

# California's Fiscal Outlook



Presented to:

**California School Boards Association,  
Annual Education Conference**

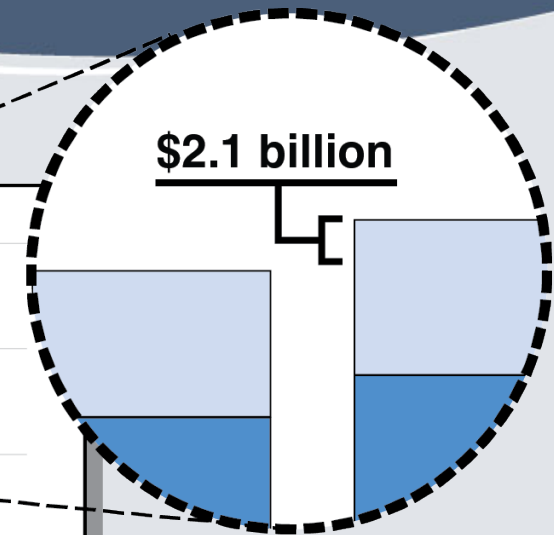
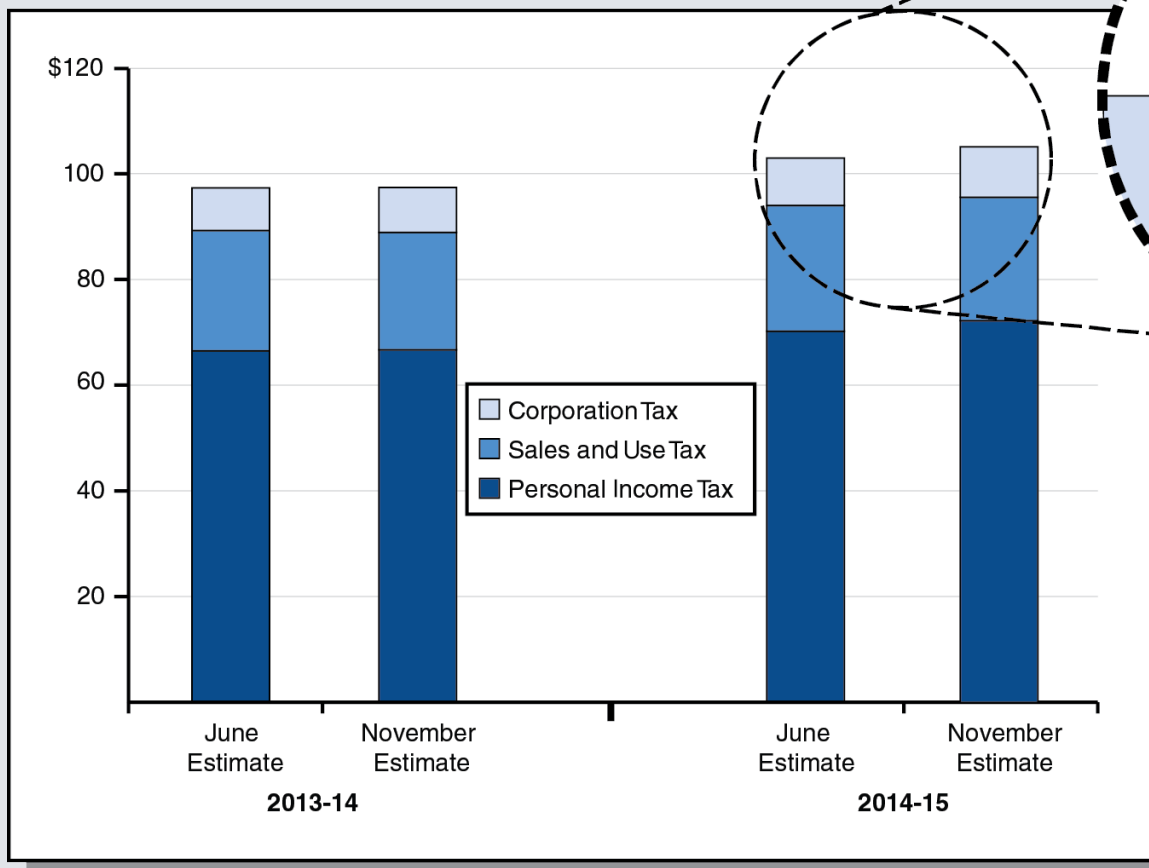
December 15, 2014

