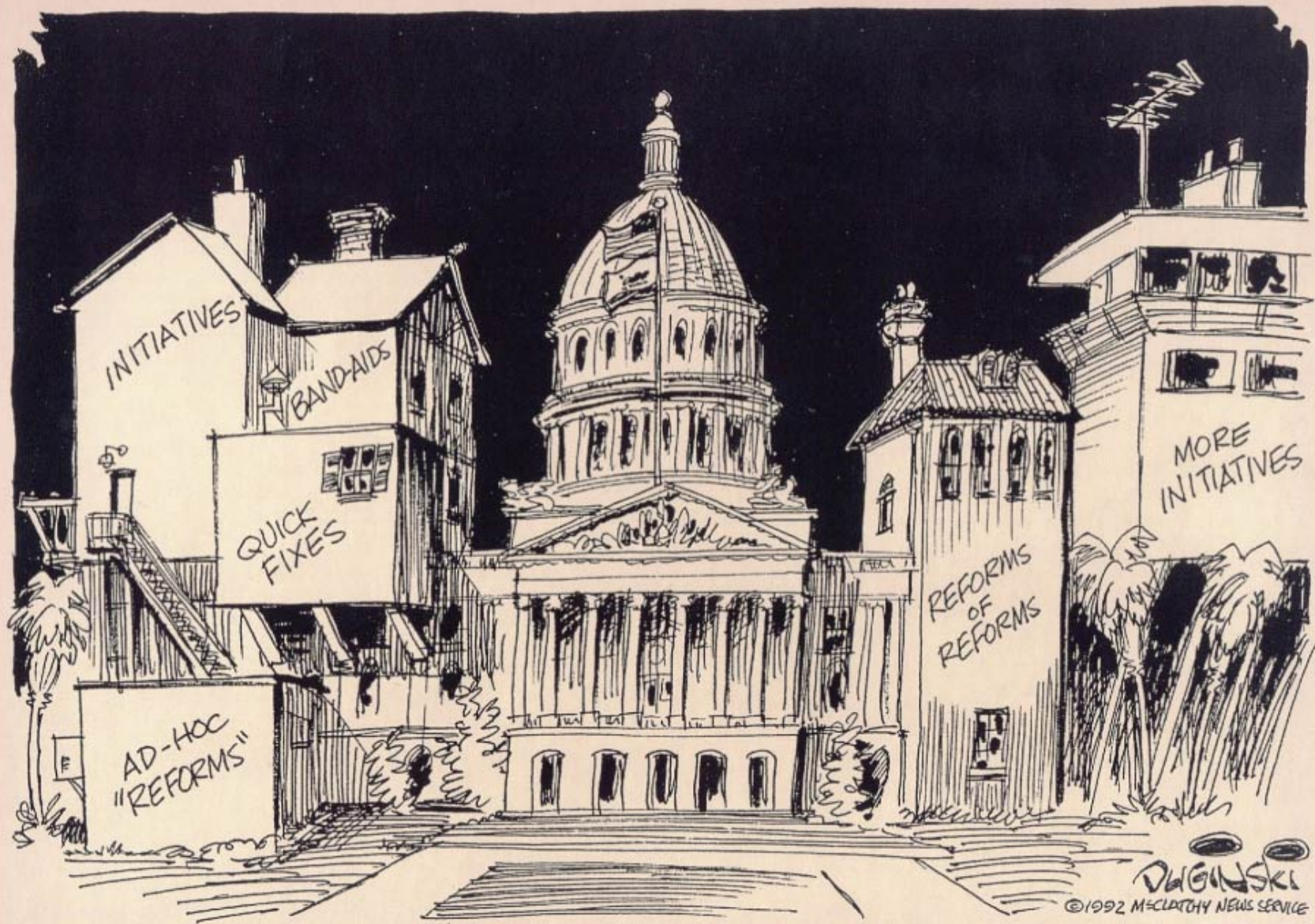


Facing Long-Term Fiscal Challenges



**Biennial Forum of
Government Auditors**

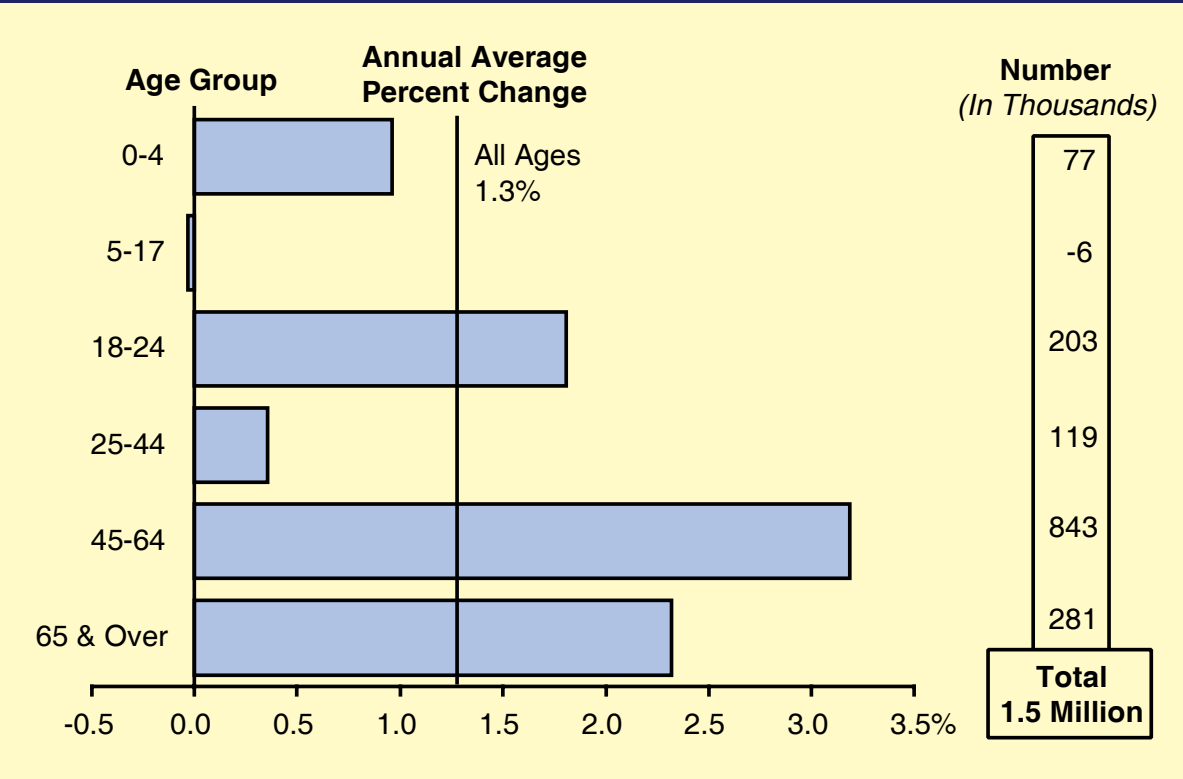
