



Strategic Planning & Allocation of Resources Committee

December 10, 2020





Legislative Analyst's Office

Fiscal Outlook



LAO Fiscal Outlook Highlights

- Major state revenue sources: PIT, Sales, Corp tax
- 38% of revenues to schools/CCs under Prop 98
- As revenues grow, Prop 98 share increases
- After FY20/21, revenues projected to increase at an average less than 1% annually **vs.** average 4.5% increase in expenditures = nearly \$17B state budget deficit by FY24/25

LAO Suggestions for FY21/22 State Budget

- Use revenue windfall to buy down deferrals
- Adopt a conservative state budget using new dollars for one-time activities
- Question: Will the Governor use these estimates?



*“ For the LAO’s scenarios to come to fruition, the 2020-21 General Fund revenues must exceed projections by **\$33.5B** (or \$22.2B for the final 7 months of the fiscal year) ... not insurmountable, but there are significant challenges & unknowns in the horizon.”*



District Fund 1 Scenarios for FY 2020-21 Site Allocation

Projected vs Actual

Milestones & Timelines

- January 10, 2021 Governor's FY21-22 State Budget Proposal
- January 2021 SM County Assessor Updates Assessed Valuation Estimates
- January 2021 – P2 320 Report
- May Revise



Thanks!

Any questions?

