

# State Budget Update



**Legislative Analyst's Office**

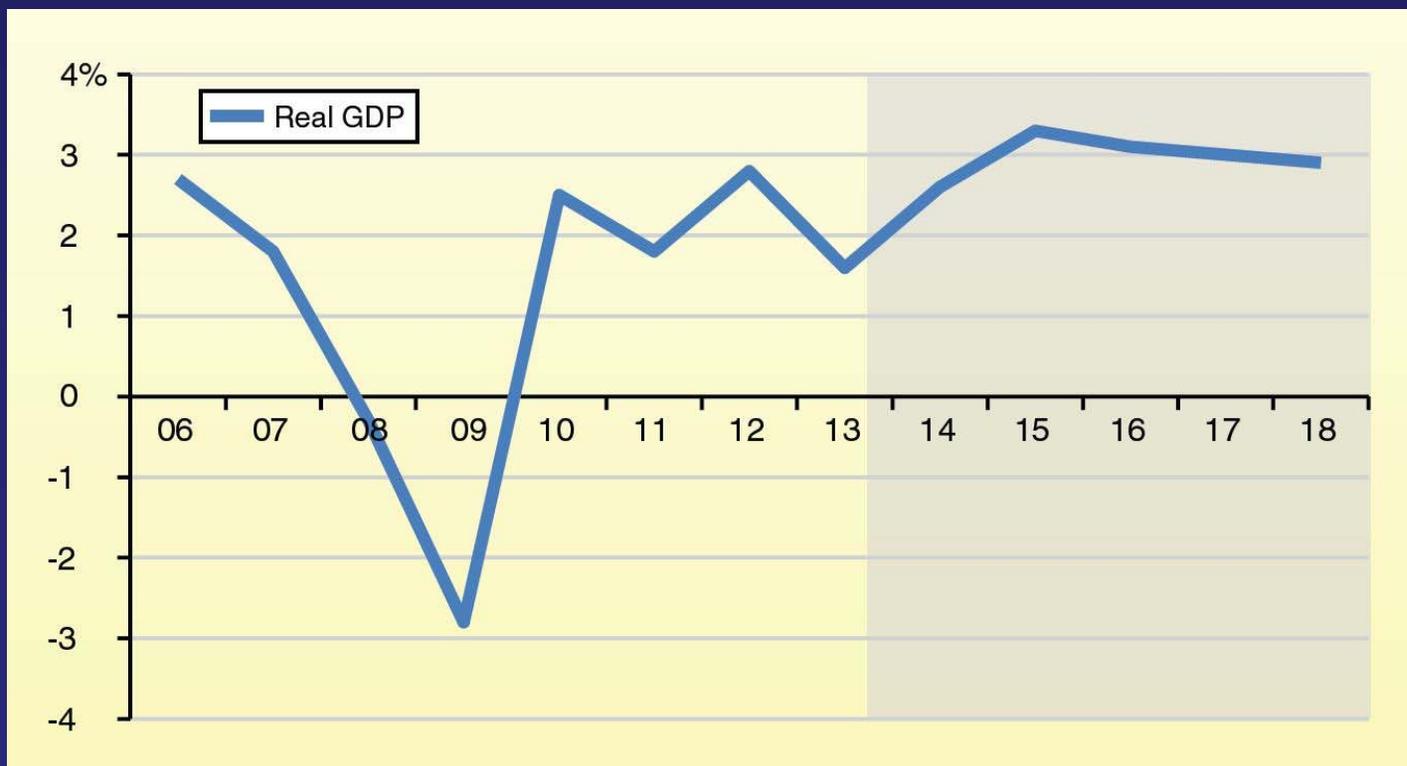
C.A.S.H. Fall Conference  
October 15, 2013

