

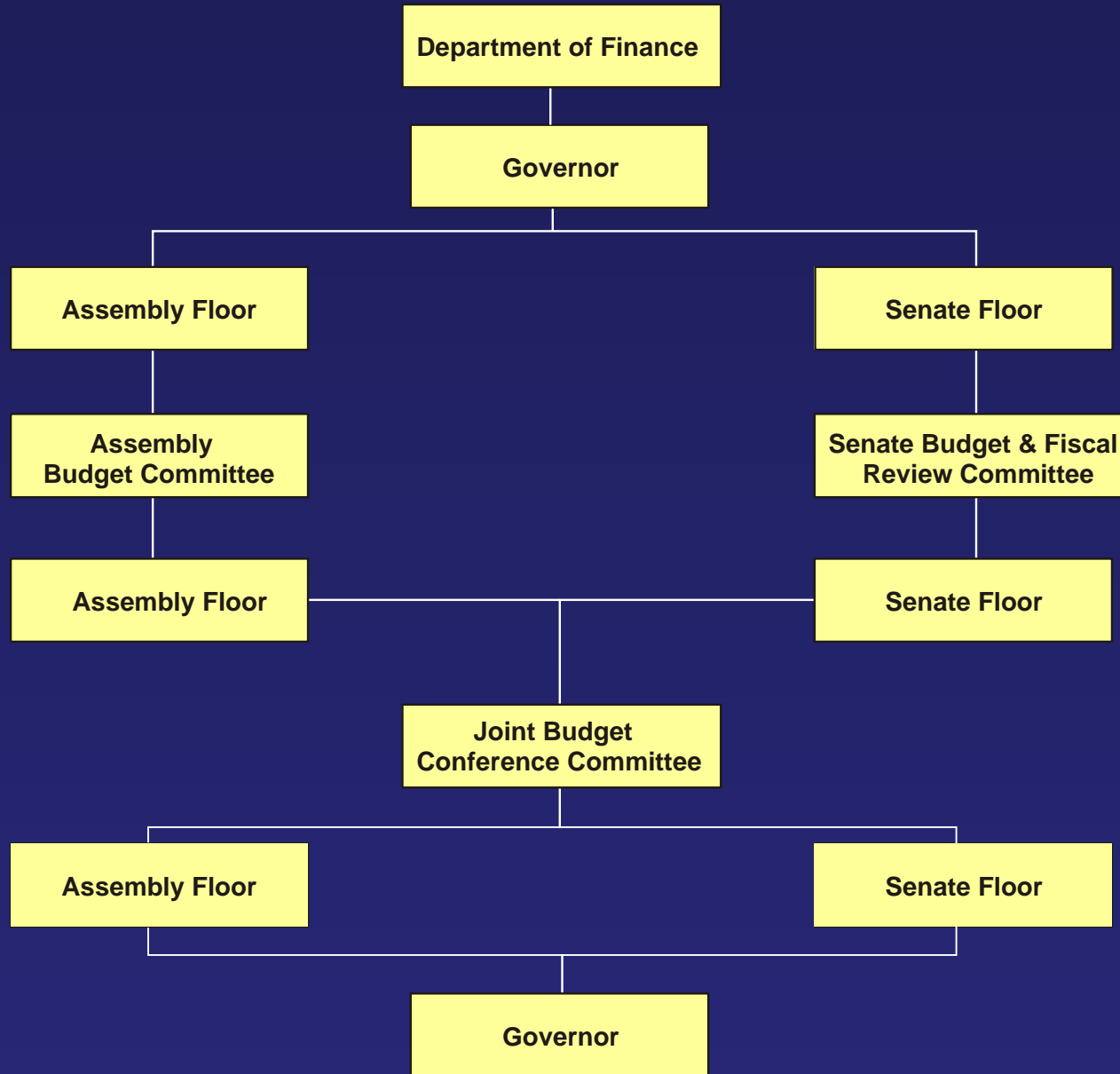
Perspectives on California's Fiscal Challenges