May 24, 2006



CALIFORNIA'S WINCHESTER MYSTERY GOVERNMENT

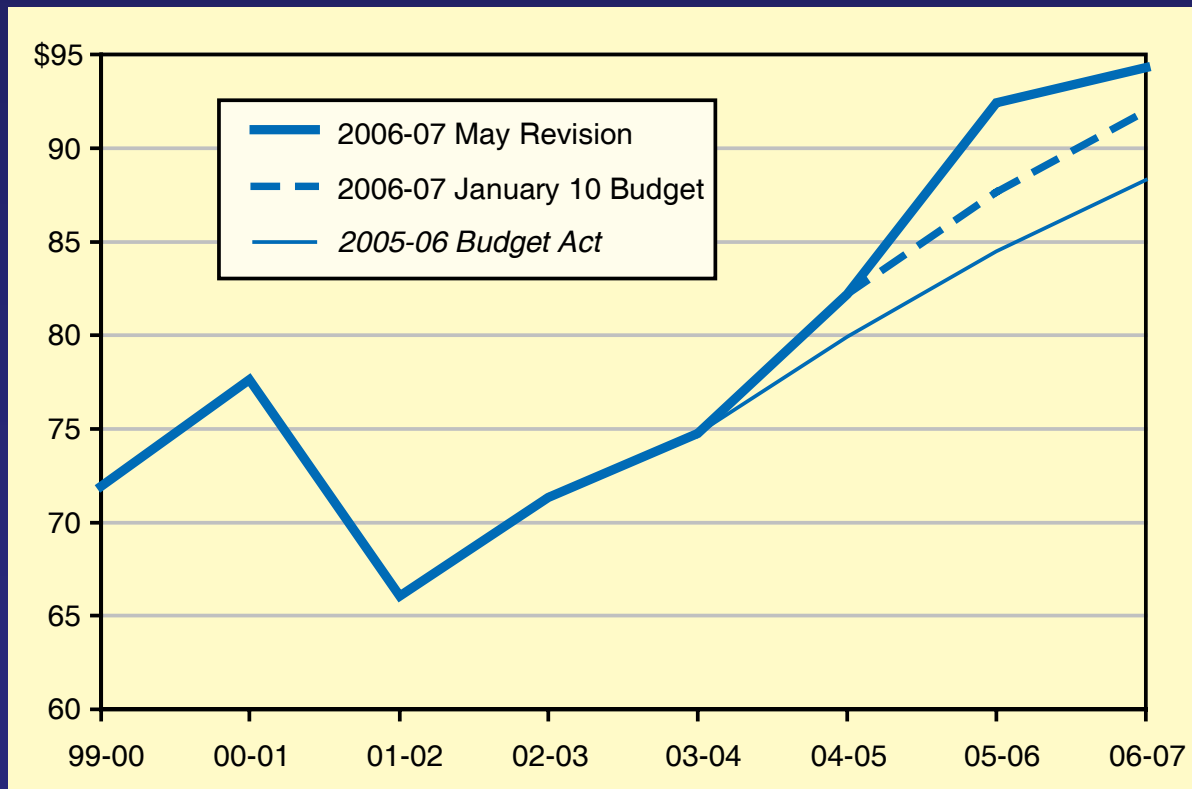
California's Population Outlook By Age Group

