






Highlights of the 2007-08 Analysis

Key LAO Budget Findings

- 2007-08 Ends with \$726 Million Deficit**
- Structural Shortfall Continues**
- State Faces Major Risks and Pressures**

Lower LAO Revenues

-  **2006-07—Down \$939 Million**
-  **2007-08—Down \$1 Billion**
-  **Reduction Due to Decreased Taxes
and Lower Estimates of Tribal
Gambling and Other Revenues**

Higher LAO Spending— \$825 Million



Proposition 98

–Higher Guarantee

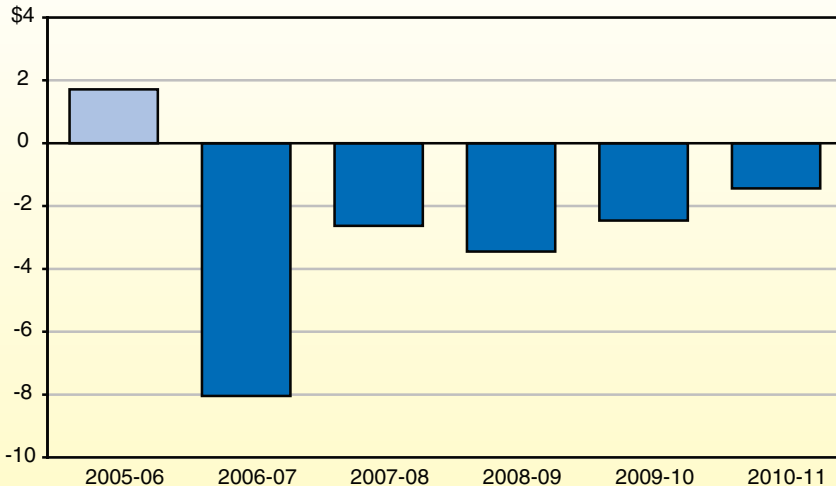
–Lower Property Taxes



Pension Obligation Bonds

Significant Operating Shortfalls Remain

General Fund (*In Billions*)



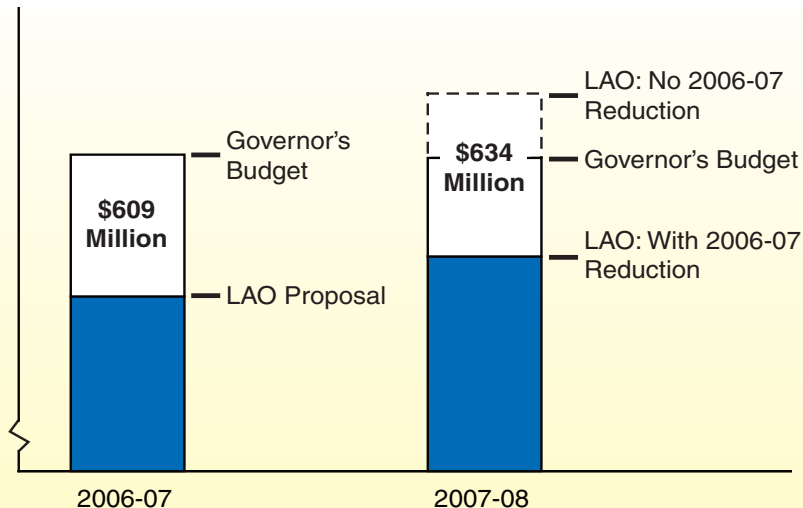
Major Risks and Pressures

- Proposition 98 Rebenching**
- State/Federal Lawsuits**
- Retiree Health Liability**

Action Steps

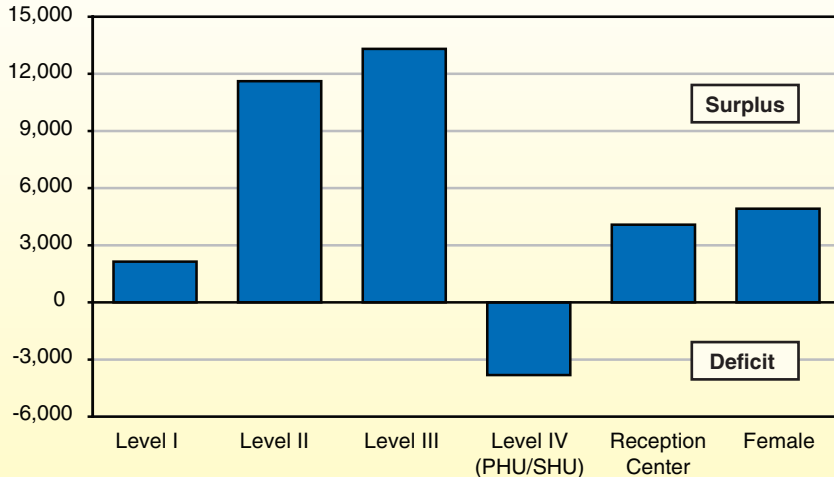
- Reduce Spending**
- Increase Resources**
- Reduce Supplemental Payments**

Proposition 98: Taking Action in 2006-07 Achieves Major Budgetary Savings



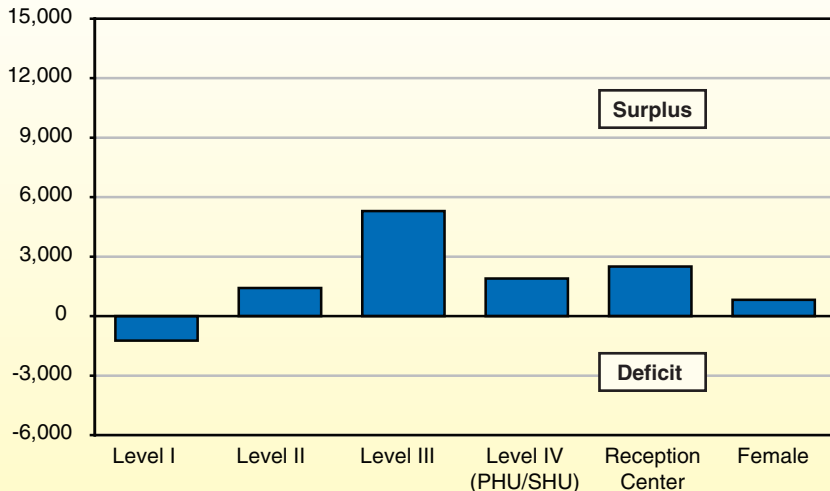
Governor's Plan: Too Many Beds, Wrong Mix

Estimated Surplus/Deficit (-) of Prison Beds (2012)



LAO Alternative: Fewer Beds, Better Mix

Estimated Surplus or Deficit (-) of Prison Beds (2012)



Proposition 98 Roadmap— \$6.6 Billion Opportunity



(In Billions)

