

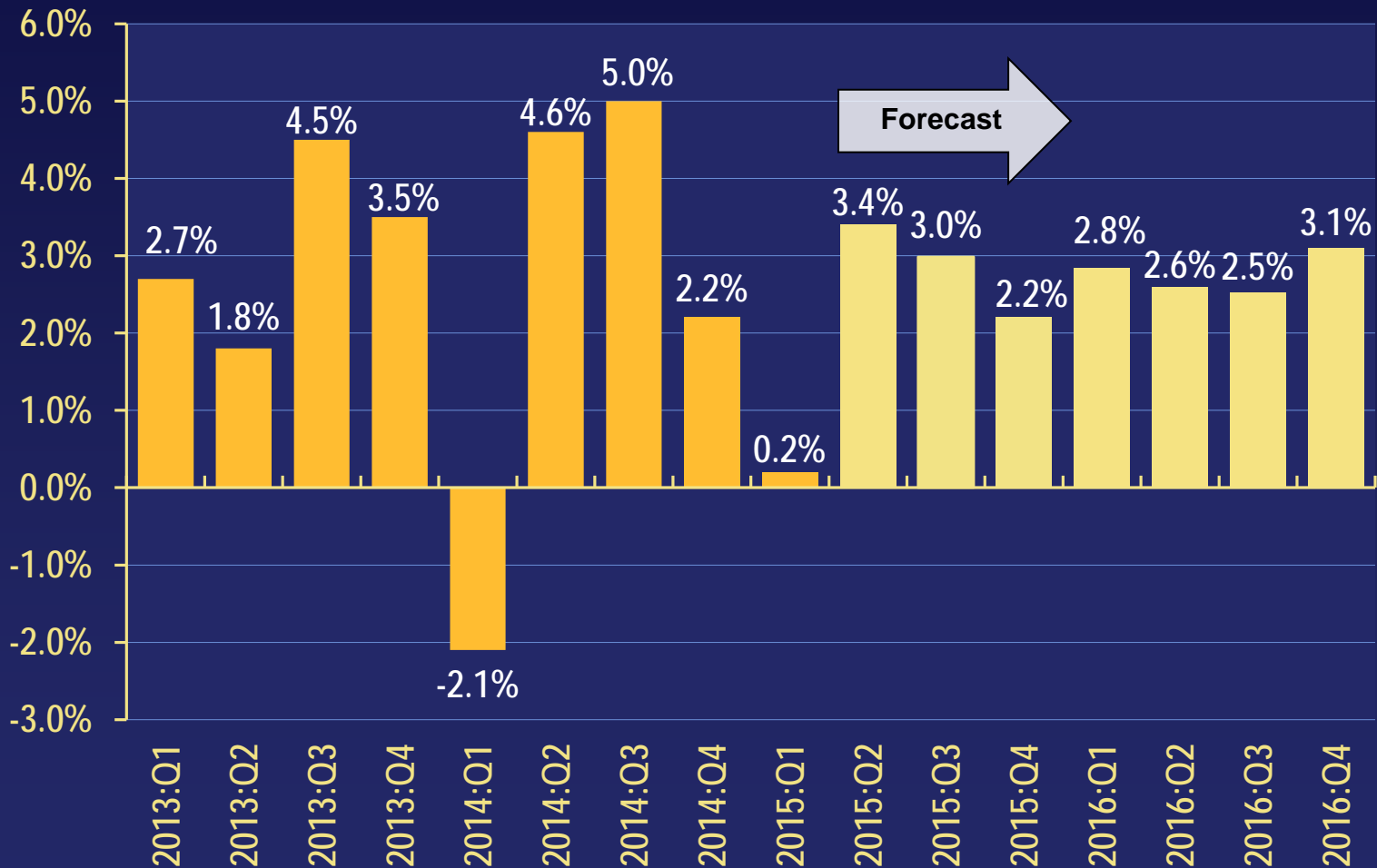


Overview of the May Revision

Michael Cohen

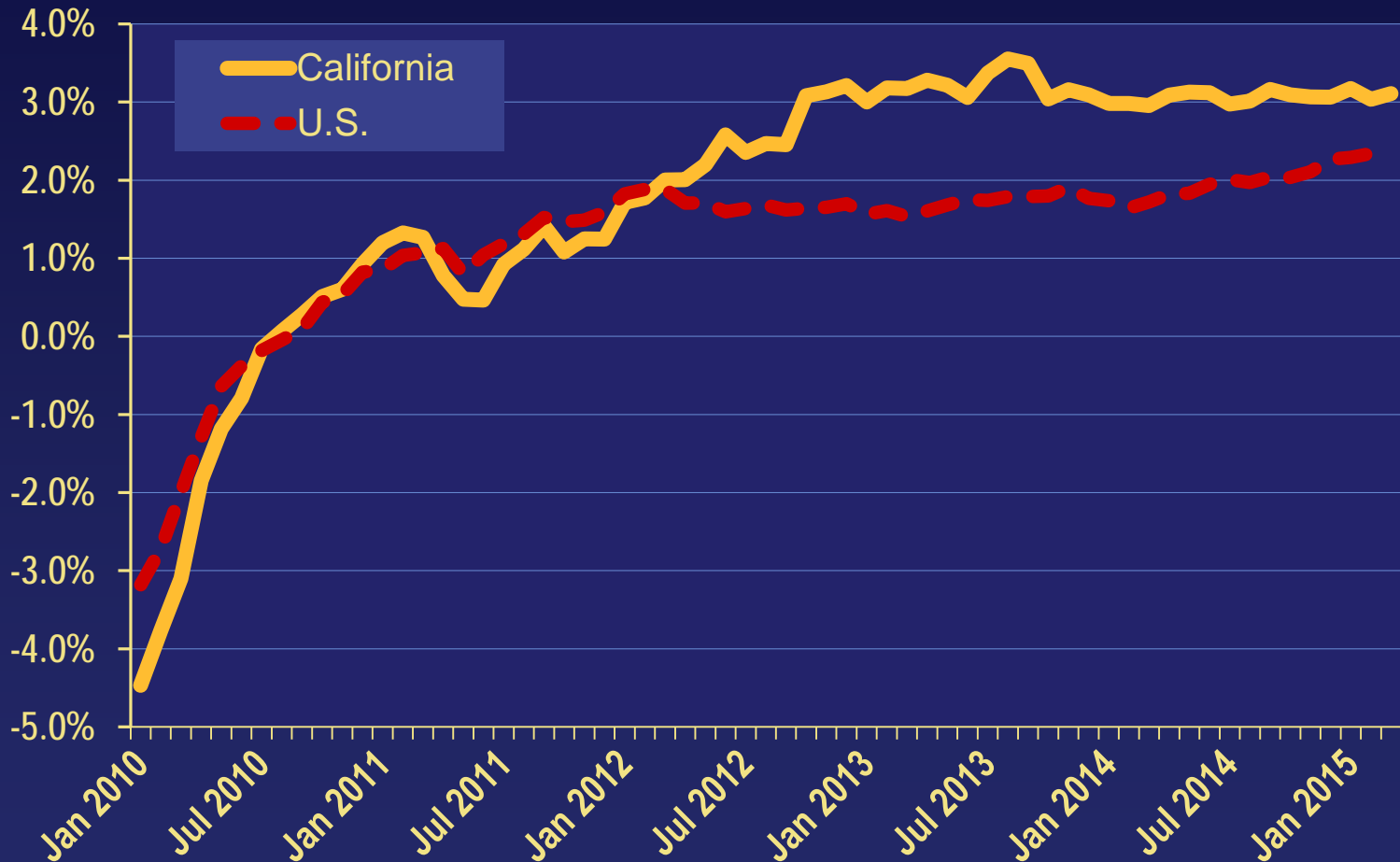
Director, Department of Finance

U.S. Economy Expected to Have Continued Growth



Source: U.S. Bureau of Economic Analysis; CA Department of Finance May Revision Forecast

