

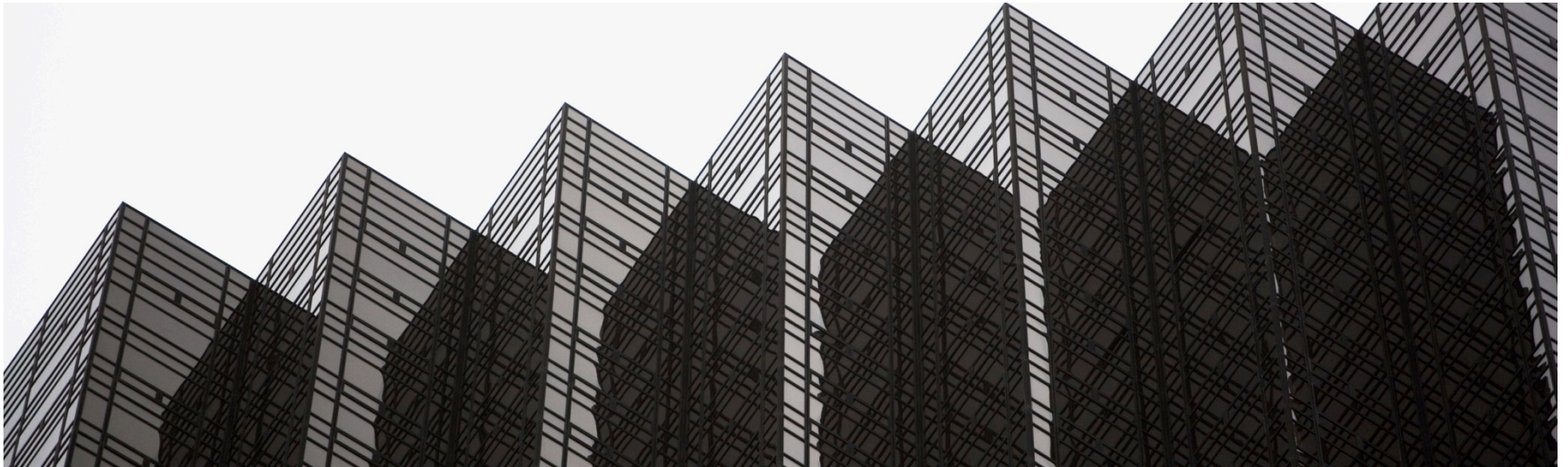
State of the State, The Road Ahead For California

