

JANUARY 18, 2023

# The 2023-24 Budget: Overview of the Governor's Budget

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PRESENTED TO:

Senate Committee on Budget and Fiscal Review  
Hon. Nancy Skinner, Chair

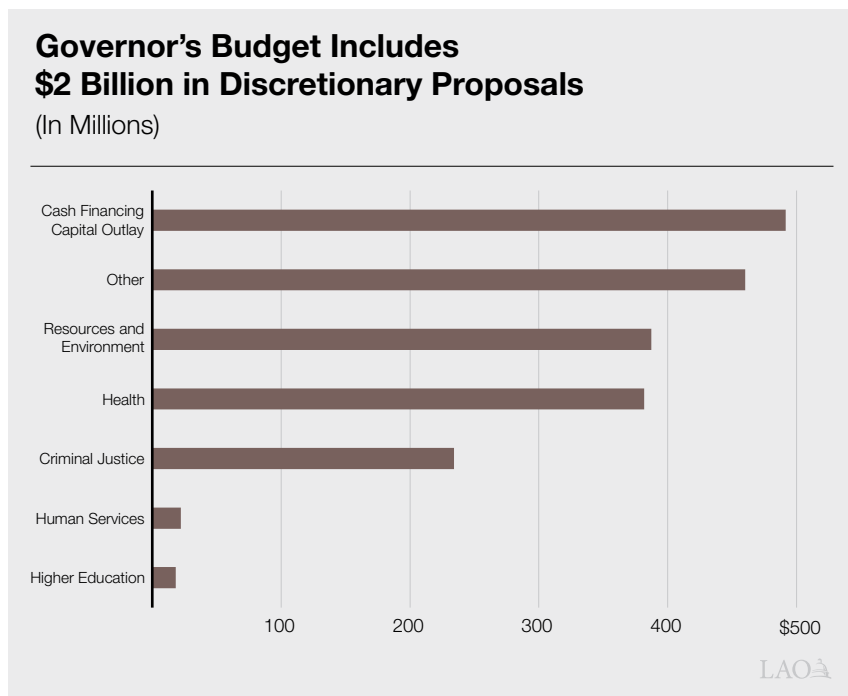


LEGISLATIVE ANALYST'S OFFICE

# \$18 Billion Budget Problem

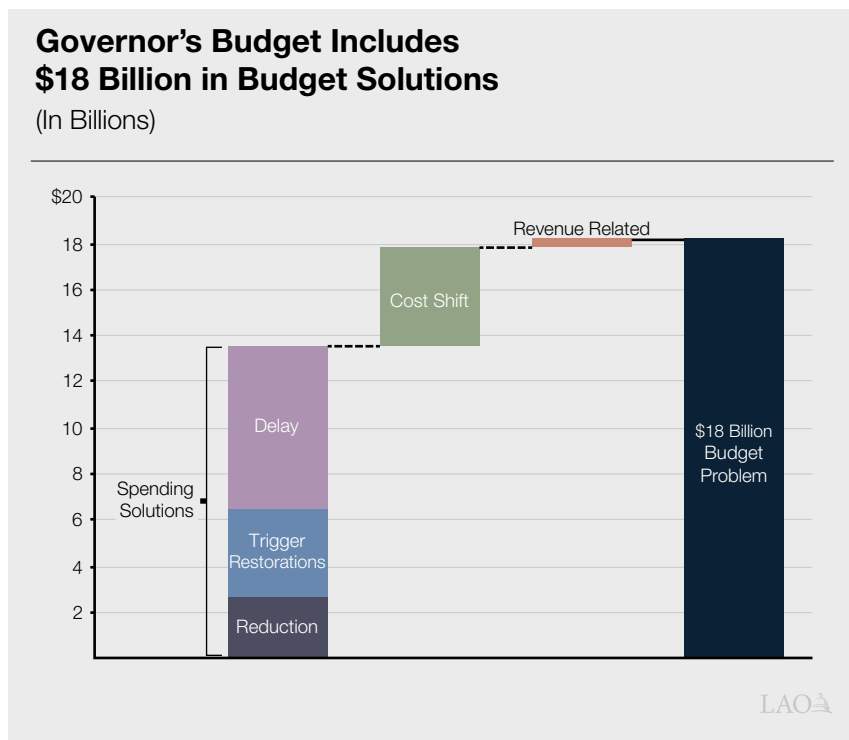
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- Manageable budget problem, mainly driven by lower revenue estimates relative to the June 2022 budget.
- Slightly lower than administration's estimate of budget problem.
- New discretionary spending proposals add to budget problem.