California's Employment Growth Has Been Exceeding the Nation's

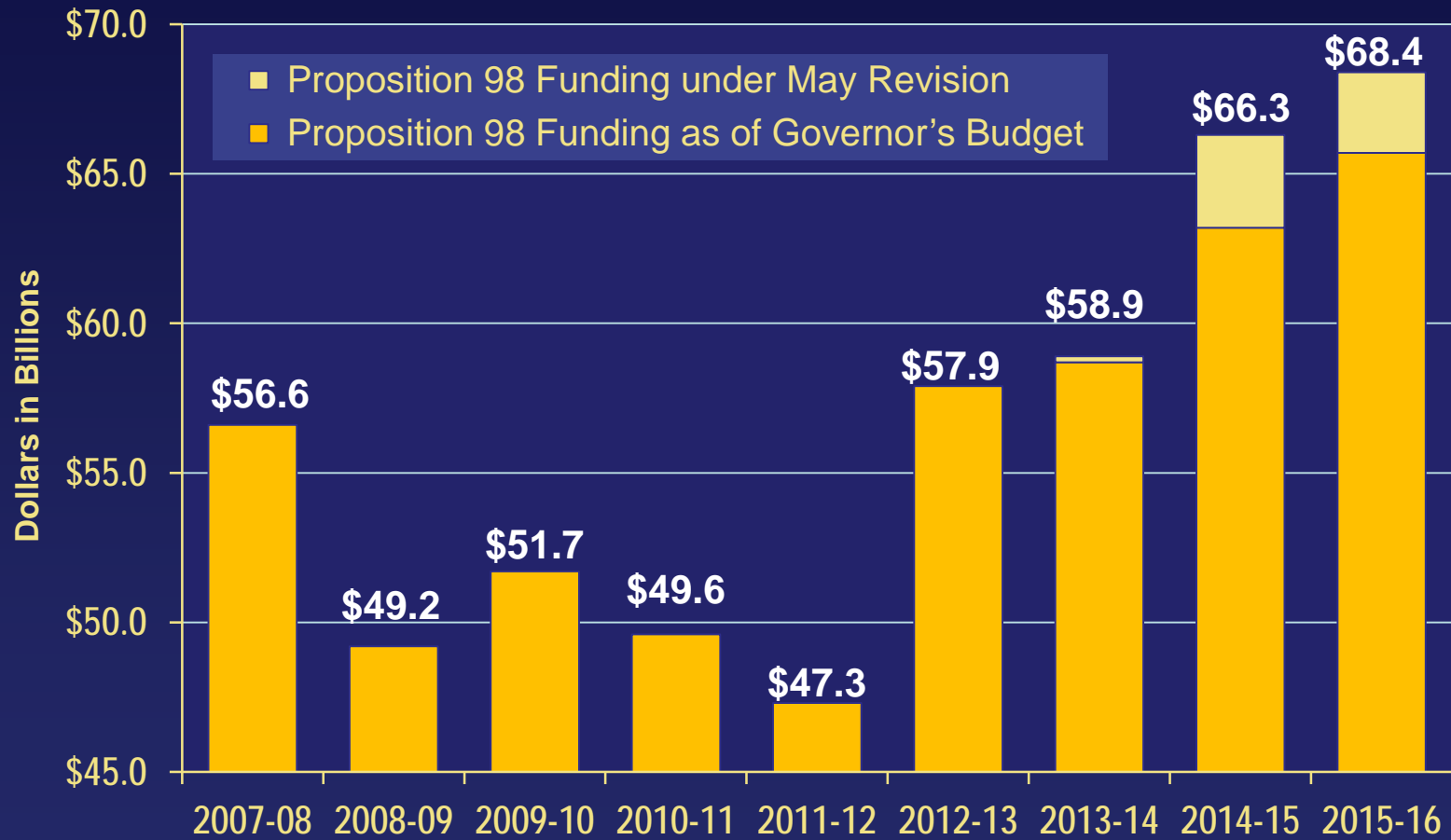


Source: California Employment Development Department, Labor Market Information Division

Higher Revenues Have Dedicated Purposes Under the Constitution

- Higher General Fund revenues of \$6.7 billion
- Proposition 2 increases saving in the Rainy Day Fund and paying down debts (\$1.3 billion)
- Proposition 98 increases funding to K-12 schools and community colleges (\$5.5 billion)