Population Change
2006 Through 2008



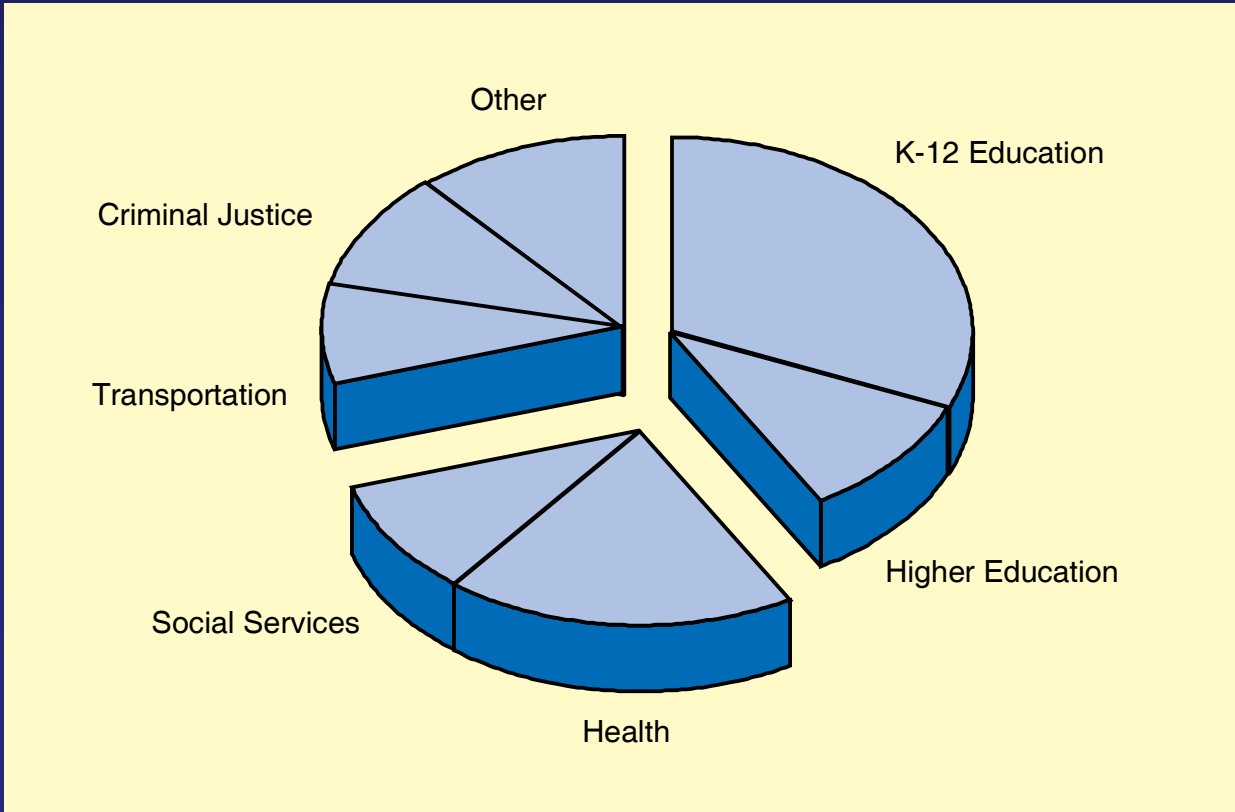
General Fund Revenue Strengthening