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# Update on U.S. Economy

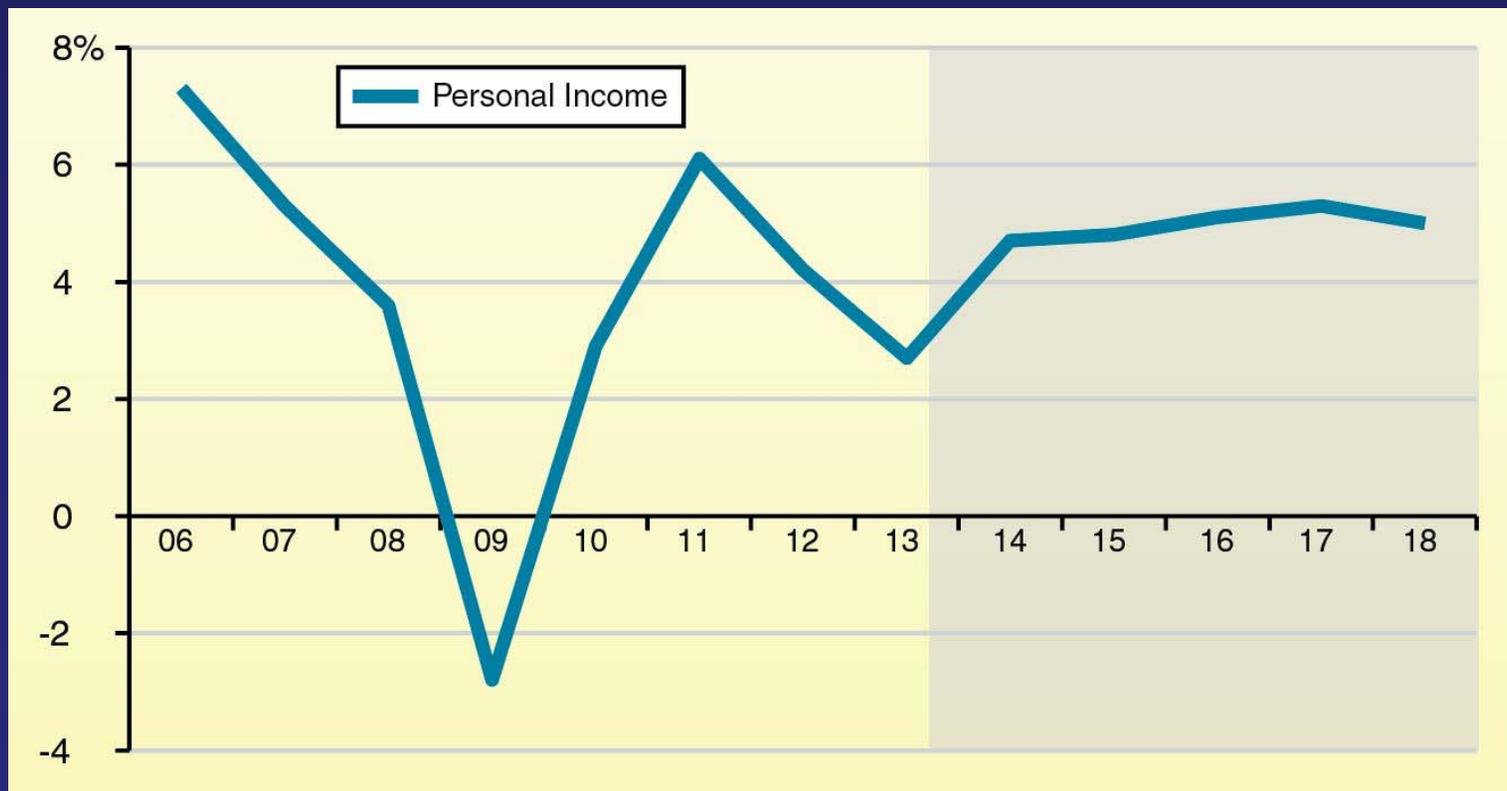
# Gross Domestic Product Projected to Grow About 3 Percent Annually

