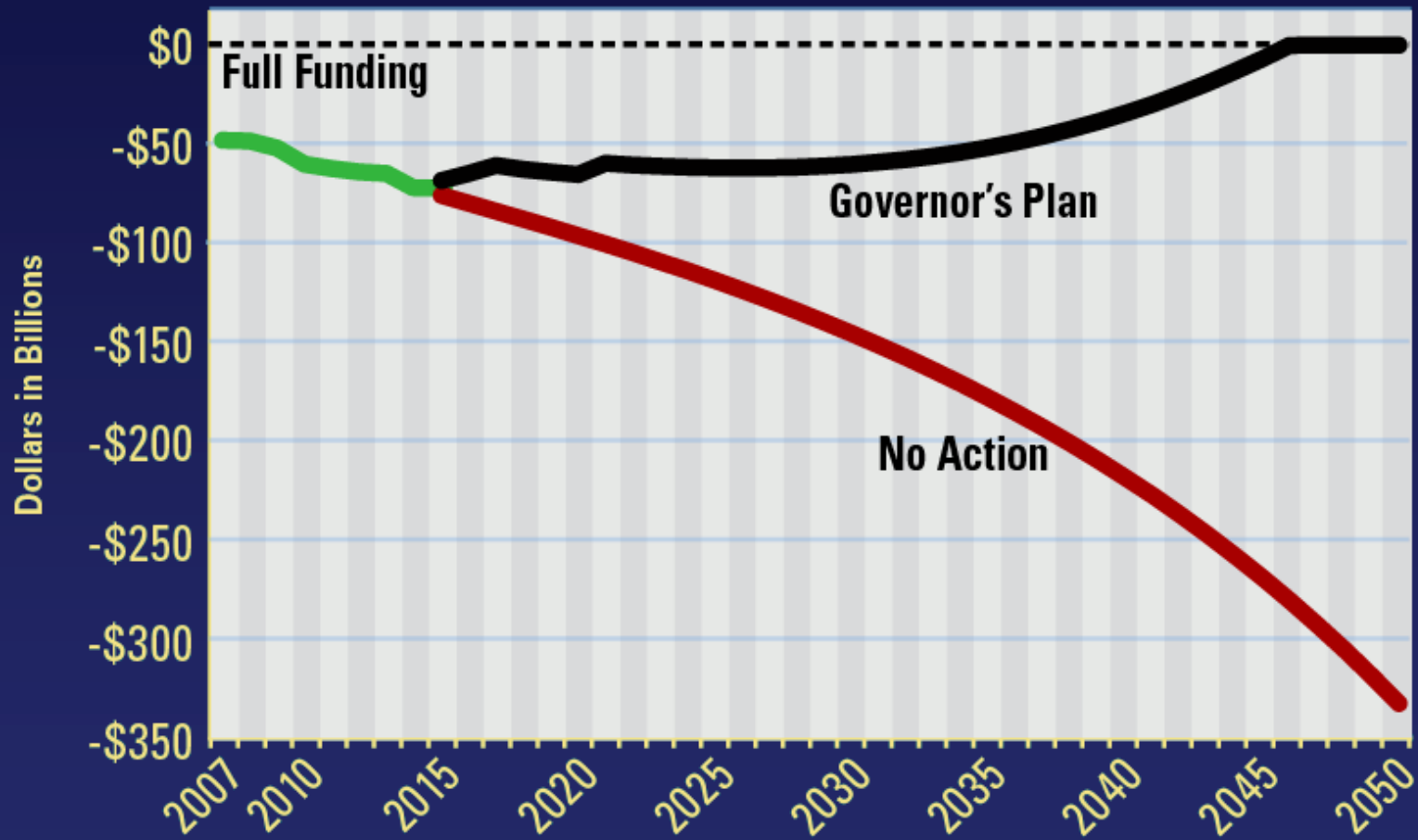
More Permanent Spending, Combined with Recession, Would Be Devastating



Paying Down Liabilities and Saving for Rainy Day

- Proposition 2
 - \$1.6 billion to pay loans from special funds, past liabilities from Proposition 98, and reduce UC retirement liabilities
 - \$2 billion supplemental deposit to the Rainy Day Fund proposed, to bring balance to \$8 billion (65% of target)
- Eliminate Retiree Health Unfunded Liability
 - \$72 billion unfunded liability that would grow to over \$300 billion over next three decades

