



For Immediate Release: November 17, 2004

Contact: Ron Roach (916 930-3104)

CAL-TAX: NEXT YEAR'S BUDGET CAN BE BALANCED IF SPENDING GROWTH IS HELD TO 4.2 PERCENT

If lawmakers and Governor Arnold Schwarzenegger can hold the state General Fund spending increase to 4.2 percent, California's budget for the coming year will be balanced without increasing taxes or more borrowing. This Cal-Tax statement is based on Legislative Analyst's Office fiscal outlook data released November 17.

The LAO projects General Fund revenues and transfers for 2005-06, the fiscal year beginning next July, will be \$83.79 billion. For 2004-05, General Fund expenditures are estimated to be \$79.5 billion. To keep the General Fund in balance, spending can grow by \$3.35 billion (4.2 percent) to a level of \$82.861 billion.

Cal-Tax President Larry McCarthy said, "This 4.2 percent growth rate is certainly in the ballpark with growth in population and inflation, which would be a reasonable limit to growth in spending for the next fiscal year. If the governor and Legislature can agree on 2005-06 General Fund spending of about \$83 billion, the budget is balanced."

The LAO, in its annual budget outlook, projects growth in the U.S. Consumer Price Index of 2.1 percent per year and population growth of less than 2 percent annually.