

The 1991-92 Budget: Perspectives and Issues

***Report from the Legislative Analyst's Office
to the Joint Legislative Budget Committee***

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Introduction

The purpose of this document is to assist the Legislature in setting its priorities and reflecting these priorities in the 1991 Budget Act and in other legislation. It seeks to accomplish this by (1) providing perspectives on the state's fiscal condition and the budget proposed by the Governor for 1991-92 and (2) identifying some of the major issues now facing the Legislature. As such, this document is intended to complement the *Analysis of the 1991-92 Budget Bill*, which contains our traditional item-by-item review of the Governor's Budget.

The *Analysis* continues to report the results of our detailed examination of all programs and activities funded in the Governor's Budget. In contrast, this document presents a broader fiscal overview and discusses significant fiscal and policy issues which either cut across program or agency lines, or do not necessarily fall under the jurisdiction of a single fiscal subcommittee of the Legislature.

The 1991-92 Budget: Perspectives and Issues is divided into four parts:

- Part One, "State Fiscal Picture," provides an overall perspective on the serious fiscal problem currently confronting the Legislature which requires resolution before the start of the coming fiscal year.
- Part Two, "Perspectives on the 1991-92 Budget," provides a brief overview of the economic and demographic forces which will help shape the budget; a review of the revenue projections assumed in the budget and an assessment of their reliability; and a description of the budget's spending plan, including information on each of the main program areas in the budget (such as K-12 Education, Resources, and Capital Outlay).
- Part Three, "Strategies for Addressing the State's Budgetary Imbalance," offers examples of the various strategies available to the Legislature (such as eliminating tax expenditures, reducing services, and shifting costs to fees) in addressing the current funding gap. It also lists

some considerations on how each type of strategy should be used.

- Part Four, "Major Issues Facing the Legislature," discusses some of the broader issues currently facing the Legislature. Given the state's current fiscal problems, we have included several analyses in key fiscal areas: Proposition 98 and its proposed suspension, county-state relations and the impact of the Governor's "realignment" proposal, the AFDC program and the implications of the Governor's proposal to reduce welfare grant levels, and the community corrections alternative and how it might relieve prison overcrowding and some of the pressure on state prison spending. In addition, Part Four has overview pieces on state infrastructure, the uses of bond proceeds, school restructuring, and the state rail transportation program.