

California's Fiscal Outlook



Legislative Analyst's Office

**California Association of School Business Officials
Annual Conference**

April 4, 2013

Budget Overview

Total State Expenditures

(Dollars in Millions)

Fund Type	2011-12 Revised	2012-13 Revised	2013-14 Proposed	Change From 2012-13	
				Amount	Percent
General Fund ^a	\$86,404	\$92,994	\$97,650	\$4,656	5.0%
Special funds	33,853	39,648	40,928	1,279	3.2
Budget Totals	\$120,257	\$132,642	\$138,578	\$5,936	4.5%
Selected bond funds	\$6,104	\$12,295	\$7,248	-\$5,046	-41.0%
Federal funds	73,063	85,830	78,841	-6,989	-8.1

^a Includes Education Protection Account created by Proposition 30 (2012).

State General Fund Condition

Includes Education Protection Account (In Millions)

	2011-12 Revised	2012-13 Revised	2013-14 Proposed
Prior-year fund balance	-\$2,282	-\$1,615	\$785
Revenues and transfers	87,071	95,394	98,501
Total resources available	\$84,789	\$93,779	\$99,286
Expenditures	\$86,404	\$92,994	\$97,650
Ending fund balance	-\$1,615	\$785	\$1,636
Encumbrances	\$618	\$618	\$618
Reserve	-\$2,233	\$167	\$1,018

Proposition 98 Funding

(Dollars in Millions)

	2011-12 Actual	2012-13 Revised	2013-14 Proposed	Change From 2012-13	
				Amount	Percent
Preschool	\$368	\$481	\$481	—	—
K-12 Education					
General Fund	\$29,368	\$33,406	\$36,084	\$2,679	8%
Local property tax revenue	11,963	13,777	13,160	-618	-4
Subtotals	(\$41,331)	(\$47,183)	(\$49,244)	(\$2,061)	(4%)
California Community Colleges					
General Fund	\$3,279	\$3,543	\$4,226	\$683	19%
Local property tax revenue	1,974	2,256	2,171	-85	-4
Subtotals	(\$5,253)	(\$5,799)	(\$6,397)	(\$597)	(10%)
Other Agencies	\$83	\$78	\$79	\$1	1%
Totals	\$47,035	\$53,541	\$56,200	\$2,659	5%

Proposition 98 Spending

(In Millions)

Technical Changes	(-2,025)
K-12 Policy Changes	
Pay down deferrals	\$1,765
Transition to new funding formula	1,630
Allocate money for energy-related projects	401
Add two programs to mandate block grant	100
Provide COLA for certain programs	63
Swap one-time funds	-17
Subtotal	(\$3,941)
CCC Policy Changes	
Create new adult education categorical program	\$300
Increase funding for apportionments	197
Pay down deferrals	179
Allocate money for energy-related projects	50
Fund new technology initiative	17
Subtotal	(\$742)
Total Changes	\$2,659



Governor's Multiyear Paydown Plan

(In Millions)

Obligation	Paid Within Annual Proposition 98 Appropriation?	2013-14	2014-15	2015-16	2016-17	Total Payments Over Period
Payment deferrals	Yes	\$1,950	\$2,986	\$3,137	\$132	\$8,205
Mandates	No	—	—	—	1,666	1,666
Emergency Repair Program	No	—	—	—	452	452
Quality Education Investment Act	No	—	247	—	—	247
Fiscal-Year Totals		\$1,950	\$3,233	\$3,137	\$2,250	\$10,570