**Legislative Analyst's Office**

# State's Fiscal Outlook

# Revenue Up Slightly in 2013-14, More Notably in 2014-15

*Big Three Revenues (In Billions)*



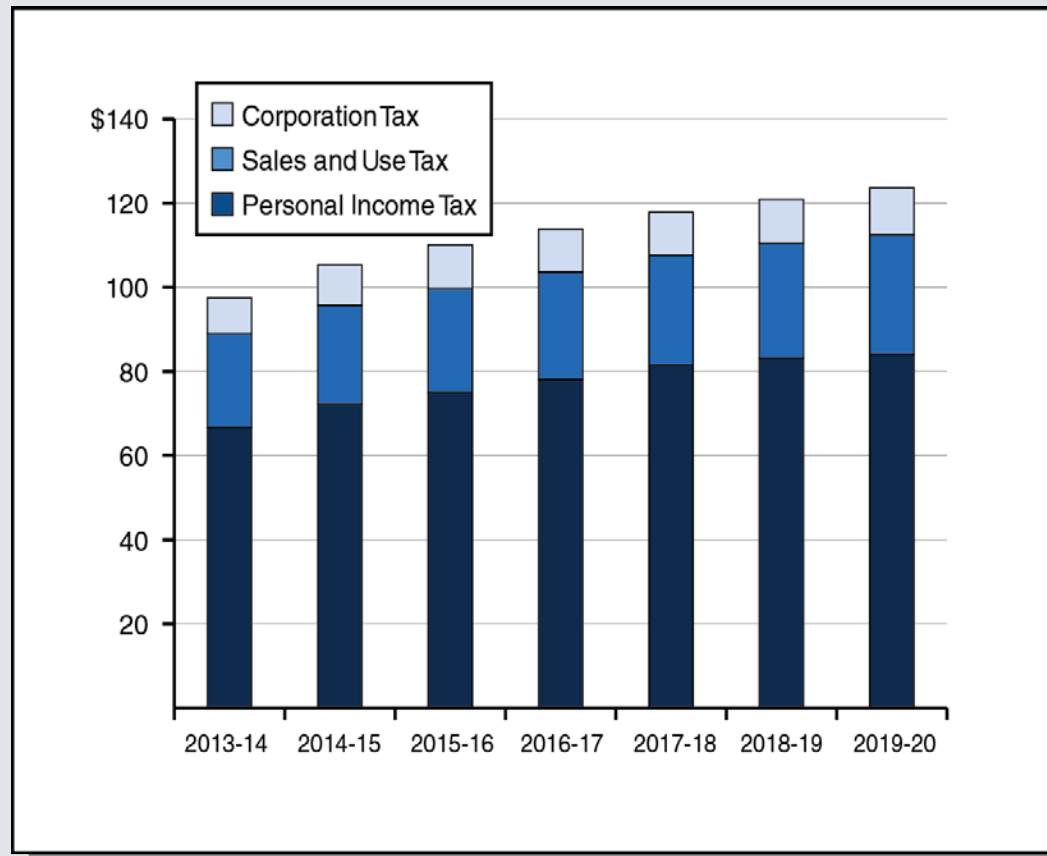
# LAO General Fund Condition Under Main Scenario

*(In Millions)*

	2013-14	2014-15	2015-16
Prior-year fund balance	\$2,186	\$3,680	\$836
Revenues and transfers	102,277	107,442	111,397
Expenditures	100,783	110,286	110,638
Difference between revenues and expenditures	\$1,494	-\$2,843	\$760
Ending fund balance	\$3,680	\$836	\$1,596
Encumbrances	-955	-955	-955
SFEU balance	2,725	-119	641
<b>Reserves SFEU Balance</b>	<b>2,725</b>	<b>-119</b>	<b>641</b>
Pre-Proposition 2 BSA balance	—	1,606	1,606
Proposition 2 BSA balance	—	—	1,974
<b>Total Reserves</b>	<b>\$2,725</b>	<b>\$1,488</b>	<b>\$4,222</b>

