

California's State Budget: The Governor's Proposal

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➤ **Governor Brown's 2018–19 budget anticipates continued revenue growth.**

On January 10, Governor Jerry Brown submitted his proposed 2018–19 budget to the legislature. The \$190.3 billion spending plan includes \$131.7 billion from the state's General Fund, \$56.2 billion from special funds, and \$2.5 billion in bond funds. The proposed General Fund appropriation is \$6.6 billion (5.3%) higher than the amount appropriated in the 2017 Budget Act.

➤ **The governor maintains his focus on building robust budget reserves.**

In addition to the constitutionally required payment of \$1.5 billion to the Rainy Day Fund, the spending plan proposes a supplemental payment of \$3.5 billion for 2018–19, bringing the Rainy Day Fund balance to \$13.5 billion. By the end of the 2018–19 budget year, the Rainy Day Fund would reach 10% of General Fund revenues, the constitutional limit on its balance. The state's discretionary budget reserve would be \$2.3 billion, bringing total reserves to nearly \$16 billion.

➤ **K–12 schools and community colleges receive significant funding increases.**

The Local Control Funding Formula (LCFF), which supplies base grants to K–12 schools and extra funding for targeted student groups, would reach full implementation—two years earlier than originally planned—with an additional \$3 billion in funding in 2018–19. The budget would also require districts to specify how they use LCFF funding to support low-income, English Learner, and foster students. Community colleges are slated to receive a 4% increase to their base funding, with the University of California and California State University systems getting 3% increases (\$92 million each). In addition, the plan creates a new funding system for the community colleges based on student access and success, while dedicating \$120 million in one-time funds (\$20 million ongoing) to create an online college for working adults.

➤ **Health and human services remain high priorities.**

In 2018–19, General Fund spending for Medi-Cal, which provides health insurance to about 13.5 million Californians, is slated to increase 11% (\$2.1 billion) from the amount appropriated in the 2017 Budget Act. In addition, updated Medi-Cal estimates for the current budget year have increased by \$543.7 million. The spending plan includes higher reimbursement rates for child care providers and more full-day slots in the state's preschool program, while creating a \$167 million grant program for inclusive early education and care for children ages 0–5 in high-need areas. The Department of State Hospitals would also receive \$117 million to increase capacity to care for those deemed unable to stand trial by the court system.

➤ **The proposal includes substantial new spending for road repairs and carbon reduction.**

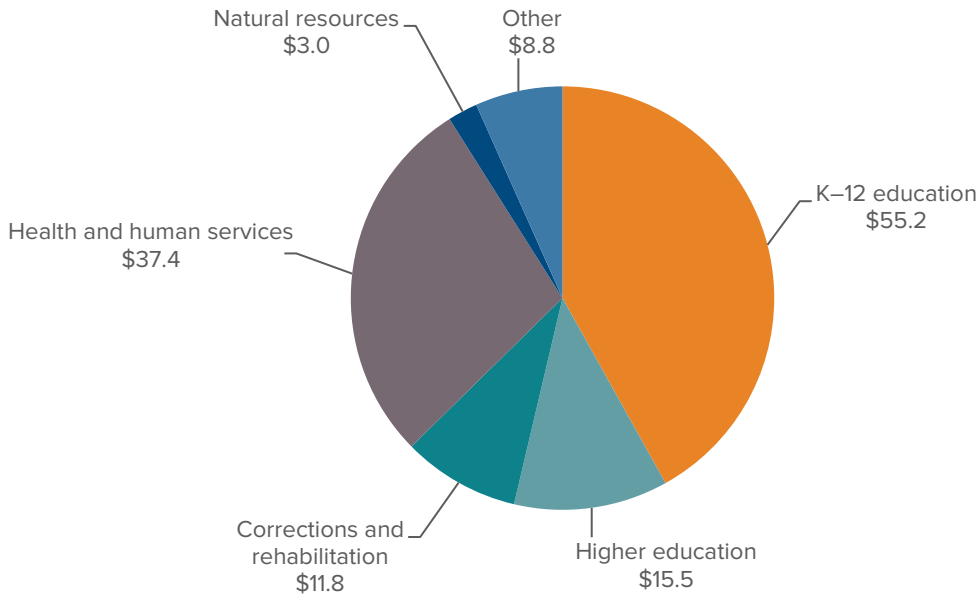
Revenues from the Road Maintenance and Accountability Act of 2017 (SB 1), which established a new vehicle fee and increased diesel and gasoline taxes, will provide \$4.6 billion for state and local transportation programs and maintenance projects in 2018–19. With revenues from the state's cap-and-trade program stabilizing after its authority was extended until 2030, the governor also proposes \$1.3 billion in new cap-and-trade spending for 2018–19.

➤ **Bond funding would support natural resources, housing, and educational facilities.**

If voters approve the natural resources and parks bond on the June 2018 ballot and the veteran and affordable housing bond on the November 2018 ballot, the state would spend more than \$1.3 billion in newly authorized bonds. In 2018–19, \$464 million would go toward grants for local and regional parks, while \$277 million would support the construction of rental housing for low-income residents. Following the passage of the school bond measure in November 2016, \$640 million will be spent on K–12 facilities and \$576 million on community college facilities.



Education makes up the majority of General Fund expenditures



Source: Figure SUM-03, Governor's 2018–19 Proposed Budget, California Department of Finance, January 10, 2018.

Note: Dollar amounts presented in billions.

The proposed spending plan includes some major General Fund adjustments

	\$ millions
Supplemental payment to Rainy Day Fund	3,500
K-12 Local Control Funding Formula	3,000
K-12 discretionary one-time funding	1,800
Medi-Cal increase for 2018–19	1,500
Medi-Cal shortfall for 2017–18	544

Source: Governor's 2018–19 Proposed Budget, California Department of Finance, January 10, 2018.

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