



STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV



January 8, 2010

Dear Governor:

As Director of Finance, I submit to you the 2010-11 Governor's Budget.

Since the time the Amended 2009 Budget Act was signed last July, the estimated budget gap has grown from \$6.9 billion to \$19.9 billion, due to the following principal reasons:

- Decreased revenues from the ongoing effects of the historic economic recession;
- Court decisions that have blocked implementation of some solutions approved by the Legislature in 2009;
- The erosion in the value of some of the savings adopted in 2009; and
- Additional costs associated with population-driven and caseload-driven entitlement programs.

Closing this gap requires incredibly difficult decisions by both you and the Legislature. Minimizing the potential additional impact on state programs will require a new level of cooperation by California's counterparts in Washington, D.C. It is the most difficult budget environment you have had to confront in your tenure as Governor. But with timely action, federal cooperation, and a recognition that the decisions ahead are unprecedented but necessary, it is a budget that is achievable.

While the state does not face as serious a cash shortfall as it did 12 months ago, action will be necessary this spring to ensure that the state has adequate cash resources to meet its critical obligations in a timely manner. At your direction, we will work with the State Controller and the State Treasurer to develop a cash management plan that will achieve that goal.

Finally I want to publicly express my appreciation for the women and men of the Department of Finance. In the most challenging fiscal environment imaginable, they have once again provided a tremendous service to you and your administration, to the Legislature, and to the people of California.

Sincerely,

\s\ Ana Matosantos

Ana Matosantos  
Director of Finance