

5-11-09

Dear Colleagues:

Today the Schwarzenegger Administration made two important announcements related to the state budget. The announcements appear aimed at raising public awareness of the severity of the state's budget crisis and motivating passage of the ballot measures in the May 19 Special Election.

- First, the Governor announced in a meeting with local government officials in Southern California that he will release two budget summaries on Thursday, May 14, to show voters the state's budget options, depending on whether the May 19 Special Election measures pass or fail. One revised budget proposal would show the state spending plan in the event that all six measures pass; the other would show the cuts the Governor will propose if all the measures fail. The Governor indicated that he was doing this "so that people have a clear understanding" of the situation. The official May Revision, accompanied by more complete budget detail, will still be released on May 28.
- Second, the Governor sent a letter to the Legislature indicating that state revenues have continued to deteriorate and that the state now faces a projected \$15.4 billion budget shortfall over the next 14 months (see press release, below). Further, if the May 19 ballot measures fail, another \$5.8 billion would be added to the shortfall, bringing the total to \$21.3 billion. This revenue projection is considerably more pessimistic than the one offered by the Legislative Analyst's Office on March 13 which pegged the revenue shortfall at \$8 billion, growing to \$13.8 billion if the ballot measures fail.

That is all the detail that the Administration shared today. We are currently working to gather additional information and will share it with you as it becomes available. In any case, an update will be provided when the Administration's budget summaries are released on Thursday.

Regards,

Erik Skinner

Vice Chancellor for Fiscal Policy
California Community Colleges,
Chancellor's Office
1102 Q Street
Sacramento, CA 95811-6549

From: Governor's Press Office [mailto:Governor's.PressOffice@GOV.CA.GOV]

Sent: Monday, May 11, 2009 5:45 PM

Subject: Governor Schwarzenegger Sends Letter to Legislative Leaders Outlining Budget Revenues

GAAS:234:09

For Immediate Release:
Monday, May 11, 2009

Contact: Aaron McLearn
Brittany Chord
916-445-4571

Governor Schwarzenegger Sends Letter to Legislative Leaders Outlining Budget Revenues

Governor Arnold Schwarzenegger today sent the following letter to legislative leaders outlining California's budget revenues.

Text of the letter:

May 11, 2009

The Honorable Darrell Steinberg
President pro Tempore
California State Senate
State Capitol
Room 205
Sacramento, California 95814

The Honorable Karen Bass
Speaker
California State Assembly
State Capitol
Room 219
Sacramento, California 95814

The Honorable Dennis Hollingsworth
Republican Leader
California State Senate
State Capitol
Room 305
Sacramento, California 95814

The Honorable Michael Villines
Republican Leader
California State Assembly
State Capitol
Room 3104
Sacramento, California 95814

Dear Senator Steinberg, Speaker Bass, Senator Hollingsworth and Mr. Villines,

In order to avert both a budget shortfall and a cash crisis, it is imperative that we begin work immediately to address these challenges. For that reason, I have decided to release the May Revision May 14, consistent with the traditional May Revision timeline.

The global economic crisis has hit almost every state, and many face historic budget deficits. Our state and our country are facing the deepest recession since the Great Depression. The impact of the economic crisis on California's budget is made even worse by a broken budget system that has plagued our state for the last generation.

Californians are sick and tired of hearing about deficits and our broken budget system. They believe Sacramento has failed them, and they are right to think so. Time after time, I have pushed for real, meaningful reforms to a system that does not serve its state well even in flush times and certainly does not serve it well in lean times.

We now face the leanest of times. California, for the first time since 1938, faces a decline in personal income. The budget, as adopted by the Legislature in late February, closed an unprecedented budget shortfall of \$41.6 billion and provided for a reserve of \$2.1 billion as of June 30, 2010. That budget arose from revenue estimates based on data through November 2008.

The Honorable Darrell Steinberg
The Honorable Karen Bass
The Honorable Dennis Hollingsworth
The Honorable Michael Villines

May 11, 2009

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Since that time, the severe economic downturn that California, like the rest of the nation, has been facing has worsened substantially. These changes in the state's economic and revenue pictures have caused a significant new budget problem to emerge.

These developments have combined to create a projected budget gap of \$15.4 billion that must be addressed. In addition, the budget-related measures on the May 19 special election have a combined General Fund value of \$5.8 billion. If the initiatives fail, the size of the problem would grow to \$21.3 billion.

Absent swift action, the state will be facing a very serious cash crisis. California may need up to \$23 billion in cash solutions to ensure that all of the state's bills can be paid in a timely manner.

Sincerely,

Arnold Schwarzenegger

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