Year-to-Year Percent Change



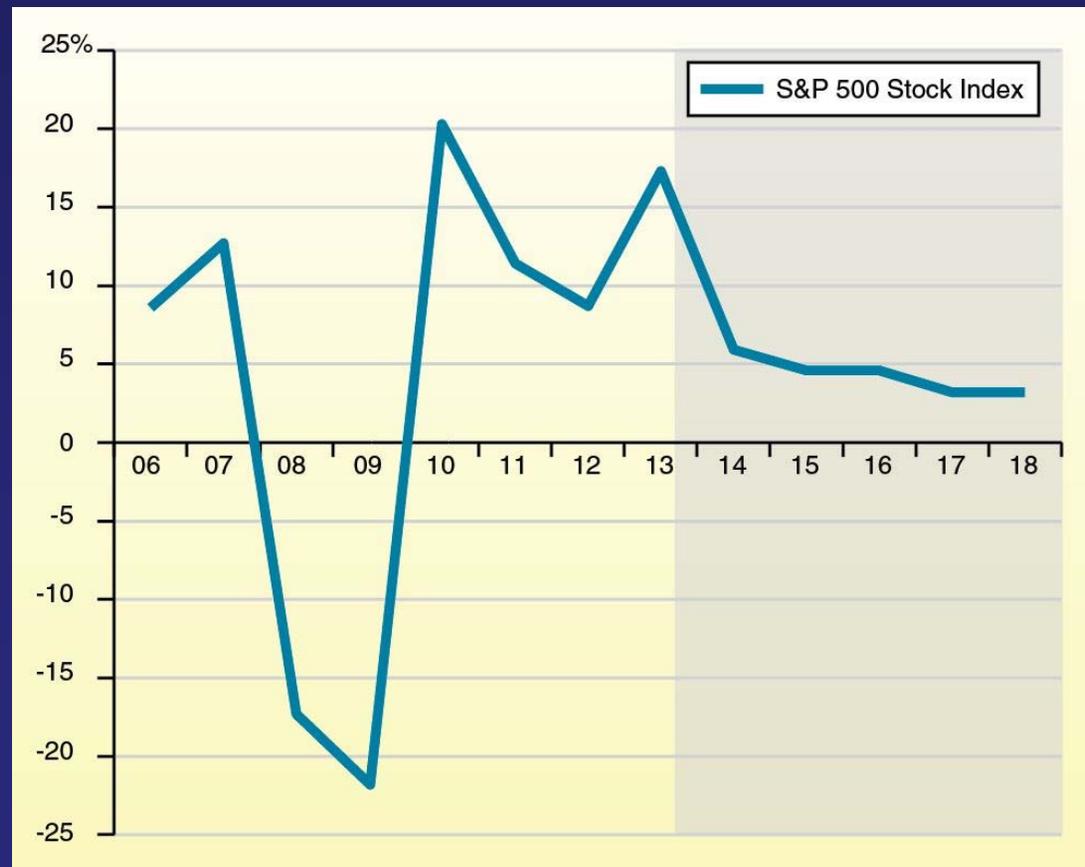
# Personal Income Projected to Grow About 5 Percent Annually

