

An Update on the State Budget and Its Impact on Local Agencies



Legislative Analyst's Office

Local Agency Investment Fund
Annual Conference
November 1, 2012

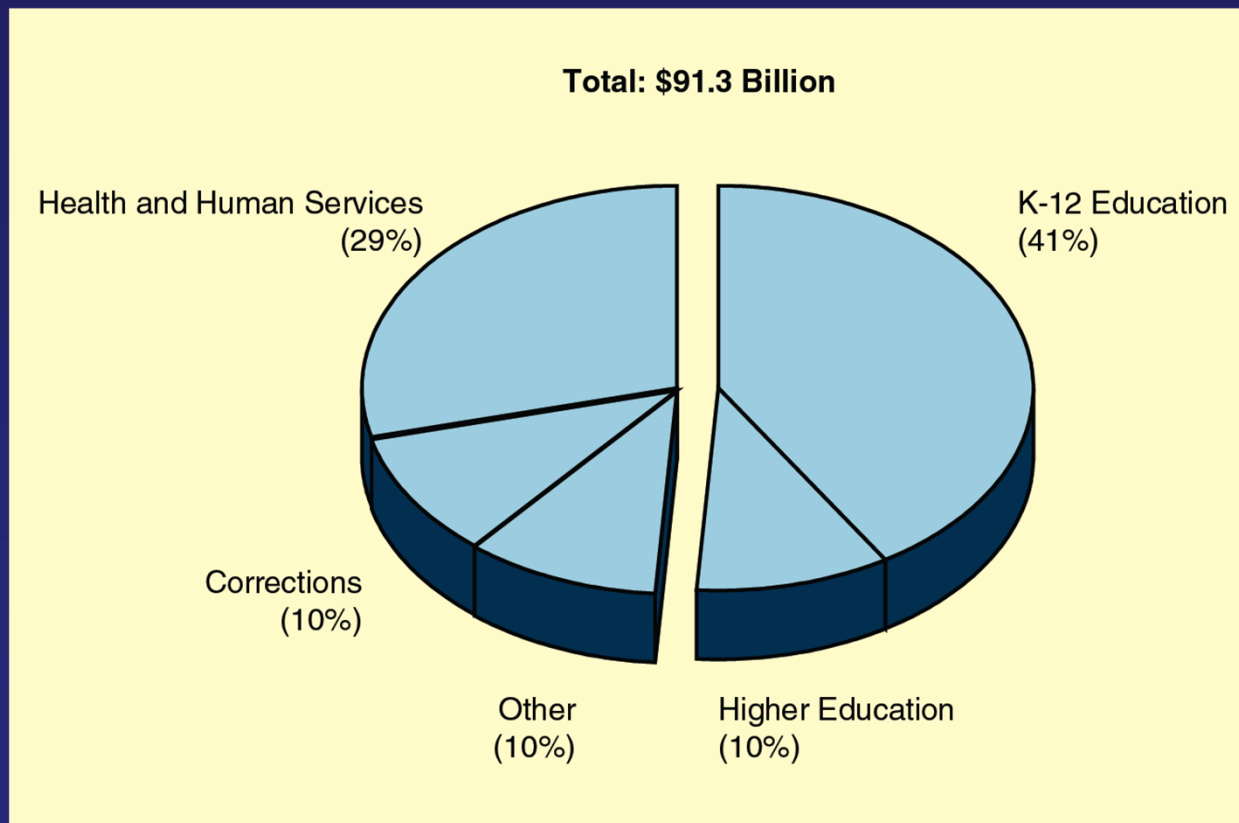
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What Is the LAO?

- **Created in 1941**
- **Nonpartisan, Independent Staff to the Legislature**
- **Provides Fiscal and Policy Analysis—
Particularly on Budget-Related Matters**
- **Different Role Regarding Initiatives**

2012-13 General Fund Spending



Fewer Policy Changes Affecting Local Agencies in Budget

- **Major Changes in 2011-12 Budget**
 - Redevelopment Dissolution
 - Realignment
 - VLF Shift
- **State-City Relations**

2012-13 Budget Package

- **Implementation Measures**
 - Realignment
 - RDA Dissolution: Summer “True Up,” Capturing Excess ERAF, and Impounds
- **\$1.5 Million to Offset Insufficient ERAF**

Actions to Close the 2012-13 Budget Gap

(In Billions)