Economic Update

Administration's January 2013 National Economic Forecast

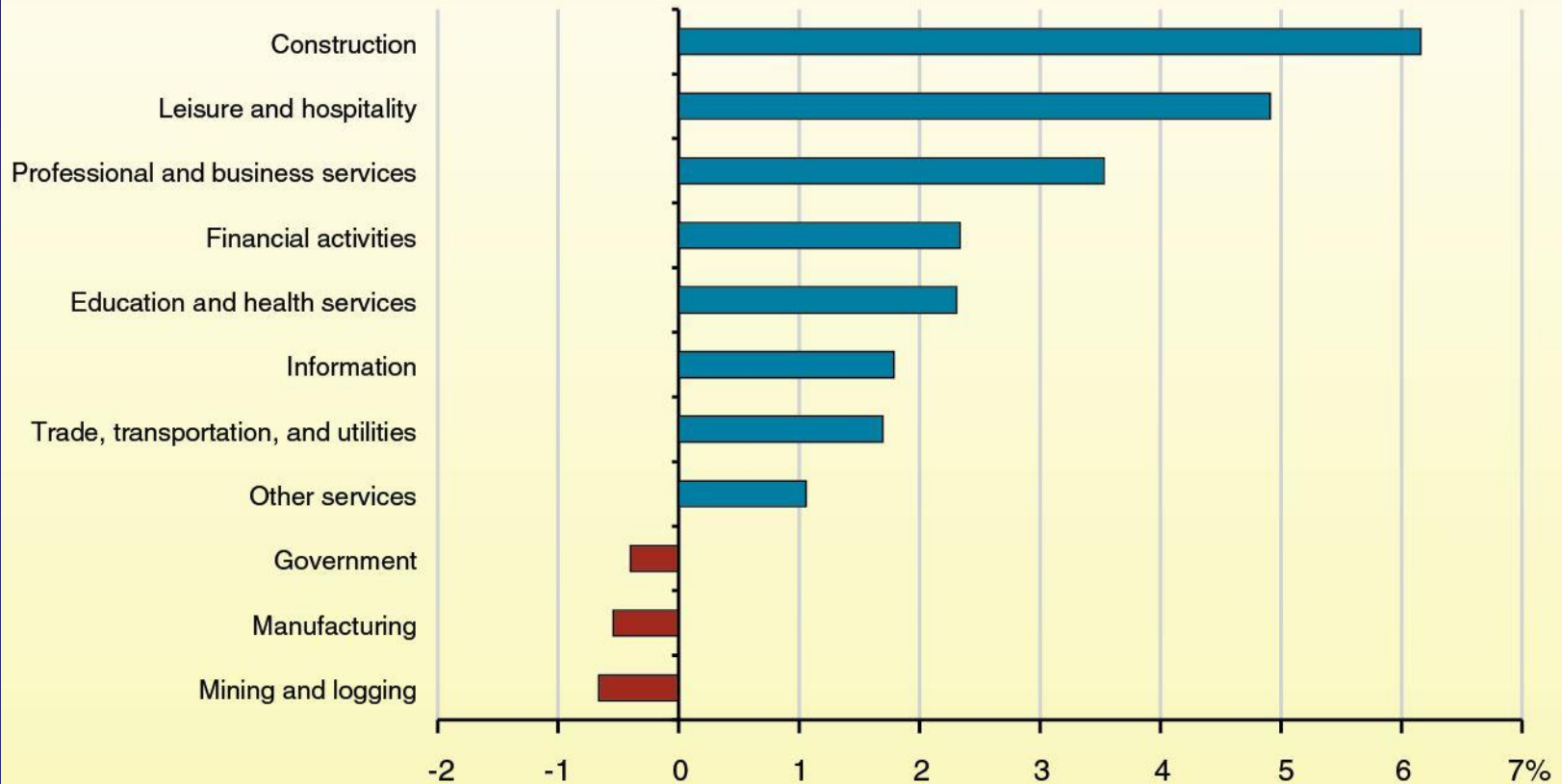
United States	2012	2013	2014
Percent change in:			
Real gross domestic product	2.1%	1.8%	2.8%
Personal income	3.5	3.8	4.8
Wage and salary employment	1.4	1.5	1.6
Consumer price index	2.1	1.9	2.0
Unemployment rate	8.1	7.8	7.4
Housing starts (millions)	0.8	1.0	1.3
Percent change from prior year	25.3	27.9	31.4
Federal funds rate	0.1	0.1	0.1

Administration's January 2013 State Economic Forecast

California	2012	2013	2014
Percent change in:			
Personal income	5.1%	4.3%	5.5%
Wage and salary employment	2.0	2.1	2.4
Unemployment rate	10.6	9.6	8.7
Housing permits (thousands)	57	81	123
Percent change from prior year	21.7	42.7	51.6
Single-unit permits (thousands)	27	37	63
Multiunit permits (thousands)	30	44	60

