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| ***January 18, 2019*****LAO Releases Its Overview of the Governor’s 2019-20 Budget Proposal**On Monday, January 14, 2019, the Legislative Analyst’s Office (LAO), the Legislature’s nonpartisan policy and fiscal advisor, released its [**overview**](http://r20.rs6.net/tn.jsp?f=001LDMYrSjW-n4-oe9QcuDybxv-oCWNKVR-x1F0xbrXR8887EDd6Aj_mlpmEsCD1soWouQLhgepwzLuS6_0DibALUj-slIdWLWQ5BfoVEZKBUnVYBCheVuoT0pVOb6gGZF9GX9CAH69gNBcl2ZrokOXr3iI50zuH3NIRjxRH3KglPe9n1xRiDFVz5_g3Rq6ks3P2zO6B6jYRnG0JUQLJAxdNeSj2m2ULeLBX94yamOrlI4sWg2eeHEwpLUIXGjYG0jqGJybix3mNTE=&c=KaXYbJs772639YpR0rBWXoRUrvJYf-stoT1D8gnA9Pppu3WMf-t1Cg==&ch=J_C5mRlzT5vNGdzaSe_X_8I3Oxmd26AZfMj-0cPUVJAldr7-3W6F1g==) of the Governor’s Budget proposal. The overview acts as a preview of its more detailed program-specific analyses, which are usually released in February. The report highlights Governor Gavin Newsom’s proposed pay down of unfunded pension liabilities. Of this amount, $2.3 billion would go to the community college and K-12 districts’ share of the California State Teachers’ Retirement System (CalSTRS) unfunded liability. Separate from the $2.3 billion pay down, the LAO report notes that the Governor also proposes providing $700 million over the next 2 years ($350 million per year) to provide community college and school districts immediate budget relief in order to reduce districts’ CalSTRS rates in 2019-20 and 2020-21.The LAO maintains that state revenues in 2018-19 and 2019-20 are lower than the Administration’s estimates by less than $100 million, which makes the LAO and the Administration much closer in their estimates than in years past. Additionally, the LAO states that Governor Newsom’s proposal of $3 billion in ongoing spending was roughly the level of ongoing spending that they predicted the budget could support; however, the LAO warns that recent experience indicates revenues could come in somewhat lower than the estimates made by the Administration.In the report, the LAO cautions that Proposition 98 funding might be vulnerable to a recession due to a lack of deposit in the Proposition 98 stabilization account and a lack of one-time funds towards the Proposition 98 minimum guarantee in Governor Newsom’s proposal. From 2013-14 through 2018-19, the state has set aside $700 million per year to mitigate the effects of a future drop in the guarantee, reducing the likelihood of cuts to ongoing programs. The LAO states that Governor Newsom’s proposal provides no “cushion” to the Proposition 98 minimum guarantee, supporting approximately $100 million for ongoing program costs with one-time funding, leaving an ongoing shortfall in the 2020-21 budget. |

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