

LAO
75
YEARS OF
SERVICE

State Budget Update



Presented to:

**California Association of
School Business Officers**

April 14, 2016

Legislative Analyst's Office

State Budget

Governor's Budget Expenditures

(Dollars in Millions)

	2014-15 Revised	2015-16 Revised	2016-17 Proposed	Change From 2014-15	
				Amount	Percent
General Fund	\$112,974	\$116,064	\$122,609	\$6,544	5.6%
Special funds	41,702	47,636	45,032	-2,604	-5.5
Budget Totals	\$154,676	\$163,700	\$167,641	\$3,941	2.4%
Selected bond funds	\$5,145	\$7,847	\$3,086	-\$4,761	-60.7%
Federal funds	90,049	99,761	91,899	-7,861	-7.9

Reserve Under Governor's Budget Plan

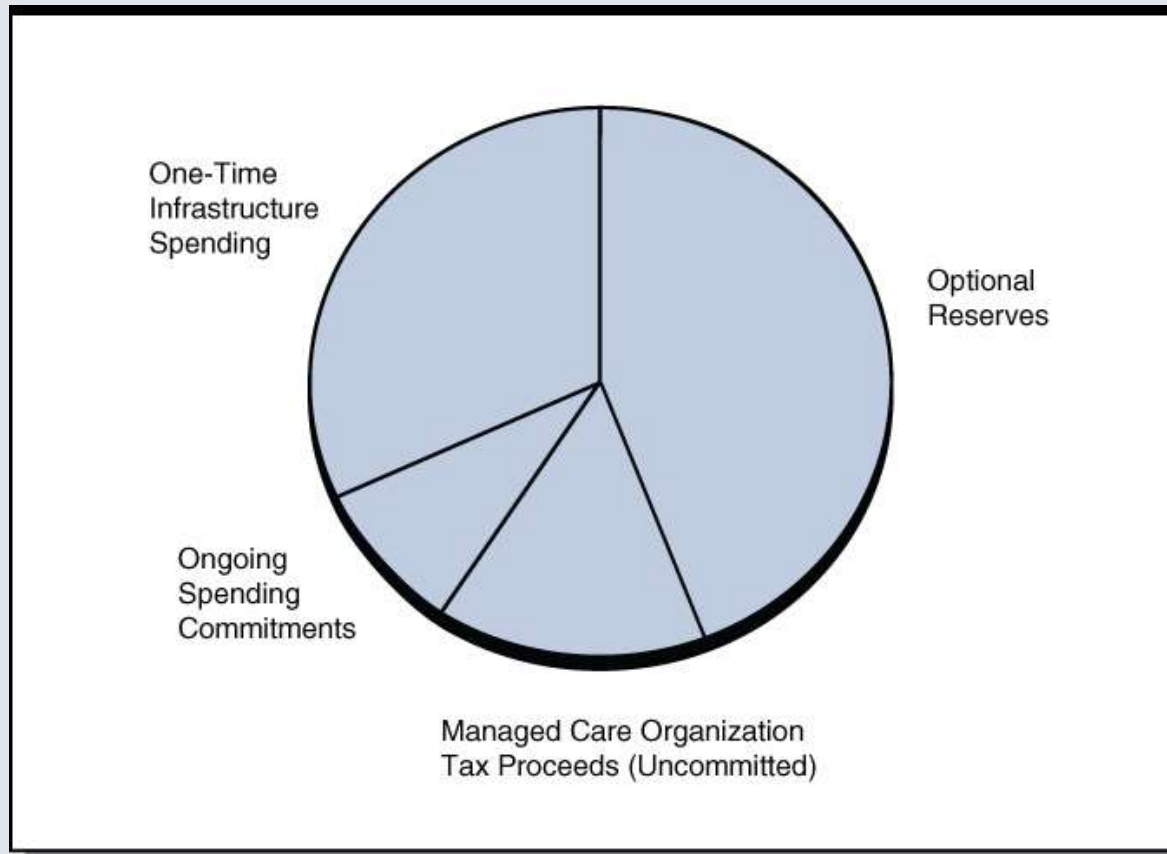
(In Millions)

