

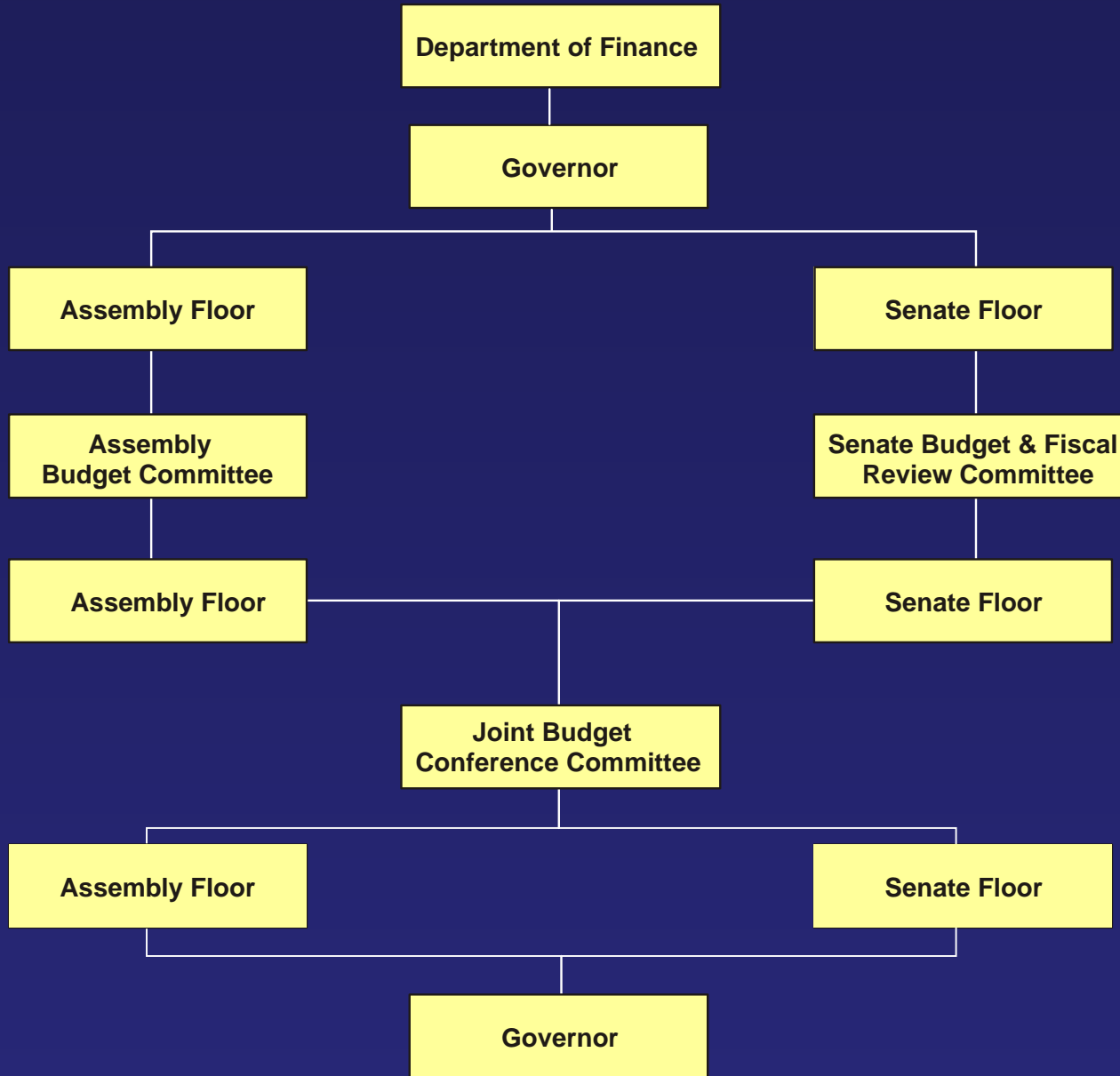
Perspectives on California's Fiscal Challenges



