

THE 2002-03 STATE BUDGET

OVERVIEW

The 2002 State Budget Act encompasses the most significant fiscal decisions, and many of the most critical policy decisions the Legislature and the Administration will make this year. Through this one Act, literally hundreds of decisions have been made that will impact the lives of every child, adult, senior, and business in California.

Given the size, complexity and importance of the state's budget, the Assembly Budget Committee has prepared this analysis to share the most important aspects of the 2002 State Budget Act with all members of the Legislature, their staffs, and most importantly the general public.

On January 10, 2002, Governor Gray Davis introduced his proposed budget for the 2002-03 fiscal year. The proposed budget contained \$80.8 billion in available General Fund resources, and \$78.8 billion in General Fund expenditures. The January proposal was predicated upon economic and revenue forecasts developed during the Fall of 2001 by the Department of Finance. This forecast identified a \$12.5 billion General Fund shortfall and included the largest year over year revenue reduction since World War II. However, soon after the budget was released it became apparent that revenue and expenditure projections would need to be revised to reflect an even greater General Fund shortfall.

The Governor's May Revision identified the General Fund shortfall to be \$23.6 billion and contained revenue projections of \$78.5 billion and expenditures projections of \$76.5 billion. Despite the constraints outlined in the Governor's May Revision, the final budget ultimately crafted by the Legislature and signed into law by the Governor on September 5, 2002, preserves critical investments in public education, health access, public safety, human services, and environmental protection.

In total, the 2002 State Budget Act contains expenditures of \$98.8 billion, including \$76.5 billion from the General Fund. The reserve for economic uncertainties stands at \$1.035 billion, or 1.3 percent of General Fund expenditures.

The following tables provide General Fund information, including a final General Fund summary, an outline of how the \$23.6 billion shortfall was closed, and an update of General Fund expenditures by agency as proposed by the Governor, amended by the Legislature, and finally as signed into law by the Governor.

**2002-03 GENERAL FUND
BUDGET SUMMARY
(in millions)**

	<u>2001-02</u>	<u>2002-03</u>
Beginning Resources	\$3,037	\$72
Revenues and Transfers	<u>\$73,898</u>	<u>\$79,158</u>
Total Revised Resources	\$76,935	\$79,230
Expenditures	<u>\$76,863</u>	<u>\$76,722</u>
Fund Balance	\$72	\$2,508
Reserves:		
Liquidation of Encumbrances	\$1,473	\$1,473
Economic Uncertainties	-\$1,401	\$1,035

**CLOSING THE \$23.6 BILLION GAP
(in millions)**

Description	Amount	Percentage
Program Reductions	\$7,458	31.5%
Tobacco Settlement Securitization	4,500	19.0
Loans	2,028	8.6
Deferral of Educational Disbursements	1728	7.3
Fund Shifts	1328	5.6
Net Operating Loss (NOL) Deferral	1200	5.1
Debt Restructuring	1083	4.6
Federal Tax Conformity / Compliance	1081	4.6
Federal Funding Increases	1081	4.6
Fund Transfers	904	3.8
Other Accelerations & Transfers	681	2.9
Stock Options / Bonus Withholdings	400	1.7
Teacher Tax Credit, One-year Suspension	170	.7
Total	\$23,642	100.0%

**GENERAL FUNDS, SPECIAL FUNDS, AND BOND FUNDS BUDGET AMOUNT
BY AGENCY
(in millions)**

	Governor's January 10 Budget	Legislature's Final Budget	Final Budget Act
K - 12 Education	31,851	31,308	31,305
Higher Education	11,378	11,337	11,328
Health & Human Services	27,228	26,609	26,432
Youth & Adult Correctional	5,294	5,312	5,309
Tax Relief	4,423	4,422	4,423
Resources	2,727	3,300	3,298
Environmental Protection	980	1,065	1,057
Courts	1,701	4,451	4,422
State & Consumer Services	1,085	1,058	1,057
Business, Transportation & Housing	7,348	7,067	7,059
Technology, Trade & Commerce	81	52	51
Local Government Subventions / Other	5,936	6,031	6,036