## Year-to-Year Percent Change



# S&P 500 Volatile But Projected to Grow Over Period

Year-to-Year Percent Change



# Employment Projected to Grow Less Than 2 Percent Annually

## Year-to-Year Percent Change



# Major Concerns

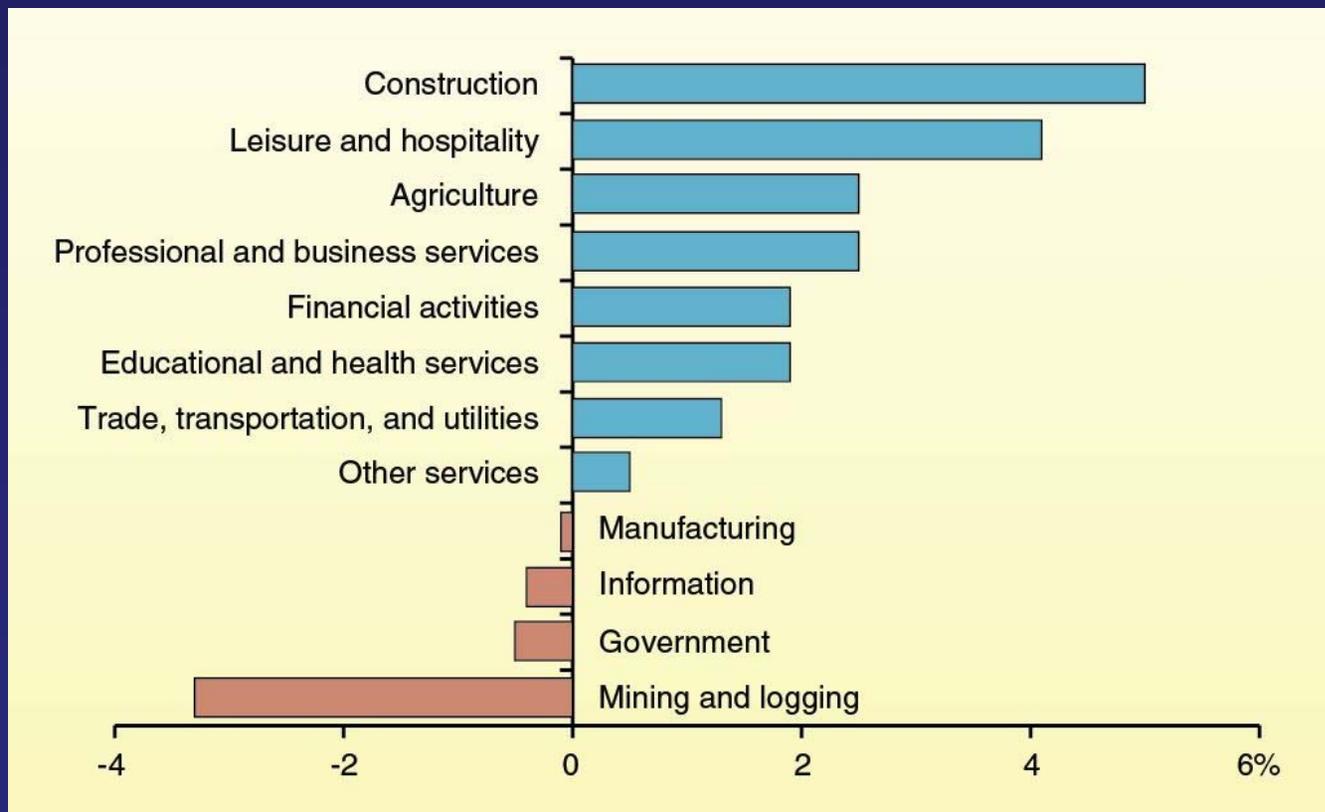
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- **Federal Shutdown**
- **Debt Ceiling Impasse**
- **Downturn in Stock Market**

# Update on California Economy

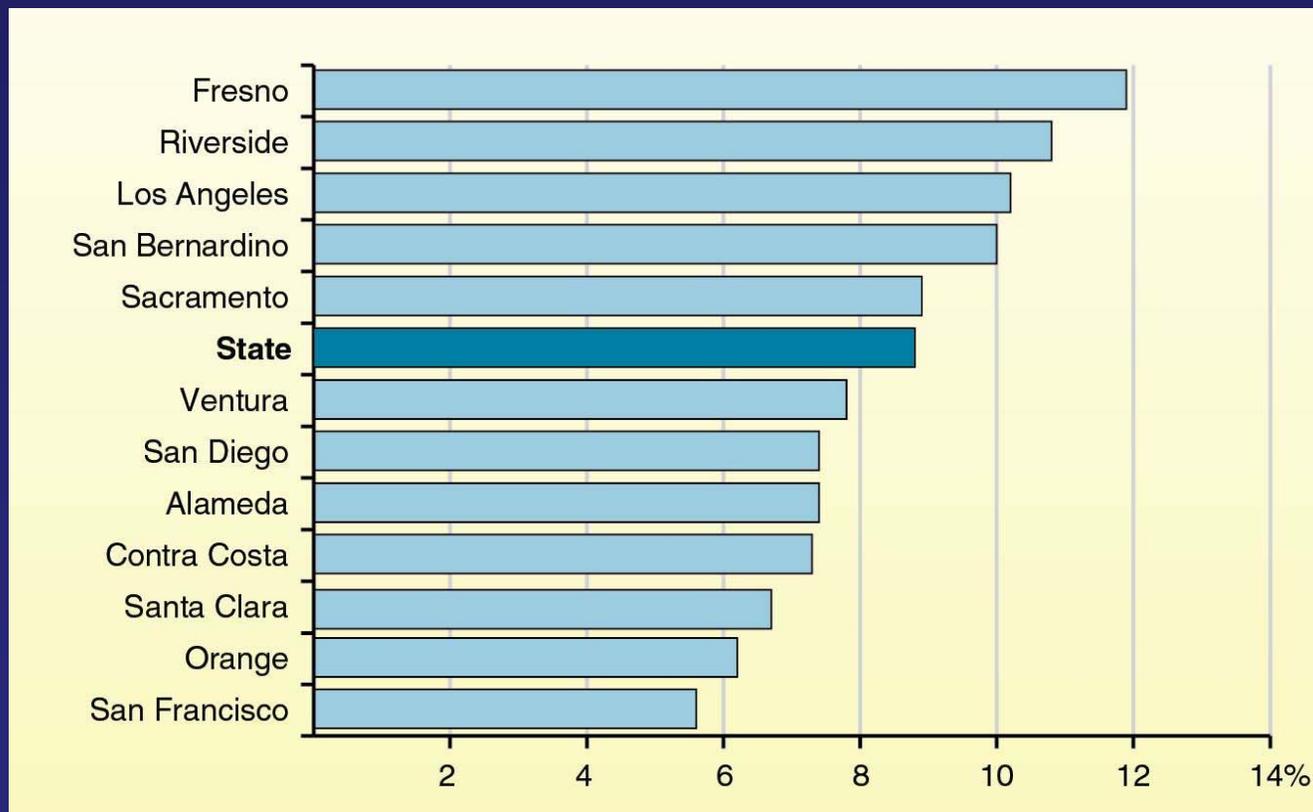
# Payroll Employment Growing In Eight Industry Sectors

