

CALIFORNIA'S STATE BUDGET: THE ENACTED 2014–15 BUDGET

Paul Warren

► An improving economy enables new spending.

On June 20, 2014, Governor Brown signed the 2014–15 Budget Act, which appropriates \$156.3 billion from the General Fund and other state funds. General Fund appropriations total \$108 billion, an increase of \$11.7 billion (or 12.1%) compared to the budget passed in June 2013. Actual General Fund revenues for 2013–14 were \$5.1 billion higher than assumed when the budget was enacted, and 2014–15 revenues are anticipated to grow by an additional \$4.9 billion.

► The budget makes substantial progress toward correcting fiscal problems.

The 2014–15 budget directs \$10.6 billion from the General Fund to repay debts that accumulated during the recession, including \$5.1 billion to eliminate delayed payments to school and community college districts and \$3.9 billion to retire bonds stemming from the 2001–03 recession. This leaves \$15.6 billion of budgetary debt that the administration pledges to retire by 2017–18. The budget also transfers \$1.6 billion to a “rainy day” fund that would protect the state when revenues fall or in the event of a disaster. A multi-year plan to address a \$74 billion shortfall in the State Teachers Retirement System is also part of the final budget package.

► New funding has been allocated to K–12, preschool, and higher education.

The budget allocates most of the new K–12 money to increasing base budgets and funding for disadvantaged students by a total of \$4.75 billion, per the new Local Control Funding Formula. In addition, \$255 million is added to increase support for state preschool and child care programs. Another \$250 million is earmarked for grants to enhance career-oriented programs in high school. In higher education, community colleges will receive almost \$400 million in new funding, including \$140 million to increase attendance by 2.75% and \$170 million for counseling and other student support services. Funding will increase by \$142 million for both the University of California and the California State University. The budget assumes no increases in tuition or fees. If revenues grow faster than projected, each university system will receive an additional \$50 million for deferred maintenance projects.

► Health and welfare programs will see a few major funding increases.

Spending on Medi-Cal is up \$766 million in 2014–15, due to the influx of participants who were eligible before the Affordable Care Act expanded coverage and prompted to enroll by the publicity surrounding its implementation. The In-Home Supportive Services program received a \$200 million boost to address growth of the population needing services, increases in hourly rates for providers, and federally required overtime payments. The budget also includes \$47 million to partially restore California Work Opportunity and Responsibility to Kids (CalWORKs) grant levels and \$15 million to increase grant levels for certain relatives who provide foster care.

► The governor and legislature agreed on a plan for spending “cap and trade” fee revenue.

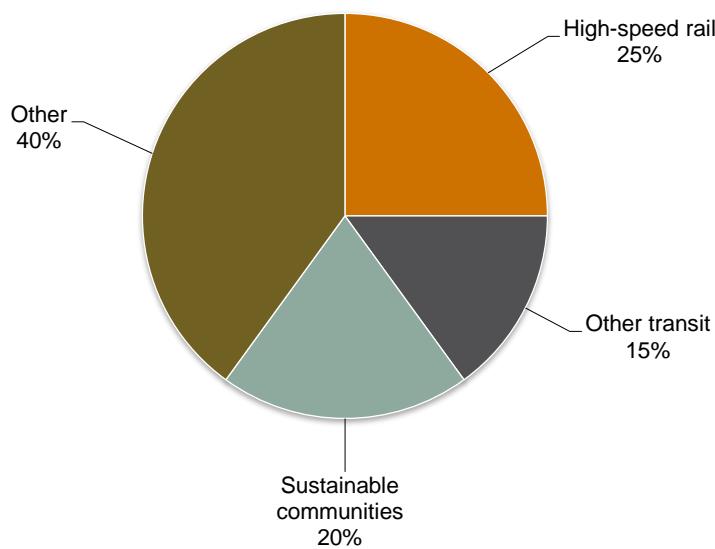
The 2015–16 budget includes \$832 million in cap-and-trade fee revenues from the state’s greenhouse gas reduction program. Under the program, the allowable level (or cap) of greenhouse gas emissions will be reduced 3% annually, and rights to exceed the cap must be purchased. The legislature and governor also agreed on a future plan for spending cap-and-trade revenue. High-speed rail will get \$250 million in 2014–15 and 25% of fee revenues starting in 2015–16. Future funding shares for other transit programs and “affordable and sustainable communities” (such as transit-oriented housing) will be 15% and 20%, respectively. The allocation of the remaining 40% of funds will be subject to each year’s budget process. Over the long term, fee revenues are expected to range from \$2 billion to \$3 billion each year.



Major 2014–15 spending increases (in millions)

K–12 and community college payment deferrals	\$5,100
K–12 Local Control Funding Formula	4,750
Economic recovery bonds	1,606
Other budgetary debt	1,600
Cap-and-trade "clean economy" projects	832
Medi-Cal caseload	766
Universities and community colleges	681
County jail construction	500
In-Home Supportive Services	200

Sources: California State Budget 2014–15, Department of Finance, June 20, 2014; California State Assembly Floor Report, 2014–15 Budget, June 15, 2014.

The state's expenditure plan for cap-and-trade fee revenues starting in 2015–16

Sources: California State Budget 2014–15, Department of Finance, June 20, 2014; Senate Bill 862.

Note: Other includes low carbon transportation, weatherization, water, forest, and other programs.

Sources: California State Budget 2014–15, Department of Finance, June 20, 2014; California State Assembly Floor Report, 2014–15 Budget, June 15, 2014; California State Senate Rules Committee, Office of Senate Floor Report; The 2014–15 Budget: Cap-and-Trade Auction Revenue Expenditure Plan, Legislative Analyst's Office, February 24, 2014; Senate Bill 852; Senate Bill 862.

Contact: warren@ppic.org

**PPIC**PUBLIC POLICY
INSTITUTE OF CALIFORNIAwww.ppic.org