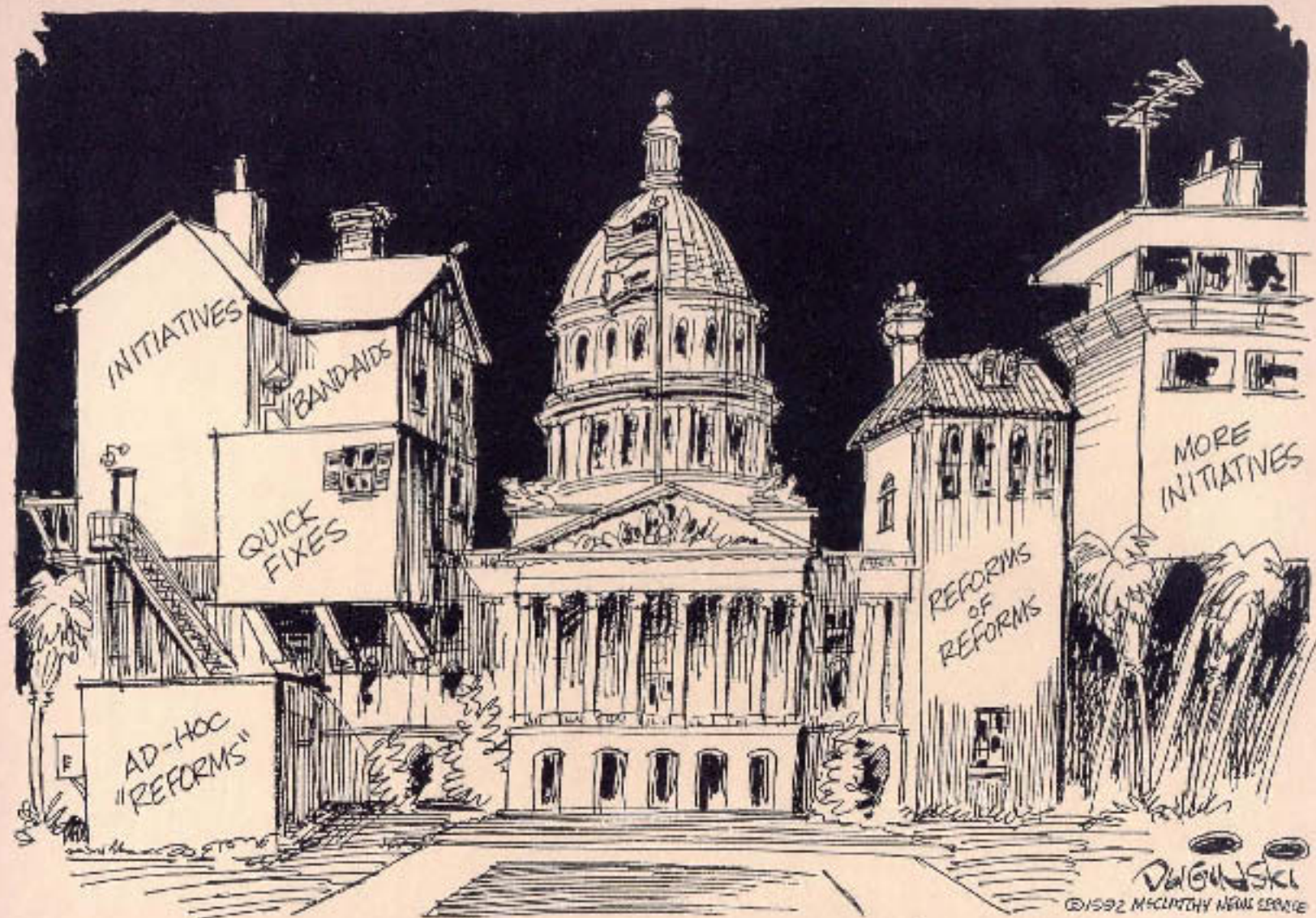
Early Care and Education
Public Policy Forum 2002