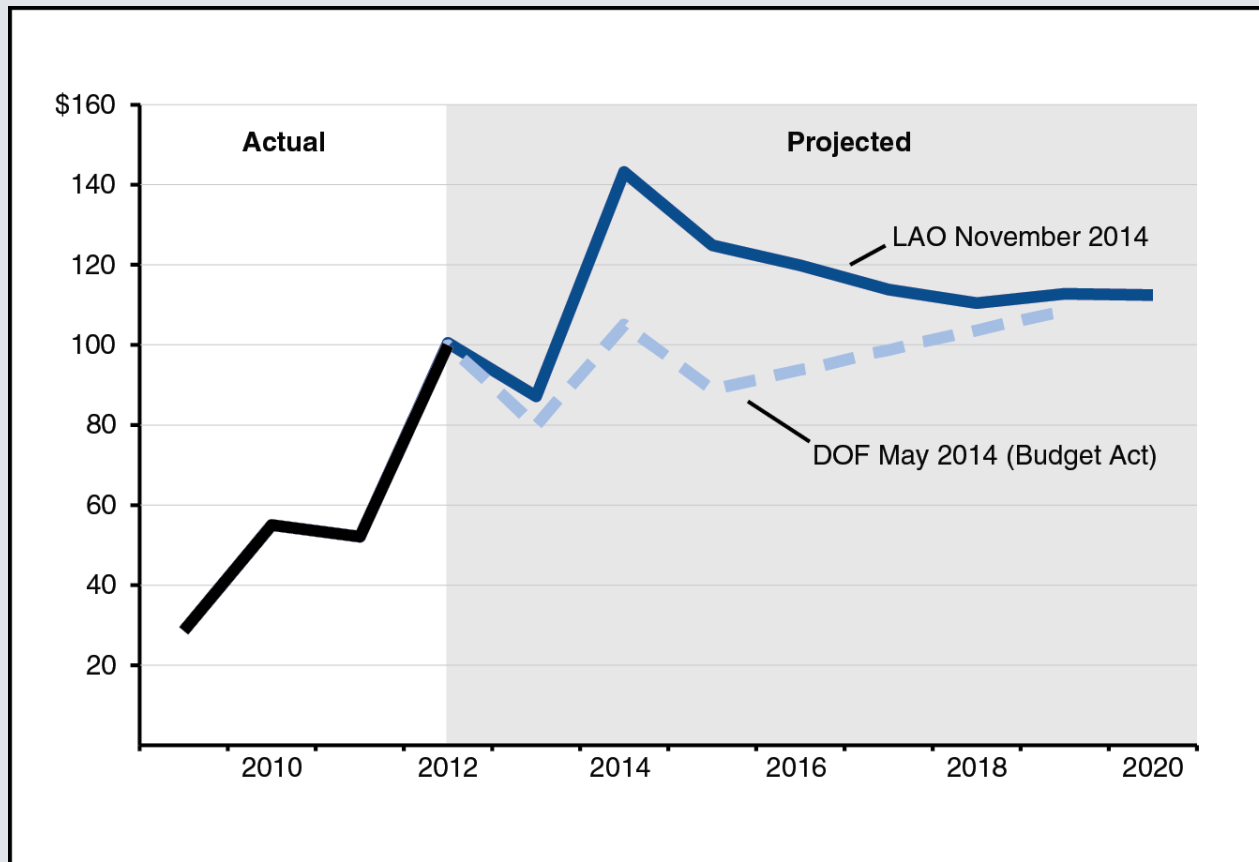
# Revenue Outlook

*Big Three Revenues Under Main Scenario (In Billions)*



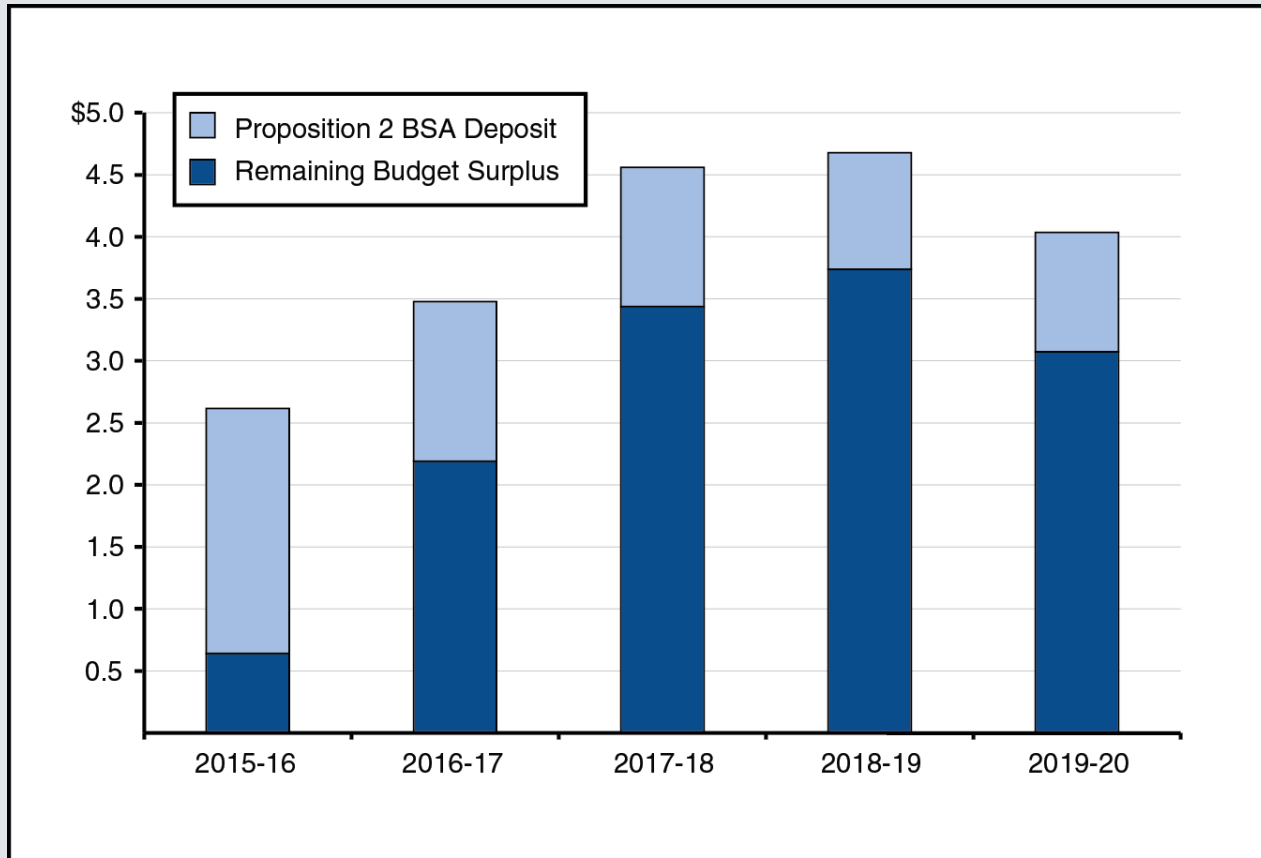
# LAO Main Scenario: Lower Capital Gains After 2014