	2014-15 Revised	2015-16 Revised	2016-17 Proposed
Special Fund for Economic Uncertainties	\$2,733	\$4,206	\$2,230
Budget Stabilization Account	1,606	4,455	8,011
Total Reserves	\$4,339	\$8,661	\$10,241

Constitutional Spending Requirements

- **Reserves**
- **Proposition 2 Debt Payments**
- **Proposition 98**

Discretionary Spending Proposals



State Revenue Update

➤ 2014-15 Revenues

- Might increase hundreds of millions due to accruals.

➤ 2015-16 Revenues

- Big Three tax revenues are \$103 million above projections through March.
 - Corporate tax: \$359 million above projections.
 - Personal income tax: \$124 million below projections.
 - Sales tax: \$132 million below projections.

Key Factors for 2016-17

- **Stock Market**
- **Growth in Bay Area**
- **Growth in Global Economy**

May/June Budget Planning

- **Small Increase in State Revenue**
- **Small Non-Education Cost Increases to Account for New Minimum Wage Law**
- **Small Additional Spending on Non-Education Programs**

Education Budget

2014-15 Minimum Guarantee

(Dollars in Millions)

	2014-15		
	June 2015 Estimate	January 2016 Estimate	Change
Minimum Guarantee			
General Fund	\$49,608	\$49,554	-\$54
Local property tax	16,695	17,136	441
Totals	\$66,303	\$66,690	\$387
Operative Test	1	1	—
Key Factors			
General Fund tax revenue	\$112,068	\$111,975	-\$93
Maintenance factor payment	\$5,402	\$5,392	-\$10
K-12 average daily attendance	5,994,522	5,981,073	-13,449

2015-16 Minimum Guarantee

(Dollars in Millions)

	2015-16		
	June 2015 Estimate	January 2016 Estimate	Change
Minimum Guarantee			
General Fund	\$49,416	\$49,992	\$575
Local property tax	18,993	19,183	191
Totals	\$68,409	\$69,175	\$766
Operative Test	3	2	—
Key Factors			
General Fund tax revenue	\$116,619	\$120,205	\$3,585
Maintenance factor payment	—	\$810	\$810
K-12 average daily attendance	5,995,889	5,976,227	-19,662

2016-17 K-12 Funding

(Dollars in Millions)

	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
			Amount	Percent
K-12 Education				
General Fund	\$44,536	\$45,442	\$906	2.0%
Local property tax	16,560	17,802	1,242	7.5
Totals	\$61,096	\$63,244	\$2,148	3.5%

