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State Budget Update



Presented to:

**California Community Colleges
Summer Budget Workshop**

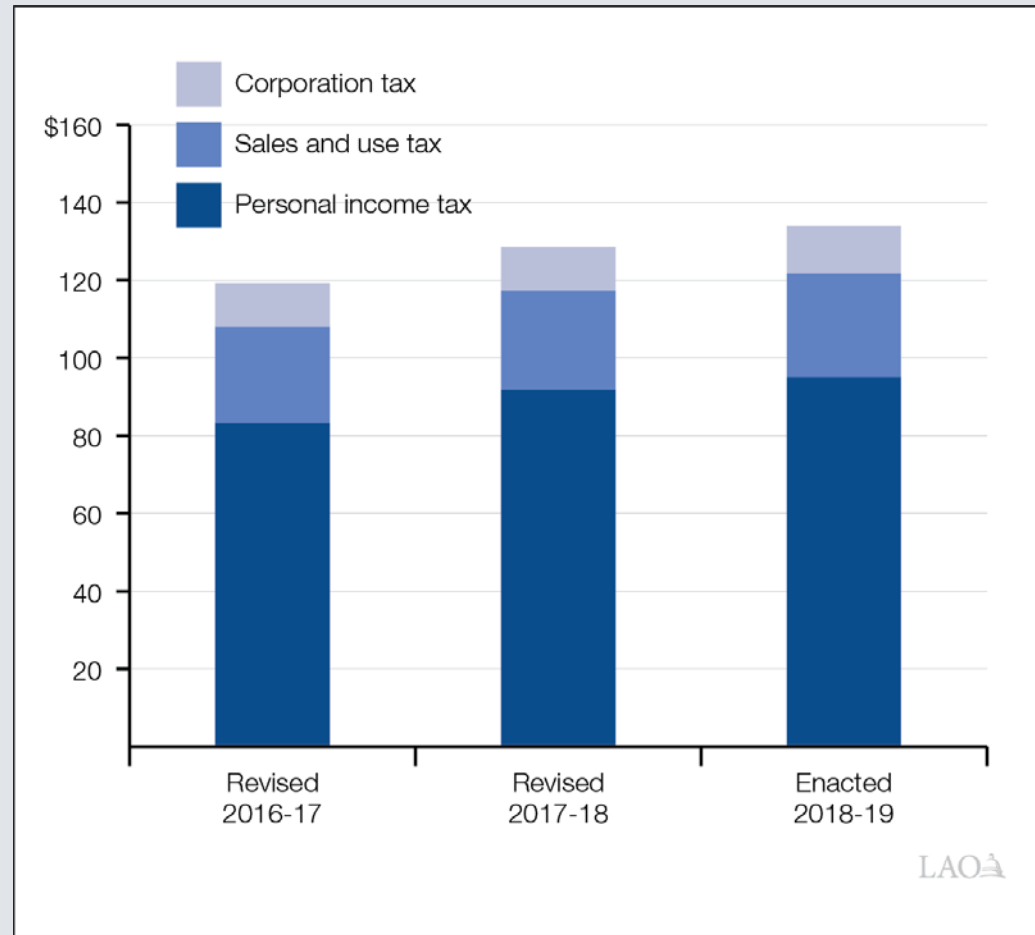
August 13, 2018

Legislative Analyst's Office

Overview of 2018-19 State Budget