October 2002





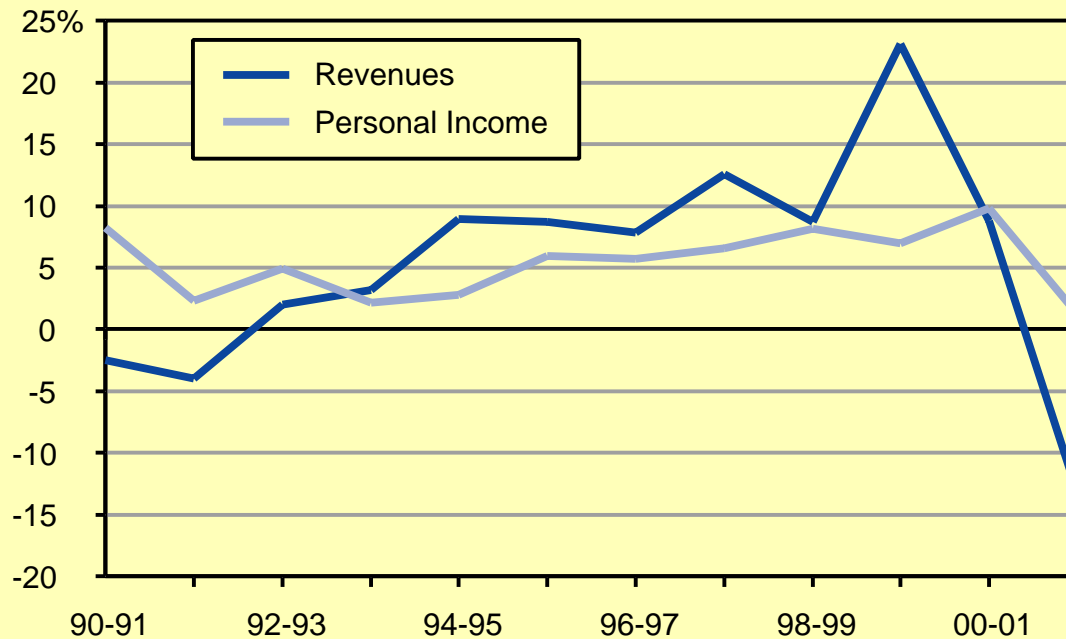
Civics Model



CALIFORNIA'S WINCHESTER MYSTERY GOVERNMENT

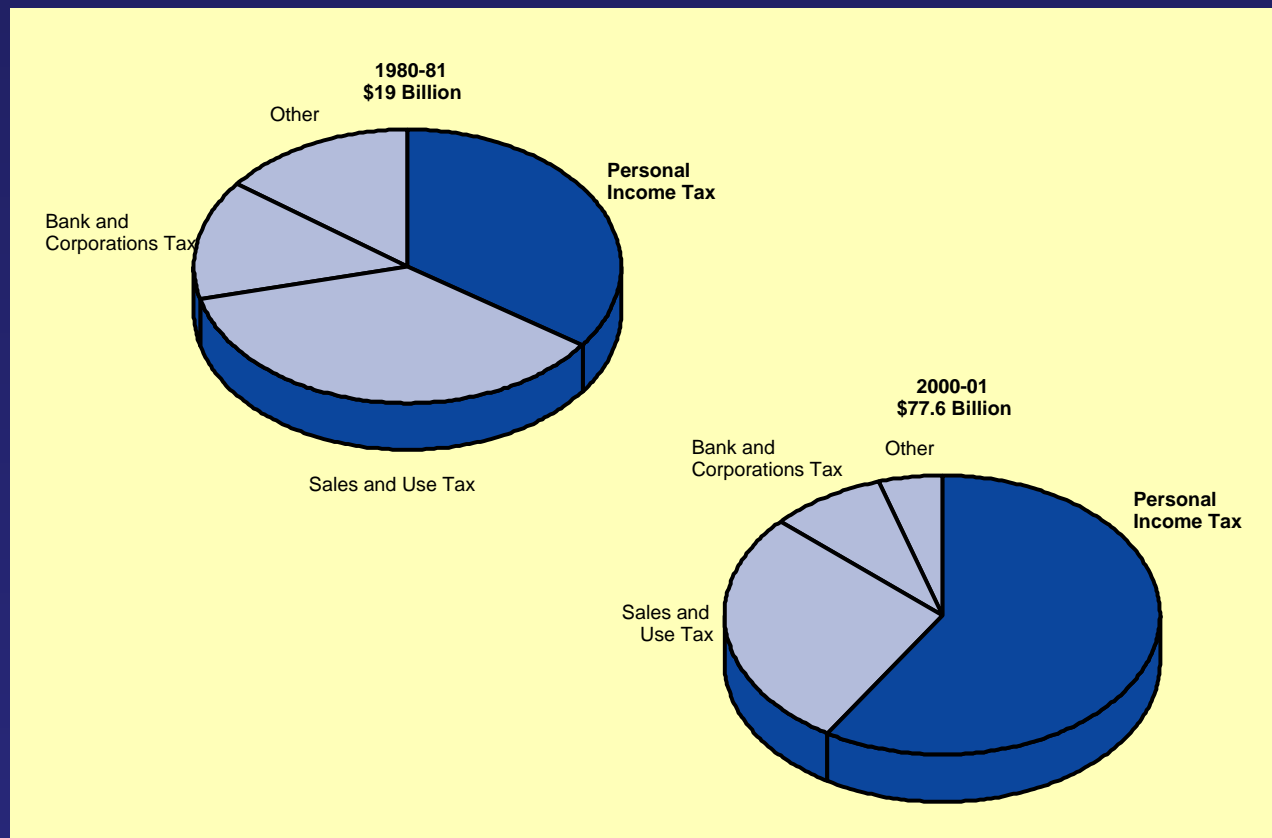
Revenues Have Been Much More Volatile Than California's Economy