*Net Capital Gains on Resident Tax Returns (In Billions)*



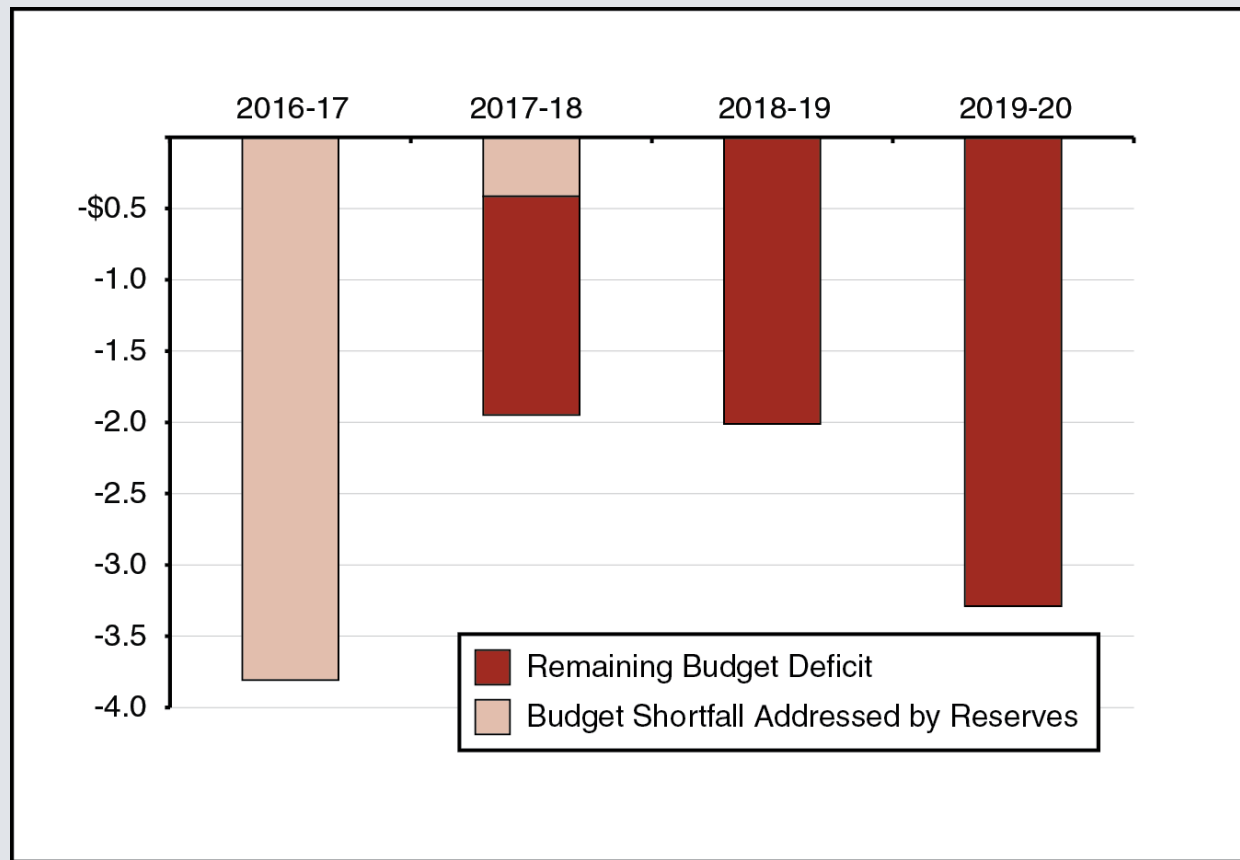
# LAO Main Scenario: Reserve Deposits and Future Surpluses