Gabriel Petek, CFA

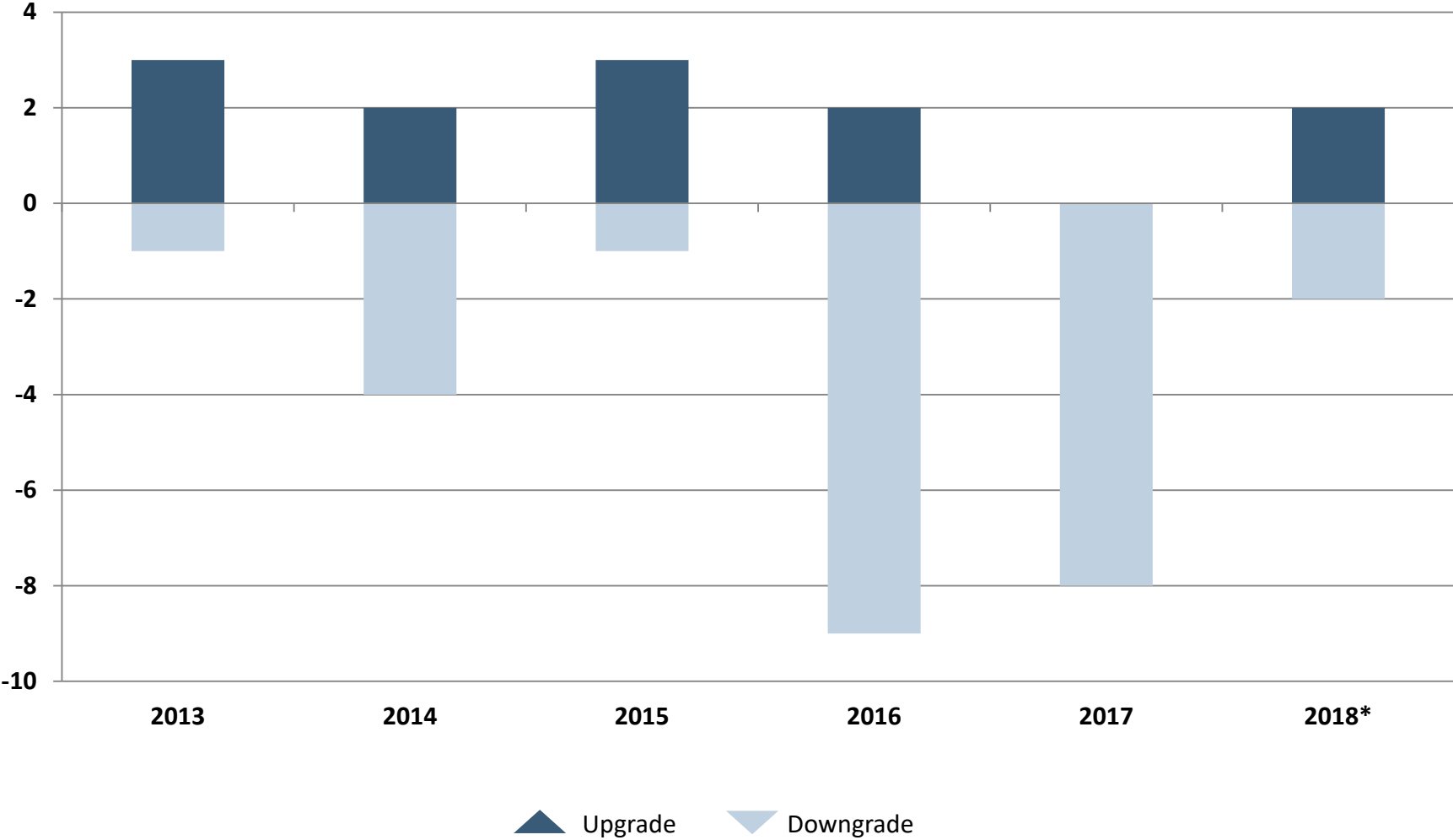
U.S. States Group / U.S. Public Finance

November 9, 2018

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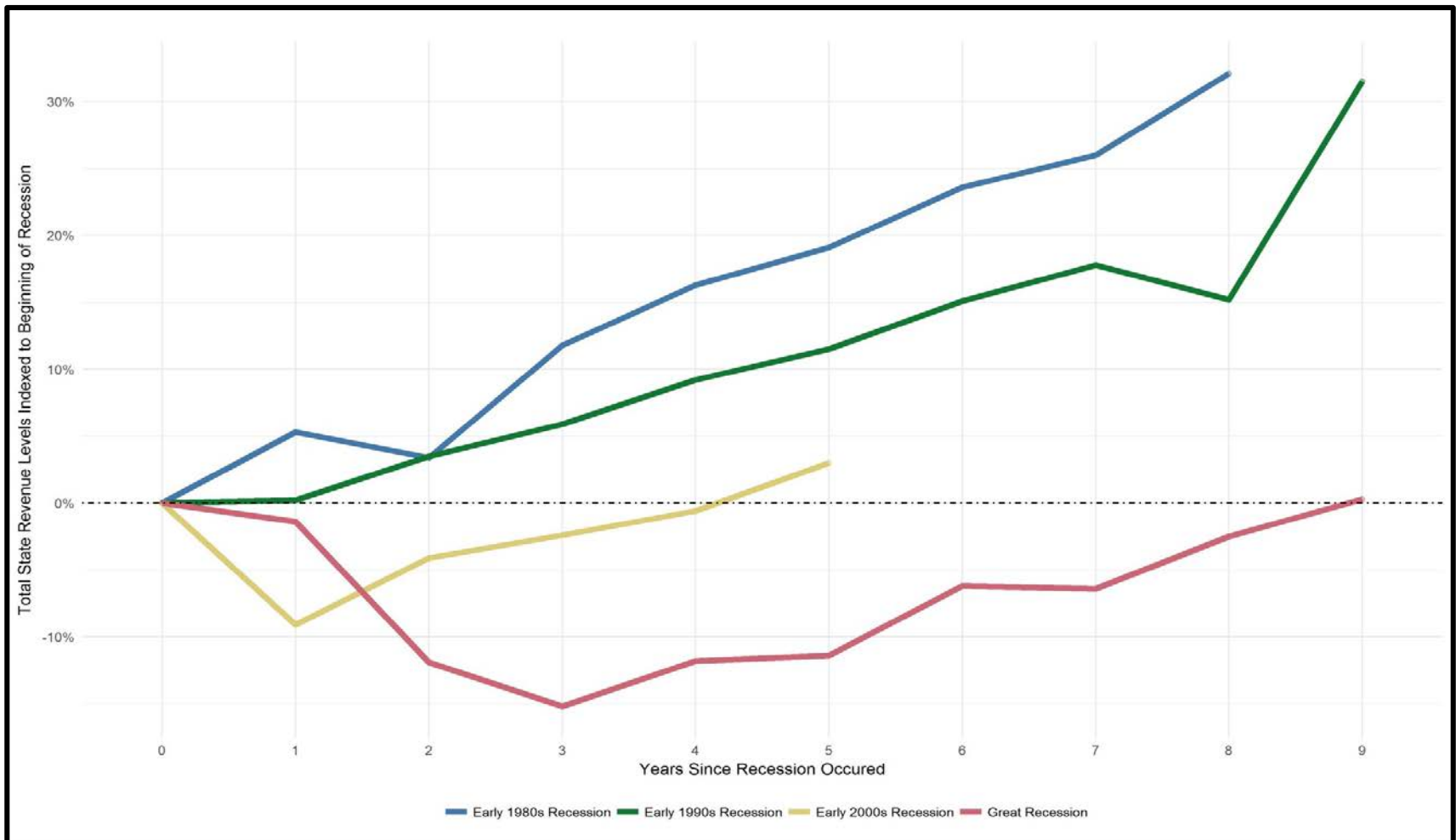


Ratings Movements For U.S. States



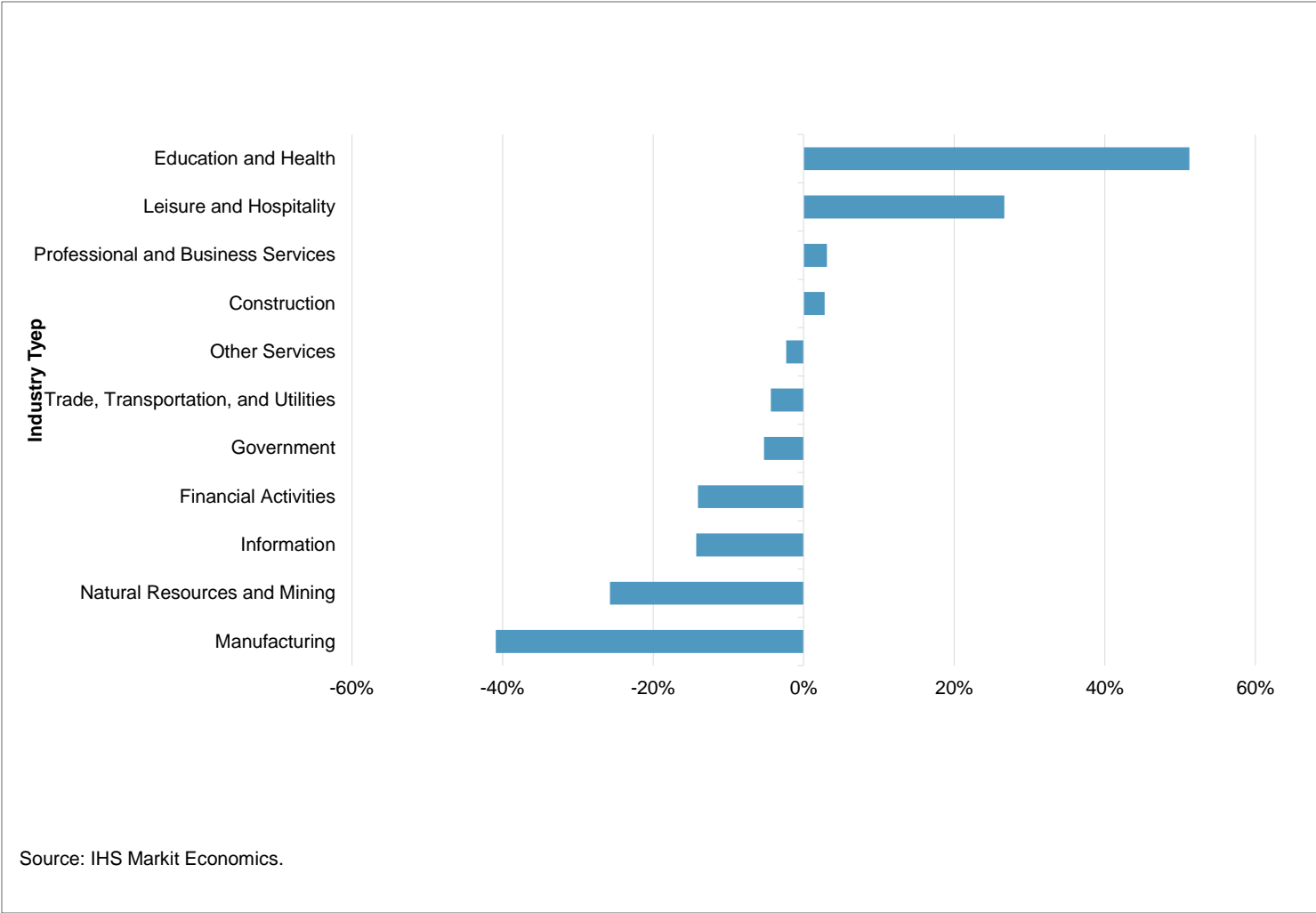
Source: S&P Global Ratings History of U.S. State Ratings 09/20/18. *As of 09/20/18. Includes multiple rating changes for same state within a year