Percent Change From August 2012 to August 2013



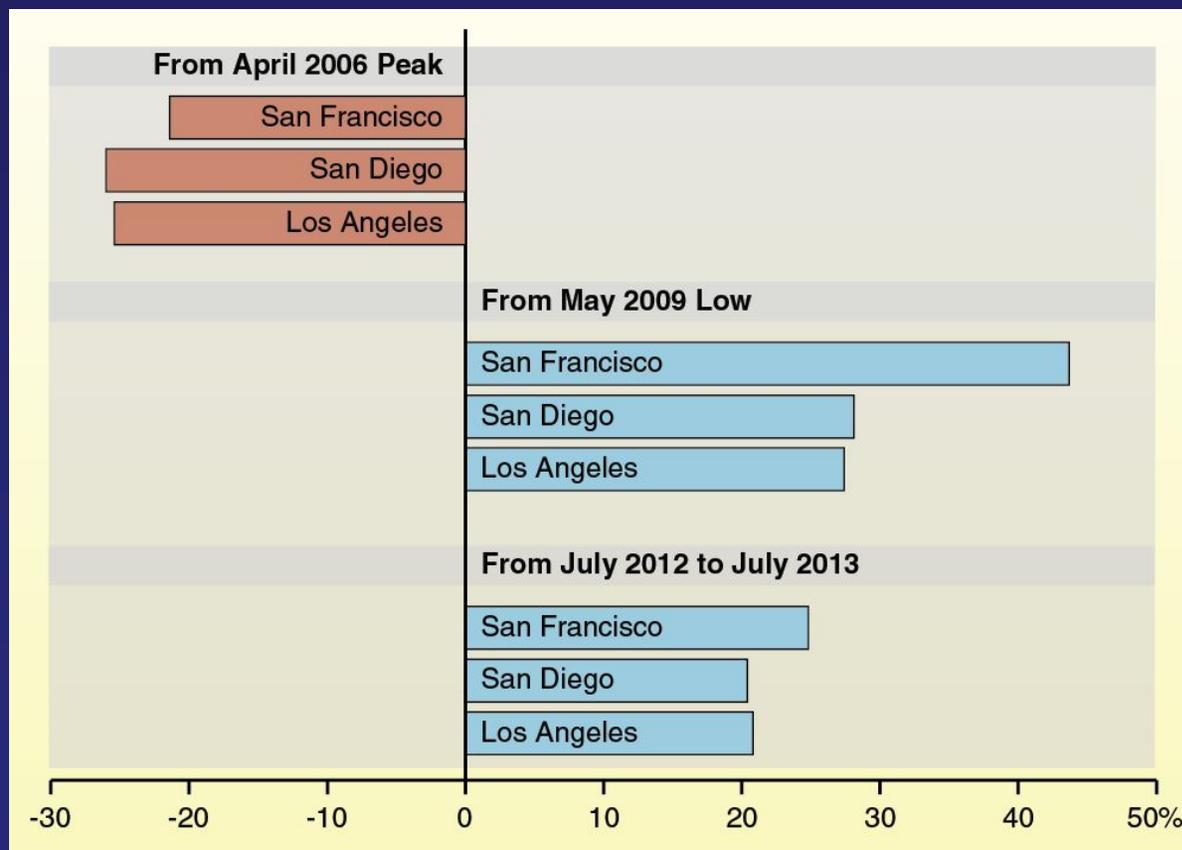
# Unemployment Rate for 12 Largest Counties Varies Notably