Annual Percent Change in General Fund Revenues and California Personal Income

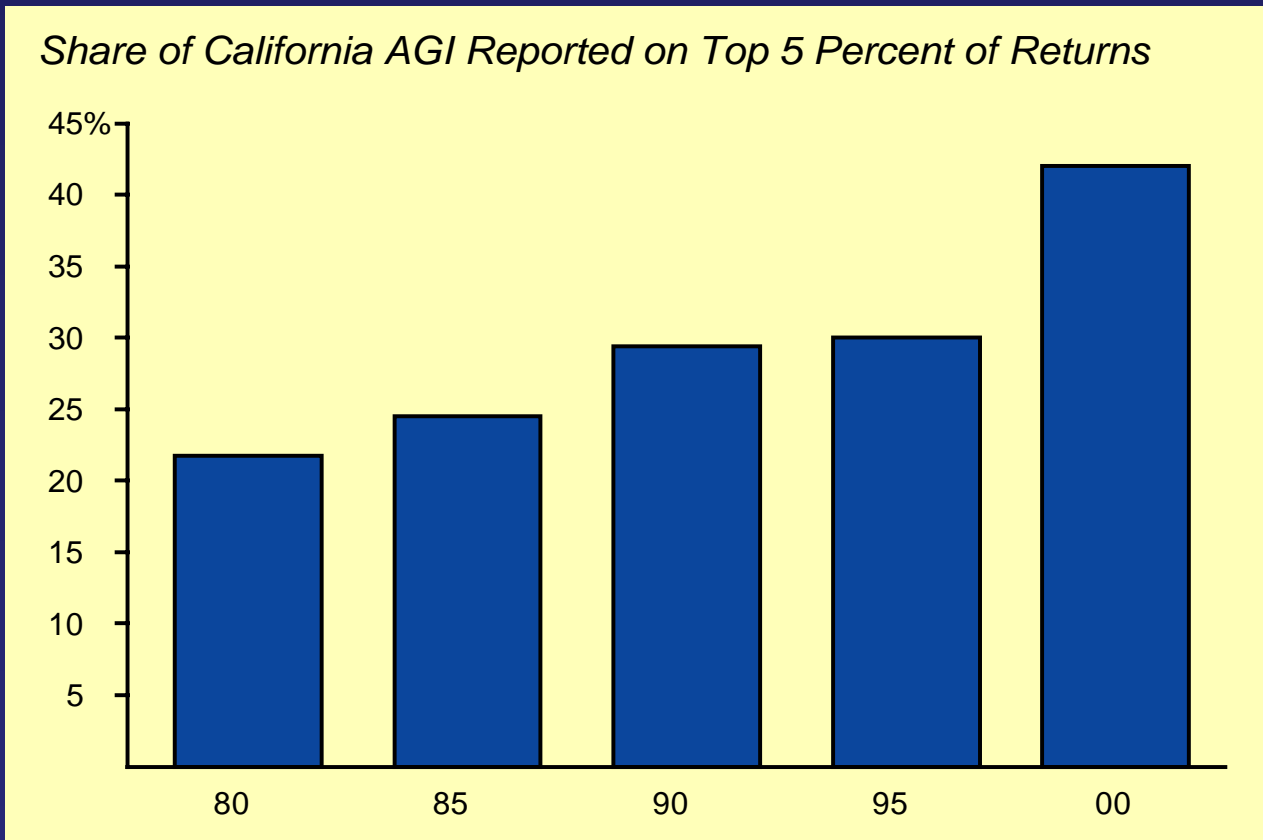


The Main Reason: Increased Importance Of the Personal Income Tax...