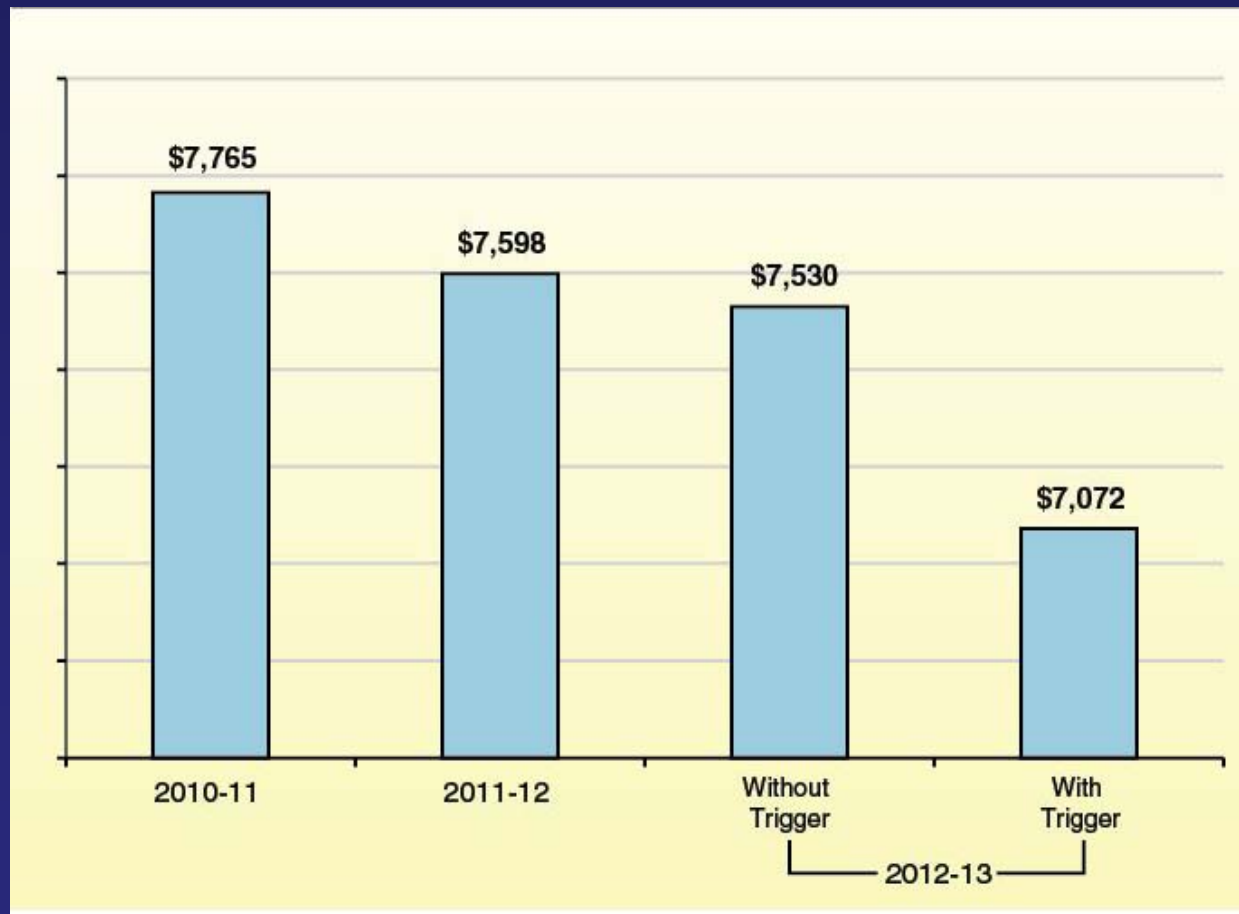
	Amount
Tax Revenues From Proposition 30	\$8.5
Related Proposition 98 Increase	-2.9
Other Revenues	0.4
Expenditure Actions	4.6
Borrowing/Funding Shifts/One-Time Revenues	5.8
Total Solutions	\$16.4

“Trigger” Reductions if Proposition 30 Not in Effect

(In Billions)

	Amount
Schools and community colleges	\$5.4
University of California/California State University	0.5
Other reductions	0.1