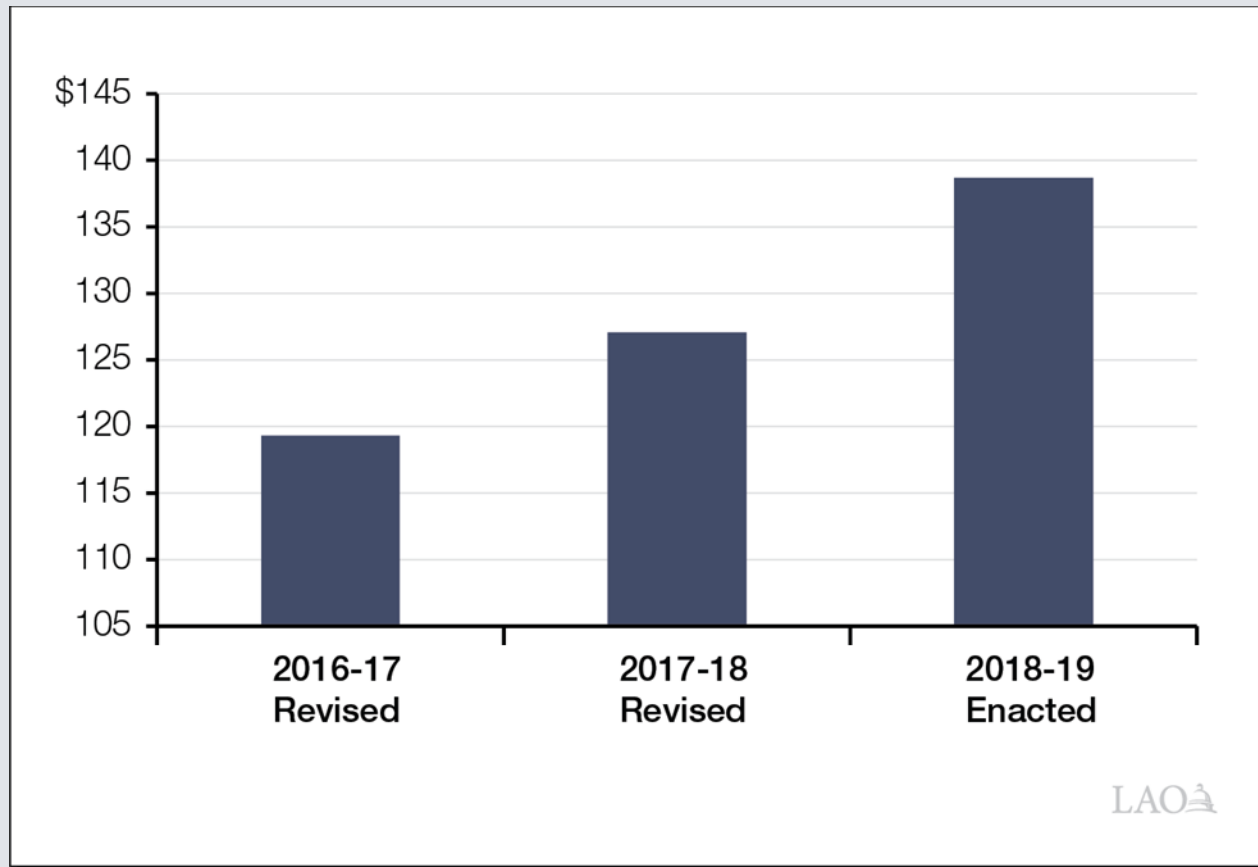
Revenue Grows Over Budget Period

Big Three General Fund Revenue Sources (In Billions)



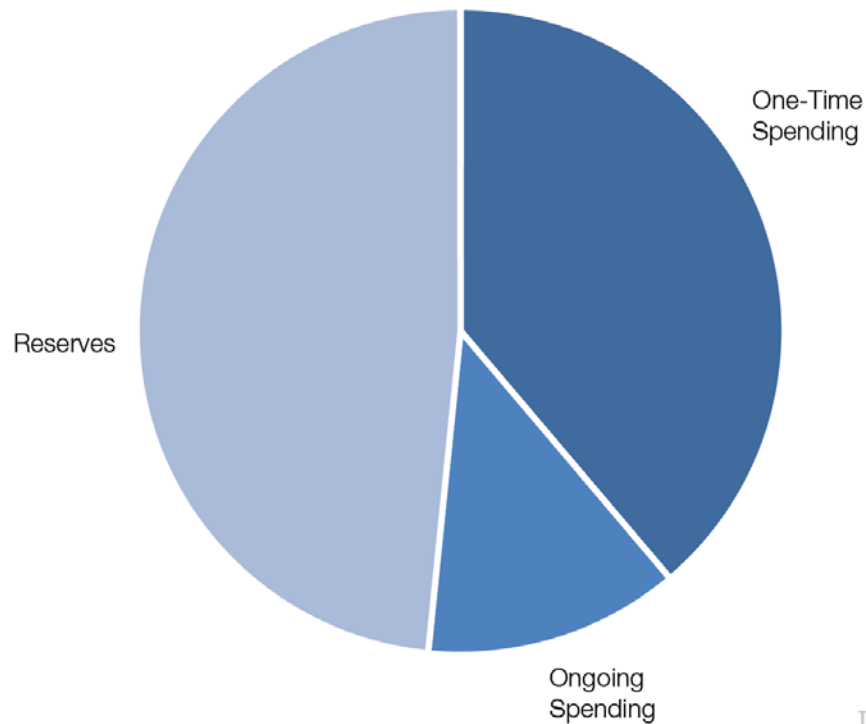
Expenditures Grow Over Period

Total General Fund Expenditures (In Billions)