Total General Fund Revenues
(In Billions)



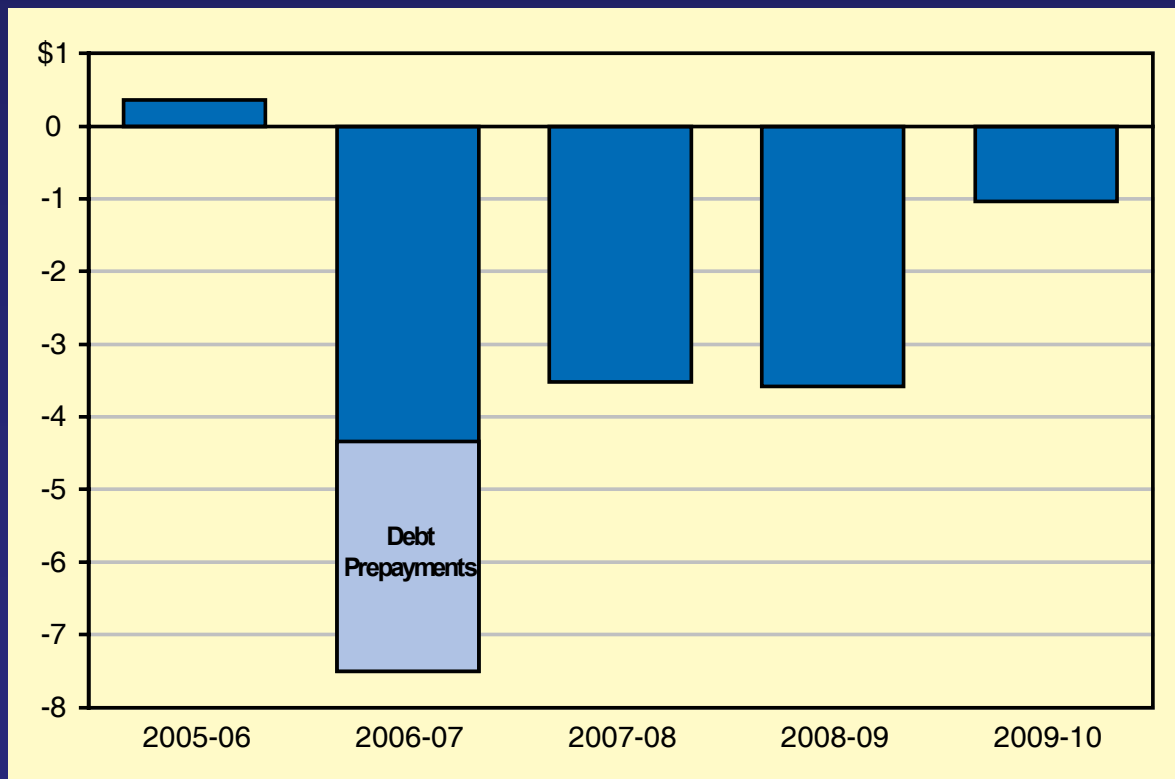
Proposed Total State Spending By Major Program Area