Rate in August 2013



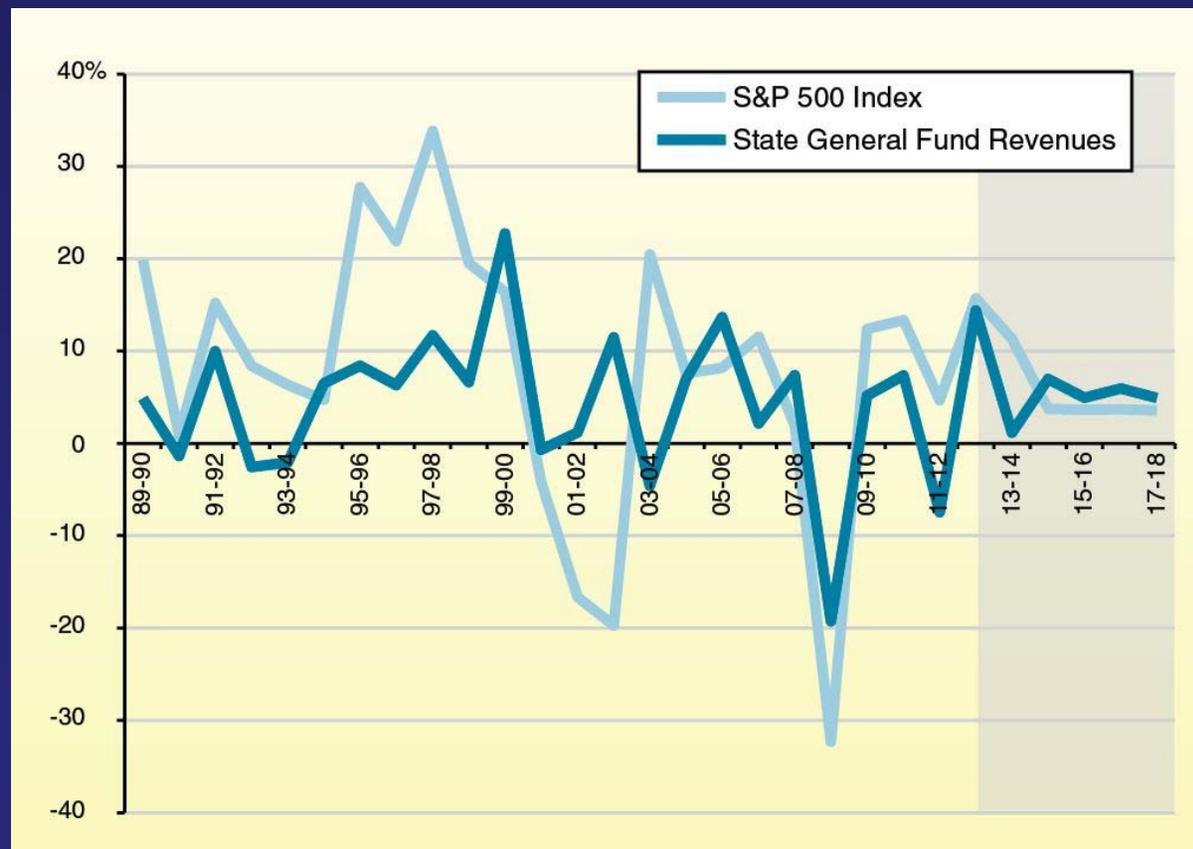
# Significant Increase in Housing Prices in State's Large Metropolitan Areas

## Percent Change



# State Revenue Growth Linked With Stock Market Growth

Year-Over-Year Percent Change



# Revenue Update

# Budget Act Revenue Assumptions

General Fund and Education Protection Account Combined  
(Dollars in Millions)

