

CALIFORNIA'S STATE BUDGET: THE ENACTED 2013–14 BUDGET

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► **The 2013–14 budget contains significant spending increases.**

On June 28, 2013, Governor Brown signed the 2013–14 Budget Act. The budget appropriates \$145 billion, including \$96.3 billion from the General Fund. This represents a modest increase of \$1.3 billion (or 1.4%) in General Fund revenues over the budget passed in June 2012. In addition to the \$145 billion from this year's budget act, another \$2.3 billion is available because 2012–13 revenues exceeded levels assumed in last year's budget.

► **Education is the main beneficiary of the improved budget picture.**

Spending on K–12 schools and community colleges consumes all of the new revenues—and more. Support for the new K–12 Local Control Funding Formula (LCFF) totals \$2.1 billion, or about \$350 per student. In addition, the budget allocates \$1.25 billion to pay for one-time costs of transitioning to the Common Core standards, and \$2 billion to reduce deferrals (payments made after the fiscal year). The budget also includes \$428 million in Proposition 39 energy efficiency grants (\$381 million for K–12 districts and \$47 million for community colleges). Total support for community colleges increases \$352 million, including \$89 million for a 1.6% enrollment increase. The University of California and California State University each receive a \$125 million (or 5%) boost in operating funds. The budget also authorizes a new scholarship program—beginning in 2014–15—for students with family income below \$150,000.

► **Health care is also a priority.**

The budget appropriates \$1.5 billion in federal funds to raise Medi-Cal's income eligibility limits and to cover single adults in this program. This expansion, which takes effect January 2014, is authorized by the federal Affordable Care Act (ACA). Because the expansion is expected to cover an estimated 635,000 low-income individuals in 2013–14, the budget reduces funding for county indigent care programs by \$300 million. As the ACA becomes fully implemented in the coming years and more uninsured residents secure health insurance, state funding for medically indigent programs is expected to shrink further. The budget also restores Medi-Cal adult dental benefits (an optional state program) effective May 2014 and adds \$67 million to expand mental health and substance abuse services. An additional \$142 million in one-time funds is included to increase residential mental health treatment capacity.

► **Significant changes have been made to the K–12 school finance system.**

Along with the budget, the legislature also approved the LCFF, the governor's proposal to reform the K–12 funding system. The new formula consolidates general purpose funds and most categorical programs and distributes these funds through three streams—a base grant that varies by grade, a supplemental grant based on a district's number of disadvantaged students (defined as low income, English Learner, or foster care students), and a concentration grant that supplies additional funding in districts where more than 55% of students are disadvantaged. In addition to allowing more local control over expenditures, the LCFF creates a system of support and intervention for districts that struggle to improve student performance. Over the next year, the State Board of Education will develop reporting requirements to ensure that districts use supplemental and concentration grants on programs and services for disadvantaged students.

► **The budget reflects greater optimism about the economy, but substantial fiscal challenges remain.**

The administration expects the economy to continue improving, generating revenue growth of 6% starting in 2014–15. The Legislative Analyst's revenue projections are even higher, anticipating \$2.5 billion more than the Department of Finance's estimate for each year over the next four years. But even with these rosier prospects, the state faces fiscal challenges. Most significant, while the budget pays off some of the state's recession-related debts, there is still no plan for addressing retirement liabilities—now exceeding \$250 billion.



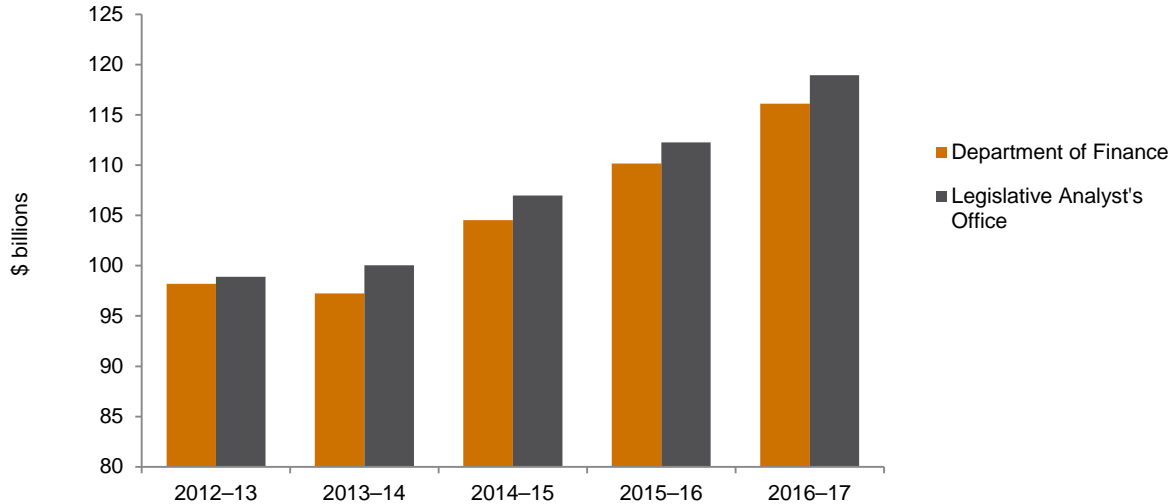
Major General Fund spending increases in the 2013-14 Budget Act

General Fund category	\$ millions
New K-12 local control funding formula	\$ 2,100
Reducing K-12 and community college payment deferrals	2,000
Implementing "common core" state standards	1,250
Support for universities and community colleges	602
Proposition 39 energy grants	428
One-time career pathways funding	250
Mental health increases	209
Increased CalWORKS ^a grants and employment services	99
Restoration of court funding	63
Additional child care slots	56

^a California Work Opportunity and Responsibility to Kids program, the state's main welfare program.

Sources: Legislative Analyst's Office Overview of the May Revision (May 17, 2013), Enacted Budget Summary, California State Budget 2013-14 (Department of Finance, June 28, 2013), Assembly Floor Report, 2013-14 Budget, June 14, 2013.

Higher General Fund revenues expected in coming years



Sources: Highlights of Governor's Proposed 2013-14 May Revision (Department of Finance, May 2013), The 2013-14 Budget: Overview of the May Revision (Legislative Analyst's Office, May 17, 2013).

Sources: Highlights of Governor's Proposed 2013-14 May Revision (Department of Finance, May 2013), Enacted Budget Summary, California State Budget 2013-14, (Department of Finance, June 28, 2013), The 2012-13 Budget: Overview of the May Revision (Legislative Analyst's Office, May 18, 2012), The 2013-14 Budget: Overview of the May Revision (Legislative Analyst's Office, May 17, 2013), The 2012-13 Budget: California Spending Plan, (Legislative Analyst's Office, September 13, 2012).

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