

# **Analysis of the 2008-09 Budget Bill**

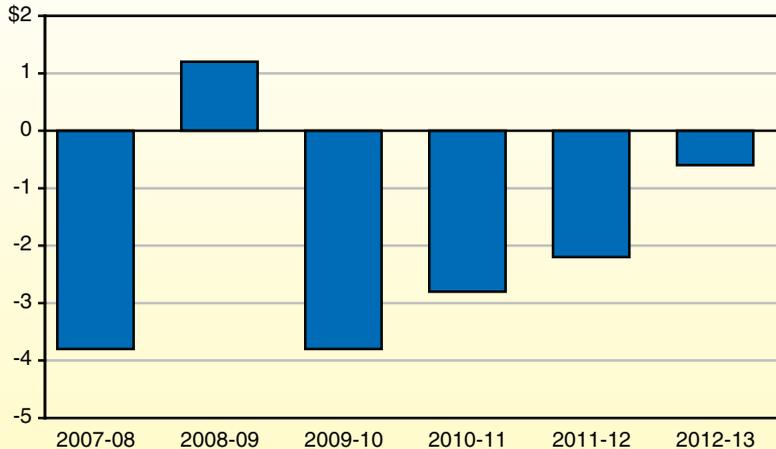
# Key LAO Findings

- Lower Revenues**
- Larger Budget Problem**
- Structural Shortfall After 2008-09**
- Failure to Set Priorities**

# Operating Shortfalls Return After 2008-09



*General Fund  
(In Billions)*



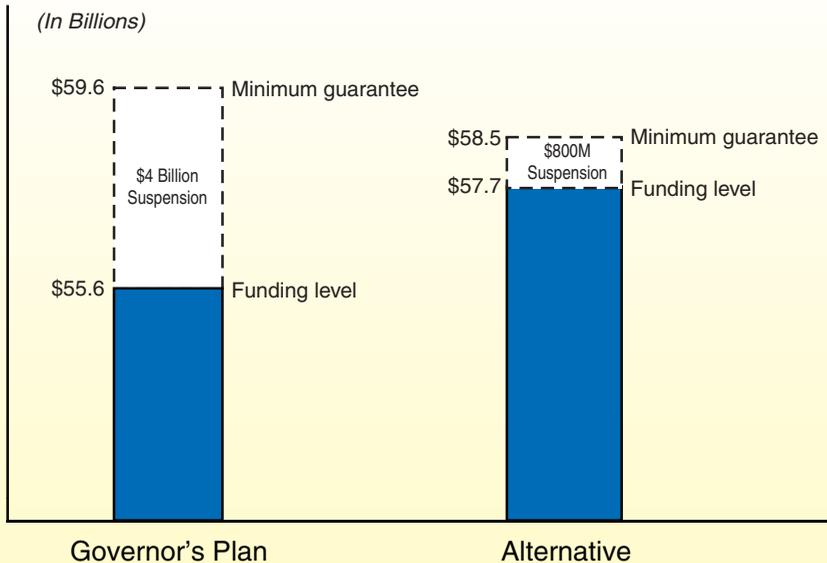
# LAO Alternative

- Targeted Approach to Spending**
- Balanced Approach Includes Revenues**
- Balanced Budget Through 2012-13**

# Targeted Program Reductions

- Core Services at Current Levels**
- Eliminate/Modify Ineffective Programs**
- Use Other Funding Sources  
For Services**
- Local Administrative Flexibility**

# Better Proposition 98 Approach



# Add Revenues In a Reasonable Manner



- Reduce Dependent Credit**
- Limit R&D Credit**
- Limit NOL Carryforwards**
- No Broad-Based Tax Rate Increases**

# LAO Alternative— Other Key Elements



- Rethink State Responsibilities**
- No Additional Borrowing or Debt**

# LAO Alternative— A Starting Point



- Tough Decisions Ahead**
- Legislative Priorities  
Will Set Framework**