2006-07

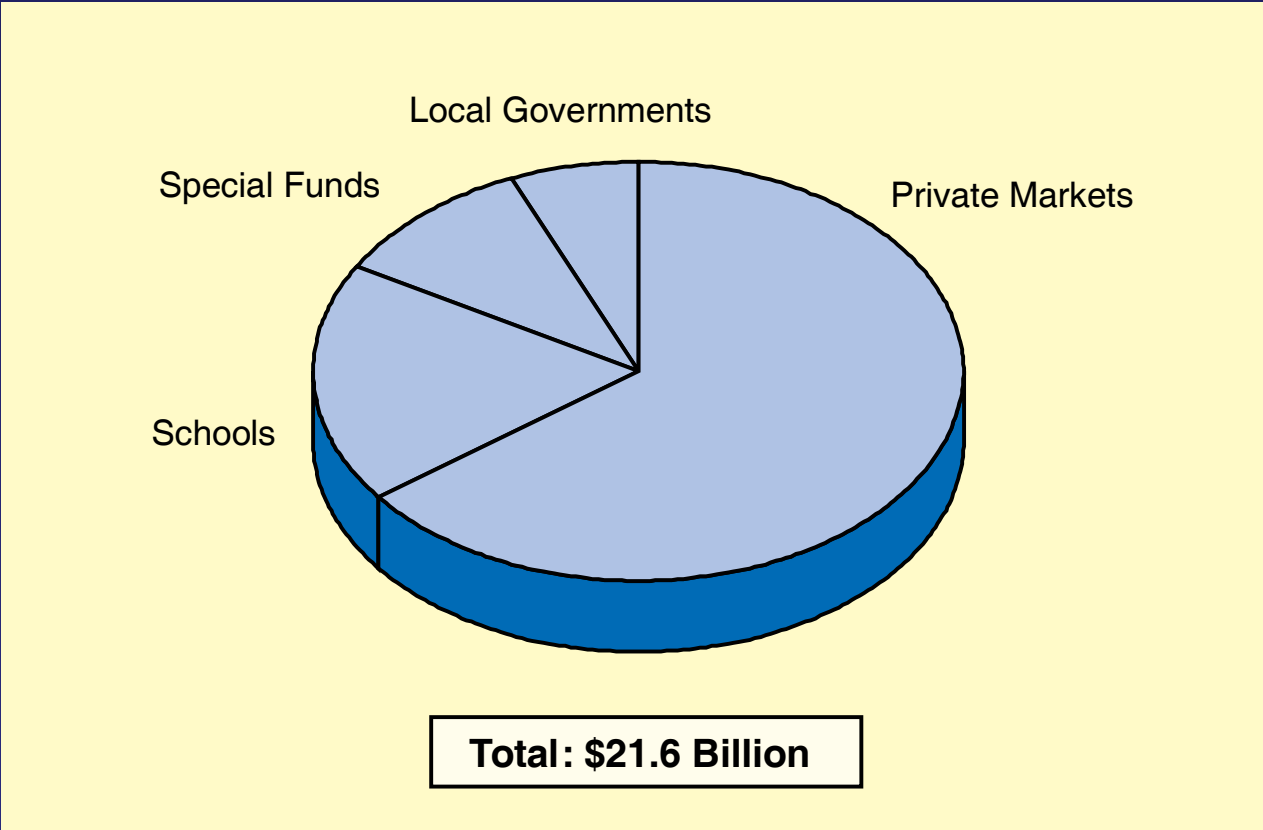


Operating Shortfalls Persist Despite Booming Revenues

General Fund
(In Billions)