Total General Fund Revenues

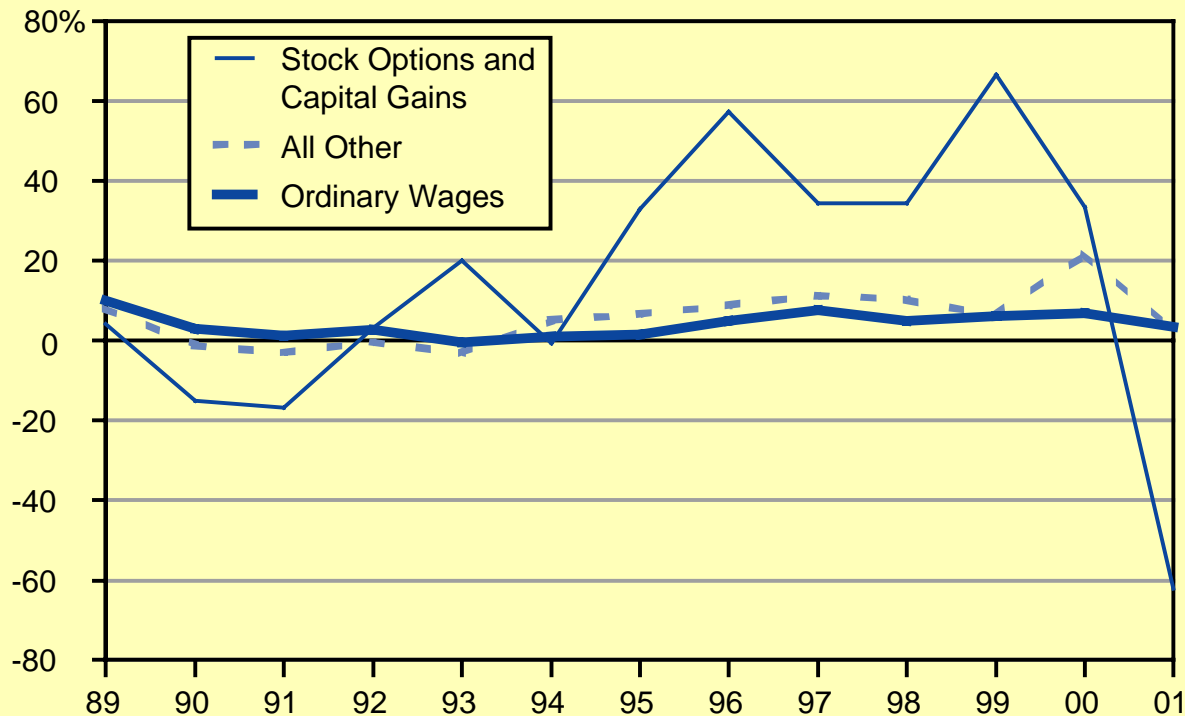


...and the Increased Concentration Of Income at the “High End”



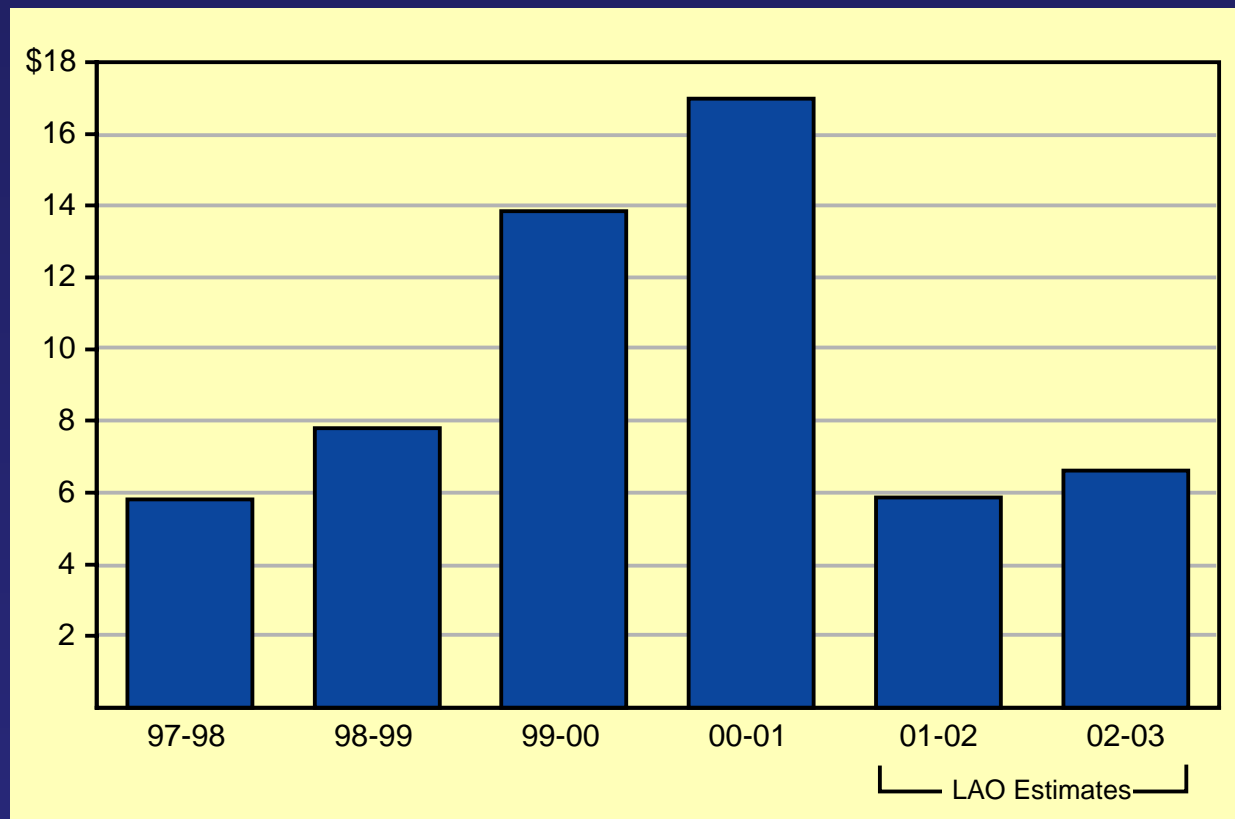
High Income Taxpayers Have Volatile Income Sources