K-12 Programmatic Funding



If Proposition 30 Takes Effect

- **Budget Plan Holds**
- **Revenues for 2011 Realignment Guaranteed**
- **State Authority to Expand Realignment Program Requirements Restricted**

Comparison of Two Tax Initiatives

	Proposition 30	Proposition 38
Taxes affected	PIT and sales	PIT
Highest PIT rate increase	3%	2.2%
Revenues raised (in billions, full year)	\$6	\$10 - \$11
2012-13 trigger cuts if measure takes effect?	No	Yes
Operative time period	7 years (2012-18)	12 years (2013-24)

Proposition 39

- **General Fund Revenues of \$1 Billion**
- **For Five Years, About Half of Money Set Aside for Energy Efficiency Projects**
- **Remaining Funds Included in Proposition 98 Calculation**

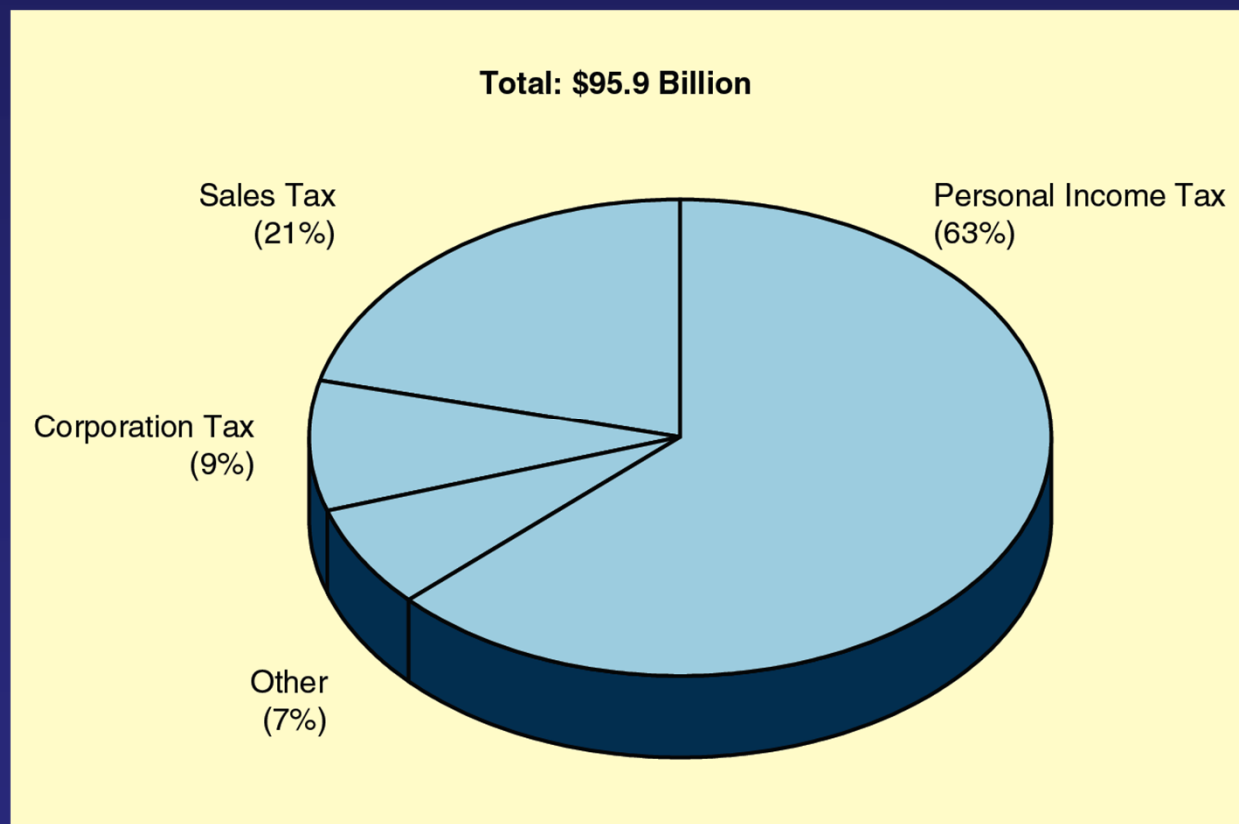
November LAO Fiscal Forecast

- **Forecast Revenues for Five Years**
- **Forecast Expenditures for Five Years**
- **Subtract**