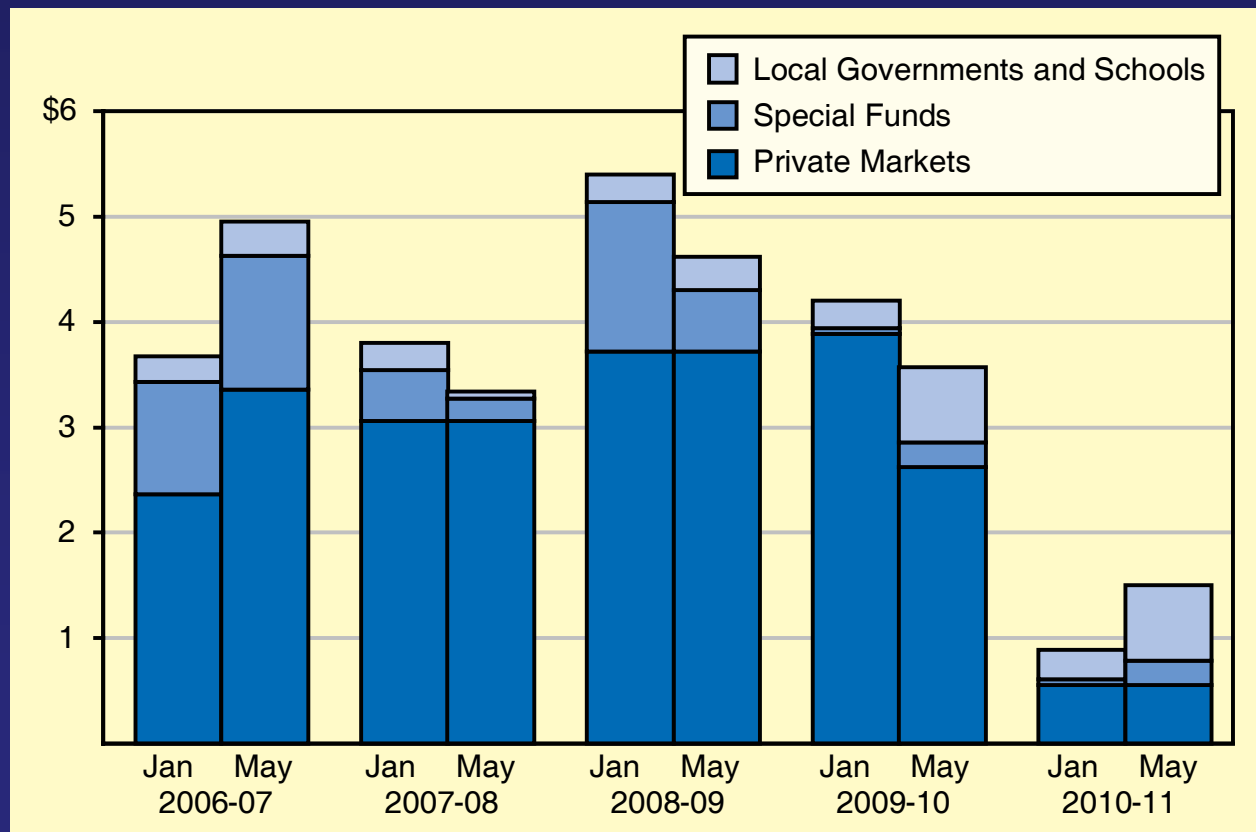


Budgetary Borrowing Outstanding After 2006-07



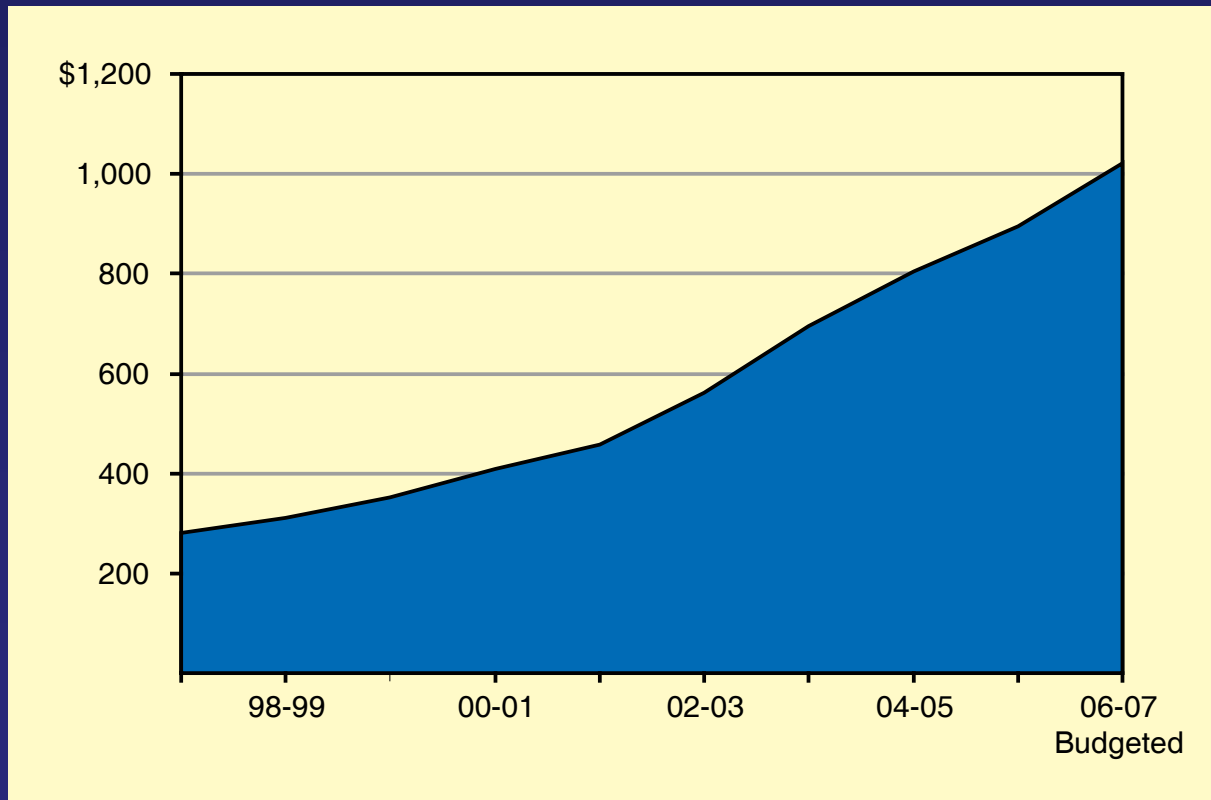
Annual General Fund Costs Related to Budgetary Borrowing

(In Billions)



State Spending for Retiree Health and Dental Benefits

(In Millions)



