

State Budget Update



Legislative Analyst's Office

**Presented to:
California County Superintendents Educational Services Association
February 21, 2014**

State Budget

Governor's Budget Expenditures

(Dollars in Millions)

Fund Type	2012-13 Revised	2013-14 Revised	2014-15 Proposed	Change From 2013-14	
				Amount	Percent
General Fund	\$96,562	\$98,463	\$106,793	\$8,331	8.5%
Special funds	37,724	41,153	43,979	2,826	6.9
Budget Totals	\$134,286	\$139,616	\$150,772	\$11,156	8.0%

Governor's Budget General Fund Condition

Includes Education Protection Account (In Millions)

	2012-13	2013-14	2014-15
Prior-year fund balance	-\$1,100	\$2,254	\$3,938
Revenues and transfers	99,915	100,147	106,094
Total resources available	\$98,816	\$102,401	\$110,032
Expenditures	\$96,562	\$98,463	\$106,793
Ending fund balance	\$2,254	\$3,938	\$3,239
Encumbrances	\$955	\$955	\$955
Reserve	\$1,299	\$2,983	\$2,284
Budget Stabilization Account	—	—	\$1,591
Special Fund for Economic Uncertainties	\$1,299	\$2,983	693

Comparing State Revenue Forecasts

General Fund and Education Protection Account Combined (In Billions)

	2011-12 and Prior Years	2012-13	2013-14	2014-15	Change From 2013-14 Budget Act— All Four Years Combined
Personal Income Tax (PIT)					
LAO November 2013 forecast	-\$0.5	\$1.1	\$5.2	\$4.2	\$10.1
Administration January 2014 forecast	0.1	1.4	3.5	2.6	7.6
“Big Three” PIT, Sales, and Corporation Taxes Combined					
LAO November 2013 forecast	—	\$1.5	\$4.8	\$2.8	\$9.2
Administration January 2014 forecast	\$0.5	1.6	2.9	1.6	6.6
Total Revenues and Transfers					
LAO November 2013 forecast	—	\$1.6	\$4.7	\$3.0	\$9.4
Administration January 2014 forecast	\$0.5	1.7	3.0	1.4	6.7

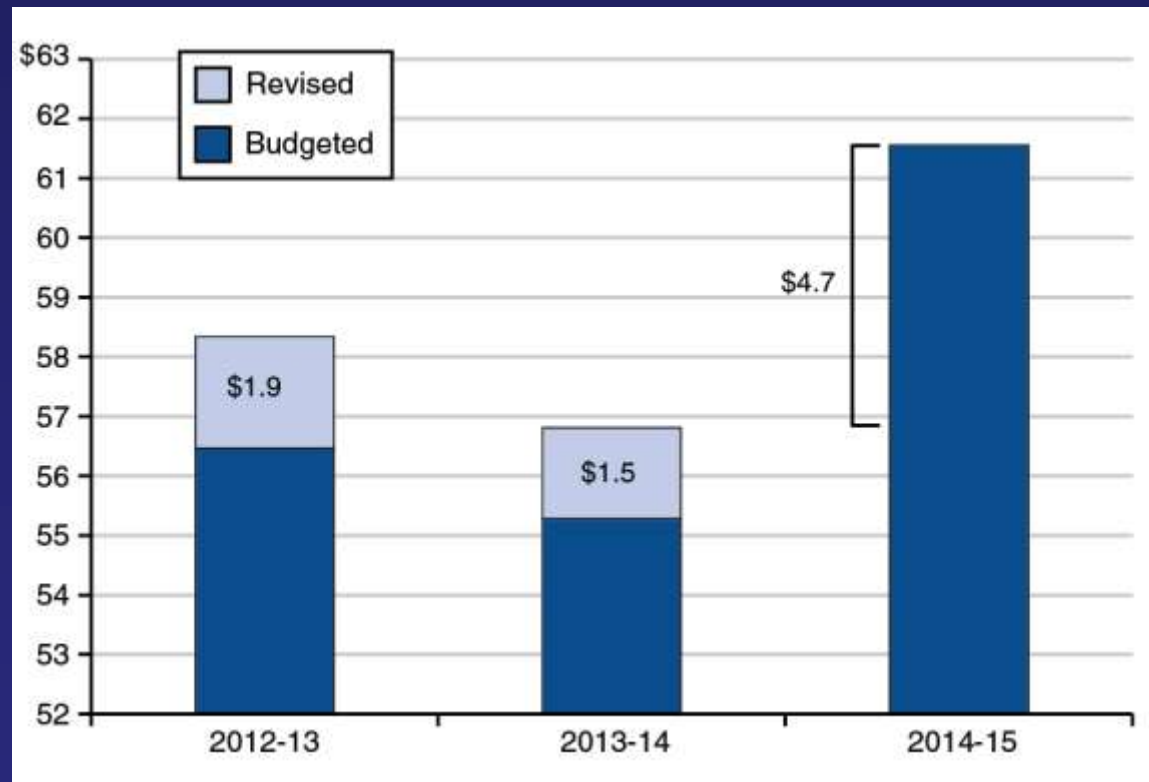
S&P 500 Index Rose Notably During 2013



Education Budget

Proposition 98 Minimum Guarantee

(In Billions)