Almost Half of Discretionary Resources Go Toward Reserves

Allocation of Discretionary General Fund Resources



General Fund Summary

(In Millions)

	Revised 2017-18	Enacted 2018-19
Prior-year fund balance	\$5,702	\$8,483
Revenues and transfers	129,825	133,332
Expenditures	127,045	138,688
Ending fund balance	\$8,483	\$3,127
Encumbrances	\$1,165	\$1,165
SFEU balance	7,318	1,962
Reserves		
BSA balance ^a	\$9,410	\$13,768
SFEU balance	7,318	1,962
Safety Net Reserve	—	200
Total Reserves	\$16,728	\$15,930

Major 2018-19 Budget Actions by Program Area

Education

- Provides \$3.7 billion ongoing augmentation for the Local Control Funding Formula, surpassing the funding targets.
- Provides \$1.1 billion for one-time K-12 discretionary grants.
- Increases funding for public universities (\$348 million ongoing, \$412 million one time).
- Increases ongoing support for early education programs by \$474 million.
- Provides \$408 million in additional ongoing apportionment funding for community colleges.
- Provides a total of \$314 million ongoing for two main high school career technical education programs.
- Creates an online community college (\$20 million ongoing, \$100 million one time).

Health Care

- Allocates \$1.3 billion in Proposition 56 revenues to Medi-Cal, largely for provider payment increases.
- Reduces the state's mandate backlog, related to county mental health services for children (\$281 million one time).
- Provides \$131 million for Hepatitis C treatment across various departments.
- Provides \$100 million (one time) for an incompetent to stand trial diversion program.

Infrastructure

- Sets aside \$630 million (one time) to replace the Capitol Annex.
- Sets aside \$333 million (one time) for deferred maintenance projects across various departments.
- Provides \$195 million (\$25 million ongoing) for flood control infrastructure.
- Allocates \$134 million to counties to purchase new voting systems.
- Provides \$130 million for infrastructure and equipment at correctional facilities.
- Sets aside \$100 million (one time) to construct a new California Indian Heritage Center.
- Provides \$98 million (limited term) to purchase four CalFire helicopters.