Total Revenue Recovery Has Lagged Prior Economic Expansions (All States)



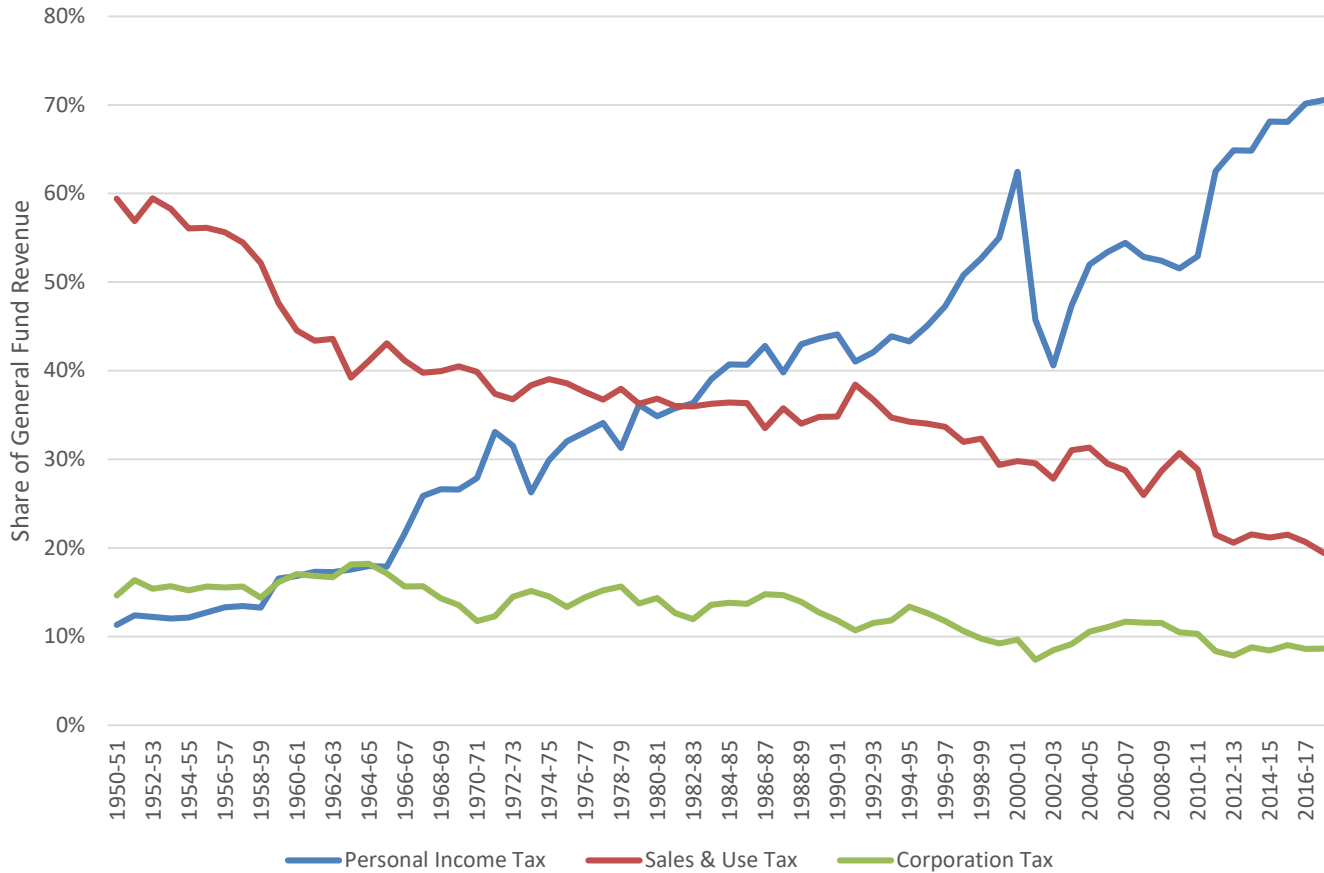
Source: U.S. Census Bureau

Percentage Change In Share Of Employment By Industry (California) (1999-2018)