Annual Percent Change in Income Reported on California Returns



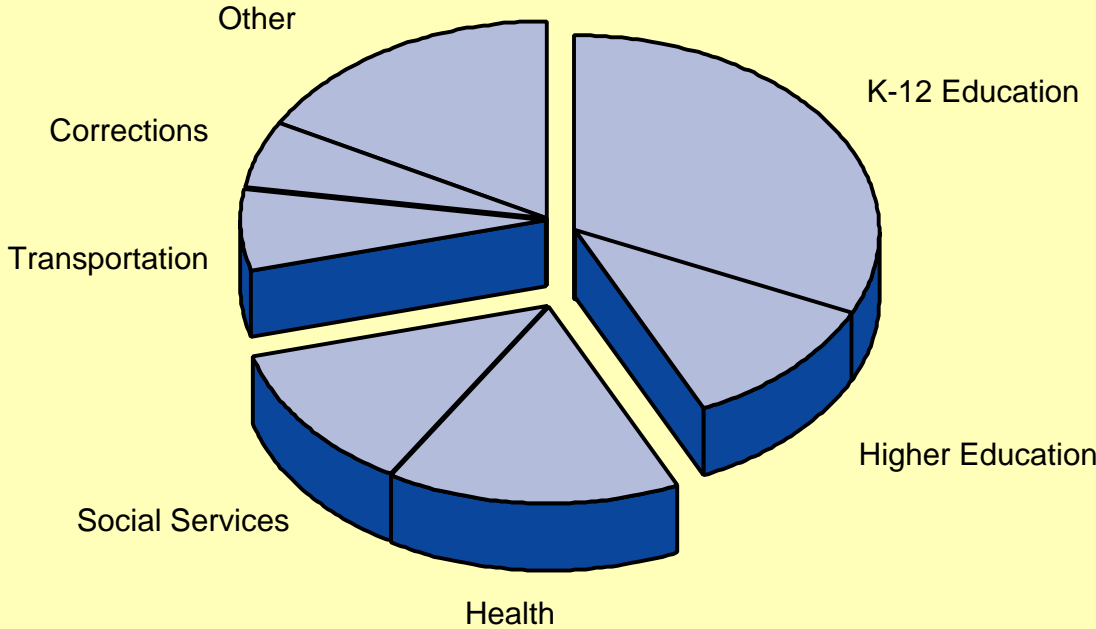
Capital Gain and Stock Option Related Revenues Plunge in 2001-02

Dollars in Billions



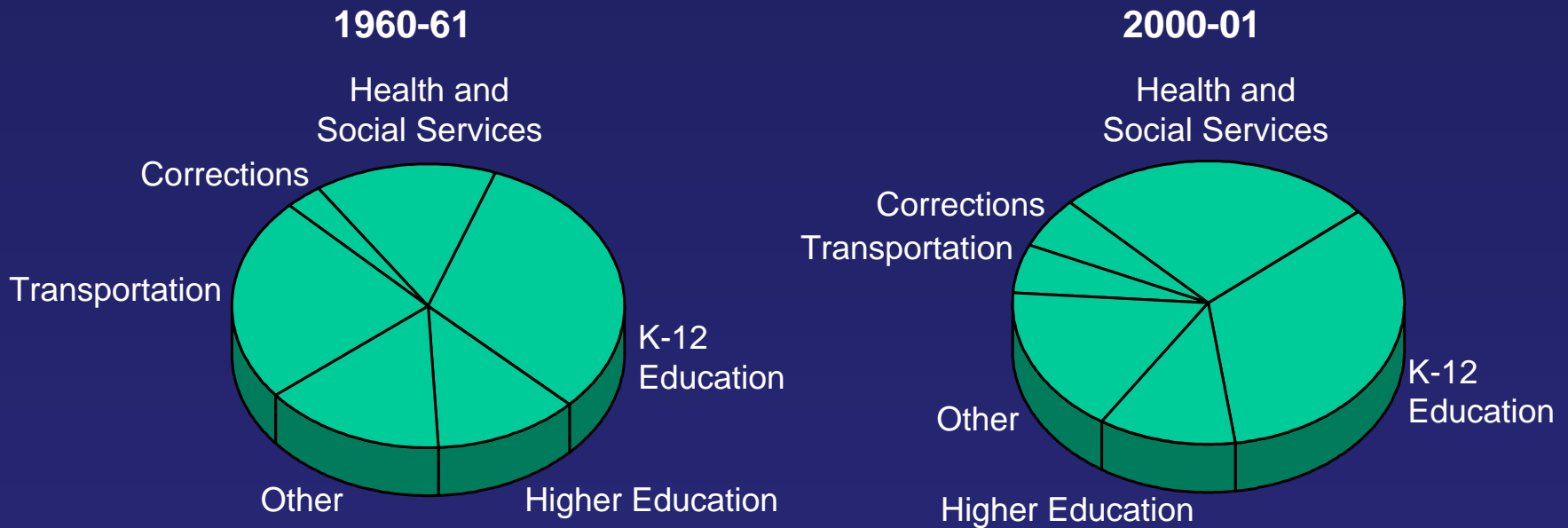
Proposed Total State Spending By Major Program Area