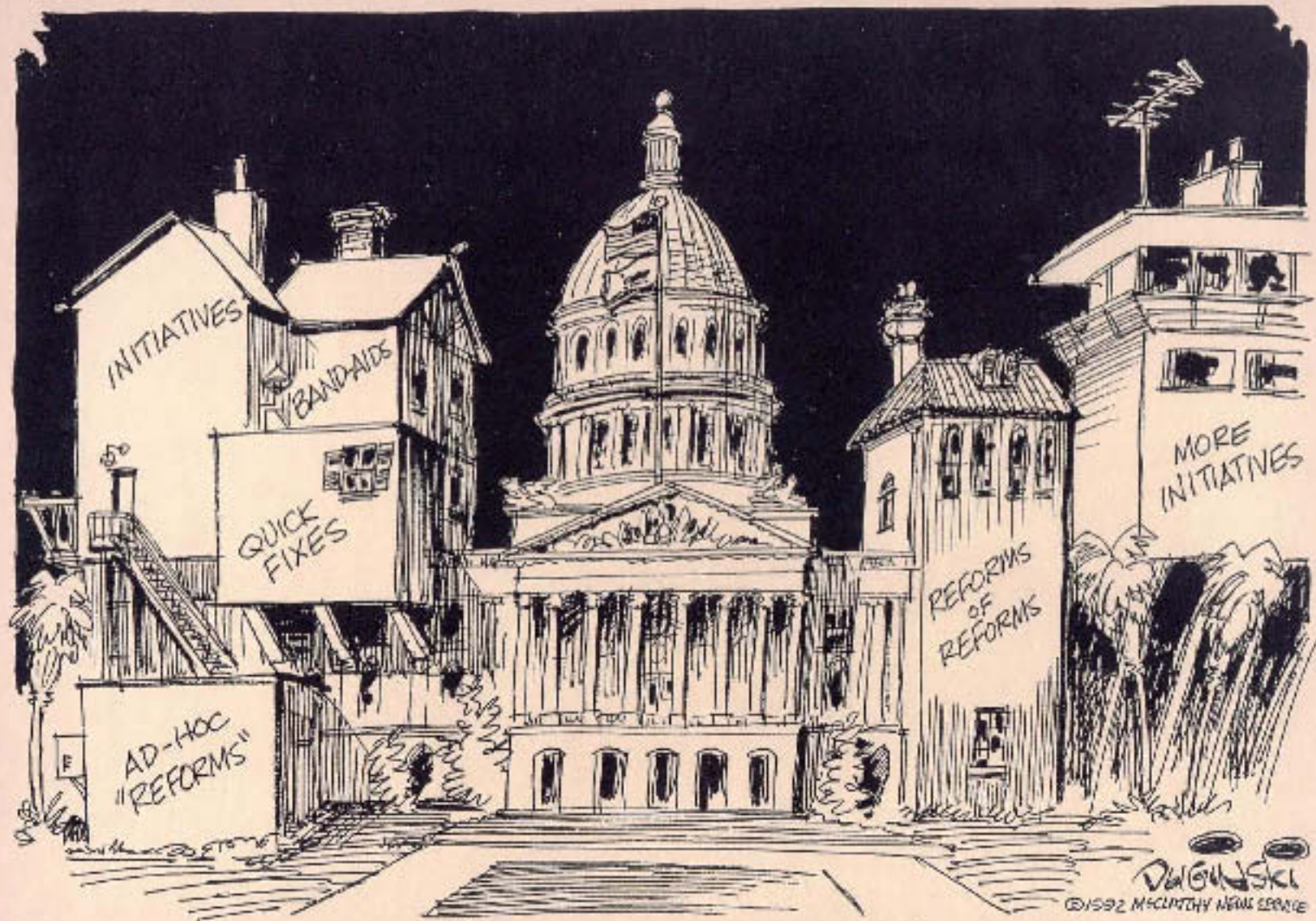
Association of
California School Administrators