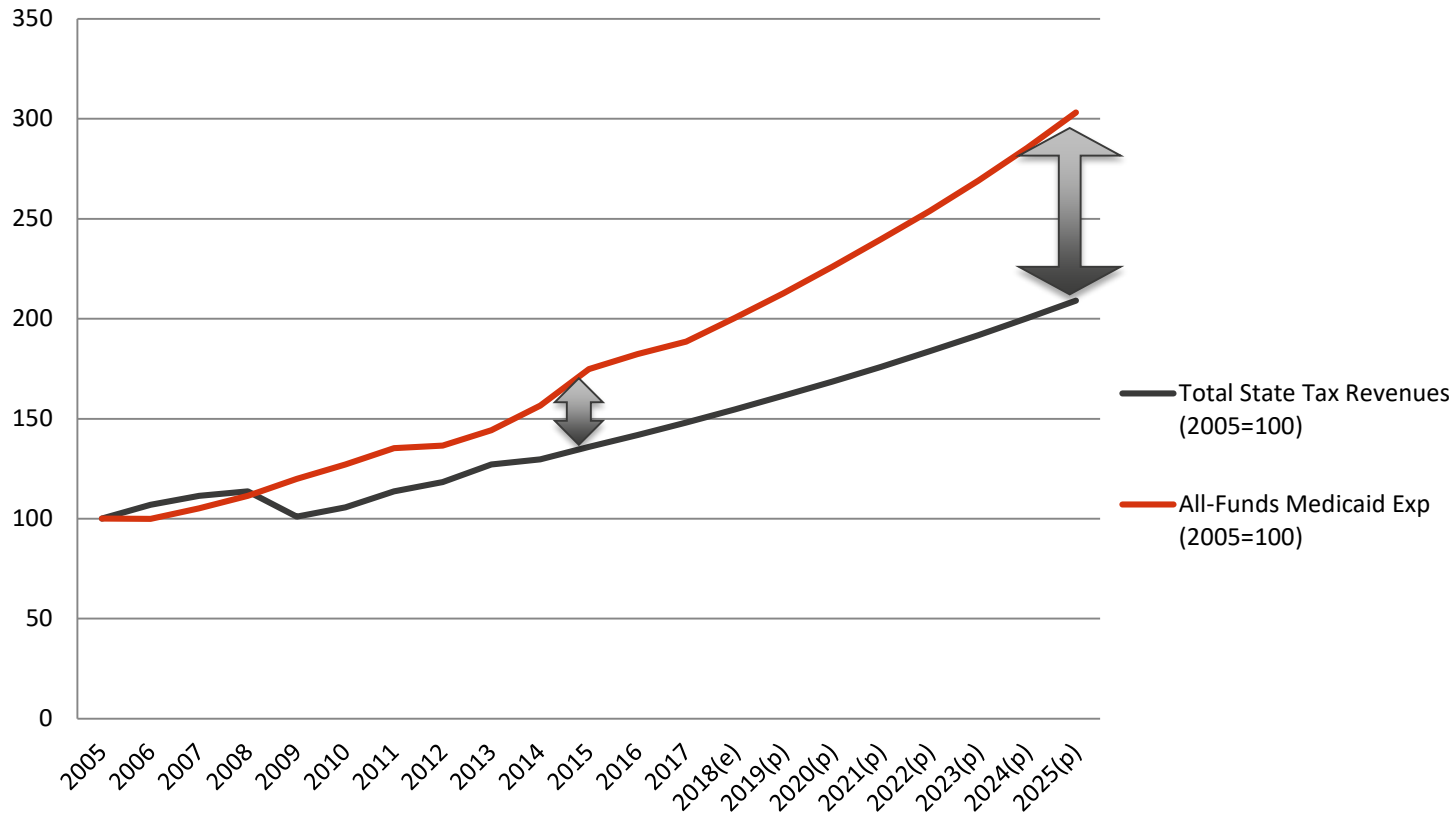
California General Fund Revenue Composition

Increased reliance on Personal Income Tax; Decreased reliance on Sales and Use Tax



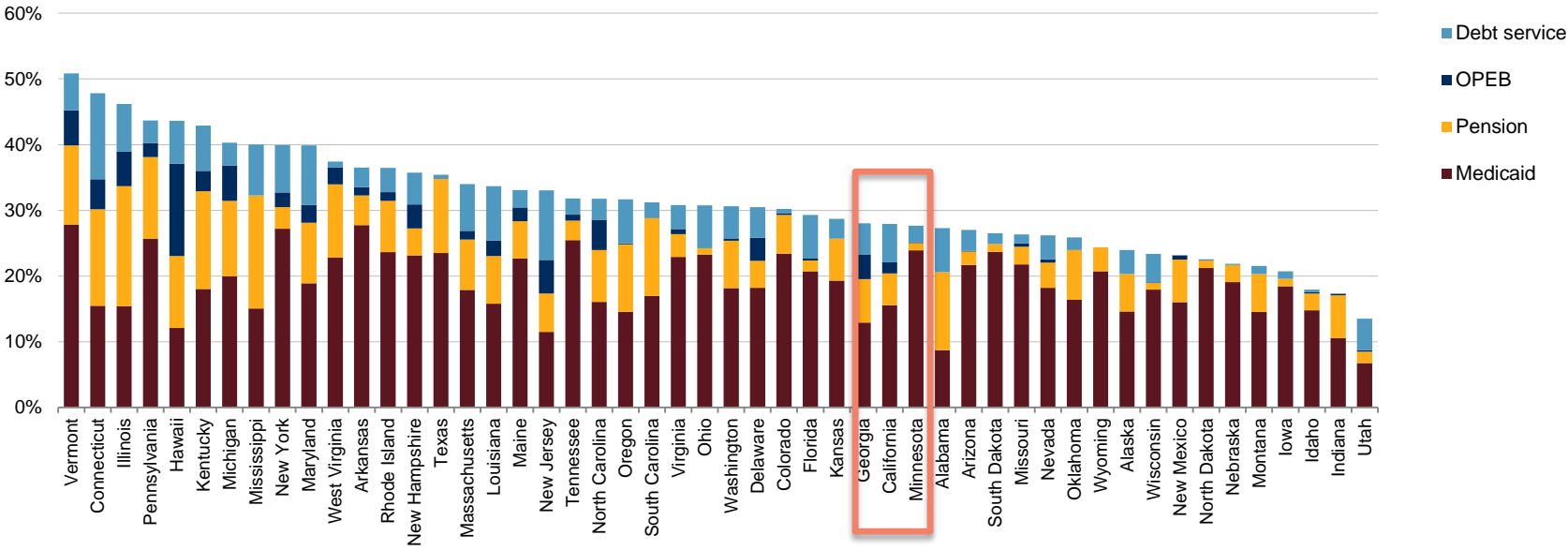
Source: California Legislative Analyst’s Office; California Dept. of Finance

