

# **Critical Choices for California: The 1999-00 State Budget**

May 1999

## **Introduction**

Release of the May Revision to the Governor's Budget marks the start of serious negotiations over the state's budget for the upcoming fiscal year. For the fourth consecutive year, the *May Revision* contains good news for California's fiscal future -- between the current and upcoming budget years, the state will receive an estimated \$4.3 billion more in revenues than was forecast in January. *Critical Choices for California: The 1999-00 Budget* makes three key findings. First, as proposed, the 1999-00 budget spends more than it raises in revenues. This could leave the state vulnerable in the event of a slowdown in the economy or unforeseen expenditures. Second, there are a number of risks to the budget as proposed, including costs related to litigation and federal aid that is unlikely to materialize. Finally, the budget defers action on several of the most pressing issues confronting California, including creation of a long-range plan to address the state's infrastructure needs and reforming the fiscal relationship between the state and local governments.

For the fourth year in a row, California received an April surprise -- a significant increase in revenues above the level forecast in the Governor's January Budget. The additional resources will close the gap identified in the proposed 1999-00 spending plan and offer the Legislature the opportunity to consider budget augmentations. This report examines the Governor's Proposed 1999-00 Budget as modified by the May Revision and concludes by highlighting several of the key issues confronting policymakers as they craft a final spending plan. While certainly not an exhaustive list, the outcome of debate on these and other issues will affect the future of California for years to come.

The 1999-00 budget offers lawmakers a unique opportunity to plan for the future. The economy remains strong and public support for investment in services critical to the future of the social and economic well-being of California is widespread. The budget represents the most important expression of our values and vision for our state and its future. A healthy economy and strong revenue growth provides the opportunity to invest in a better future for all Californians.