*(In Billions)*



# \$4.2 Billion Reserve Could Cover 2016-17 Shortfall in Hypothetical Economic Slowdown

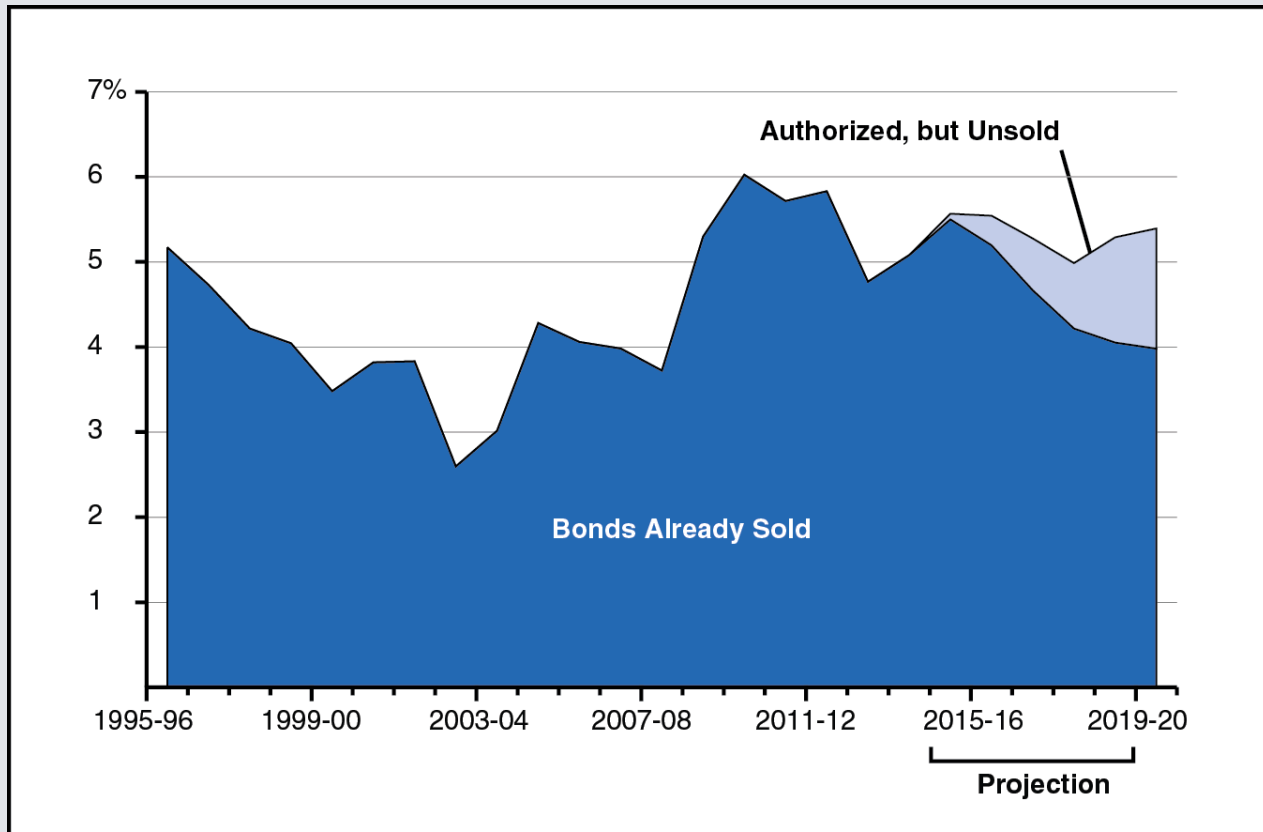
*(In Billions)*





# LAO Main Scenario: Debt-Service Ratio Remains Under 6 Percent

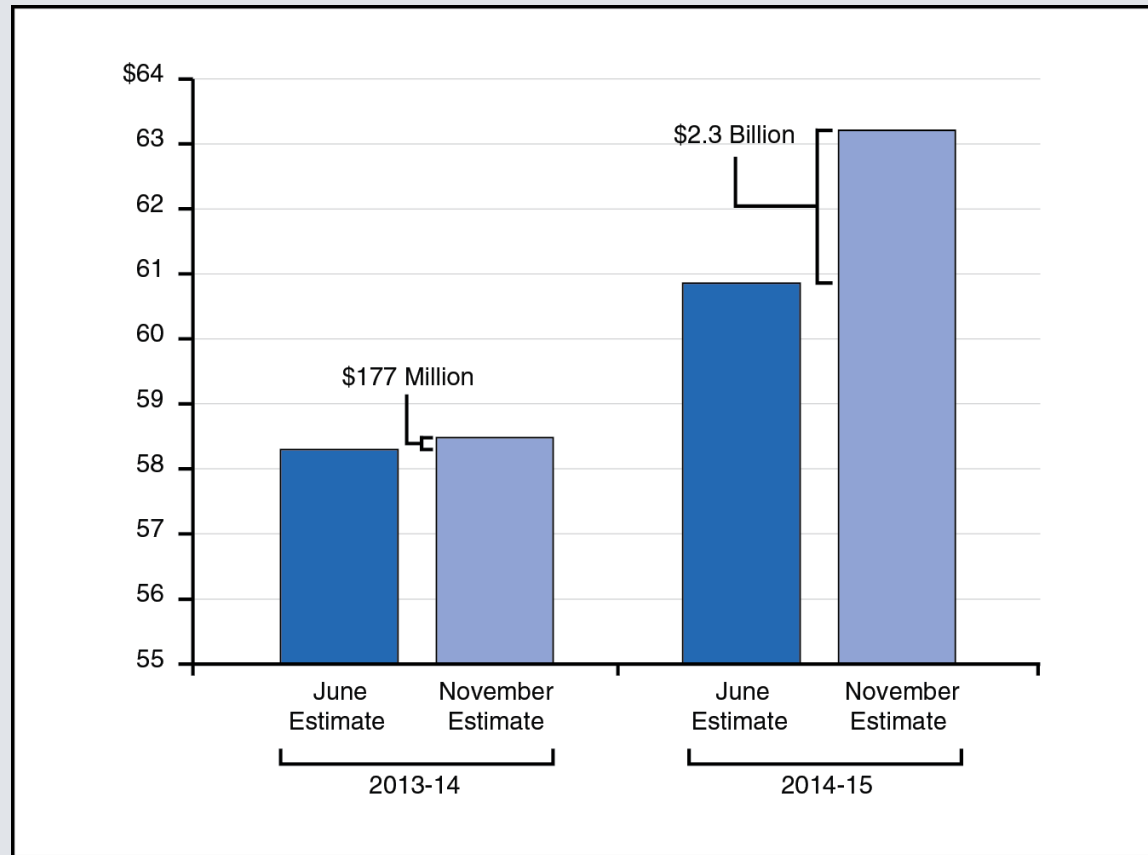
*Percent of General Fund Revenues Spent on Debt Service*