October 2002





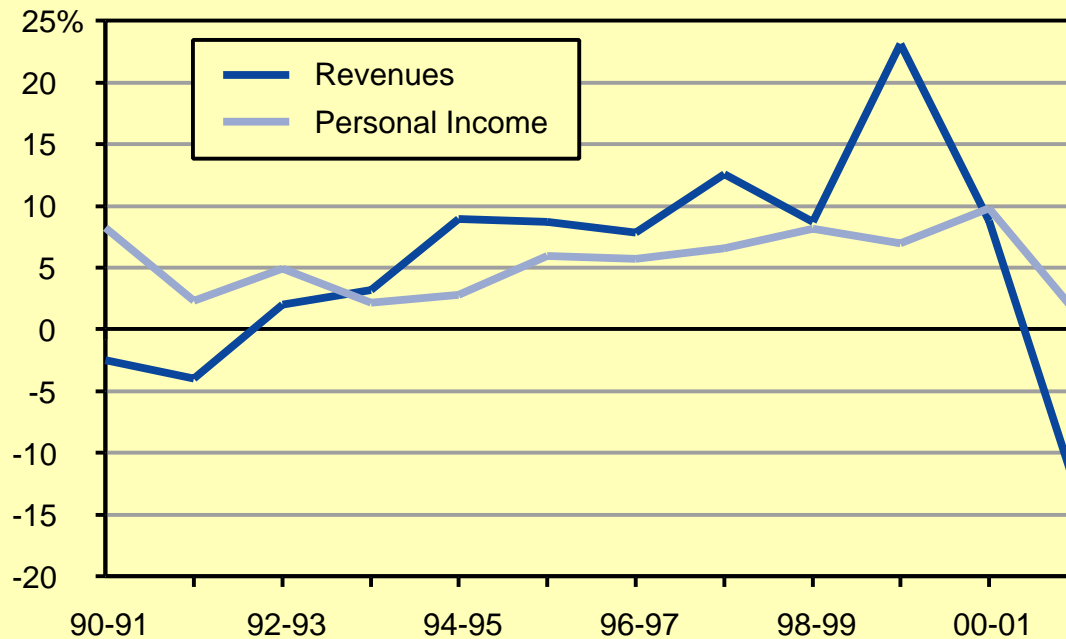
Civics Model



CALIFORNIA'S WINCHESTER MYSTERY GOVERNMENT

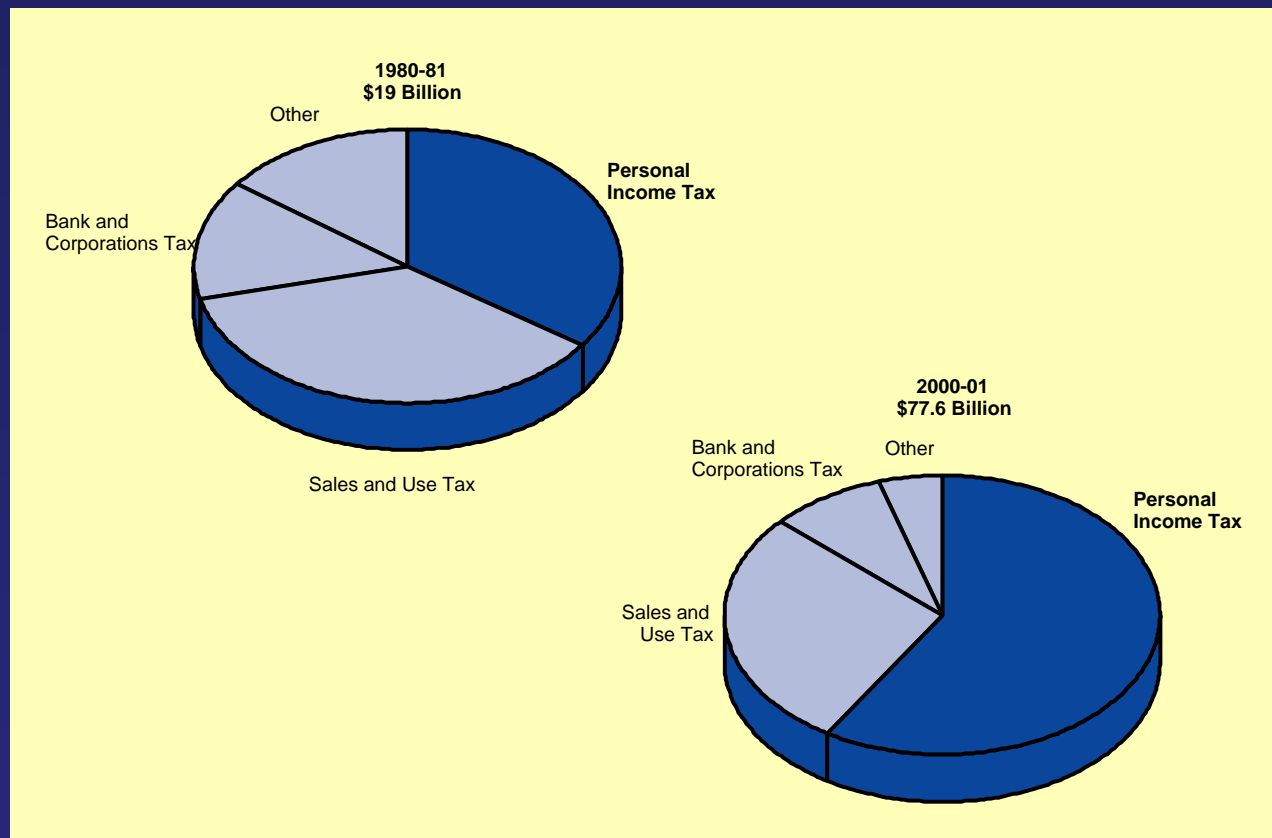
Revenues Have Been Much More Volatile Than California's Economy