State Sector, Total Tax Revenues Vs. Medicaid Expenditures



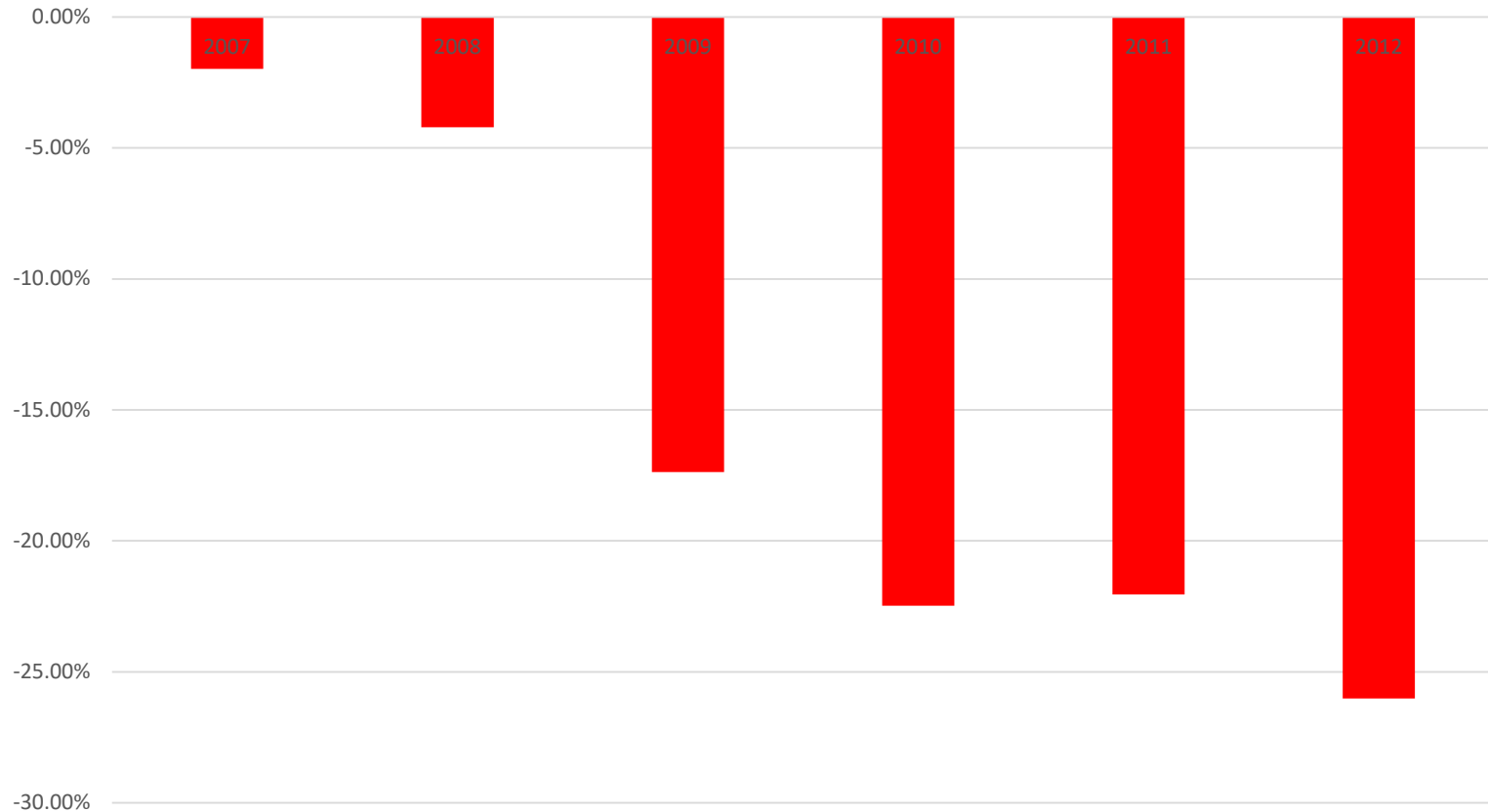
Source: Rockefeller Institute of Government
Source: National Association of State Budget
Officers Expenditure Reports

Combined Medicaid, Debt Service, Pension And OPEB Contributions Share Of General Fund Expenditures



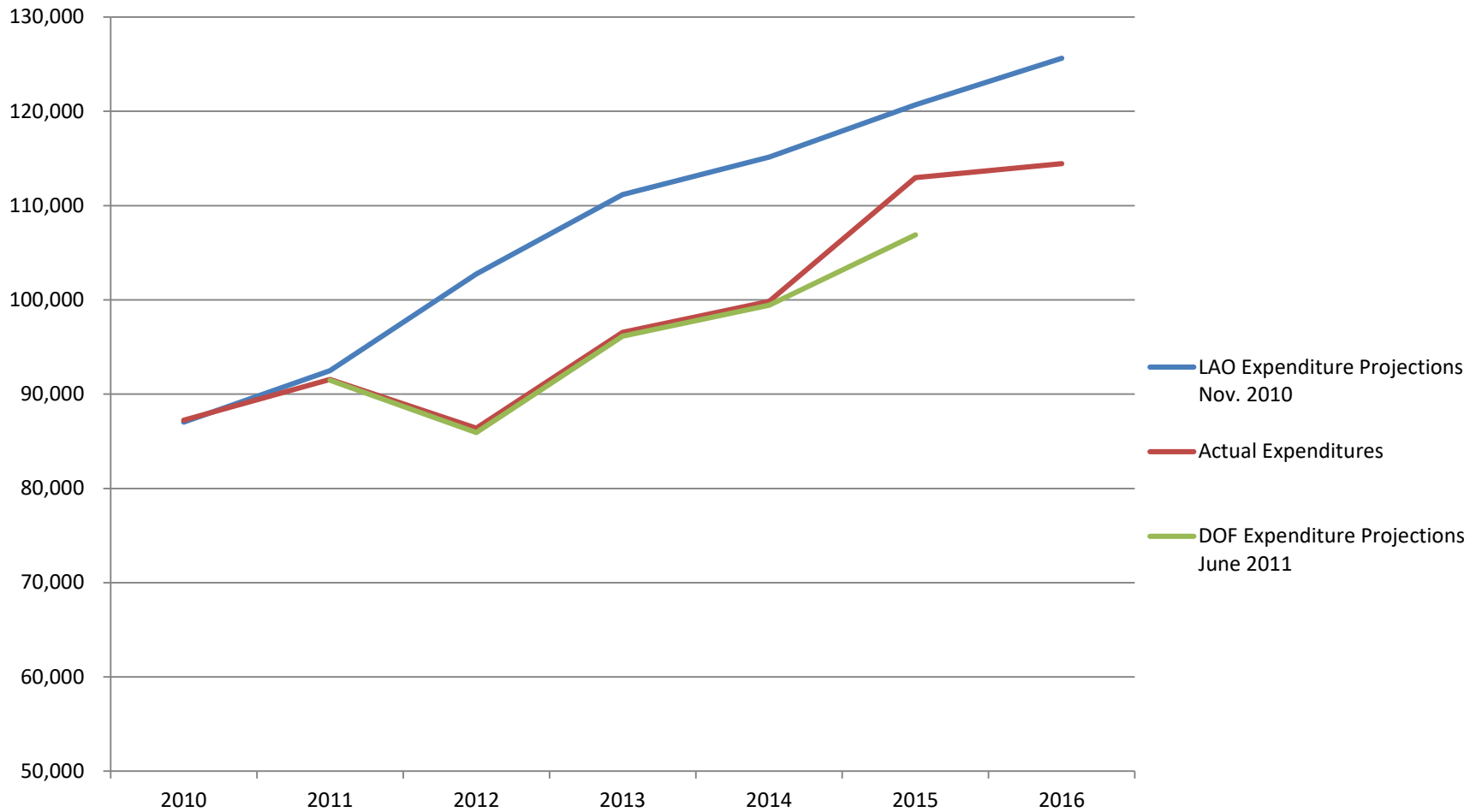
Source: S&P Global Ratings' survey of state budgets, adjusted for biennial budgets where applicable.
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The Problem: California General Fund Total Fund Balance Pct Of Expenditures; FY 2007-2012



