

CALIFORNIA'S STATE BUDGET: THE GOVERNOR'S PROPOSAL

Paul Warren

► **Governor Brown's 2015–16 budget is buoyed by California's strengthening economy.**

On January 9, Governor Jerry Brown submitted his proposed 2015–16 budget to the legislature. The \$165 billion spending plan includes \$113 billion from the state's General Fund, \$46 billion from special funds, and \$6 billion in bond funds. The proposed General Fund amount is \$5.3 billion (4.9%) more than what was appropriated in the 2014–15 Budget Act.

► **The governor continues his focus on increasing reserves and reducing debt.**

The governor's budget allocates \$5.2 billion to build reserves and retire debt. Proposition 2, approved by voters in November, requires the state to repay debt and build its "rainy day" reserve account each year, depending on General Fund revenue growth. The budget estimates that the proposition requires adding \$1.2 billion to reserves, bringing them to \$2.8 billion. The measure also requires \$1.2 billion in debt reduction, which the governor would use to repay almost \$1 billion of special-fund loans and \$265 million owed to schools and community colleges. The budget also retires K–12 and community college mandate debt of \$1.5 billion and deferrals of \$1 billion.

► **Education is slated for large funding increases in 2015–16.**

The budget would increase K–12 spending by \$7.6 billion, including 9% more (\$4 billion) for the new Local Control Funding Formula. In addition to repaying K–12 mandate costs and deferrals, the budget calls for one-time increases for emergency facility repairs (\$273 million), career technical education (\$250 million), and technology infrastructure (\$100 million). The University of California and California State University systems would get 4% increases in general purpose funds (\$120 million). Community colleges are slated for \$1.1 billion in new funds (8%), of which \$500 million would support a new adult education block grant to be administered regionally by colleges and school districts. Funding would also increase to assist underrepresented groups of students (\$200 million), supplement base per-student funding rates (\$125 million), and cover 2% attendance growth (\$107 million).

► **Medi-Cal costs continue to rise.**

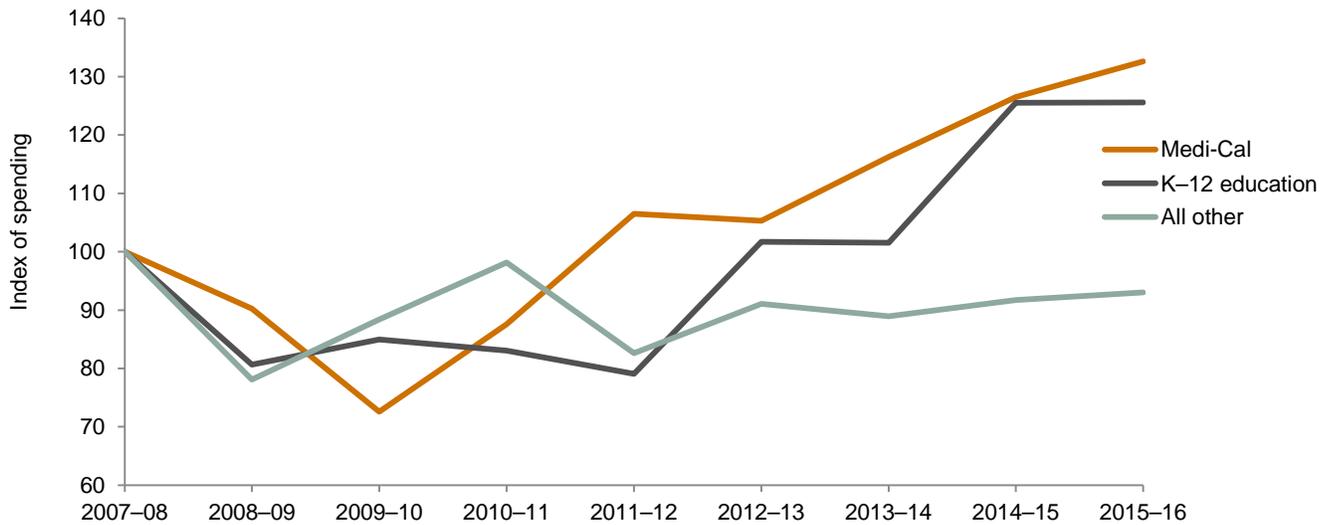
The budget increases Medi-Cal spending by \$1.4 billion to cover inflation and higher caseload costs. Higher reimbursement rates for managed care and dental services (\$494 million) and federally required services for children with autism (\$151 million) also contribute to the projected increase. In social services, the budget proposes to expand funding for the In-Home Supportive Services program, which had been cut in previous years. This would result in a \$483 million increase, to be paid with special funds from a tax on managed care organizations.

► **Spending on resource and environmental programs revs up.**

The budget requests \$1.6 billion in bond funds for flood protection and water quality projects. Specifically, the budget includes \$1.1 billion in flood control bonds authorized by Proposition 1E, which was approved in 2006. Proposition 1E authorized \$4.1 billion for flood control, but for only 10 years. As a result, the authorization to appropriate the funds expires on July 1, 2016. The budget also includes \$533 million from Proposition 1 water supply and quality bonds approved in 2014. Spending for the state's carbon reduction program, known as the cap and trade expenditure plan, is proposed to increase 20% (\$170 million). The extra funds are dedicated to transit, intercity rail, and sustainable communities. The spending plan again earmarks \$250 million for high-speed rail.



K-12 education and Medi-Cal spending far exceed prerecession levels



Source: Governor's Budget documents from 2008-09 to 2015-16.

Note: Index represents annual spending as a percentage of 2007-08 expenditures.

K-12 education and reduced debt are priorities in the 2015-16 budget

	Increase from previous year
K-12 Local Control Funding Formula	\$4.0 billion
Debt repayment	3.9
Medi-Cal services	1.4
Rainy-day reserve	1.2
Community college increases	1.1
Proposition 1 water quality	533 million

Sources: Governor's 2015-16 Budget Summary, California Department of Finance, January 2015; Governor's 2015-16 Budget: Proposed Budget Detail, California Department of Finance, January 2015; The 2015-16 Budget: Overview of the Governor's Budget, California Legislative Analyst's Office, January 13, 2015; Highlights of the Governor's Proposed 2015-16 Budget, California Assembly Budget Committee, January 9, 2015; 2015-2016 Governor's Budget: Highlights, Department of Health Care Services, Toby Douglas, Director, Department of Health Care Services, January 9, 2015.

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