Governor Proposes to Pay Down All Outstanding K-12 Deferrals

(In Millions)

Deferral Pay Down	
Pay Down Scored to:	
2012-13	\$1,813
2013-14	1,520
2014-15	2,238
Totals	\$5,571

Major 2014-15 K-12 Proposals

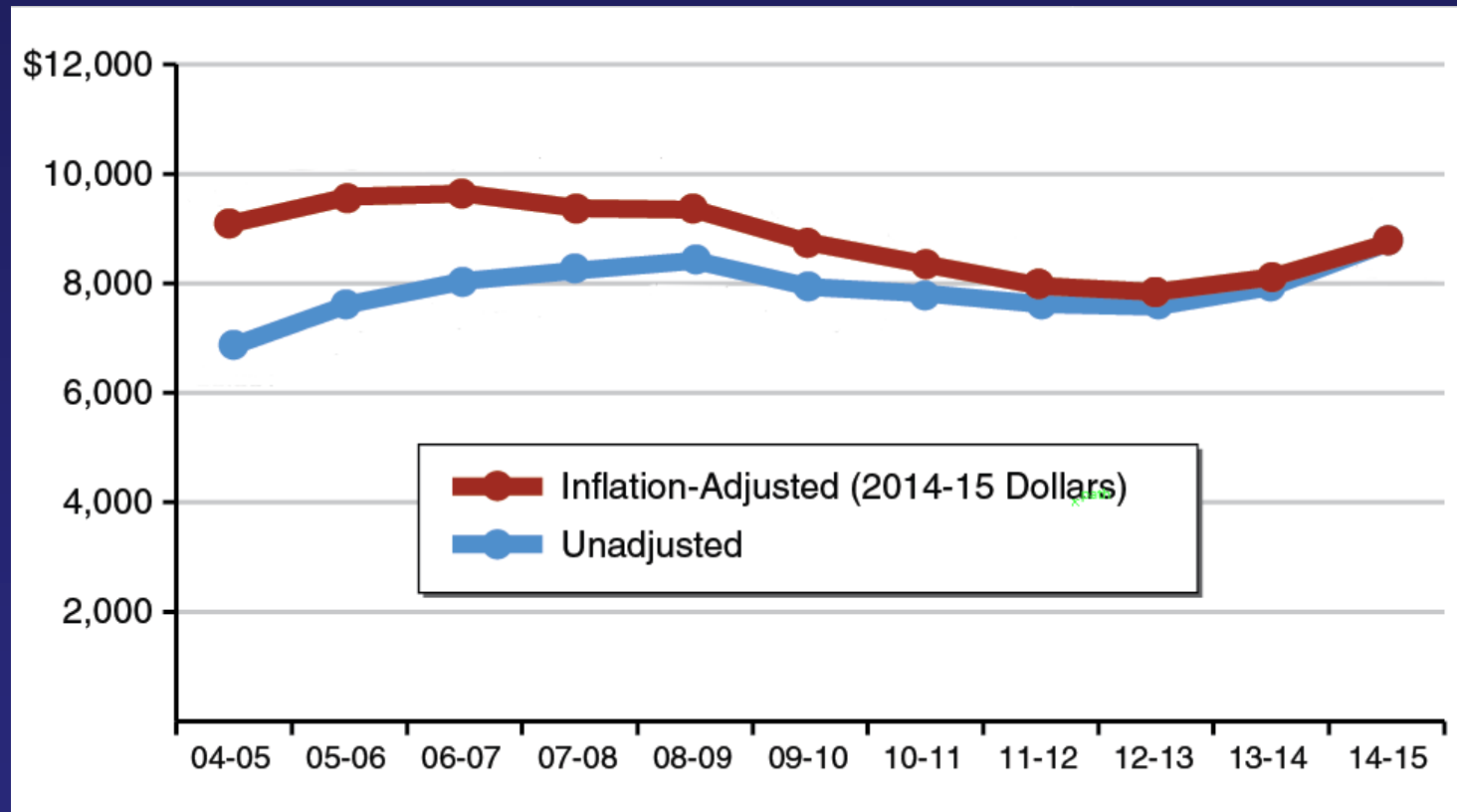
(In Millions)

2013-14 Revised Spending	\$56,813
Crosscutting K-14 Adjustments	-\$2,894
K-12 Education	
Fund increase in school district LCFF	\$4,472
Pay down remaining deferrals	2,238
Increase funding for pupil testing	46
Provide 0.86 percent COLA to categorical programs	33
Fund increase in COE LCFF	26
Fund new English language proficiency assessment	8
Subtotal	(\$6,823)
California Community Colleges	\$817
Total Changes	\$4,746
2014-15 Proposed Spending	\$61,559
<p>QEIA = Quality Education Investment Act; LCFF = Local Control Funding Formula; COLA = cost-of-living adjustment; COE = county office of education; and ADA = average daily attendance.</p>	