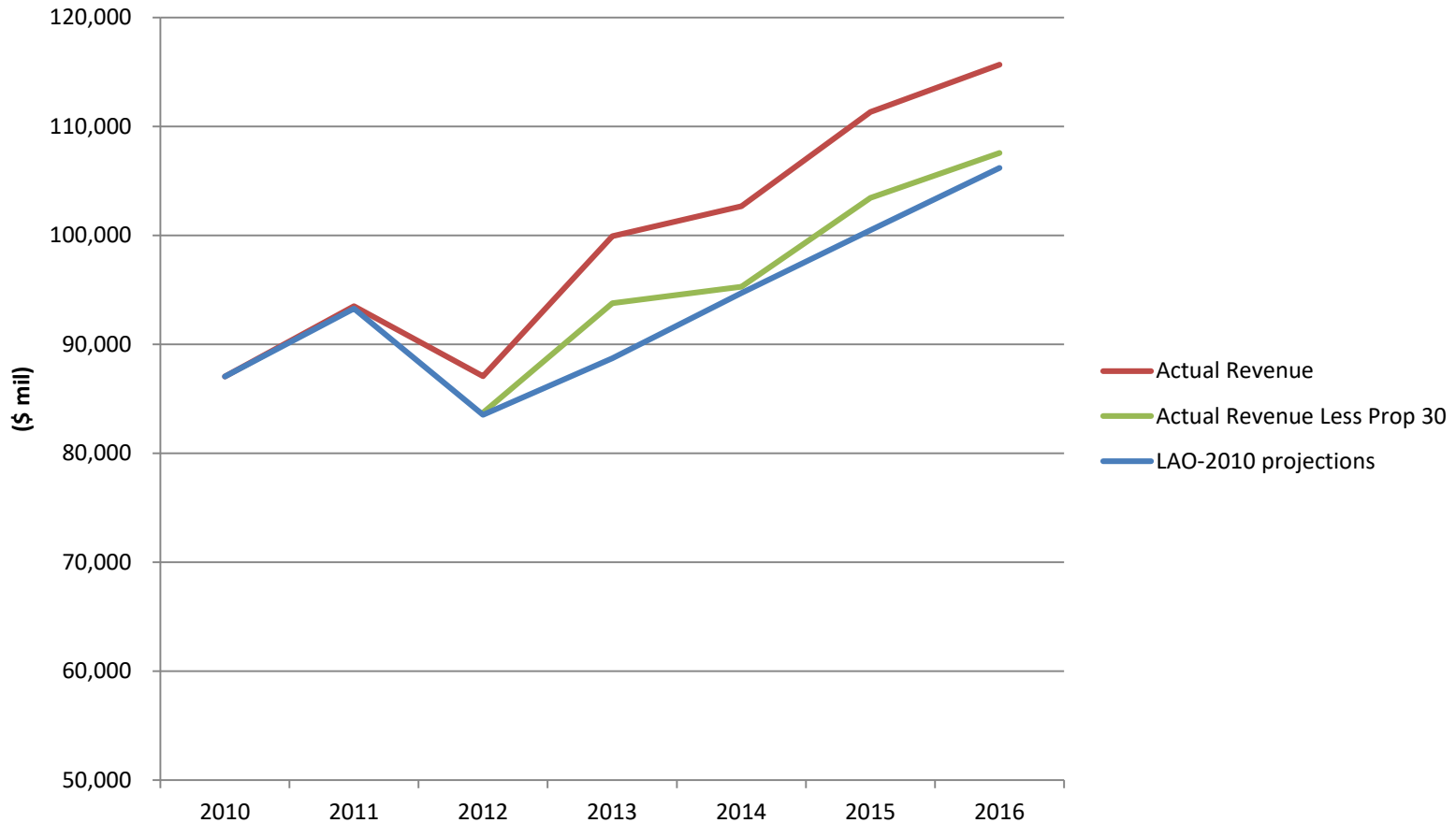
Source: Comprehensive Annual Financial Statements

The Solution (Part 1): California General Fund Expenditures; Projected And Actual