# Education Outlook

# 2013-14 Minimum Guarantee Up Slightly, 2014-15 Guarantee Up Significantly

*Minimum Guarantee (In Billions)*



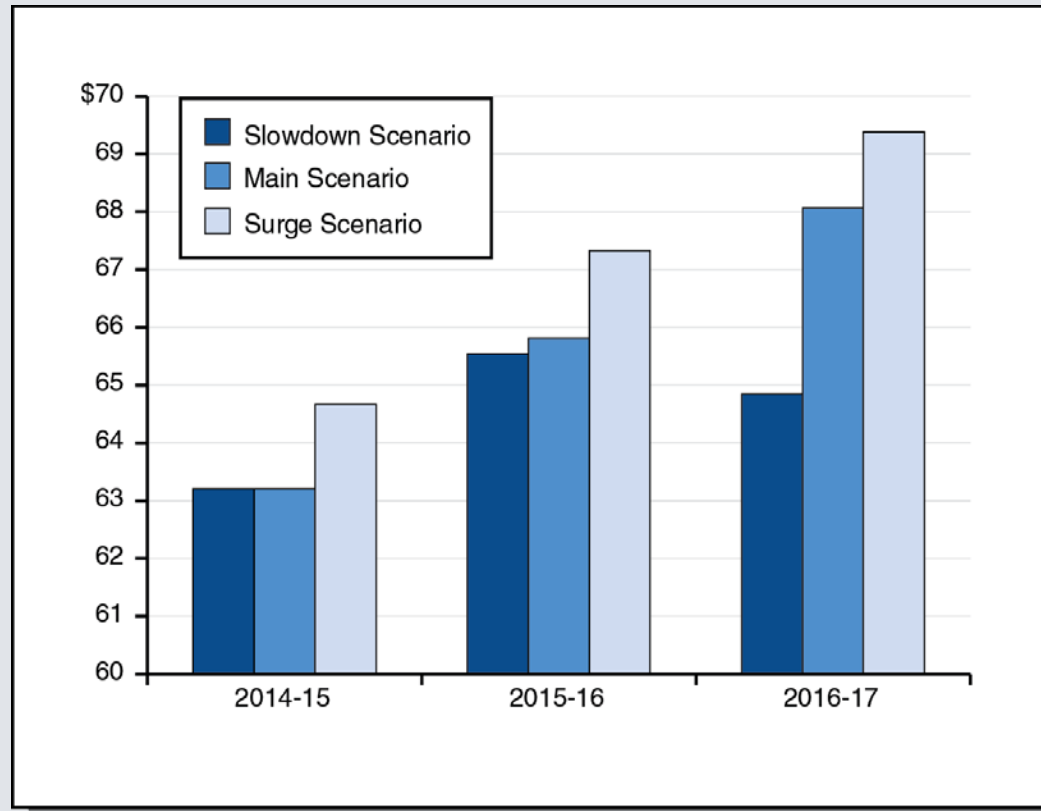
# Considerable New Proposition 98 Funding Projected for 2015-16

*LAO Main Scenario (In Millions)*

<b>2014-15 Budget Act Spending Level</b>	<b>\$60,859</b>
Back out one-time actions:	
K-14 deferral paydowns	-662
K-14 mandate backlog	-337
Career Pathways Trust	-250
CCC maintenance and instructional support	-148
CCC Economic and Workforce Development	-50
Preschool quality activities and facility loans	-35
CCC technology infrastructure	-1
Total one-time actions	<u>-1,483</u>
<b>2014-15 Ongoing Spending</b>	<b>\$59,377</b>
Annualize approved preschool slots	\$15
<b>New Funds Available in 2015-16</b>	<b>\$6,419</b>
<b>2015-16 Minimum Guarantee</b>	<b>\$65,810</b>

