

JANUARY 29, 2019

# Overview of the Governor's Budget

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PRESENTED TO: Assembly Committee on Budget  
Hon. Philip Y. Ting, Chair

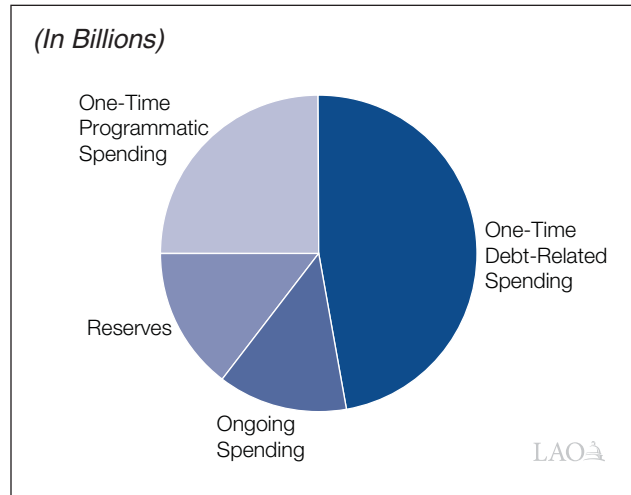


LEGISLATIVE ANALYST'S OFFICE

# The Big Picture

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## 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>		
	<b>One Time or Temporary</b>	<b>Ongoing Amount<sup>a</sup></b>
<b>Debt and Liabilities</b>	<b>\$9,718</b>	—
<b>Reserves</b>	<b>\$2,982</b>	—
<b>Programmatic Spending</b>		
<b>Education</b>		
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)
<b>Health and Human Services</b>		
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)
<b>Housing and Homelessness</b>	\$1,850	\$25
<b>Disaster-Related</b>	319	123
<b>Criminal Justice</b>	215	226
<b>Other</b>	473	10
<b>Totals</b>	<b>\$5,132</b>	<b>\$2,718</b>
<b>Revenue Proposals</b>		
Expands state earned income tax credit		-\$600
Plans partial conformity with federal tax changes		1,000
<sup>a</sup> 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

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- 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.