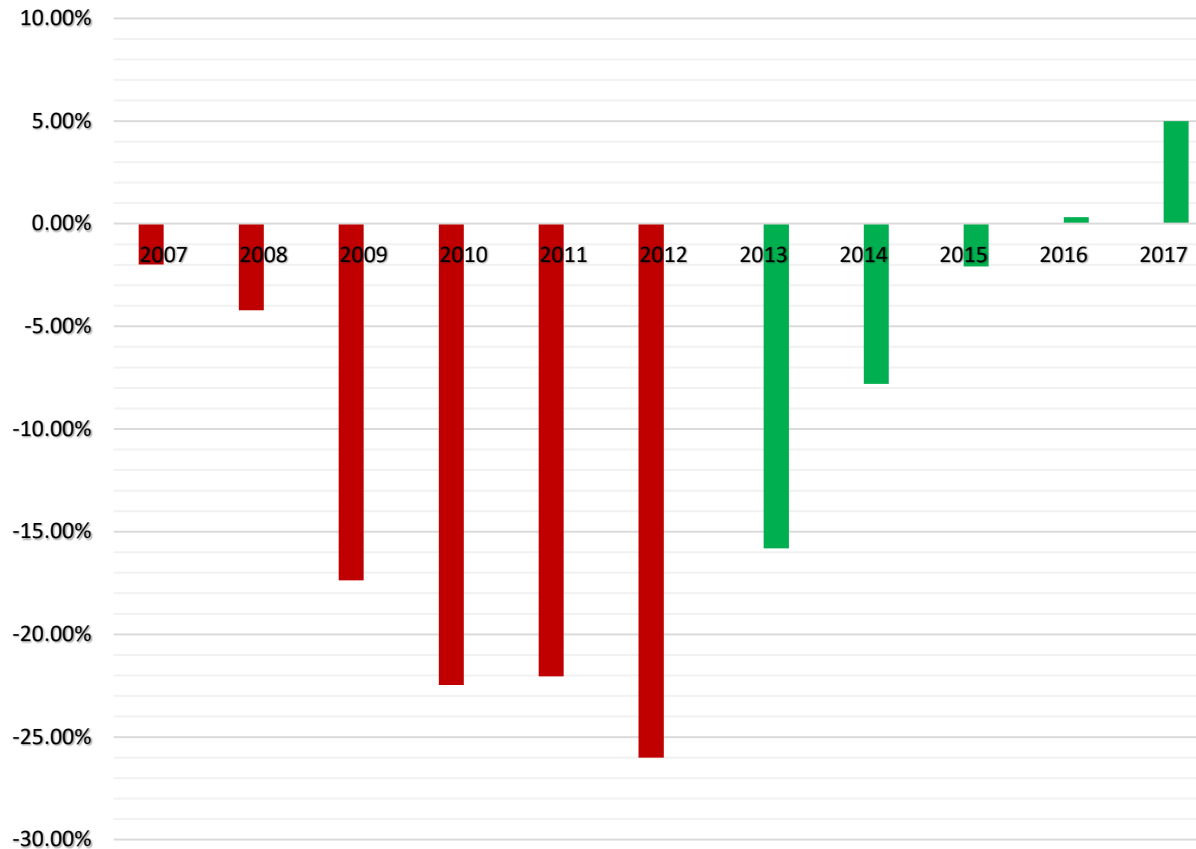
Source: LAO 2011-2012 Fiscal Outlook and CA Dept of Finance

The Solution (Part 2): California General Fund Revenues; Projected And Actual



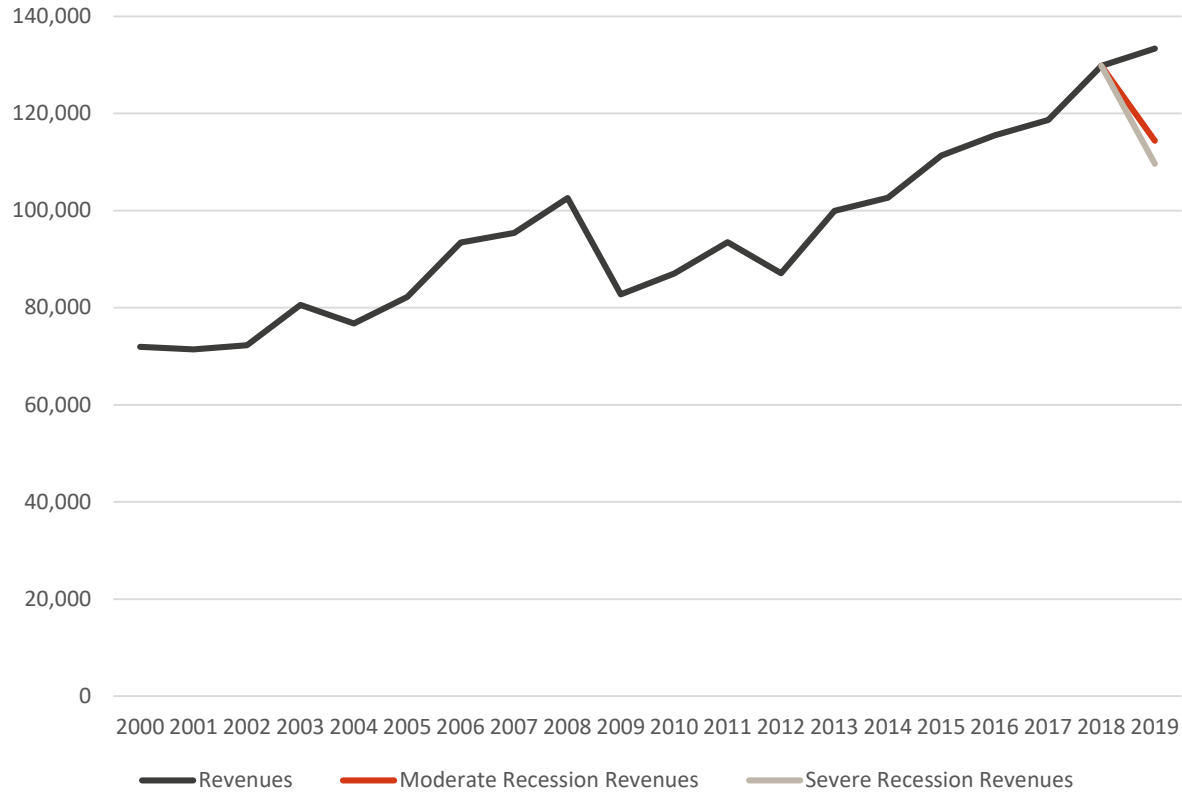
Source: LAO 2011-2012 Fiscal Outlook and CA Dept of Finance

The Results: California General Fund Total Fund Balance Pct Of Expenditures; FY 2007-2017