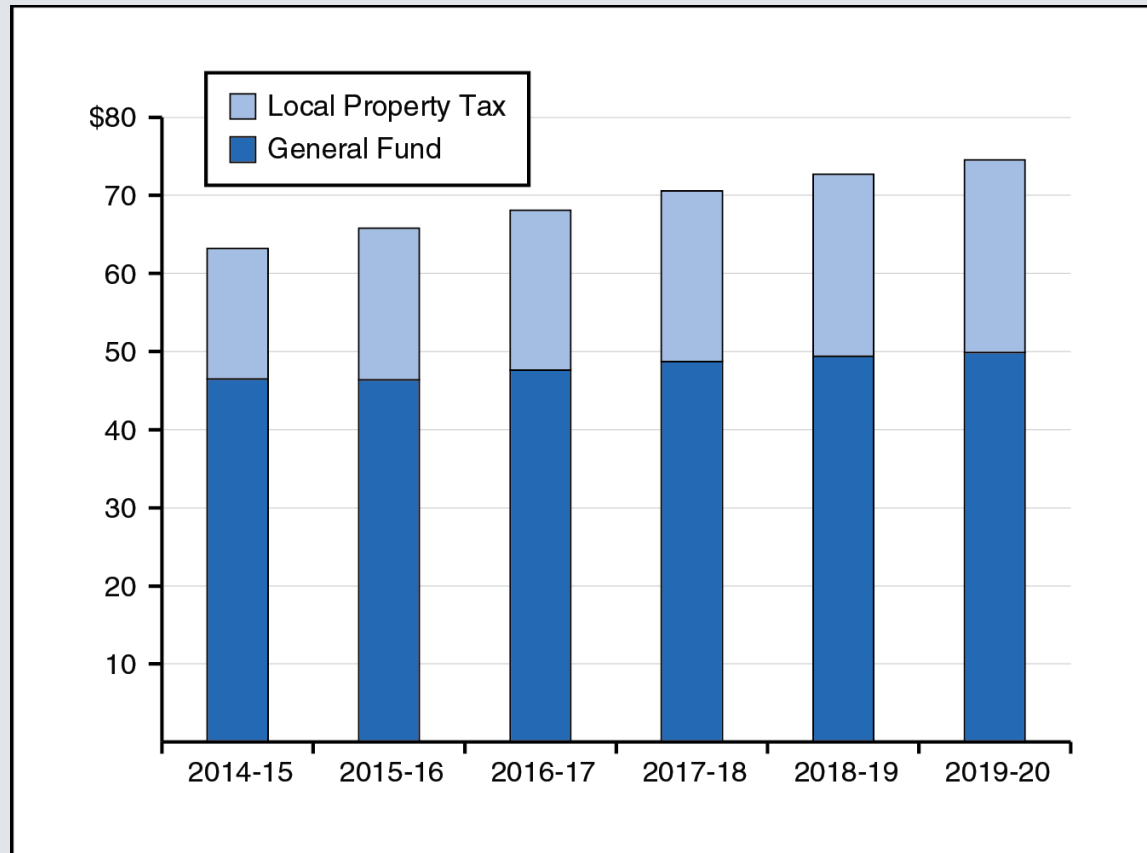
# Under Slowdown Scenario, Guarantee Drops Between 2015-16 and 2016-17

