

# The State Budget and Education Funding



Presented to:

**PACE and EdSource Webinar**

May 21, 2015

**Legislative Analyst's Office**

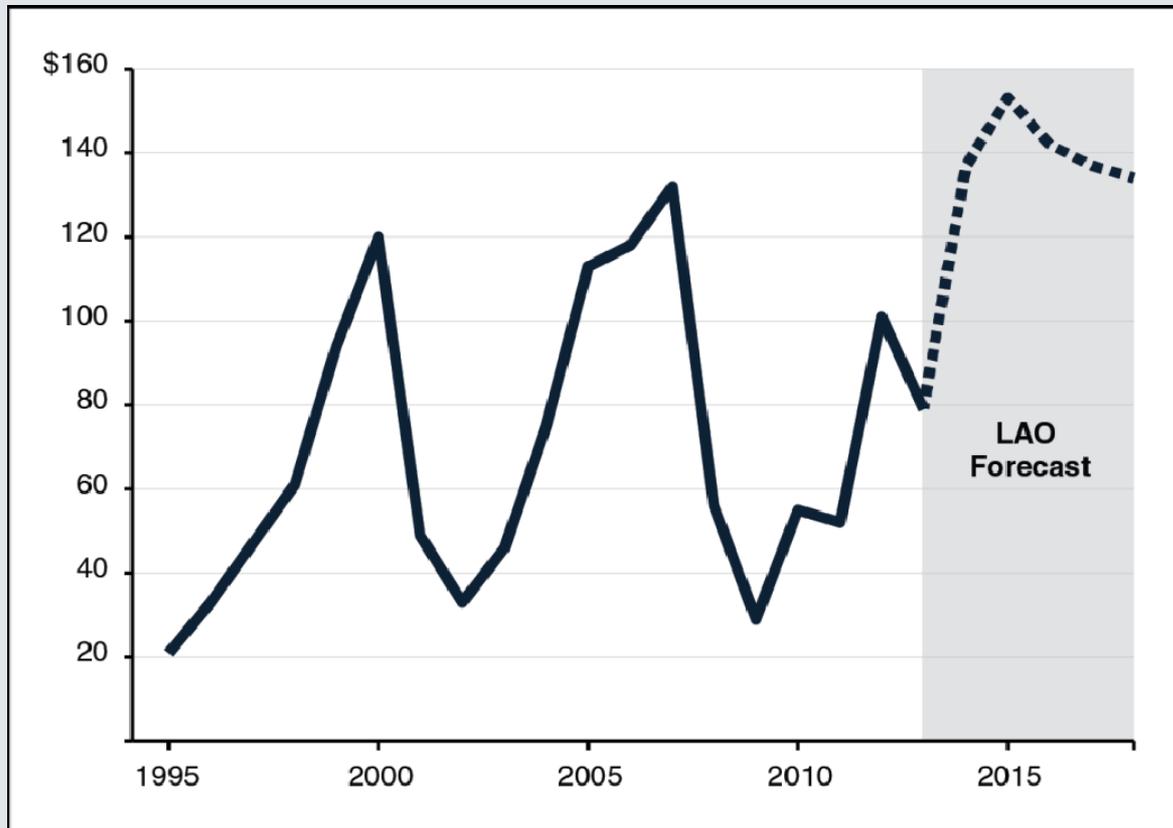
# State Revenue Roller Coaster

## *General Fund “Big 3” Tax Revenues (In Billions)*

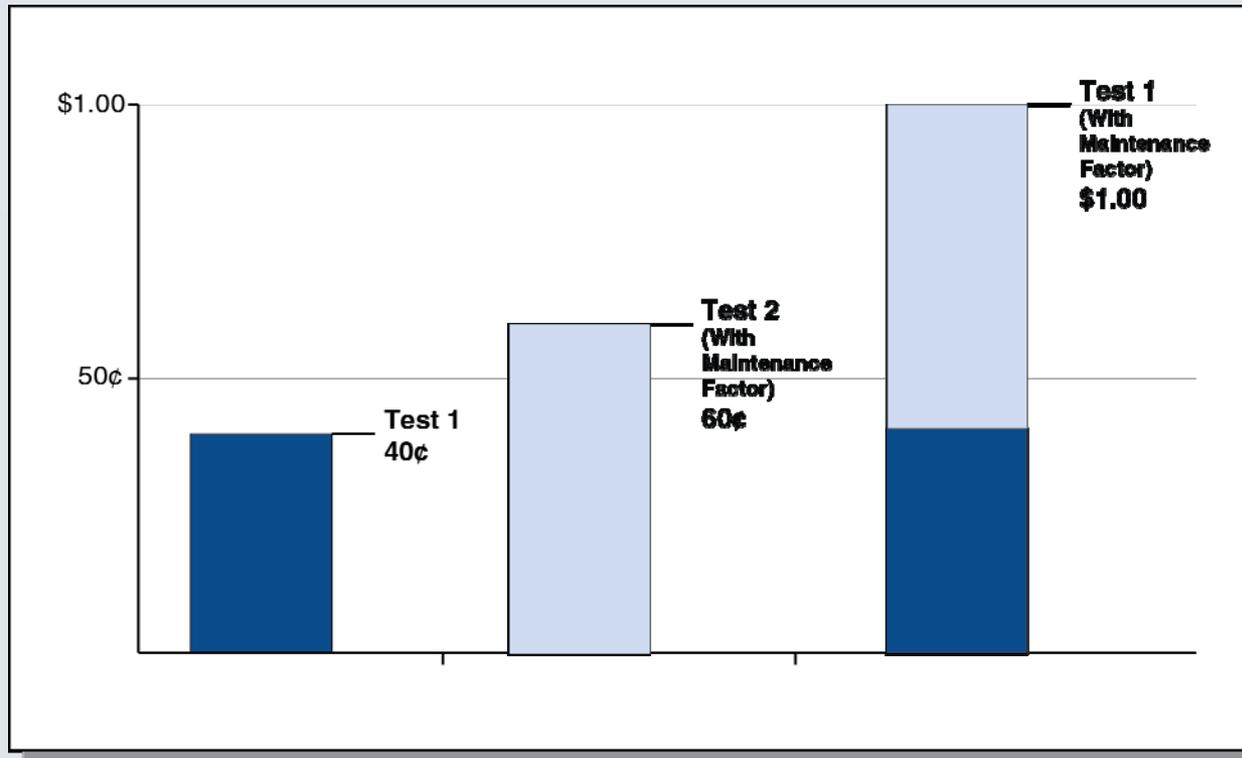
|              | 2014-15 | 2015-16 |
|--------------|---------|---------|
| June 2014    | \$103.0 | \$109.8 |
| January 2015 | 105.3   | 110.9   |
| May 2015     | 108.9   | 113.3   |

# Capital Gains Drive Much of Our Volatility

*(In Billions)*



# Proposition 98: How Much of Each New Dollar?



# 2014-15: A Case in Point

- **Revenues Up \$5.9 Billion (June 2014 to May 2015)**
  - Proposition 98 up \$5.4 billion.
  
- **If Revenues Grow Further (Up to \$1.3 Billion)**
  - All goes to Proposition 98.

# Proposition 98 Minimum Guarantee

*(Dollars in Millions)*

|         | June 2014 | May 2015 | Increase Amount    | Increase Percent |
|---------|-----------|----------|--------------------|------------------|
| 2013-14 | \$58,302  | \$58,914 | \$612              | 1.0%             |
| 2014-15 | 60,859    | 66,303   | 5,444              | 8.9              |
| 2015-16 | —         | 68,409   | 7,550 <sup>a</sup> | 12.4             |

<sup>a</sup> Reflects increase from 2014-15 minimum guarantee.

# Major New One-Time Spending

*2013-14 Through 2015-16 (In Millions)*

|   | Amount  |
|---|---------|
| Pay down mandate backlog                          | \$4,299 |
| Pay off deferrals                                 | 991     |
| Career Technical Education grants                 | 400     |
| California Community Colleges plant and equipment | 148     |
| Internet infrastructure grants                    | 100     |