2002-03



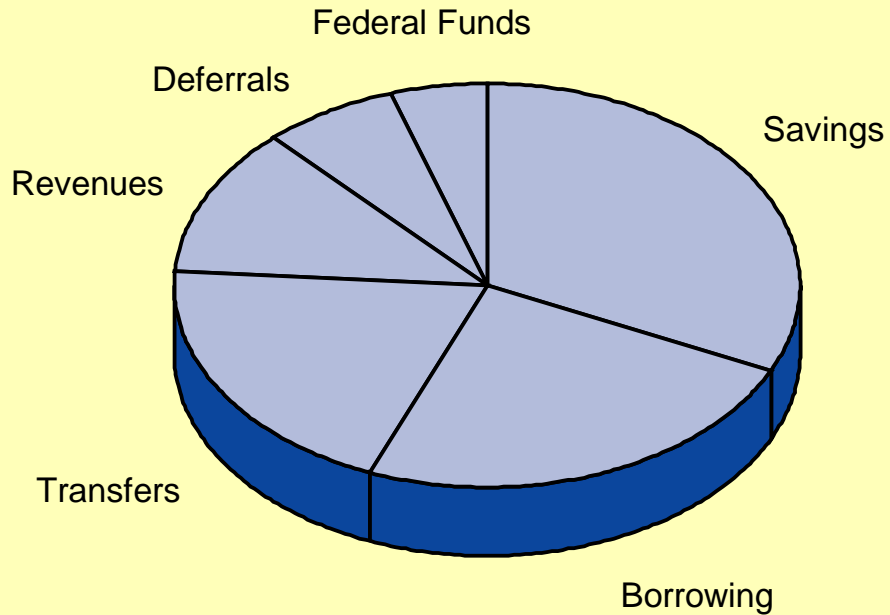
Changes in the Mix of State Expenditures Over Time