Annual Percent Change in General Fund Revenues and California Personal Income



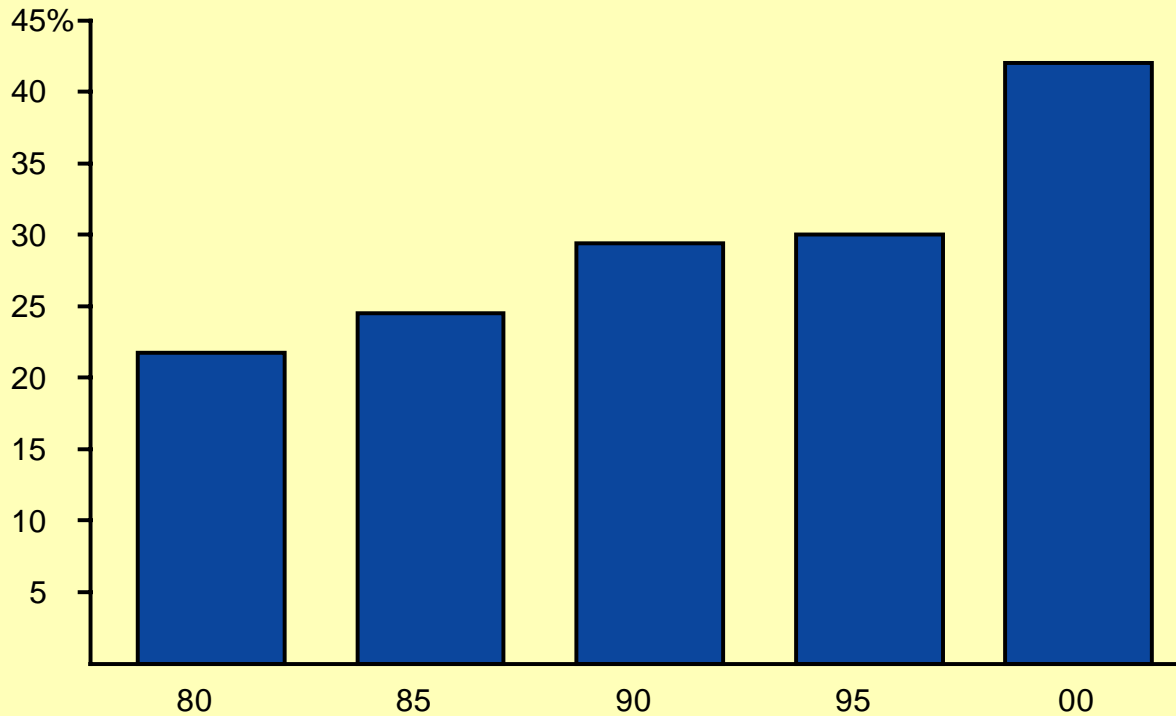
The Main Reason: Increased Importance Of the Personal Income Tax...

Total General Fund Revenues



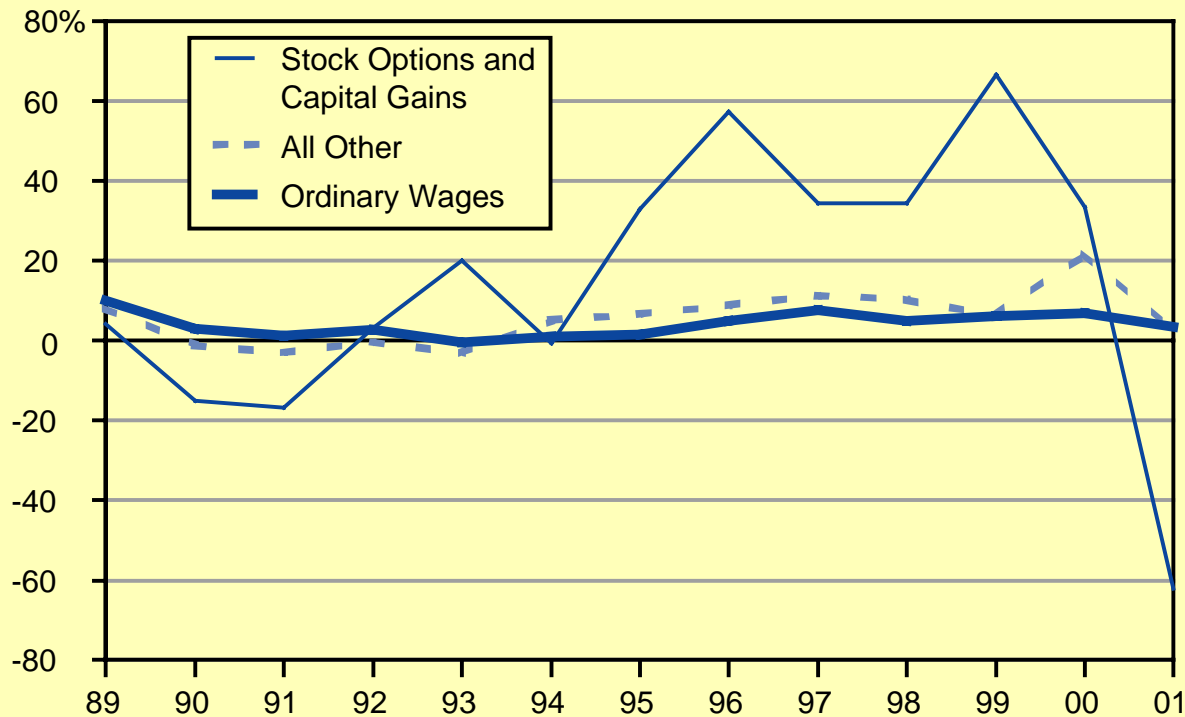
...and the Increased Concentration Of Income at the “High End”

