



GOVERNOR
Edmund G. Brown Jr.

January 5, 2012

To the Senate and the Assembly of the California Legislature:

I hereby submit to you my proposed Budget for 2012-13.

When I came into office, California was facing an immediate \$26.6 billion budget gap and future budget deficits of \$20 billion a year.

In January of 2011, I proposed a budget that combined deep cuts with a temporary extension of some existing taxes. It was a balanced approach that would have finally closed our budget gap. In the end, the taxes were not extended and massive cuts — totalling \$16 billion — were enacted.

The 2011 budget did, however, lay the foundation for fiscal stability. It cut the annual budget shortfall by three-quarters — from \$20 billion to \$5 billion or less. It shrunk state government, reduced our borrowing costs and gave local governments more authority to make decisions.

The budget that I am submitting today keeps the cuts made last year and adds new ones. The stark truth is that without some new taxes, damaging cuts to schools, universities, public safety and our courts will only increase.

That is why I will ask the voters to approve a temporary tax increase on the wealthy, a modest and temporary increase in the sales tax and to guarantee that the new revenues be spent only on education. I am also asking that the voters guarantee ongoing funding for local public safety programs. This ballot measure will not solve all of our fiscal problems, but it will stop further cuts to education and public safety and halt the trend of double-digit tuition increases.

My budget plan also includes important reforms. It improves government efficiency and pays down debt. It reorganizes state government to make it more efficient and saves tax dollars by consolidating or eliminating functions. It restructures social service programs to better support working families. It gives substantially more flexibility and decision-making to local school districts. The plan also calls for bold investments in our future: to assure a reliable water supply, build high speed rail and reduce greenhouse gas emissions.

As California's economy continues to slowly recover — and recover it will — our plan will provide fiscal stability and make California government more transparent and responsive to the people.

I look forward to working with you in the coming year.

Sincerely

/s/ Edmund G. Brown Jr.

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