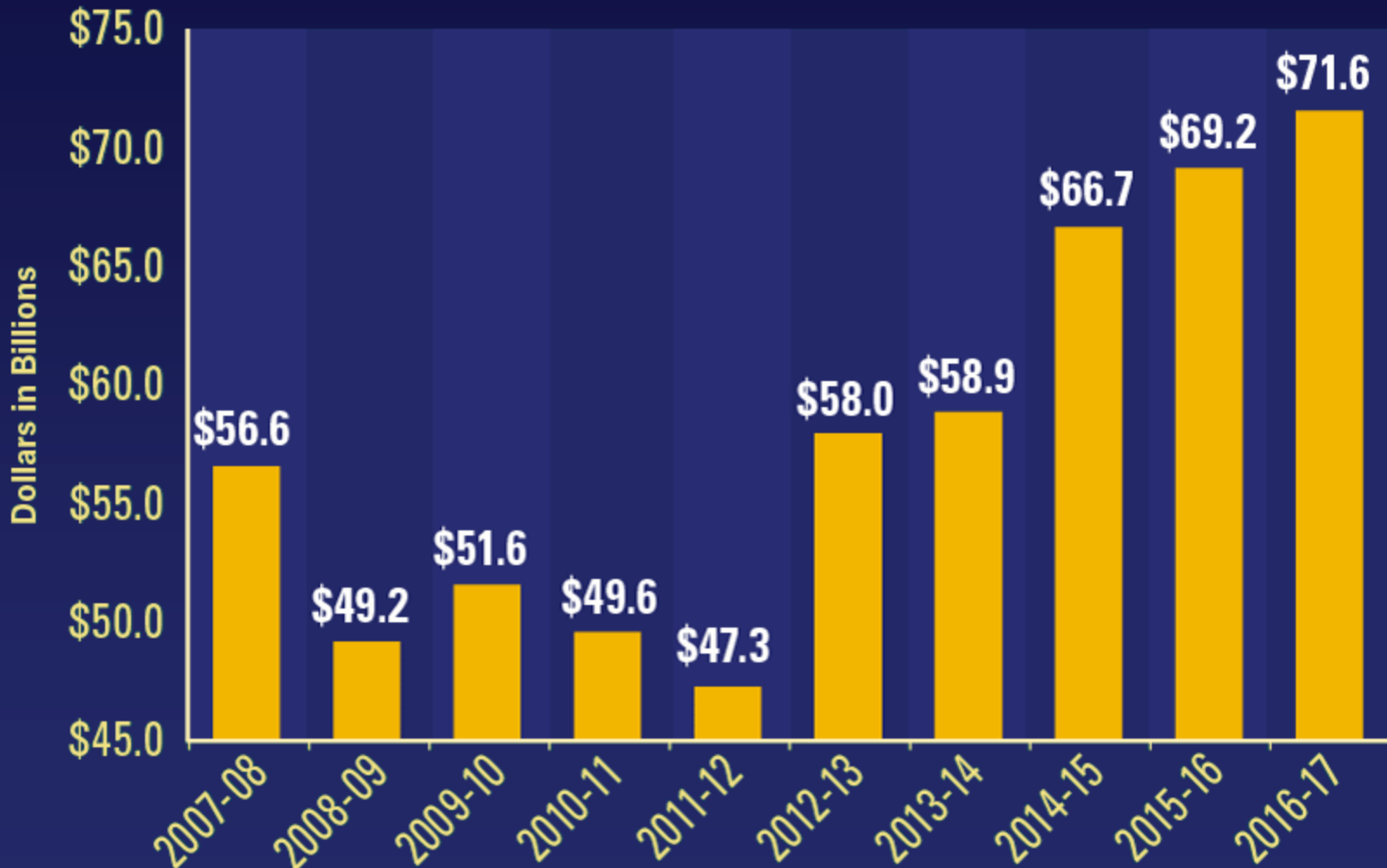
Eliminating Unfunded Liability for Retiree Health Care



Strengthening Our Infrastructure

- \$807 million for deferred maintenance
- \$1.5 billion for Sacramento offices, including State Capitol Annex
- \$3.6 billion annual transportation funding
 - Maintenance of roads and highways
 - Transit and trade corridors
 - Reforms, efficiencies, and performance measures
 - Includes \$879 million General Fund commitment

School Funding Increases by 51 Percent Over Five Years



Continuing Investment in Higher Education

- Maintaining Affordability
- Supporting Success for All Students
- Strengthening Paths Through Education and Into Workforce
 - Improving remediation
 - Easing transfers from community colleges to universities
 - Improving graduation rates
 - Creating regional Strong Workforce Program

Countering the Effects of Poverty

- Implementation of Health care reform
 - Manage care organization financing reform
- Local control funding formula
- Sick leave to 6.5 million workers
- Earned income tax credit
- SSI/SSP grant increase proposed
- Increased the minimum wage by 25 percent

Addressing Climate Change

- Cap and Trade: \$3.1 billion expenditure plan
 - Transportation
 - Short-lived climate pollutants
 - Natural ecosystems
 - Disadvantaged communities
- Drought: \$719 million General Fund
 - Wildfires, recovery, and response