	2011-12 Estimated	2012-13 Estimated	2013-14 Enacted	Change From 2012-13	
				Amount	Percent
Personal income tax	\$54,261	\$63,901	\$60,827	-\$3,074	-4.8%
Sales and use tax	18,658	20,240	22,983	2,743	13.6
Corporation tax	7,233	7,509	8,508	999	13.3
Subtotals, "Big Three" taxes	(\$80,152)	(\$91,650)	(\$92,318)	(\$668)	(0.7%)
Other revenues	\$6,634	\$6,545	\$4,780	-\$1,765	-27.0%
<b>Totals</b>	<b>\$86,786</b>	<b>\$98,195</b>	<b>\$97,098</b>	<b>-\$1,096</b>	<b>-1.1%</b>

# General Fund Condition Under Budget Act

General Fund and Education Protection Account Combined  
(Dollars in Millions)

	2012-13	2013-14	Percent Change
Prior-year balance	-\$1,658	\$872	
Revenues and transfers	98,195	97,098	-1.1%
Total resources available	\$96,537	\$97,970	
Total expenditures	\$95,665	\$96,281	0.6%
Fund balance	\$872	\$1,689	
Encumbrances	\$618	\$618	
<b>Reserve</b>	<b>\$254</b>	<b>\$1,071</b>	

# 2012-13 State Revenue Update

Year End (In Millions)

	Forecast	Actual	Difference
Personal income	\$66,056	\$67,201	\$1,145
Sales and use	20,578	20,875	297
Corporation	7,214	7,613	399
Subtotals—Big Three Taxes	(\$93,848)	(\$95,689)	(\$1,841)
Other	\$4,789	\$5,047	\$258
<b>Totals</b>	<b>\$98,637</b>	<b>\$100,736</b>	<b>\$2,099</b>

# 2013-14 State Revenue Update

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- **Personal Income Tax (PIT) Withholding Above Projections**
- **PIT Estimated Payments Above Projections**
- **Sales Tax Revenues Below Projections**
- **Corporate Tax Revenues Below Projections**

# Education Budget Recap

# Proposition 98 Funding

In Millions

	2011-12 Final	2012-13			2013-14	
		Budget Act	Revised	Change	Enacted	Change From 2012-13
<b>K-12 Education</b>						
General Fund	\$29,317	\$32,828	\$36,195	\$3,366	\$34,693	-\$1,502
Local property tax revenue	12,125	14,342	13,760	-582	13,936	175
<b>Totals</b>	<b>\$41,443</b>	<b>\$47,170</b>	<b>\$49,955</b>	<b>\$2,785</b>	<b>\$48,598</b>	<b>-\$1,357</b>

# Major 2012-13 Changes

In Millions

<b>2012-13 Budget Act</b>	<b>\$47,170</b>
Pay down additional deferrals	\$1,590
Fund Common Core implementation (one time)	1,000
Revenue limit adjustments	293
Other technical adjustments	-98
<b>Total 2012-13 Changes</b>	<b>\$2,785</b>
<b>Revised 2012-13 Spending</b>	<b>\$49,955</b>

