

JANUARY 17, 2019

Overview of the Governor's Budget

PRESENTED TO:

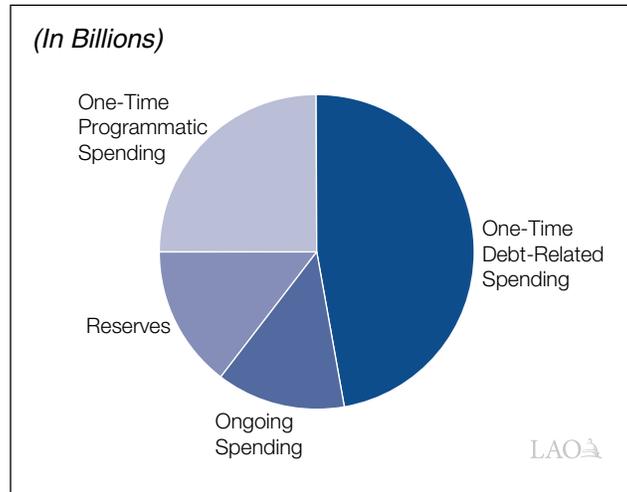
Senate Budget and Fiscal Review Committee
Hon. Holly J. Mitchell, Chair



LEGISLATIVE ANALYST'S OFFICE

The Big Picture

How the Governor Allocates \$20.6 Billion in Discretionary Resources



- Budget condition continues to be positive.
- We estimate the administration had an additional \$6 billion to allocate in 2019-20 compared to our November estimates, mostly as a result of lower Medi-Cal spending.
- Administration devotes nearly half (\$9.7 billion) of these resources to paying down state debts, \$5.1 billion to one-time spending, and roughly \$3 billion each for reserves and ongoing spending.



Major Discretionary Proposals in the Governor's Budget

<i>General Fund (in Millions)</i>		
	One Time or Temporary	Ongoing Amount^a
Debt and Liabilities	\$9,718	—
Reserves	\$2,982	—
Programmatic Spending		
Education		
Provides funding for early education	\$1,250	\$125
Provides various augmentations for the universities	417	540
Other education proposals	382	133
Subtotals	(\$2,049)	(\$798)
Health and Human Services		
Increases CalWORKs grant payments 13.1 percent across-the-board	—	\$348
Continues the 7 percent service hour restoration in IHSS	—	342
Other health and human services proposals	\$225	847
Subtotals	(\$225)	(\$1,536)
Housing and Homelessness	\$1,850	\$25
Disaster-Related	319	123
Criminal Justice	215	226
Other	473	10
Totals	\$5,132	\$2,718
Revenue Proposals		
Expands state earned income tax credit		-\$600
Plans partial conformity with federal tax changes		1,000
^a In 2019-20. Note: Excludes constitutional spending requirements for schools and community colleges, required debt payments, and required reserve deposits. Governor attributes spending to both 2018-19 and 2019-20. IHSS = In-Home Supportive Services.		



LAO Comments

- The Governor's budget outlines many policy priorities early.
- Ongoing costs in line with estimates of available ongoing resources, but costs could grow.
- Smaller share of discretionary resources allocated to reserves.
 - New interpretation of Proposition 2 increases mandatory reserves, but eliminates infrastructure spending.
 - Paying down debt and liabilities improves budget bottom line condition.
- Schools could be vulnerable to a recession.
- Revenue estimates very similar to ours, but financial market poses risk.