Key Things to Watch: Risks in 2012-13 Budget Plan

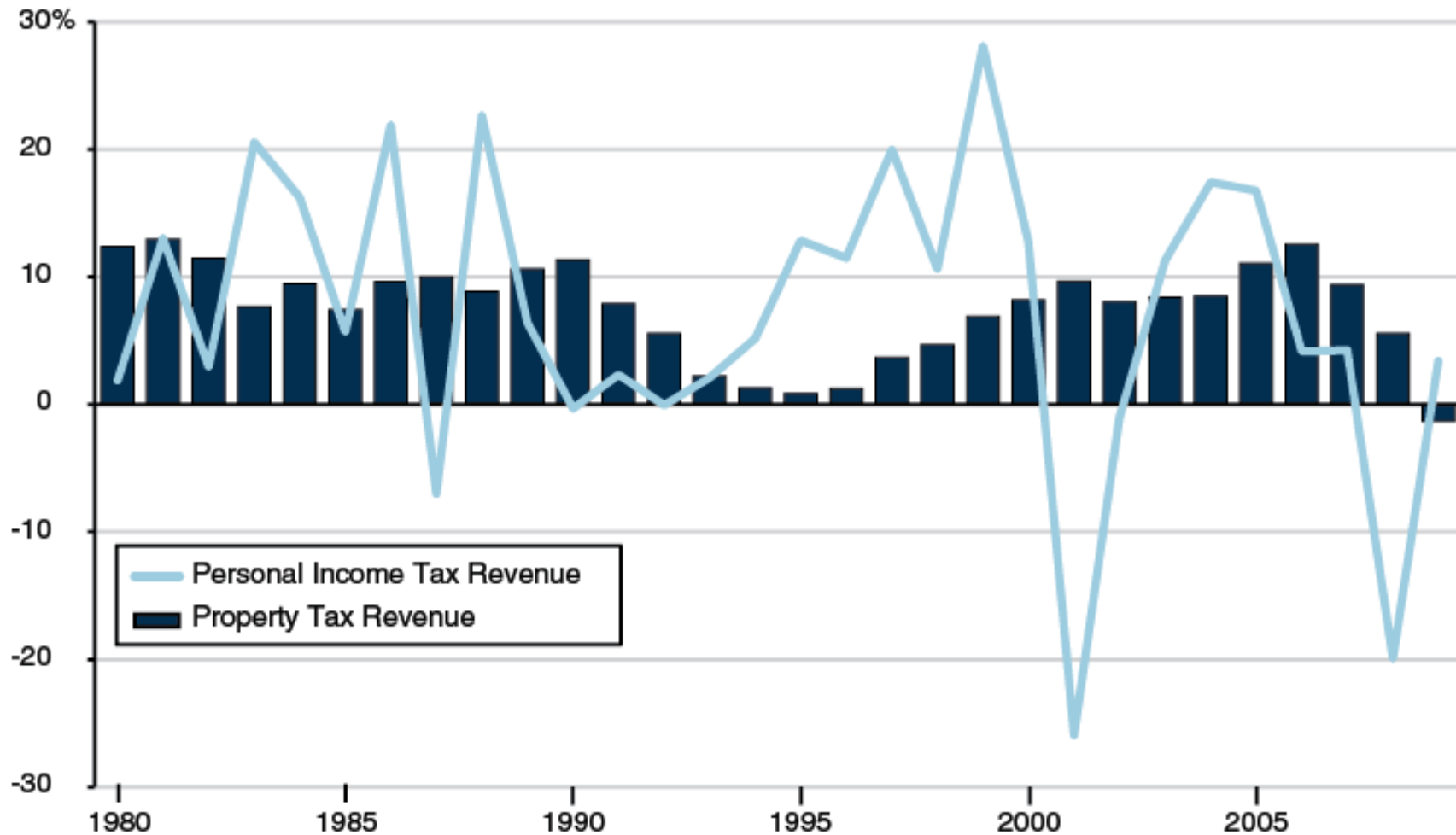
- **Proposition 30—\$8.5 Billion**
 - Offset by about \$6 billion trigger cuts
- **RDA Funds—\$3.2 Billion**
 - Less than \$400 million for 2011-12
- **Revenues—Unknown, Potentially Billions**