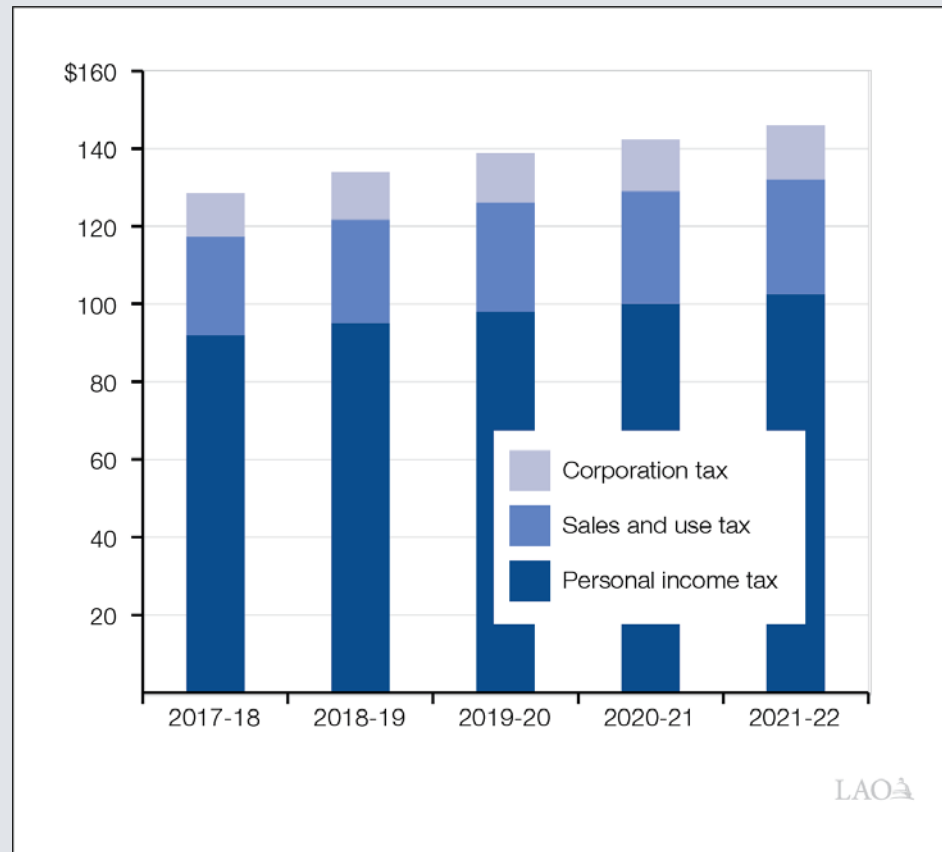
Homelessness and Poverty

- Provides \$500 million (one time) for emergency homelessness aid block grants.
- Provides \$50 million (one time) to counties to aid homeless individuals with mental illnesses.
- Augments housing assistance and support programs for CalWORKs families by \$32 million (ongoing cost of \$63 million).
- Provides other homelessness assistance funding for seniors, youth, and victims of domestic violence (total \$26 million one time).
- Increases cash assistance grants beginning in April 2019 (\$90 million in 2018-19, \$360 million ongoing).
- Provides \$230 million (one time) to reverse the CalFresh cash out policy for SSI/SSP.

Multiyear Outlook

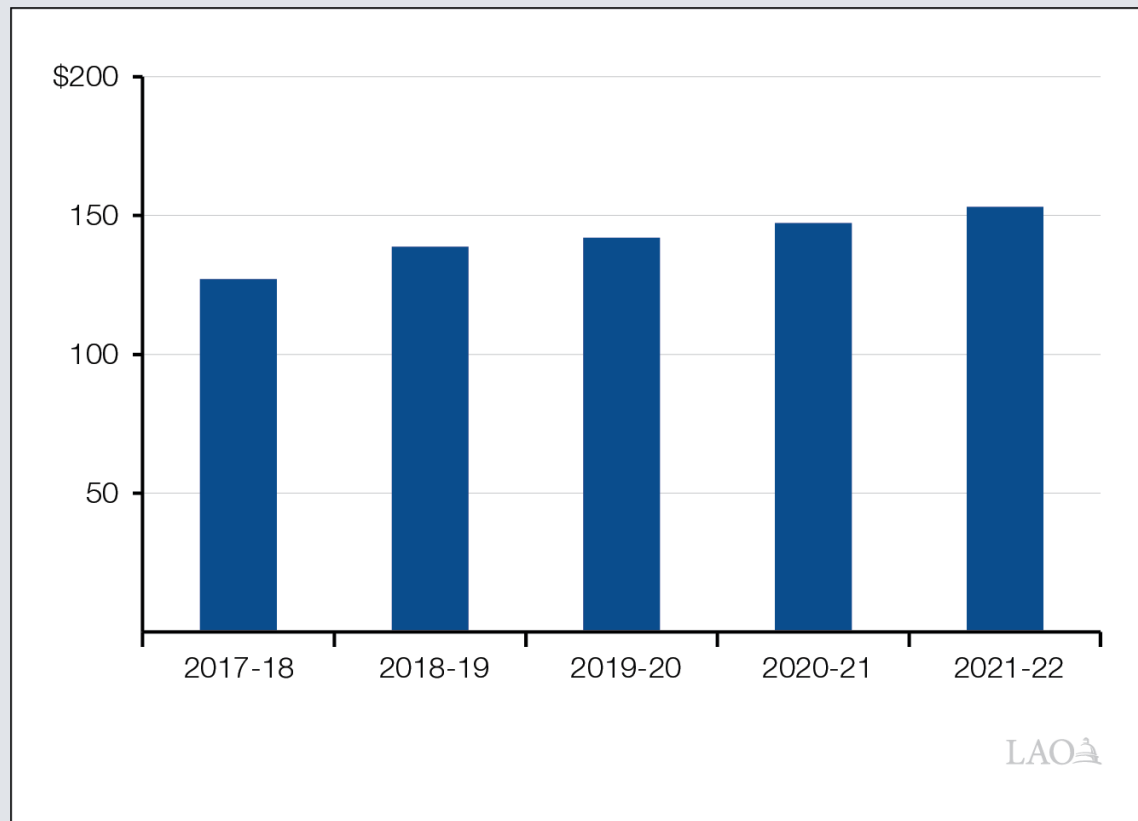
Revenue Outlook

Big Three General Fund Revenue Sources (In Billions)



