

JUNE 14, 2023

Overview of the Legislature's Budget Package

PRESENTED TO:

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



LEGISLATIVE ANALYST'S OFFICE

General Fund Condition Under Legislative Budget Package

General Fund Condition Summary		
(In Millions)		
	2022-23 Revised	2023-24 Proposed
Prior-year fund balance	\$55,916	\$26,341
Revenues and transfers	205,134	209,171
Expenditures	234,710	227,039
Ending fund balance	\$26,341	\$8,473
Encumbrances	\$5,272	\$5,272
SFEU Balance	\$21,069	\$3,201
Reserves		
BSA	\$22,252	\$22,252
SFEU	21,069	3,201
Safety net	900	900
Total Reserves	\$44,221	\$26,353
SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.		

- Plans \$26.4 billion in general purpose reserves (nearly identical to the May Revision level of \$26.5 billion). Similar to May Revision approach, does not use any of the state’s constitutional reserves to address the budget problem.
- Includes \$10.8 billion in the constitutionally required reserves for schools and community colleges (in addition to general purpose reserves above).



Some Major Differences Between Legislature's Package and Governor's May Revision

Schools and Community Colleges. Adopts LAO estimates of local property tax revenue, which increase the Proposition 98 guarantee by \$2.1 billion across 2022-23 and 2023-24. Uses the additional funding primarily to help maintain previously approved programs. Rejects most of the proposed cuts to discretionary block grants but delays or reduces a few other allocations—mainly competitive grants for schools.

Child Care and State Preschool. Reallocates projected unspent funds in child care and State Preschool programs to increase rates and reduce family fees beginning October 1, 2023.

Climate Change and Energy. Includes a similar but slightly different mix of reductions as the Governor from climate change-related packages. Restores some funding for legislative priority activities such as coastal resilience and water recycling while reducing funding for energy reliability programs and for implementing water-related voluntary agreement projects.

Transportation. Restores \$1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and allows local agencies flexibility to use this funding for operations. Augments funding for transit agencies to purchase zero-emission buses and allows them flexibility to use it for operations. Also restores \$200 million for the Active Transportation Program.

Lease Revenue Bond Financing. Rejects Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, including a portion of the Department of General Services' New Richards Boulevard Project. Instead, lease revenue bond financing will be used to pay for these costs.

Managed Care Organization (MCO) Tax. Adopts proposed MCO tax, as well as proposed allocation of tax's fiscal benefit toward replacing General Fund support in Medi-Cal, increasing certain Medi-Cal provider rates, and providing other augmentations. Accelerates time line to spend funds for other augmentations from eight to ten years to around four years, with the specific initiatives to be determined.