Share of California AGI Reported on Top 5 Percent of Returns



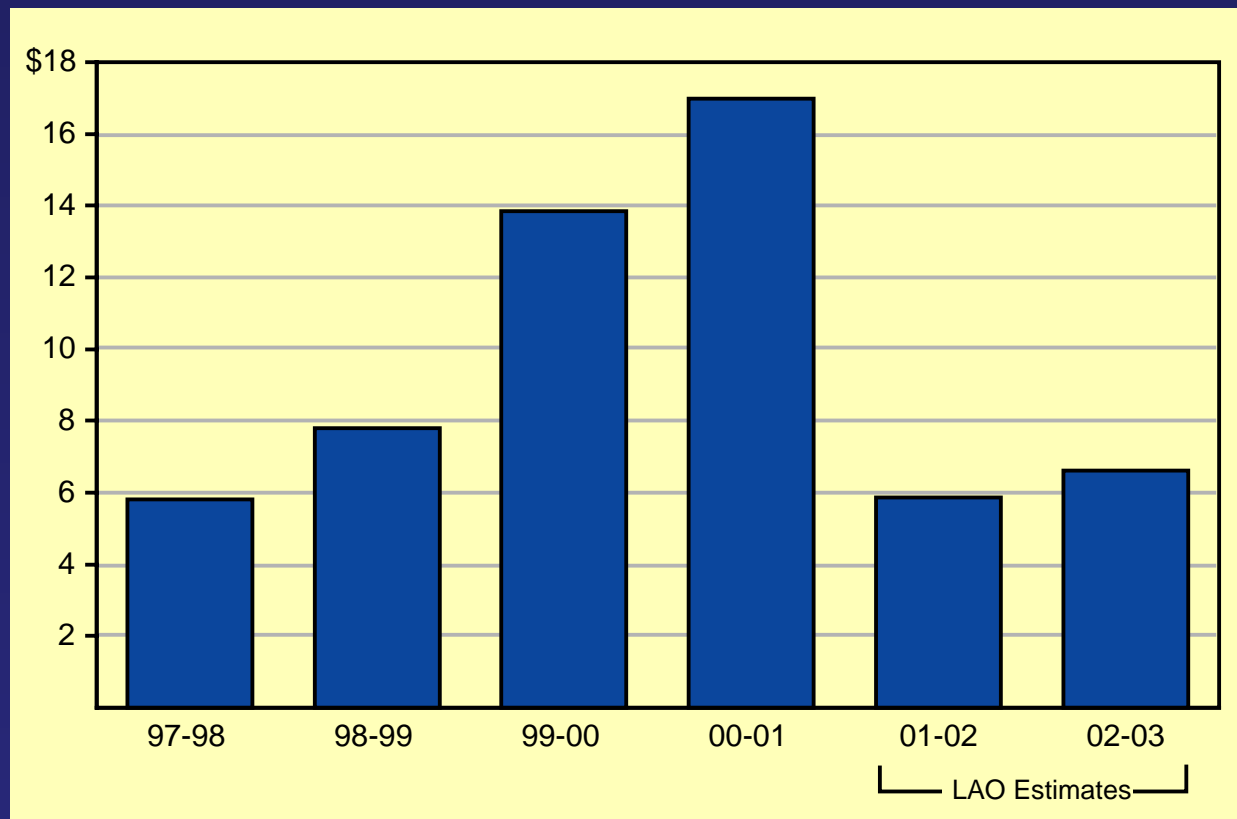
High Income Taxpayers Have Volatile Income Sources