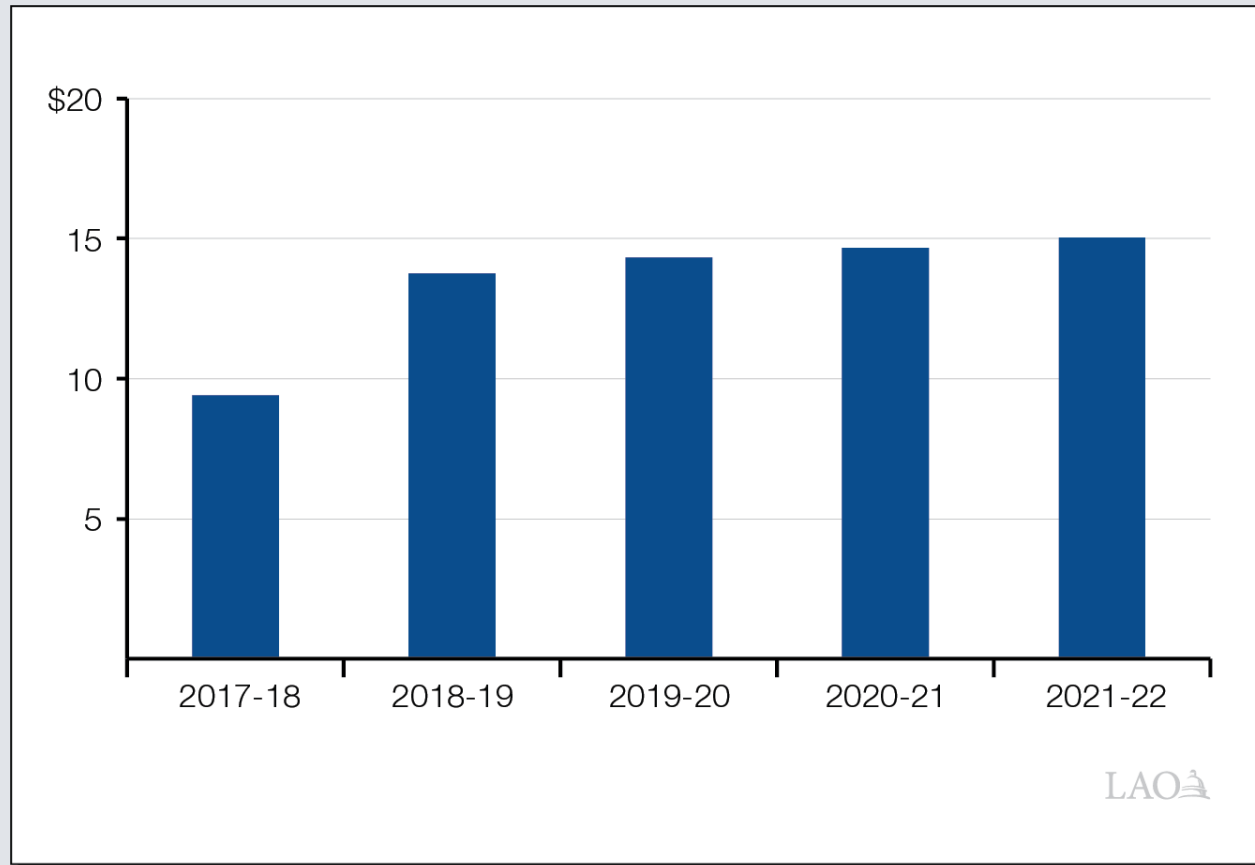
Expenditure Outlook

Total General Fund Expenditures (In Billions)



Rainy Day Fund Outlook

Budget Stabilization Account (In Billions)



Fiscal Issues on Horizon

Potential Big-Picture Issues in 2019-20

- Building reserves outside of the Budget Stabilization Account.
- Prioritizing one-time versus ongoing spending.
- Prioritizing among Proposition 98 programs—unrestricted versus restricted funding.
- Prioritizing early education and universities relative to other areas of the non-Proposition 98 budget.
- Prioritizing among desired infrastructure projects.
- Responding to pension and retiree health care cost increases.
- Responding to changes at federal level.

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