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Legislative Analyst Proposes Alternative Budget Plan

In her annual review of the Governor’s Proposed Budget, the Legislative Analyst Elizabeth Hill generally credits the Governor with using “reasonable numbers” for revenue and expenditure estimates, but strongly criticizes his proposal to make across-the-board reductions. She comments that “While the administration’s approach of across-the-board reductions has the appeal of fairness, it reflects little effort to prioritize and determine which state programs provide essential services or are most critical for California’s future.”

Although the Legislative Analyst’s Office (LAO) credits the administration with “reasonable assumptions and projections of revenues, costs, and risks,” they indicate that current data, which was not available when the Governor’s budget was prepared, causes them to project the budget shortfall to be approximately $16 billion, compared to the Governor’s January estimate of $14.5 billion.

In response to these concerns, the LAO takes the highly unusual step of proposing an alternative budget plan, including targeted budget cuts and some revenue increases. According to the LAO, their alternative:

- Provides a more balanced and targeted approach
- Increases revenues by more than $2 billion
- Results in a balanced budget through 2012-13
- Proposes a “better Proposition 98 approach”

Of particular interest to K-12 educators are the LAO’s proposals relative to Proposition 98. In general, these proposals are the same as those considered and rejected by the Legislature during recent hearings on the issue of mid-year budget cuts.

The LAO proposes to reduce current-year Proposition 98 funding by $1.5 billion. The key action would be to “swap” prior-year Proposition 98 settle-up funding to pay for current year costs. According to the LAO, this action would have little impact on current year operations of school districts, but would “reduce the ongoing Proposition 98 spending level.” It is this ongoing effect that generated opposition from the education community during the mid-year budget hearings earlier this month.

In addition, the LAO proposes to provide no cost-of-living adjustment for 2008-09 and to delay implementation of the Quality Education Investment Act (QEIA), for a savings of $450 million.

Finally, the LAO proposes to consolidate 43 various categorical programs into four new block grants to provide school districts and county offices of education with greater flexibility.

The analysis may be obtained from the LAO website at: [http://www.lao.ca.gov/laoapp/main.aspx](http://www.lao.ca.gov/laoapp/main.aspx).