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S&P: California's Fiscal 2024 Executive Budget Proposal Closes A Projected \$22.5 Billion Budget Gap

Key Takeaways

- We believe the governor's fiscal 2024 budget, as proposed, would largely maintain structural budget balance, although, state-projected revenues could prove optimistic; the California Legislative Analyst's Office forecasts slightly lower fiscal 2024 revenue than the governor's proposal, and neither the office nor the governor anticipates a recession
- The governor's executive budget proposal identifies a \$22.5 billion potential general fund budget gap over the next year and a half, which would mostly be closed through reduction of previously approved one-time spending, spending delays, and shifting costs to other state funds
- The governor's proposal would spend down significant amounts of unreserved fund balance, but still increase the restricted budget stabilization fund slightly to \$22.4 billion (10.0% of proposed general fund expenditures) in 2024, while at the same time paying down about \$1.9 billion of long-term pension and other postemployment benefit liabilities
- While the executive budget forecasts substantial operating deficits throughout its five-year projection, these deficits would be eliminated or reduced to relatively small levels if what the state self-identifies as one-time spending is netted out. The state currently counts \$32.4 billion of one-time spending in fiscal 2023, before proposed adjustments.

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