

CALIFORNIA'S STATE BUDGET: THE GOVERNOR'S PROPOSAL

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► **Governor Brown proposes \$146 billion in state spending for 2013–14.**

On January 10, Governor Jerry Brown submitted his proposed 2013–14 budget to the legislature. The \$146 billion budget includes \$98 billion from the state's General Fund, \$41 billion from special funds, and \$7 billion in bond funds. General Fund revenues include about \$6 billion from Proposition 30, which temporarily increases sales and income taxes.

► **The governor's proposal balances the budget with few program cuts.**

Revenues from Proposition 30 and the improving economy allow the governor to balance the budget with few large program cuts. The budget contains one major reduction—eliminating four programs for a savings of \$104 million. The budget would increase spending from the General Fund by \$4.7 billion, a 5% increase from the revised 2012–13 budget.

► **The largest share of the new funds would go to K–12 education.**

The budget would increase funding for K–12 schools by \$2.7 billion, increasing support by 4.2%, or \$337 per student. Much of this new funding (\$1.6 billion) would support the governor's proposed school funding formula that would direct more resources to districts with many low-income students and English Learners. An additional \$400 million in Proposition 39 funds would be used for energy efficiency projects in schools. The Legislative Analyst's Office has expressed concerns that this proposal is inconsistent with several requirements in the initiative.

► **Funding increases for higher education are mixed with reforms.**

The budget would spend an additional \$1.2 billion for higher education. Of this amount, \$680 million in new resources would go to community colleges, including \$316 million to transfer responsibility for adult education services from K–12 districts to the community colleges and \$49.5 million in Proposition 39 funds. UC and CSU would each receive \$250 million in new discretionary funds. Proposed reforms include expanding the use of Internet-based courses and eliminating state funding for students who have taken 50% more courses than are normally needed to graduate. The budget would reimburse community colleges only when students complete courses—instead of the current practice of funding colleges based on course enrollment.

► **Medi-Cal expansion tops the list of other major proposals.**

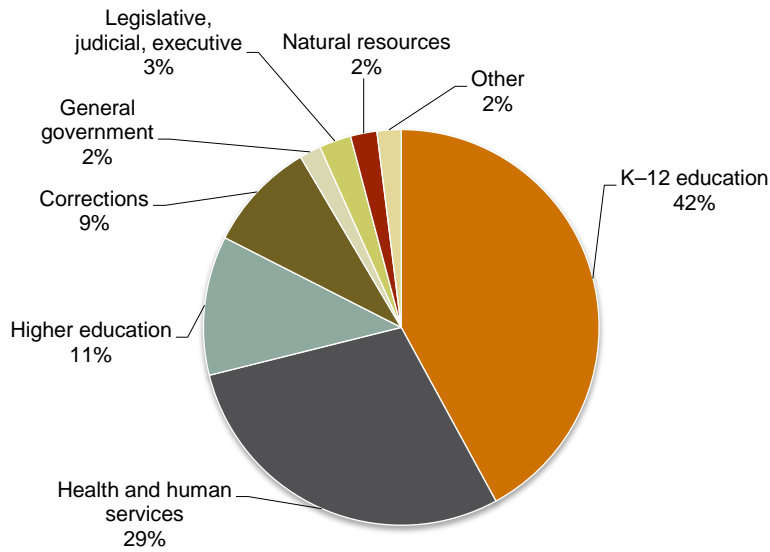
Starting in 2014, the federal Affordable Care Act will expand California's Medicaid program (known as Medi-Cal) as part of its effort to provide health care to all Americans. The budget includes \$350 million to pay for mandatory changes to the program. The budget also commits to implementing the optional expansion of Medi-Cal to those with incomes of up to 138% of the federal poverty level. Because counties also provide health care services to this population, the budget calls for additional negotiations to determine how this expansion would be administered and funded.

► **The budget chips away at the "wall of debt."**

The governor estimates that accumulated budget debts reached \$34.7 billion as of July 2011. The budget would shrink this debt by \$4.2 billion in 2013–14, bringing the outstanding balance to \$23.6 billion. It dedicates \$2 billion to reducing K–12 and community college deferrals, \$1.7 billion to pay off economic recovery bonds, and \$566 million to repaying special fund loans. This revised repayment plan would retire about \$1 billion less than the administration had projected last spring.

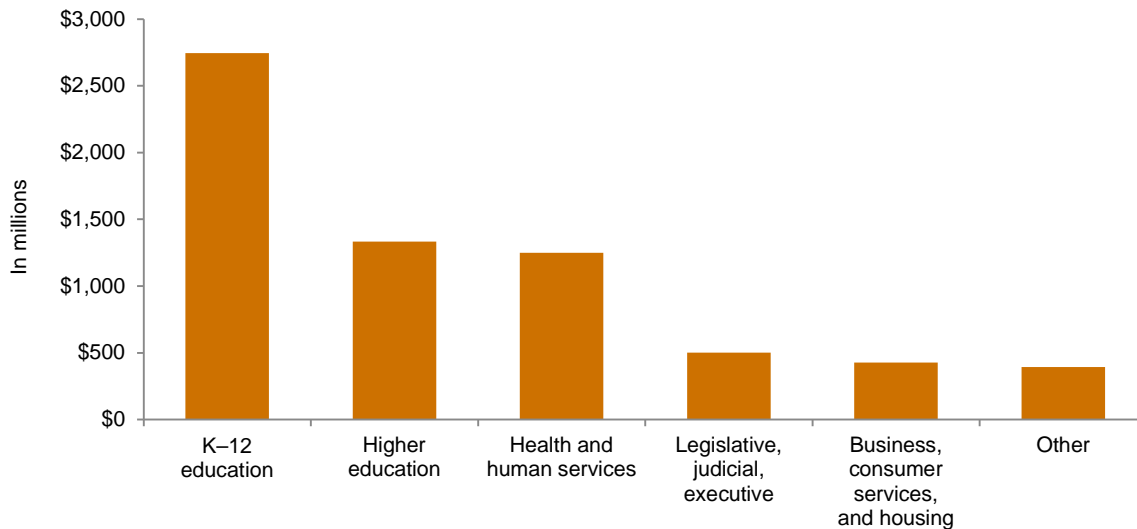


Proposed General Fund expenditures, 2013–14



Source: 2013–14 Governor’s Budget Summary, California Department of Finance, January 2013.

Most program areas would receive General Fund increases in 2013–14



Source: 2013–14 Governor’s Budget Summary, California Department of Finance, January 2013.

Sources: 2013–14 Governor’s Budget Summary, California Department of Finance, January 2013; 2013–14 Budget: Overview of the Governor’s Budget, Legislative Analyst’s Office, January 2013.

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