# Solving the Budget Problem

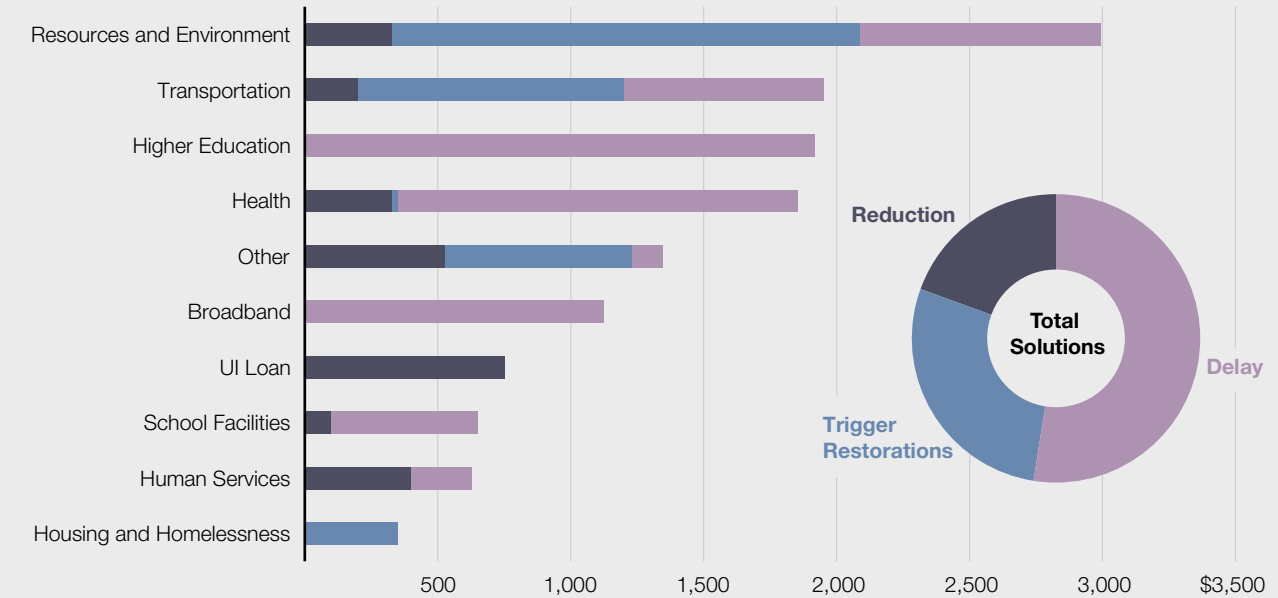
Administration proposes addressing the budget problem primarily through spending-related solutions.



# Solving the Budget Problem

(Continued)

## Most Spending Solutions Are Trigger Restorations or Delays



UI = Unemployment Insurance.

LAO



# Budget Condition

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## General Fund Condition Summary

(In Millions)

	2021-22 Revised	2022-23 Revised	2023-24 Proposed
Prior-year fund balance	\$41,102	\$52,713	\$21,521
Revenues and transfers	233,891	208,883	210,174
Expenditures	222,280	240,076	223,614
Ending fund balance	\$52,713	\$21,521	\$8,081
Encumbrances	4,276	4,276	4,276
SFEU balance	48,437	17,245	3,805
<b>Reserves</b>			
BSA	\$19,867	\$21,487	\$22,398
SFEU	48,437	17,245	3,805
Safety net	900	900	900
<b>Total Reserves</b>	<b>\$69,204</b>	<b>\$39,632</b>	<b>\$27,103</b>

BSA = Budget Stabilization Account and SFEU = Special Fund for Economic Uncertainties.

- Governor does not declare a budget emergency.
- Administration plans for multiyear deficits of \$9 billion in 2024-25, \$9 billion in 2025-26, and \$4 billion in 2026-27.



## School and Community College Budget

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- The minimum funding requirement for schools and community colleges has decreased by \$3.4 billion in 2022-23 and \$1.5 billion in 2023-24 relative to the level enacted last June.
- Although overall funding is down, approximately \$6 billion is available for new commitments due to the end of various one-time initiatives and lower-than-anticipated program costs.
- The largest proposed augmentation is an 8.13 percent cost-of-living adjustment for school and community college programs.
- The budget uses \$1.4 billion in one-time funds to cover ongoing costs in 2023-24, which would create a small deficit for the following year if funding does not increase by a like amount.



# Comments

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## Budget Year

- Governor's emphasis on spending solutions, instead of reserves, is prudent.
- However, Governor's new proposals require reductions to planned spending and some budget solutions are in areas where the Legislature has signaled clear priorities.
- Recommend the Legislature plan for a larger budget problem by identifying more spending reductions due to downside revenue risk.

## Multiyear

- Although timing differs, LAO and the Department of Finance revenue estimates are very close.
- Recommend the Legislature's budget not include future deficits.



# Criteria

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The Governor's budget identifies one set of recent augmentations to reduce or delay in order to address the budget problem. The Legislature can select entirely different spending solutions.

## **Criteria for Evaluating Augmentations for Reduction or Delay**

Recent One-Time and Temporary Augmentations That Do Not Meet These Criteria Could Be Considered

- The projects or activities are specific and address the Legislature's goal.
- The underlying needs have not changed.
- Early indications show that the projects or activities are meeting their goals.
- The involved entities have the capacity to administer the initiative.
- Pausing or delaying the appropriation would have significant negative distributional impacts on populations of concern.
- The augmentation does not duplicate federal or special fund activities
- The projects or activities primarily meet an acute need.

