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# The FISCAL REPORT an informational update

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## Governor Signals \$7 Billion Current-Year Shortfall

Governor Schwarzenegger indicated that the State Budget may be out of balance by \$5 billion to \$7 billion in the current-year, as a result of weaker-than-expected revenue collections and unrealized-but-budgeted savings. The *Sacramento Bee* reports that the Governor acknowledged the mounting Budget problem in an interview with the *Fresno Bee* editorial board on Monday, November 9, 2009.

Revenue collections are already \$2.1 billion short of expected levels, with about half of this shortfall attributed to the prior fiscal year. In addition, the Administration has acknowledged a \$7.4 billion structural budget gap for 2010-11 as a result of the expiration of one-time Budget solutions contained in the current-year spending plan. If the Governor's estimate of the current-year shortfall is accurate, then the Budget gap over the two-year period is already reaching \$15 billion, and this is before any reassessment of 2010-11 revenues. A downward adjustment to 2010-11 revenues could be expected, based on the weaker-than-expected performance of revenues in the current year.

In the interview, the Governor stated, "We are not out of the woods yet. The key thing is we have to go and still make cuts and still rein in the spending."

The Legislative Analyst's Office is expected to release its *November Report*, sometime next week, which will provide the first detailed assessment of the current-year Budget and projections of revenues and expenditures through 2013-14. We will summarize this report as soon as it becomes available.

—Robert Miyashiro

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