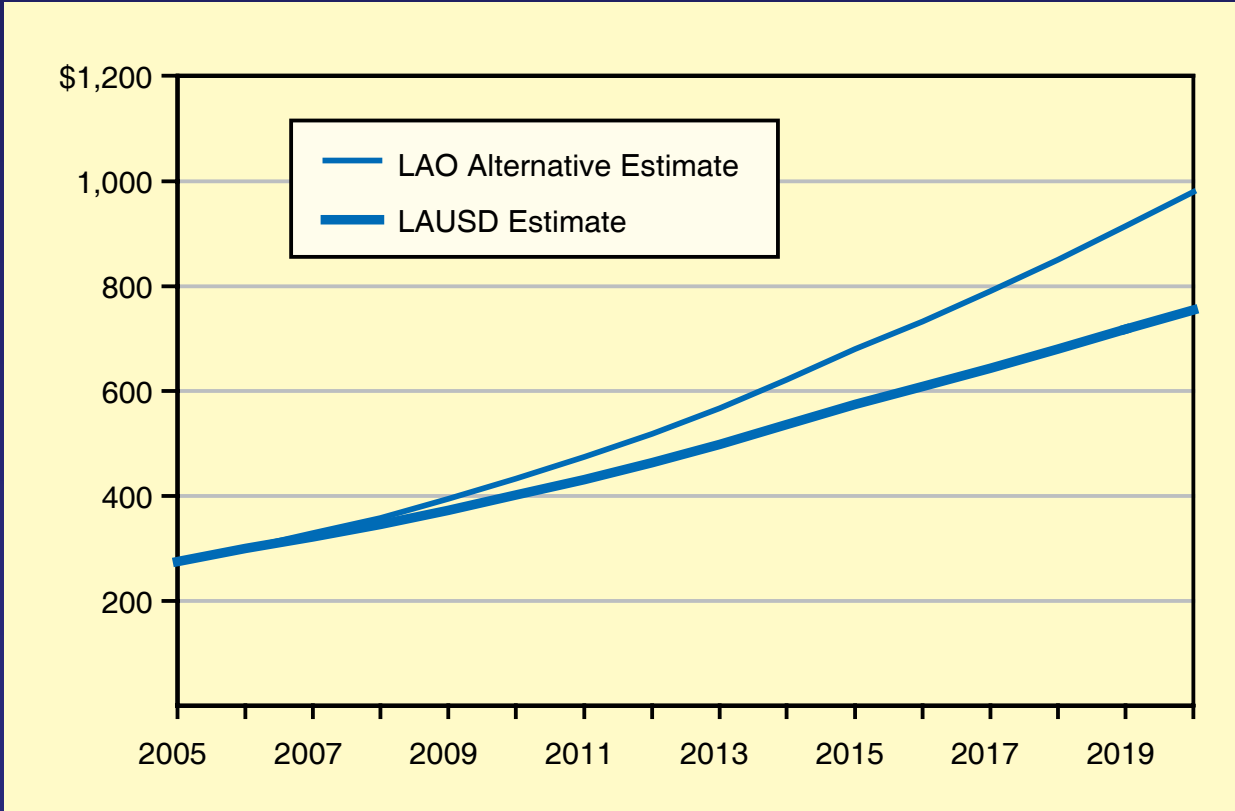
Estimated K-12 Retiree Health Benefits Unfunded Liabilities

(Dollars Per Student Enrollment)

Benefit	Number of Districts	Per-Pupil Liabilities		
		High	Average	Low
Lifetime	76	\$13,624	\$4,075	\$84
Over age 65, not lifetime	116	5,144	1,706	61
Up to age 65	431	5,061	2,668	5

Estimated Costs of Retiree Health Benefits, Los Angeles Unified School District

Dollars Per Pupil



Direct Democracy–The Initiative

- **Used in 24 states–almost all in the West**
- **California adopted in 1911**
- **Over 1,200 submitted over past 95 years**
- **About one-quarter qualified for ballot**

Voter-Approved Initiatives

Key Fiscal Measures

Proposition 13 (1978)

Proposition 42 (2002)

Proposition 98 (1988)

Proposition 1A (2004)

Proposition 218 (1996)

Proposition 63 (2004)

What Can Auditors Do?

- **Speak Truth to Power**
- **Argue for Transparency**
- **Enhance Public Trust**

**“To be persuasive we must be believable;
to be believable be credible;
to be credible we must be truthful.”**

Edward R. Murrow