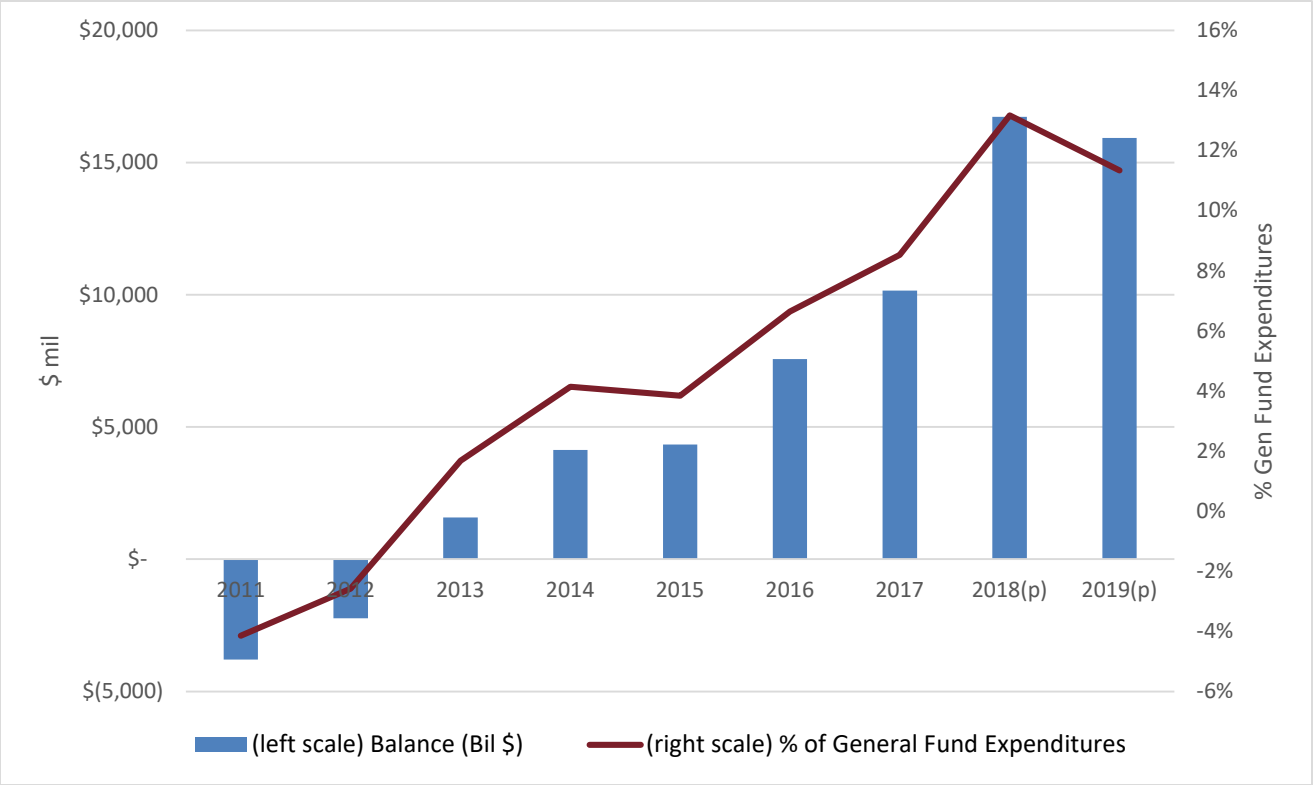
Source: Comprehensive Annual Financial Statements

...But California General Fund Revenues Remain Prone To Cyclicality



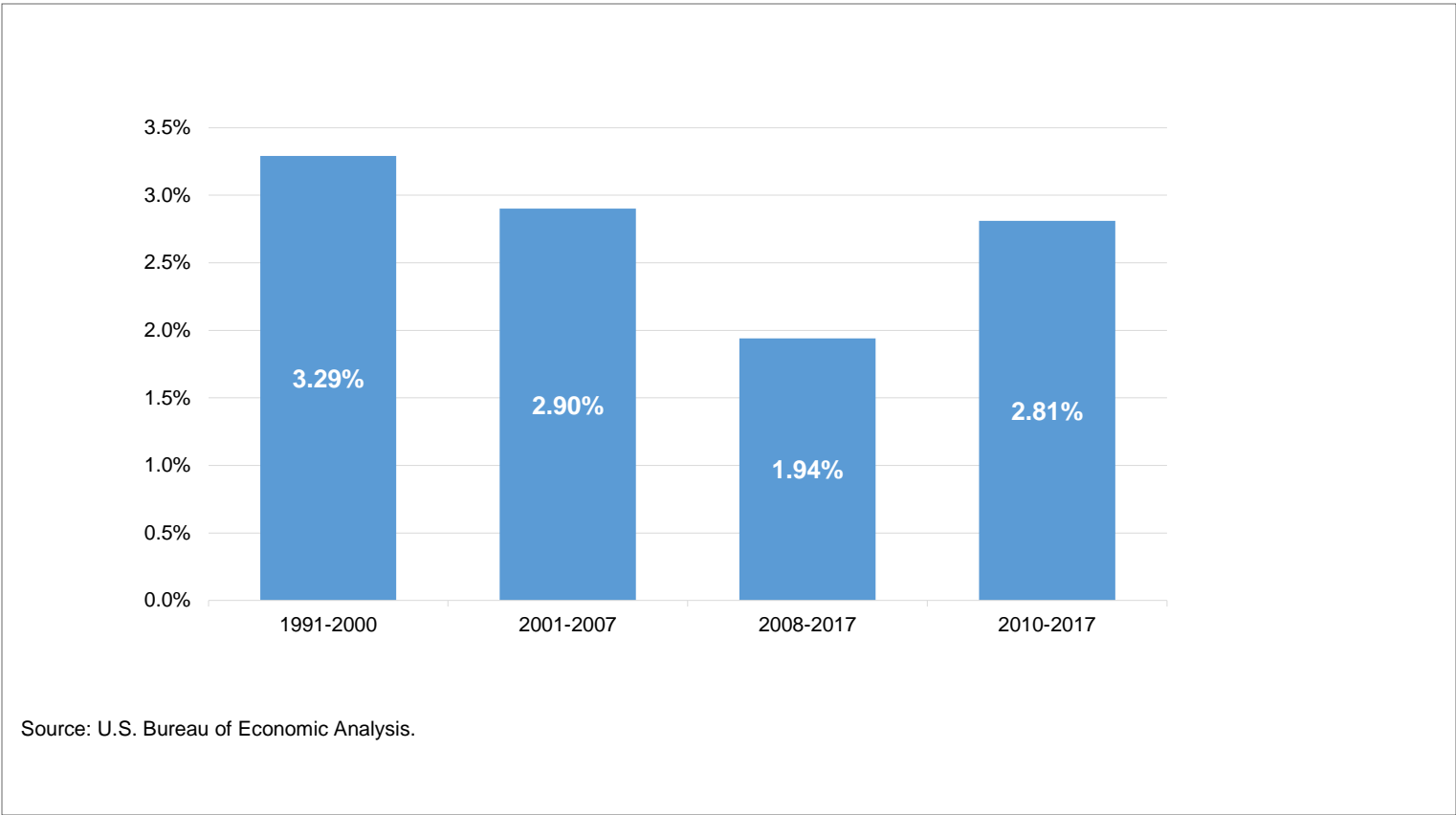
Source: Source CA Dept of Finance and S&P calculations

California Special Fund for Economic Uncertainty and Budget Stabilization Account



Source: Source CA Dept of Finance

California Real State GDP Growth Rates



Mortgage Debt To Personal Income In California