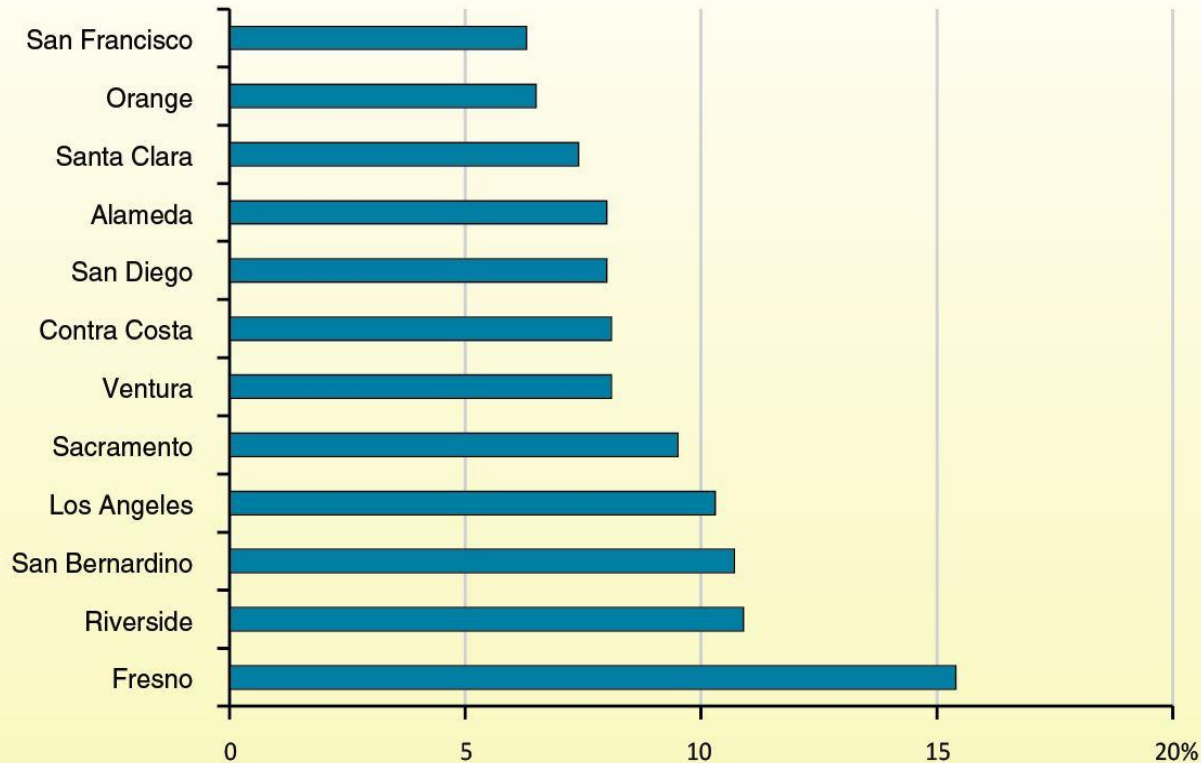
Some Industry Sectors Continue to Struggle