The State's General Fund: 2012-13 Revenues



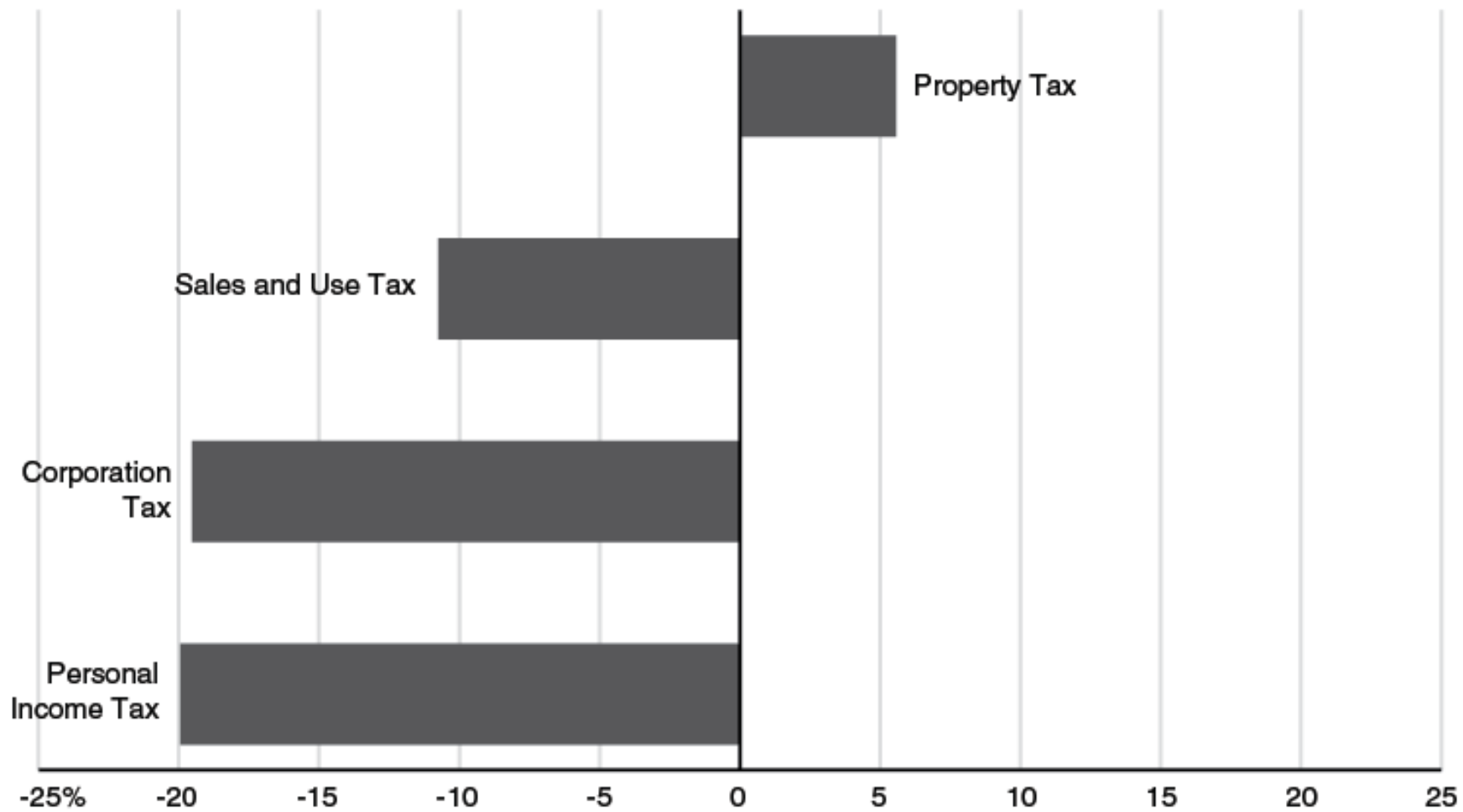
Property Tax Revenue Is Less Volatile Than Personal Income Tax Revenue

Annual Percent Change



Percent Change in Tax Revenues

2007-08 to 2008-09



Upcoming LAO Publications

- **Fiscal Forecast**
- **Insufficient ERAF**
- **Cal FACTS**
- **Updated Local Government Timeline**

Other Resources

- **First name.Last name@lao.ca.gov**
 - Marianne O'Malley
 - Brian Uhler (local finance)
 - Chas Alamo (sales and property tax forecast)
- **Legislative Analyst's Office:**
www.lao.ca.gov