Second-Year Implementation of Local Control Funding Formula

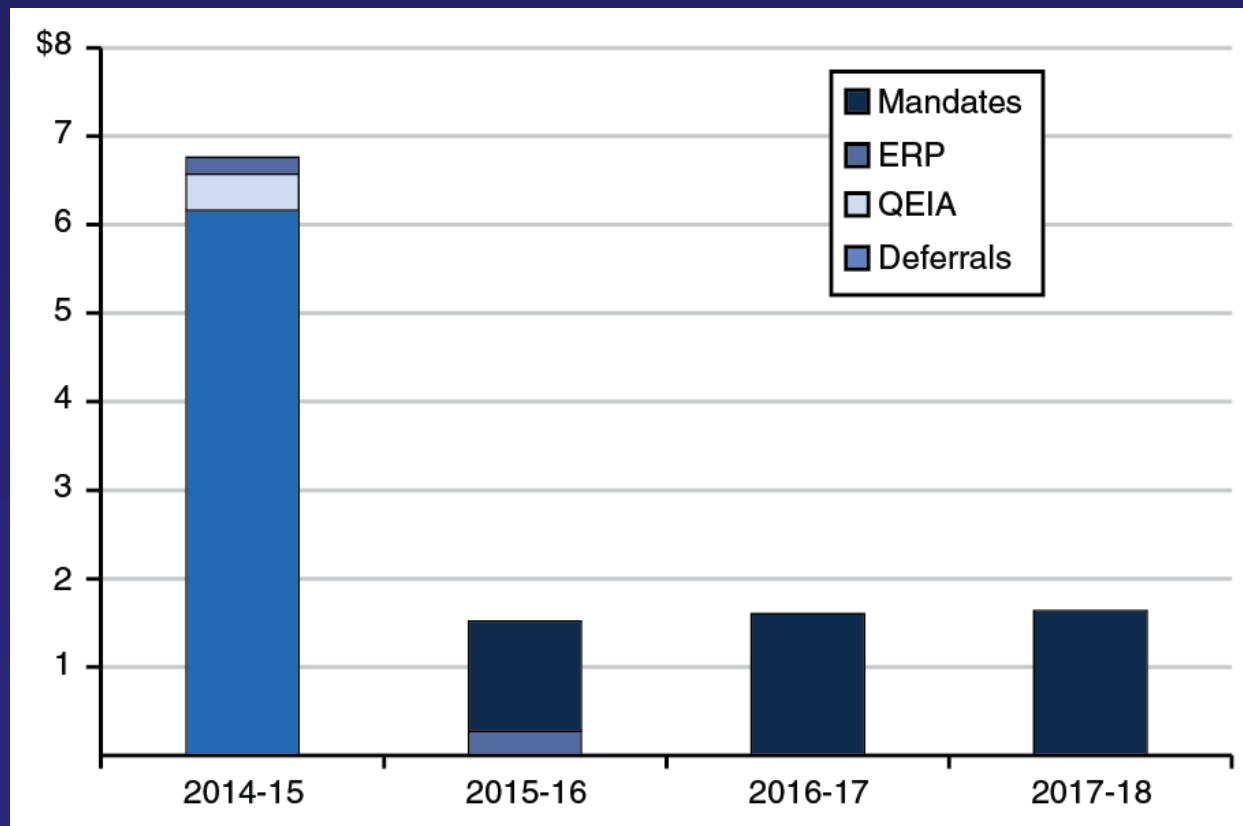
- **\$45.5 Billion**
- **80 Percent Funded**
- **11 Percent Increase From 2013-14 Level**
- **Closes 28 Percent of Gap to Target Level**

K-12 Per-Pupil Funding



Proposition 98 Wall of Debt Plan

(In Billions)



Key Issues

Assessment of Governor's Budget

- **Mix of One-Time and Ongoing Spending Reasonable**
- **Wall of Debt Plan Reasonable**
- **LCFF Increase Keeps Implementation on Track**

Proposition 98 Reserve

- **Makes Deposits When Capital Gains Revenues Strong**
- **Makes Withdrawals When Guarantee Insufficient to Fund Growth and COLA**
- **Intent Laudable**
- **Execution Poor**

CalSTRS Unfunded Liabilities

- **Longstanding Funding Problems**
- **Focus on 30-Year Funding Plan**
- **Set Aside Some Money Now**
- **Examine State's Role Now and in Future**

Other Issues

- **Home-to-School Transportation**
- **Education Mandates**
- **Deferred Maintenance**
- **Financing School Facilities**
- **Career Technical Education**
- **Independent Study**
- **Restructuring Child Care System**