More Money for Schools



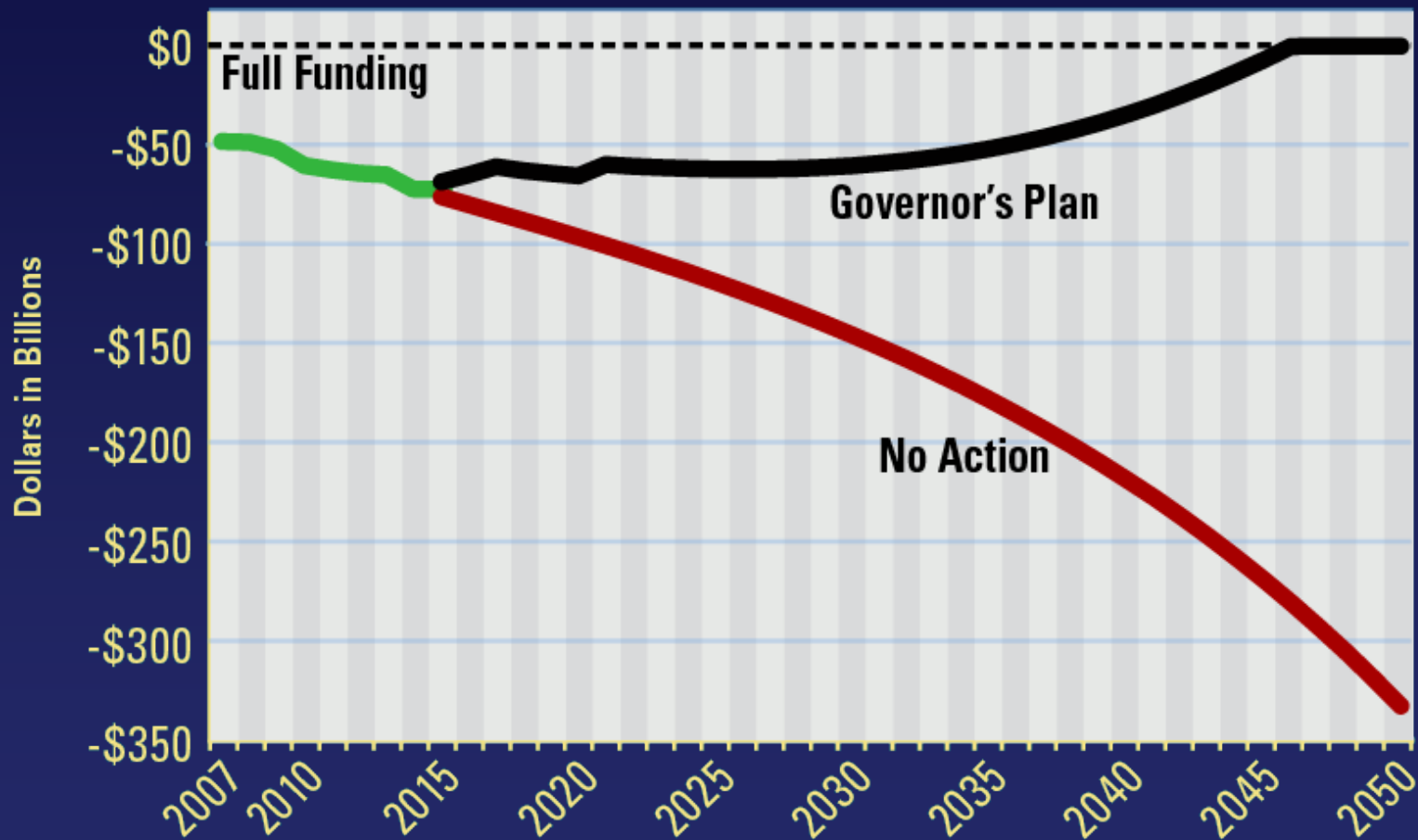
Other Key May Revision Proposals

- First-ever California Earned Income Tax Credit
- Flat tuition at state's universities
- Funding for public services for immigrants under President's executive orders
- Drought emergency actions
- Cap and Trade expenditures

