

CALIFORNIA'S STATE BUDGET: THE GOVERNOR'S PROPOSAL

Paul Warren

► Governor Brown proposes \$155 billion in state spending for 2014–15.

On January 9, Governor Jerry Brown submitted his proposed 2014–15 budget to the legislature. The \$155 billion spending plan includes \$107 billion from the state's General Fund, \$44 billion from special funds, and \$4 billion in bond funds. The proposed General Fund amount is \$10 billion (10%) above the amount appropriated in the 2013–14 Budget Act.

► The governor's proposal balances the budget and strengthens state finances.

Voter-approved temporary taxes and the improving economy produced revenues that exceeded the amount projected in the 2012–13 and 2013–14 budgets by \$4.7 billion. These funds and the expected growth in 2014–15 revenues allow the governor to balance the budget, create a \$2.3 billion reserve, and deposit \$1.6 billion in the state's "rainy day" fund.

► Most new spending is for K–12 and higher education.

The budget increases funding for K–12 schools by \$4.6 billion, an increase of 9.9%, or \$788 per student. Of this amount, \$4.5 billion is for the new Local Control Funding Formula, which includes new funds for English Learner and low-income students. Spending for higher education would rise by \$1 billion (8%). This includes \$140 million (5%) for UC, \$180 million for CSU (6%), and \$490 million for the community colleges (8%). In addition, the Student Aid Commission budget would increase by \$220 million, including \$107 million for the first-year costs of the Middle Class Scholarship Program that was enacted in 2013. The budget also includes \$50 million to encourage innovations that increase the efficiency of the public higher education system.

► Few new health and welfare expenditures are proposed.

The largest new health and human services proposal is \$400 million to cover full-year costs of the expansion of the Medi-Cal program that started in 2013–14. The governor also proposes to spend \$99 million to create an In-Home Supportive Services "backup" provider system, in response to a federal requirement to pay overtime wages to existing providers.

► The governor proposes to use \$11.8 billion to reduce budgetary debt.

The budget plan retires \$6.1 billion in deferred funding to school districts. By eliminating these deferrals, which delay state payments until the next fiscal year, the governor's plan reduces local borrowing costs significantly. The budget also allocates \$5.7 billion to repay a number of other debts, including \$3.9 billion in deficit bonds sold in 2004 and \$1 billion in loans from special state funds. The governor's proposals would reduce recession-related liabilities to \$13 billion, down from \$35 billion in 2010–11. In addition, the administration is signaling its intention to address long-term fiscal issues, including a major shortfall in the state teachers' retirement fund and the school facility construction program's reliance on costly state bonds.

► The budget would also support infrastructure projects.

The budget would direct \$250 million in cap-and-trade revenue to high-speed rail. The governor's plan also includes \$815 million in first-year support for the state's five-year infrastructure plan; this would increase funding for roads (\$337 million), schools and community colleges (\$363 million), and state buildings (\$100 million). Finally, the governor proposes \$500 million to support local jail construction.



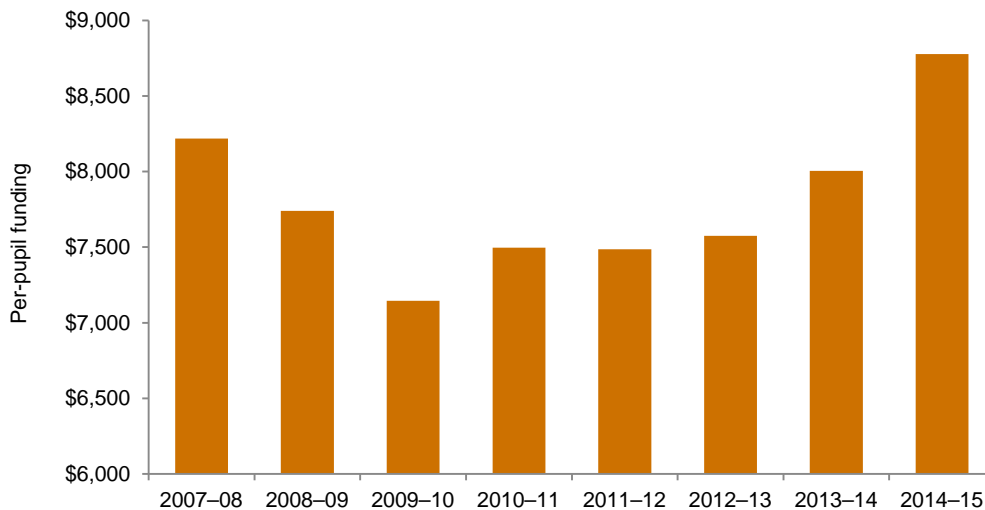
Major spending proposals (in millions)

Reducing K–12 and community college payment deferrals	\$6,164
Repayment of other budgetary debt	5,700
New K–12 Local Control Funding Formula	4,472
Support for universities and community colleges	1,030
Cap-and-trade “clean economy” projects	850
Five-year infrastructure plan	815
Jail construction	500
IHSS provider backup system*	99
Prisoner rehabilitation and reentry	81

Sources: 2014–15 Governor's Budget Summary, California Department of Finance, January 2014. *The 2014–15 Budget: Overview of the Governor's Budget*, Legislative Analyst's Office, January 2014.

*IHSS is the In-Home Supportive Services program.

K–12 per-pupil funding is expected to exceed pre-recession levels in 2014–15



Sources: 2014–15 Governor's Budget Summary, California Department of Finance, January 2014, *The Budget Package: 2011–12 California Spending Plan*, Legislative Analyst's Office, August 2011, *The 2012–13 Budget, California Spending Plan*, Legislative Analyst's Office, September 2012, *The 2013–14 Budget: California Spending Plan*, Legislative Analyst's Office, November 2013.

Notes: Funding levels represent Proposition 98 appropriations, as revised, and adjusted for deferrals. Increases in deferrals provide additional support to schools and deferral repayments reduce available funding. Amounts are not adjusted for inflation.

Sources: 2014–15 Governor's Budget Summary, California Department of Finance, January 2014; 2013–14 Budget: May Revision, California Department of Finance, May 2013; *The 2014–15 Budget: Overview of the Governor's Budget*, Legislative Analyst's Office, January 2014.

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