Total State Expenditures, 1960-61 and 2000-01



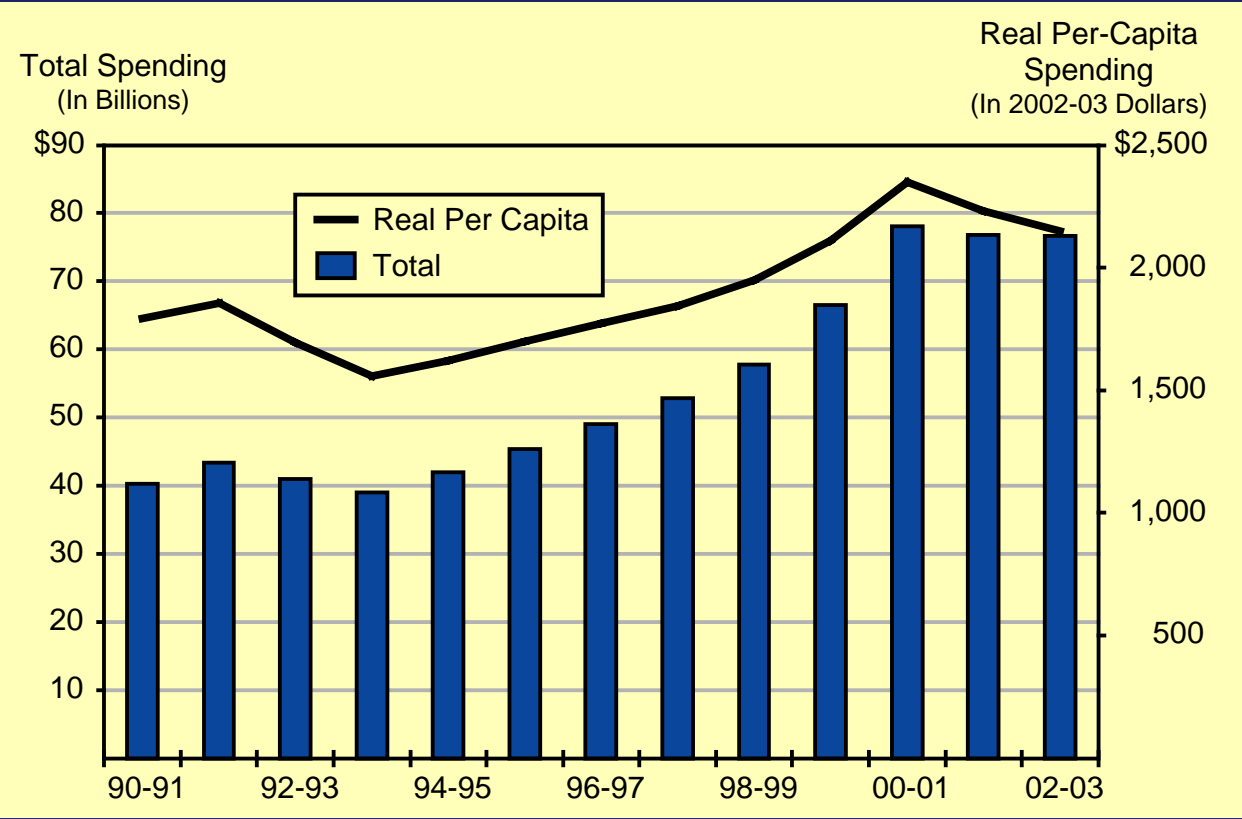
Budget Solution—2002-03

\$23.6 Billion



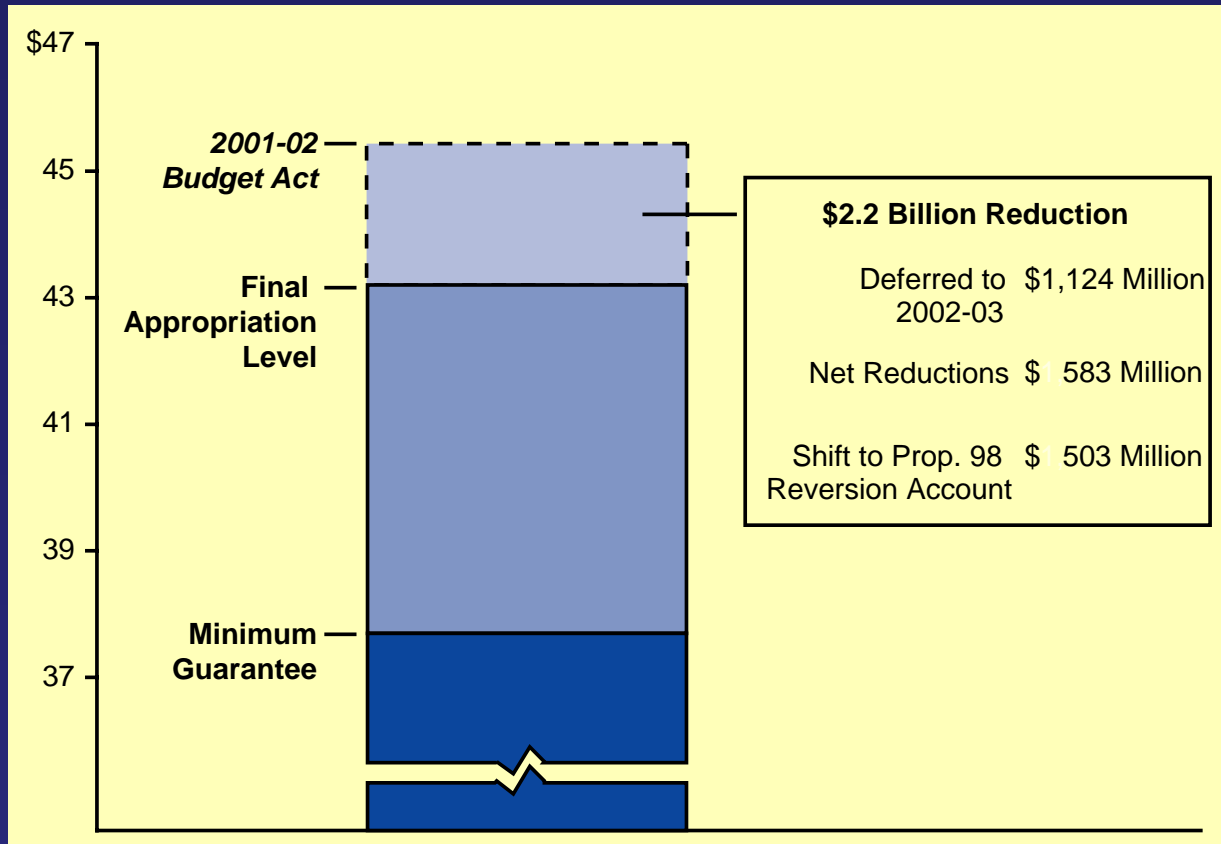
General Fund Expenditures Over Time

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 |