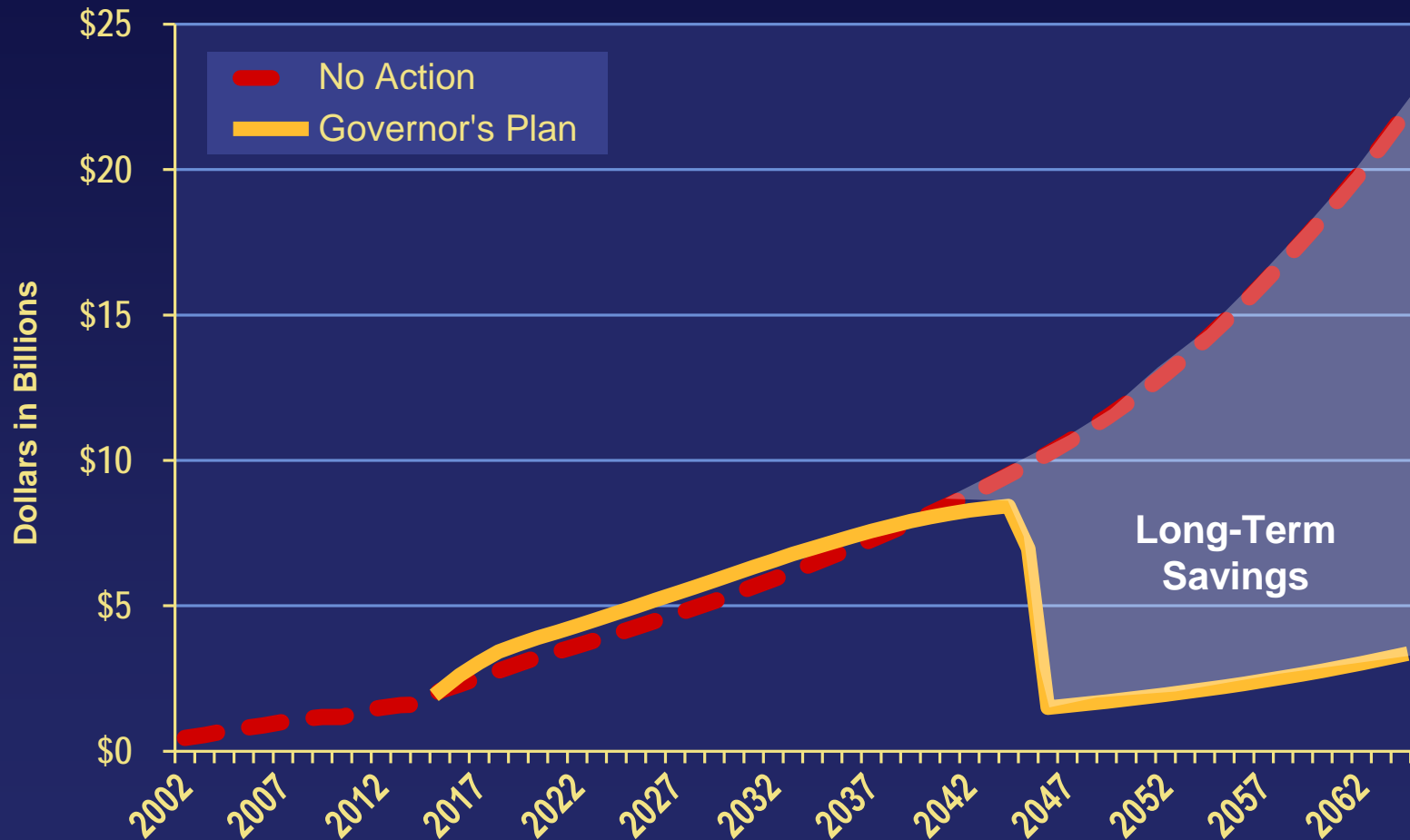
May Revision Continues to Pay Down Debts and Liabilities

- \$765 million in pre-2004 local government mandates
- Pay off of Economic Recovery Bonds
- Prefunding of retiree health benefits

Eliminating Unfunded Liability for Retiree Health Care



Long-Term Savings from Prefunding Retiree Health



Other Topics of Interest to Local Governments

- Funding for Medi-Cal county administration
- Public Safety
 - Reduced number of out-of-state prisoners
 - Continued funding for probation success
- Redevelopment dissolution
- Transportation financing

Balanced Budgets Have Been Quickly Followed by Huge Deficits

