

California's State Budget: The Enacted 2016–17 Budget

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Brandon Martin and Paul Warren

➤ **The new spending plan reflects continued economic health.**

On June 27, 2016, Governor Brown signed the 2016–17 Budget Act, spending \$170.9 billion from the General Fund and other state funds. General Fund appropriations total \$122.5 billion, \$7.1 billion (or 6%) more than the enacted 2015–16 budget. While the state's economy continues to generate significant new revenue, the 2016–17 budget balances new and ongoing commitments with building the state's fiscal reserves and spending on one-time items—such as infrastructure and affordable housing.

➤ **K–12, preschool, and higher education see steady increases.**

The Local Control Funding Formula (LCFF), which supplies base grants to K–12 schools plus extra funds for targeted student groups, receives an increase of \$2.9 billion (or 5.5%). The budget also includes \$1.4 billion in one-time discretionary funding for K–12 schools and community colleges. Child care and preschool spending rises \$145 million as part of a multiyear effort to expand programs and boost provider payment rates. Community colleges will receive \$114 million to increase enrollment by 2%, \$200 million to expand regional workforce training (known as the Strong Workforce Program), and \$30 million to improve basic skills courses. The University of California base budget increases by \$125 million, with an additional \$18.5 million for enrollment growth (2,500 new students) and \$20 million for outreach to students from high-poverty high schools. The California State University budget also gets a \$125 million base increase, with an additional \$12.5 million for enrollment growth (5,194 new students) and \$50 million to improve graduation rates.

➤ **New spending commitments will expand health care and social safety net programs.**

The budget includes \$820 million to cover 5% of the cost of optional Medi-Cal expansion under the federal Affordable Care Act, plus an additional \$188 million to enroll 185,000 undocumented children in Medi-Cal. The budget allocates \$266 million to restore funds to In-Home Supportive Services and \$437 million to comply with federal regulations regarding caregiver overtime. The budget dedicates \$95 million to repeal the maximum family grant rule under the state's assistance program for low-income families (CalWORKs), which denied aid to 130,000 children conceived while their parents were receiving aid. In addition, the state portion of the federal SSI/SSP grant providing income assistance for elderly and disabled individuals will increase by 2.75% (costing \$37 million in 2016–17), after a decade of remaining flat or being cut.

➤ **The budget allocates significant one-time funding for infrastructure and reserves.**

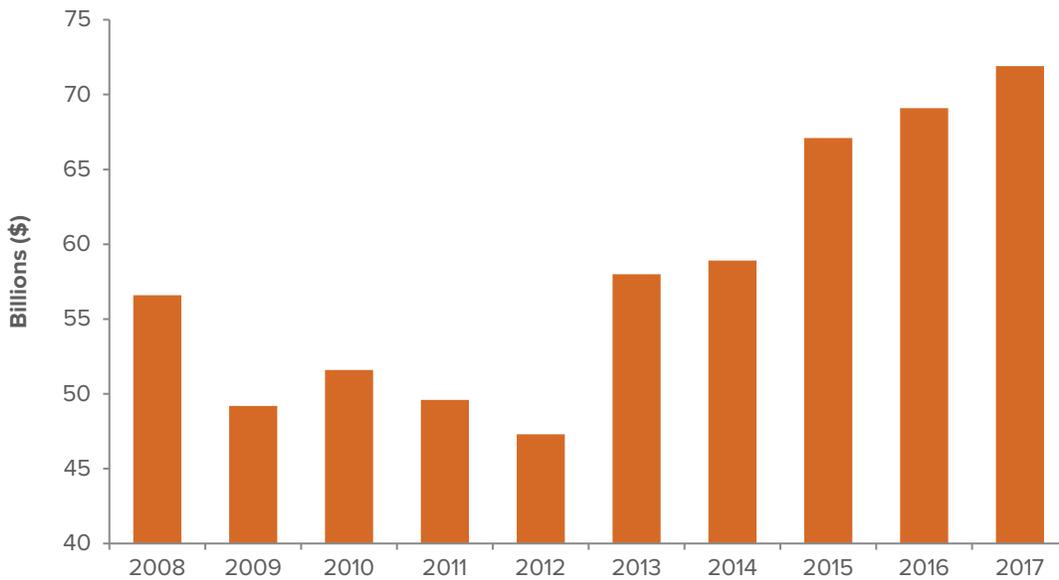
The budget sets aside \$1.3 billion for state office projects in Sacramento, including the renovation of the Capitol Annex. In addition, \$688 million (\$485 million from the General Fund) will go to critical deferred maintenance projects in state, university, and community college facilities. The budget includes a \$2 billion bond for housing for the mentally ill using Proposition 63 income tax revenue and \$270 million in lease-revenue bond funds for local jail construction projects. In addition to the required deposit of \$1.3 billion into the rainy day fund, the budget makes a one-time payment of \$2 billion, bringing the fund balance to \$6.7 billion, or 54% of the long-term target set by Proposition 2. An additional \$1.8 billion was set aside to protect the budget from unexpected revenue shortfalls or expenditure demands.

➤ **Several proposals are not included in the budget package.**

The budget reserves \$400 million for affordable housing, but only if proposed legislation passes that would speed up the local approval process for multifamily developments. Similarly, the budget omits \$1.8 billion in proposed projects supported by fees on carbon emissions (also known as cap-and-trade fees), perhaps due to low proceeds from the most recent auction of carbon credits. Finally, the governor's \$1.7 billion transportation infrastructure plan was not adopted as part of the budget.



Funding for K–12 schools and community colleges has recovered after the Great Recession



Source: Figure INT-02, California State Budget 2016–17, California Department of Finance, June 2016.

Major spending increases in the 2016–17 budget act

| | In billions |
|---|-------------|
| K–12 Local Control Funding Formula | \$2.9 |
| Additional payment to rainy day fund | 2.0 |
| K–12 and community college mandate repayments | 1.4 |
| Sacramento office infrastructure, including State Capitol Annex | 1.3 |
| Affordable housing | 0.4 |
| Drought response | 0.3 |
| Strong Workforce Program | 0.2 |
| College Readiness Block Grant | 0.2 |
| Inmate Rehabilitation and Reentry | 0.1 |

Source: California State Budget 2016–17, California Department of Finance, June 2016.

Sources: 2016–17 May Revision, California Department of Finance, May 2016; California State Budget 2016–17, California Department of Finance, June 2016; Floor Report: 2016–17 Budget, Updated on June 27, 2016, Assembly Budget Committee; Budget Act 2016–17, District and Charter School LCFF, California Department of Finance, n.d.

Contact: martin@ppic.org, warren@ppic.org