Annual Percent Change in Income Reported on California Returns



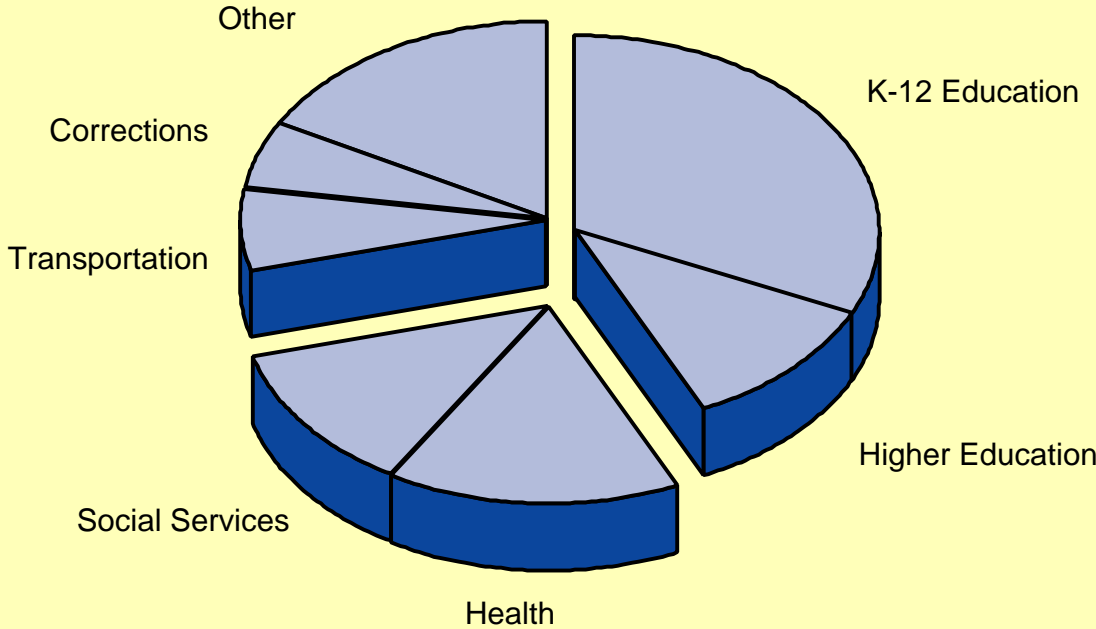
Capital Gain and Stock Option Related Revenues Plunge in 2001-02

Dollars in Billions



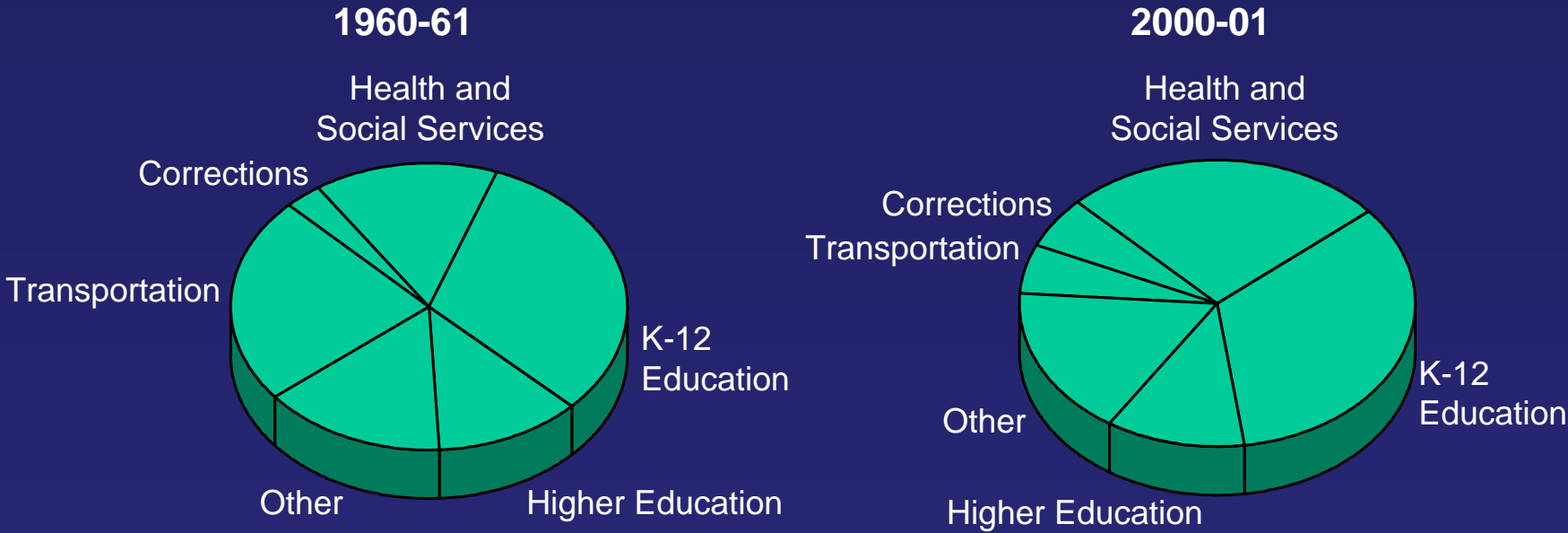
Proposed Total State Spending By Major Program Area

