
CALIFORNIA BUDGET REPORT

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Hot Off the Press!

LAO's Summary of the 2006-2007 Budget Package

The Legislative Analyst handed out a summary of the 2006-07 Budget Package right before the budget vote last night. It has now been posted to the LAO web site. If you want to know what legislators were told before they voted on the budget package, here it is. We will defer discussion of the categories of spending and only note that the summary is full of items the LAO considers of major importance. The following link will take you to the LAO web site and the budget package summary.

http://www.lao.ca.gov/2006/floor_packet/062706_floor_packet.pdf.

Our fast review of this summary shows the following big picture report:

Total General Fund, Special Fund and Bond **spending** (the state's own-source money) is estimated to be \$101.3 billion for the 2006-07 budget year.

- Total State own-source **revenue** for 2006-07 is \$94.4 billion.
- **State budget spending for 2006-07 is \$6.9 billion more than anticipated revenue.** Call this a "structural gap." We can paper it over this year, but what about the following year?

Should anyone care? Yes, but we predict that the California voters prefer not to face tough decisions. When given a choice of increasing taxes or cutting spending, they choose neither. Politicians have completely surrendered to this approach and not even serious conservatives make a major effort to change the situation. This means continuing borrowing and budget tricks for years to come.

We really should not complain, since this new consensus of no taxes and no spending cuts, makes for endless diversion and amusement at how politicians try to hide the obvious problems.

The California Budget Report is produced by Phil Isenberg and Maureen O'Haren of ISENBERG/O'HAREN. Questions, comments and requests to be added to the mailing list should be directed to Phil at phil@isenberg-oharen.com or Maureen at maureen@isenberg-oharen.com