2016-17 K-12 Changes

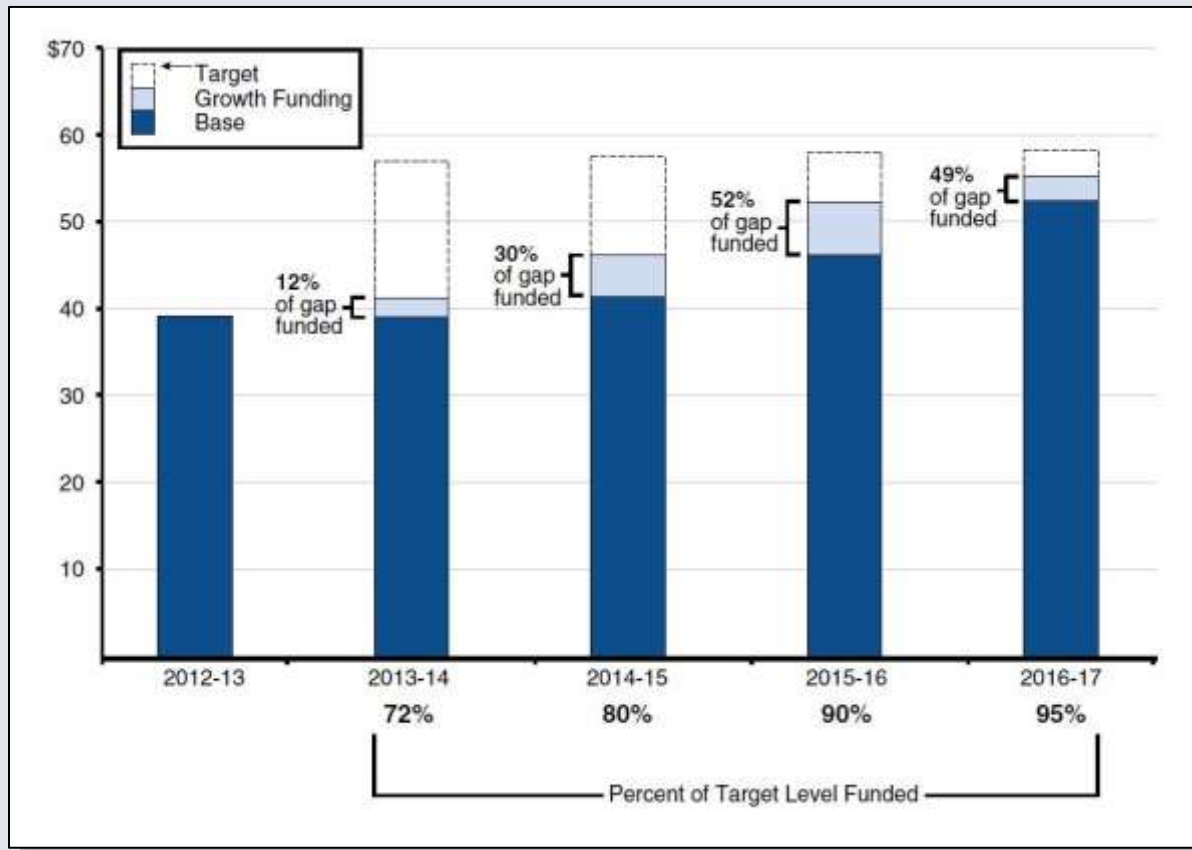
(In Millions)

K-12 Education	
Increase LCFF funding	\$2,825
Fund CTE Incentive Grant for Secondary Schools (year two of three)	240 ^a
Provide 0.47 percent COLA for select categorical programs	23
Fund truancy and dropout prevention program	7
Fund High Speed Network	5 ^b
Support Exploratorium	4
Fund improvement of web-based tools for state accountability system	1
Shift funding for transitional kindergarten and preschool into new block grant	0
Remove prior-year augmentation for infants and toddlers with disabilities	-30
Total	\$3,073

^a Budget includes additional \$60 million from other Proposition 98 funds.
^b Budget includes additional \$3.5 million from other Proposition 98 funds.

Local Control Funding Formula

(Dollars in Billions)



May/June Budget Planning

- **Small Spending Adjustments**
- **Likely Emphasis on One-Time Spending**
- **A Few Legislatively Driven Spending Decisions**

Proposition 98 Property Tax Estimates

Reflects Governor's Budget (Dollars in Millions)

	2015-16 Revised	2016-17 Estimated	Change From 2015-16	
			Amount	Percent
Local Property Tax Components				
Tax on assessed value	\$16,616	\$17,544	\$929	5.6%
End of "triple flip"	1,257	1,676	419	33.3
RDA ongoing revenue shift	1,008	1,045	36	3.6
Other local revenue	998	1,039	41	4.1
Excess tax revenue	-695	-690	5	-0.7
Totals	\$19,183	\$20,613	\$1,430	7.5%

Issues With Specific Proposition 98 Proposals

- **Preschool**
- **Education Mandates Backlog**
- **Education Mandates Block Grant**
- **County Offices of Education Funding**
- **Special Education**

Other Issues

- **Proposition 30 Tax Extension**
- **School Bond**
- **CalSTRS and CalPERS Cost Increases**
- **State School Deposit/Local Reserve Caps**

lao.ca.gov