2002-03



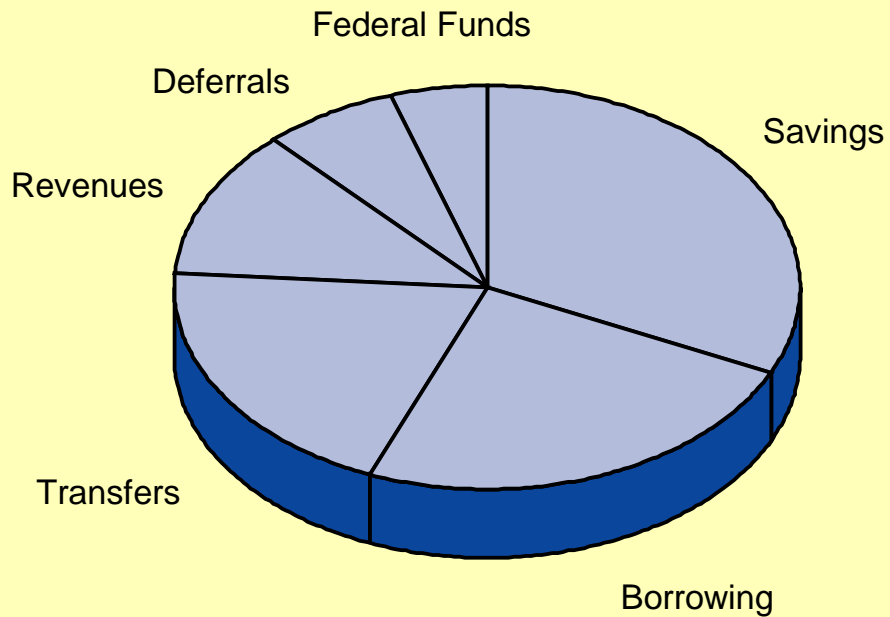
Changes in the Mix of State Expenditures Over Time

