

The FISCAL REPORT *an informational update*

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Ask SSC . . . How Much of the State Budget is Predicated on Voters' Approval in May?

Q. How much of the State Budget is predicated on voters' approval in May? Is there a "Plan B"?

A. There are currently six measures on the May 19, 2009, special election ballot, with three that provide revenues that are assumed in the 2009 Budget Act. The most significant is Proposition 1C, which authorizes the "securitization" of future State Lottery revenue growth. The Budget assumes voters will approve of borrowing against the growth in Lottery revenues and counts \$5 billion from a sale in 2009-10.

More than \$800 million is also assumed from the transfer of special fund moneys to the General Fund. This transfer must be authorized by voters in Proposition 1D (\$608 million redirection of tobacco tax funds to the General Fund to pay for children's health services) and Proposition 1E (\$227 million redirection of the special tax on high income earners to support existing mental health programs).

If any of these fail, there will be a hole in the Budget. At this point, the Legislature does not have a plan on how to deal with these shortfalls should they materialize. However, we suspect that they will be addressed through the May Revision, which must be released no later than June 8. We'll just have to wait and see how it all works out.

-Robert Miyashiro

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