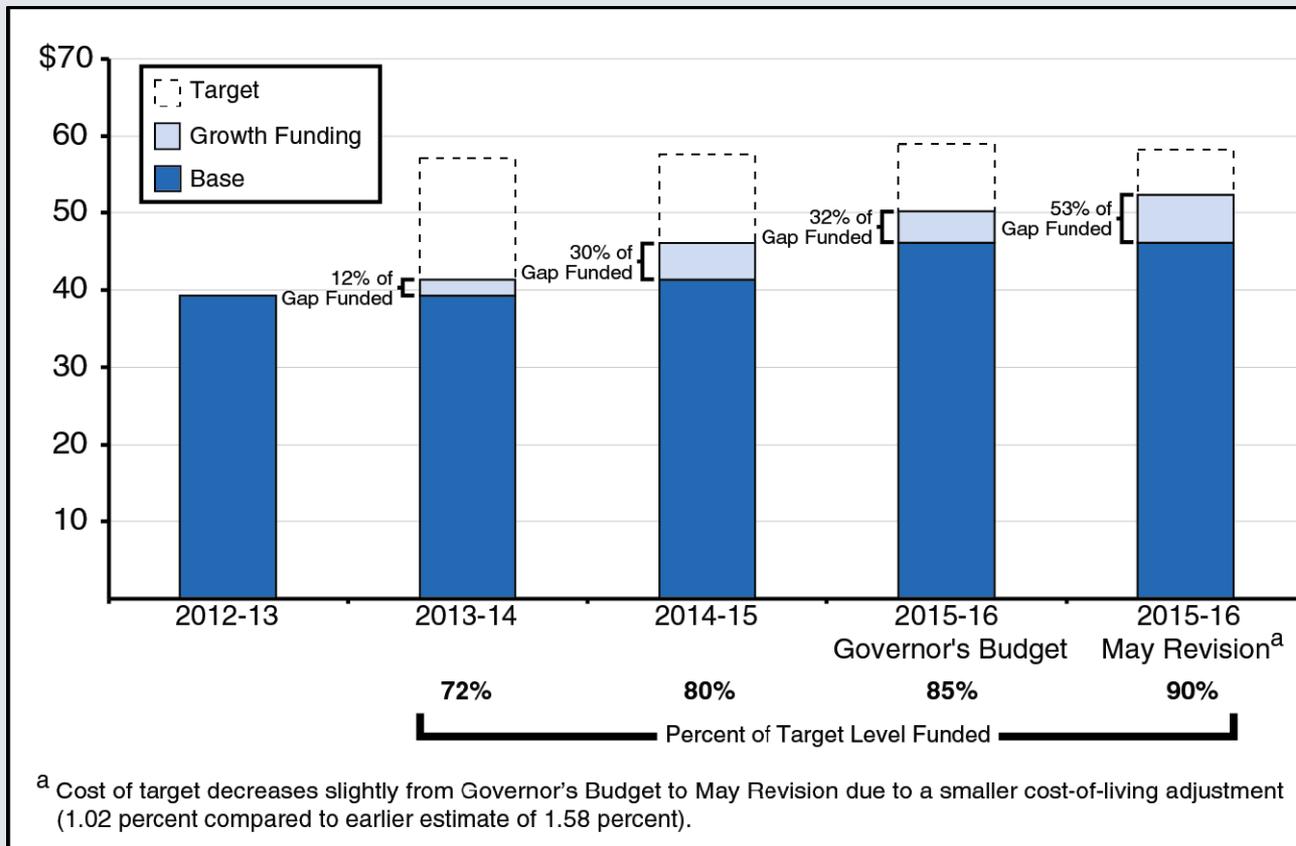
# Major New Ongoing Spending

*2013-14 Through 2015-16 (In Millions)*

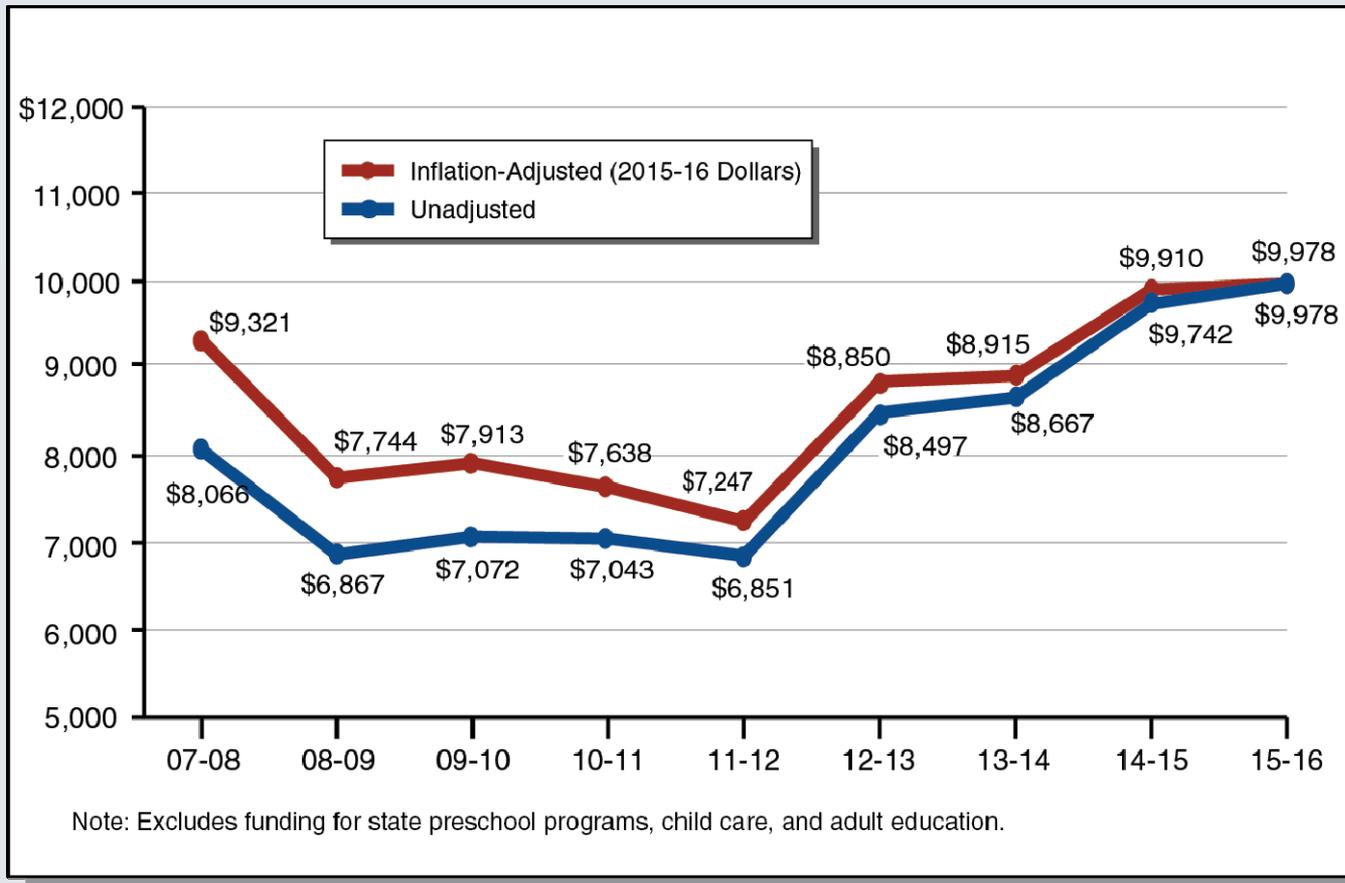
|   |         |
|---|---------|
| <b>K-12</b>                                       |         |
| Local Control Funding Formula increase            | \$6,176 |
| <b>California Community Colleges</b>              |         |
| Adult education consortia                         | \$500   |
| Growth (3%) and cost-of-living adjustment (1.08%) | 218     |
| Additional apportionment growth                   | 267     |
| Student equity plans                              | 115     |
| Student Success and Support Program               | 100     |

# Tracking Funding for Local Control Funding Formula

(In Billions)



# K-12 Proposition 98 Funding Per Pupil



# May Revision: University of California Proposal

- **No Tuition Increases for 2015-16 and 2016-17**
- **\$96 Million for Retirement (With Conditions)**
- **Extension of Multiyear Plan to 2018-19**
- **UC Agrees to Implement Various Operational Changes**

# May Revision: California State University

- **Additional \$38 Million Base Augmentation**
- **Governor's Intention That Funds Go to:**
  - Improve student success.