Total State Expenditures, 1960-61 and 2000-01



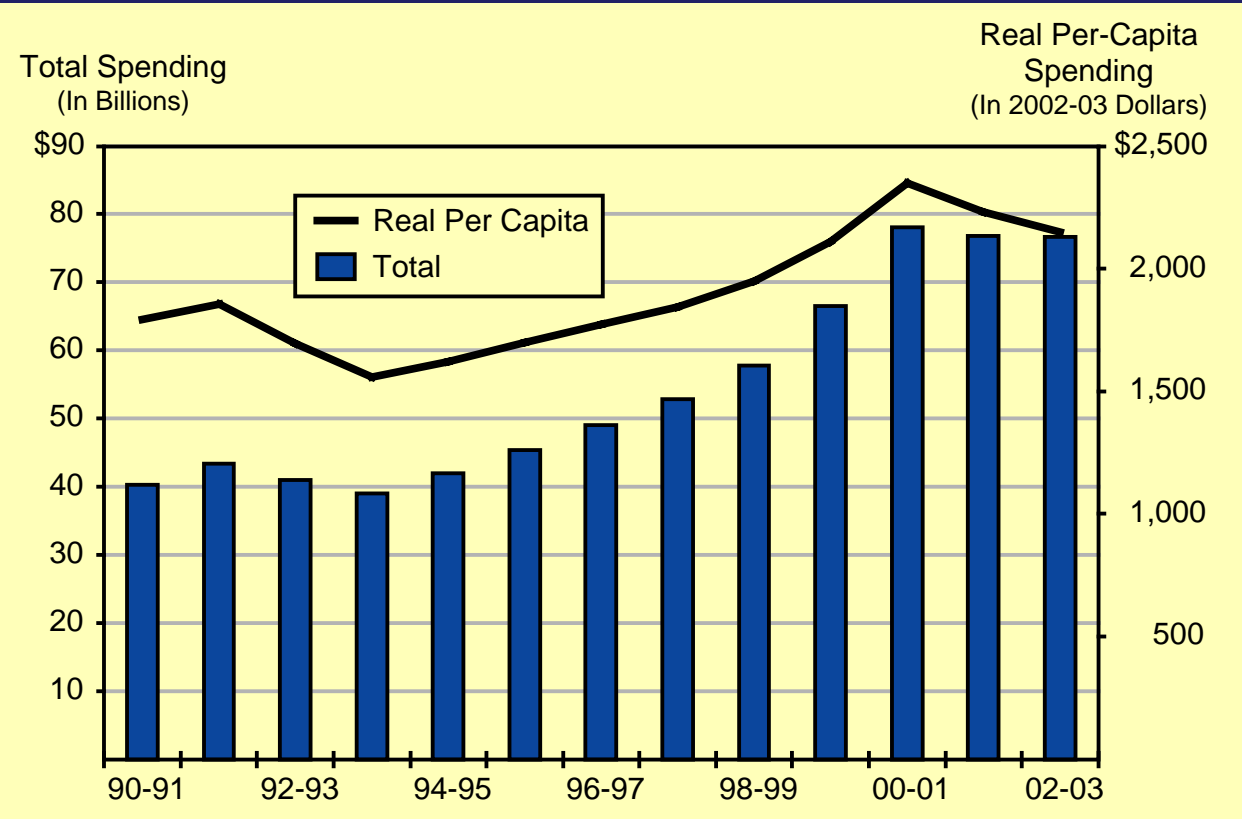
Budget Solution—2002-03

\$23.6 Billion



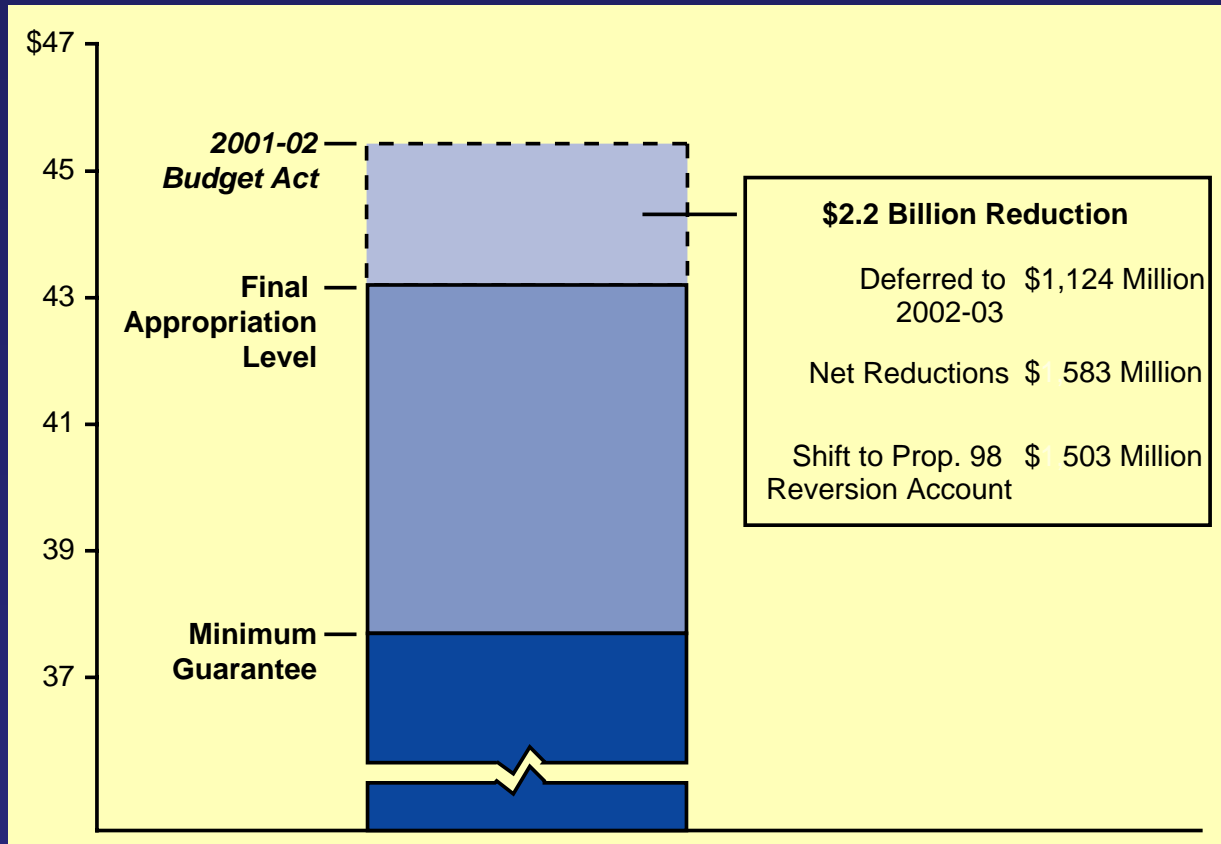
General Fund Expenditures Over Time

1990-91 Through 2002-03



Proposition 98 Funding for 2001-02

Dollars in Billions



How Was 2002-03 Growth in Proposition 98 Allocated?

In Millions

K-12 growth and COLA	\$1,544
Program payment deferred from 2001-02	1,124
CCC growth and COLA	201
High Priority Schools Grant Program	199
Proposition 98 reserve	143
Other changes	56
Total growth	\$3,267