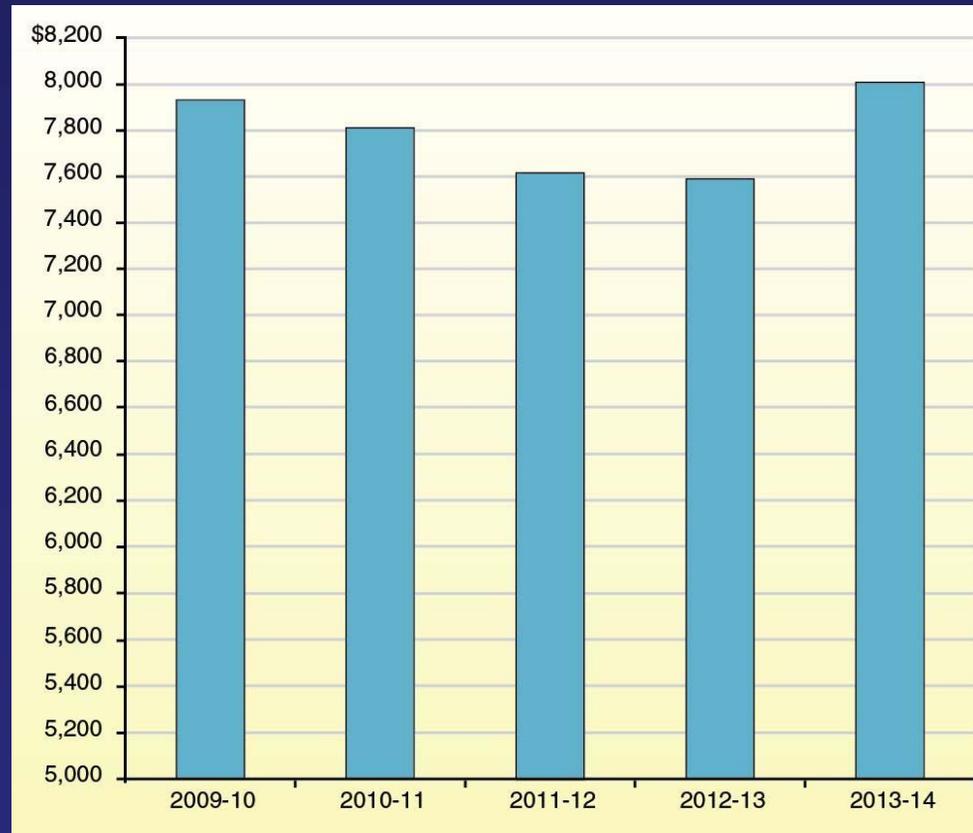
# Major 2013-14 Changes

In Millions

<b>Revised 2012-13 Spending</b>	<b>\$49,955</b>
<b>K-12 Education</b>	
Implement LCFF for districts and charter schools	\$2,052
Allocate funds for energy projects	406
Fund Common Core implementation (one time)	250
Fund Career Pathways program (one time)	250
Pay down deferrals	242
Augment mandate block grant	50
Implement LCFF for county offices of education	32
Increase preschool slots	26
Establish CCEE to provide academic advice and assistance	10
Vetoed	-35
Other adjustments	-4,640
<b>Total 2013-14 Changes</b>	<b>-\$1,357</b>
<b>2013-14 Spending</b>	<b>\$48,598</b>

# Programmatic Per-Pupil Funding Rebounding

Per-Pupil Funding in Dollars



# Tracking Deferral Paydowns

In Millions

	K-12	CCC	Totals
<b>Outstanding Deferrals at End of 2011-12</b>	<b>\$9,469</b>	<b>\$961</b>	<b>\$10,430</b>
Deferral paydowns in 2012-13 budget package	2,065	160	2,225
Newly authorized 2012-13 deferral paydowns	1,590	179	1,769
Deferral paydowns for 2013-14	242	30	272
<b>Total Paydowns</b>	<b>\$3,898</b>	<b>\$369</b>	<b>\$4,266</b>
<b>Outstanding Deferrals at End of 2013-14</b>	<b>\$5,571</b>	<b>\$592</b>	<b>\$6,164</b>

# Education Budget Outlook

# Pessimistic Scenario

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Year	Assumptions	Minimum Guarantee	Difference From Budget Act
2012-13	Budget act	\$56.5 billion	None
2013-14	Budget act	\$55.3 billion	None
2014-15	Down \$5 billion from LAO May forecast	\$57.9 billion	Down \$3.7 billion

# Best Guess Scenario

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Year	Assumptions	Minimum Guarantee	Difference From Budget Act
2012-13	Up \$2 billion from budget act	\$58.5 billion	Up \$2.1 billion
2013-14	Up \$3 billion from budget act	\$57.1 billion	Up \$1.8 billion
2014-15	LAO May forecast	\$60.9 billion	Down \$700 million

# Optimistic Scenario

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Year	Assumptions	Minimum Guarantee	Difference From Budget Act
2012-13	Up \$4 billion from budget act	\$60.6 billion	Up \$4.2 billion
2013-14	Up \$6 billion from budget act	\$59.0 billion	Up \$3.7 billion
2014-15	Up \$5 billion from LAO May forecast	\$63.9 billion	Up \$2.3 billion

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