Percent Change in California Nonfarm Employment, February 2012 to February 2013

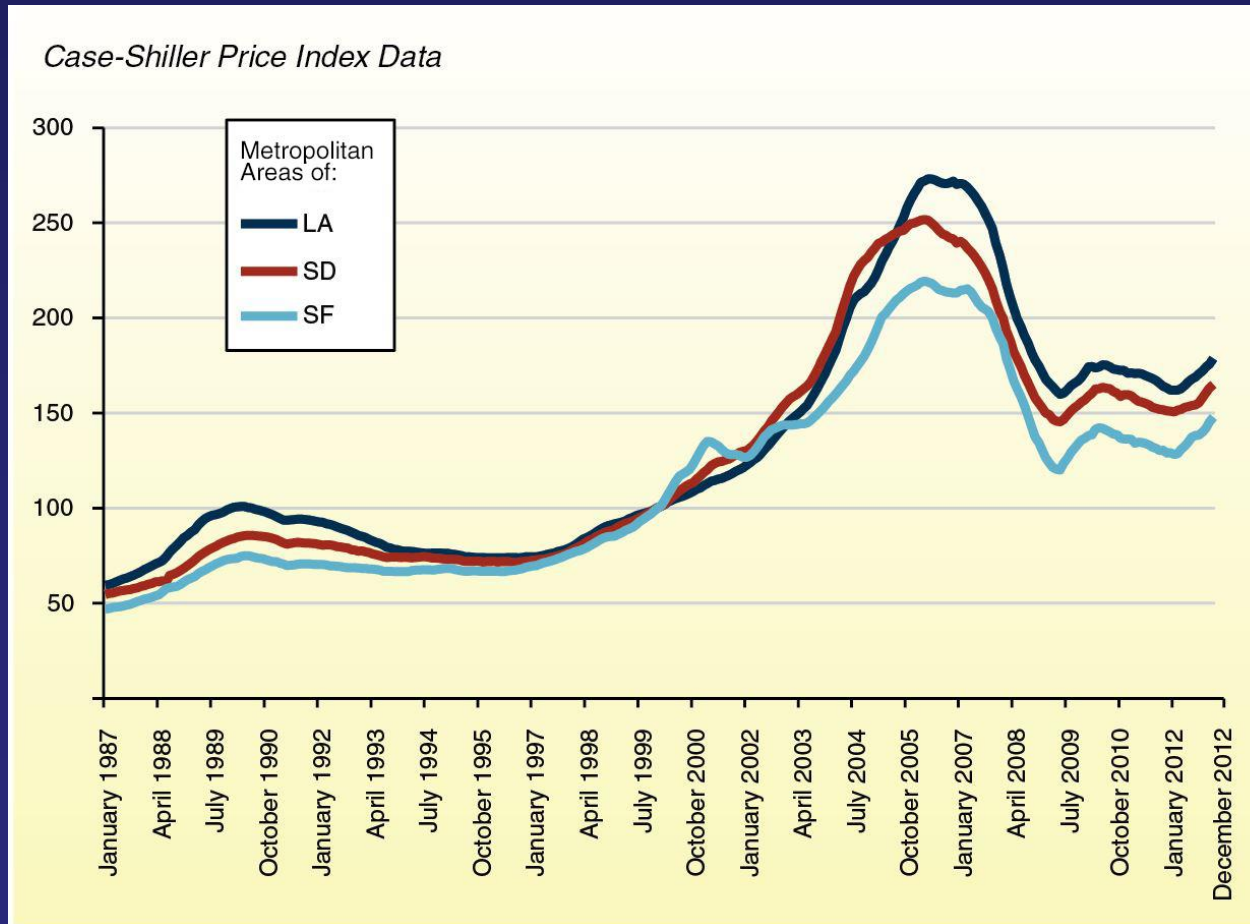


Unemployment Rate Varies Widely Among Counties

February 2013 Preliminary Data



Key Housing Markets Continue to Improve



Revenue Update

Lower Estimates of Redevelopment-Related Transfers

(In Millions)

	<i>2012-13 Budget Act</i>	<i>2013-14 Governor's Budget</i>	<i>Difference</i>
2011-12			
Ongoing residual	\$113	\$147	\$34
Cash assets	—	—	—
Totals	\$113	\$147	\$34
2012-13			
Ongoing residual	\$1,676	\$784	-\$893
Cash assets	1,479	1,302	-177
Totals	\$3,155	\$2,086	-\$1,070
2013-14			
Ongoing residual	\$1,011	\$559	-\$452
Cash assets	600	558	-42
Totals	\$1,611	\$1,117	-\$494
Totals Through 2013-14			
Ongoing residual	\$2,800	\$1,490	-\$1,310
Cash assets	2,079	1,860	-219
Totals	\$4,879	\$3,350	-\$1,529



Administration's Multiyear "Big Three" Revenue Forecast

General Fund and Education Protection Account Combined (In Millions)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Personal income tax	\$53,836	\$60,647	\$61,747	\$67,550	\$71,981	\$75,344
Sales and use tax	18,652	20,714	23,264	24,920	26,733	27,261
Corporation tax	7,949	7,580	9,130	9,655	10,169	10,592
Totals	\$80,437	\$88,941	\$94,141	\$102,125	\$108,883	\$113,197

State Big Three Revenue Update

2012-13 Year-to-Date (In Millions)

	Forecast	Actual	Difference
Personal income	\$35,841	\$40,339	\$4,498
Sales and use	13,393	13,362	-31
Corporation	2,177	2,269	92
Totals—Big Three Taxes	\$51,411	\$55,970	\$4,559

Effect of Revenues on Guarantee: Scenario 1

- **Revenues Up \$1.5 Billion Across 3 Years**
 - Up \$500 million in 2011-12.
 - Up \$4.2 billion in 2012-13.
 - Down \$3.2 billion in 2013-14.
- **Guarantee**
 - \$57.4 billion, up \$3.8 billion, in 2012-13.
 - \$54.4 billion, down \$1.8 billion, in 2013-14.

Effect of Revenues on Guarantee: Scenario 2

- **Revenues Up \$4 Billion Across 3 Years**
 - Up \$500 million in 2011-12.
 - Up \$3 billion in 2012-13.
 - Up \$500 million in 2013-14.
- **Guarantee**
 - \$56.2 billion, up \$2.7 billion, in 2012-13.
 - \$56.5 billion, up \$300 million, in 2013-14.

Effect of Revenues on Guarantee: Scenario 3

- **Revenues Up \$7.5 Billion Across 3 Years**
 - Up \$600 million in 2011-12.
 - Up \$4.4 billion in 2012-13.
 - Up \$2.5 billion in 2013-14.
- **Guarantee**
 - \$57.6 billion, up \$4.0 billion, in 2012-13.
 - \$57.7 billion, up \$1.5 billion, in 2013-14.

Federal Update

Sequestration Now in Effect

- **5 Percent Cut to Most Federal Education Programs**
- **Effective Beginning 2013-14**
- **Title I and IDEA Affected**