  - Fund 1,500 additional transfer students.

# LAO Assessment

# Overall Budget

## ➤ Higher May Revision Revenues (\$7 Billion) Go to:

- Proposition 98: \$5.5 billion
- Proposition 2: \$1.3 billion
- Earned Income Tax Credit proposal: \$0.4 billion

# Revenues Could Be Even Higher

- **LAO Projecting 2015-16 Revenues to Be \$3.1 Billion Higher**
  - Two-thirds goes to Propositions 98 and 2.
  - One-third available for discretionary purposes.
  
- **Caution Legislature About Making Ongoing Commitments**

# Governor's Proposition 98 Budget

- **Overall Approach Sound**
- **K-12 Ongoing Funds to Local Control Funding Formula**
- **One-Time Monies to Pay Off Large Remaining Mandate Obligations**
  - We suggest different allocation method.

# Special Education

- **Governor Proposed \$60 Million Package, Based on Recent Task Force Report**
- **Many Provisions Have Merit, but Proposal Comes Late in Process**
- **Recommend \$150 Million Toward Equalization**

# Adult Education

- **Many of May Revision Changes Are Significant Improvements**
- **LAO Remaining Concerns:**
  - “Locking in” funding levels for individual provider.
  - Absence of key statewide policies related to assessment, accountability, and fees.

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