*Minimum Guarantee (In Billions)*



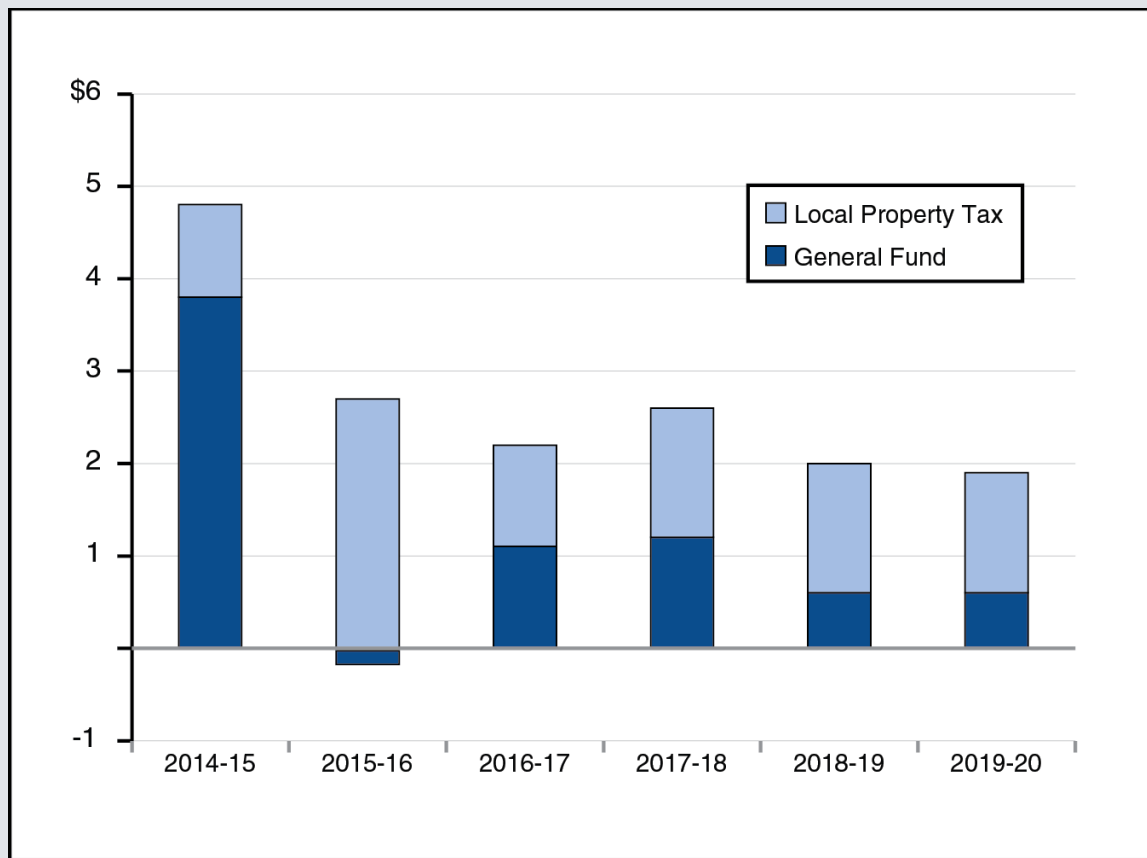
# Proposition 98 Outlook

*Minimum Guarantee Under LAO Main Scenario (In Billions)*



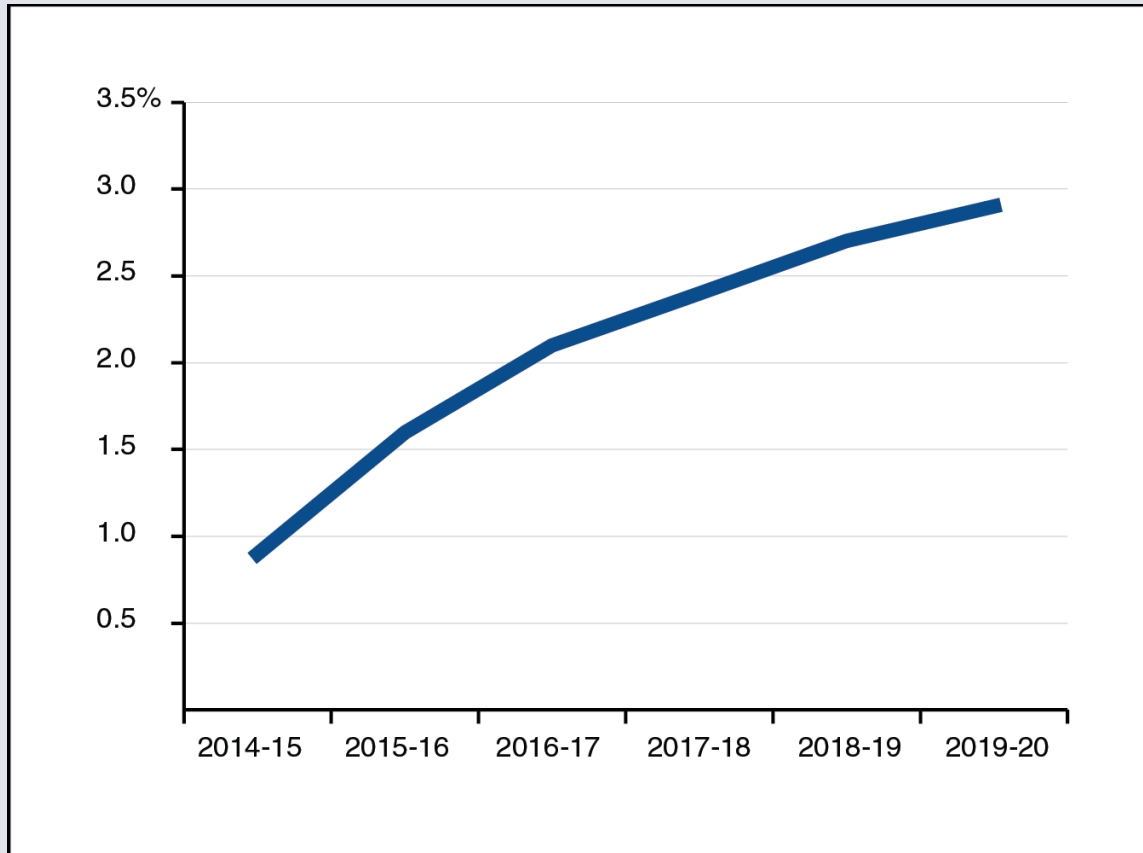
# Increase in Guarantee Largely Funded by Growth in Local Property Tax Revenue

*Change in Minimum Guarantee From Prior Year (In Billions)*



# K-14 Cost-of-Living Adjustment (COLA) on the Rise Throughout Forecast Period

*COLA Rate*





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