



California Budget
& Policy Center

Independent Analysis. Shared Prosperity.

California Budget Perspective 2015-16

FEBRUARY 2015

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California Budget and Policy Center

The Budget Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the Budget Center comes from foundation grants, subscriptions, and individual contributions. Please visit our website at calbudgetcenter.org.

Acknowledgments

The staff of the Budget Center prepared this chartbook.



The state budget is a statement about our state's values and priorities.

In recent years, budget cuts have weakened key services and supports that help ensure that economic prosperity is broadly shared.



Overview

- California's fiscal outlook is improving due to economic growth and new revenues approved by voters in 2012.
- But, the economic recovery has yet to reach many Californians.
- Even with increased revenues, the Governor's proposed budget prioritizes fiscal austerity.
- While the Governor's proposed budget includes long-term plans for paying down budgetary debt and saving for a rainy day, it lacks a similar vision for reinvesting in people, and communities.



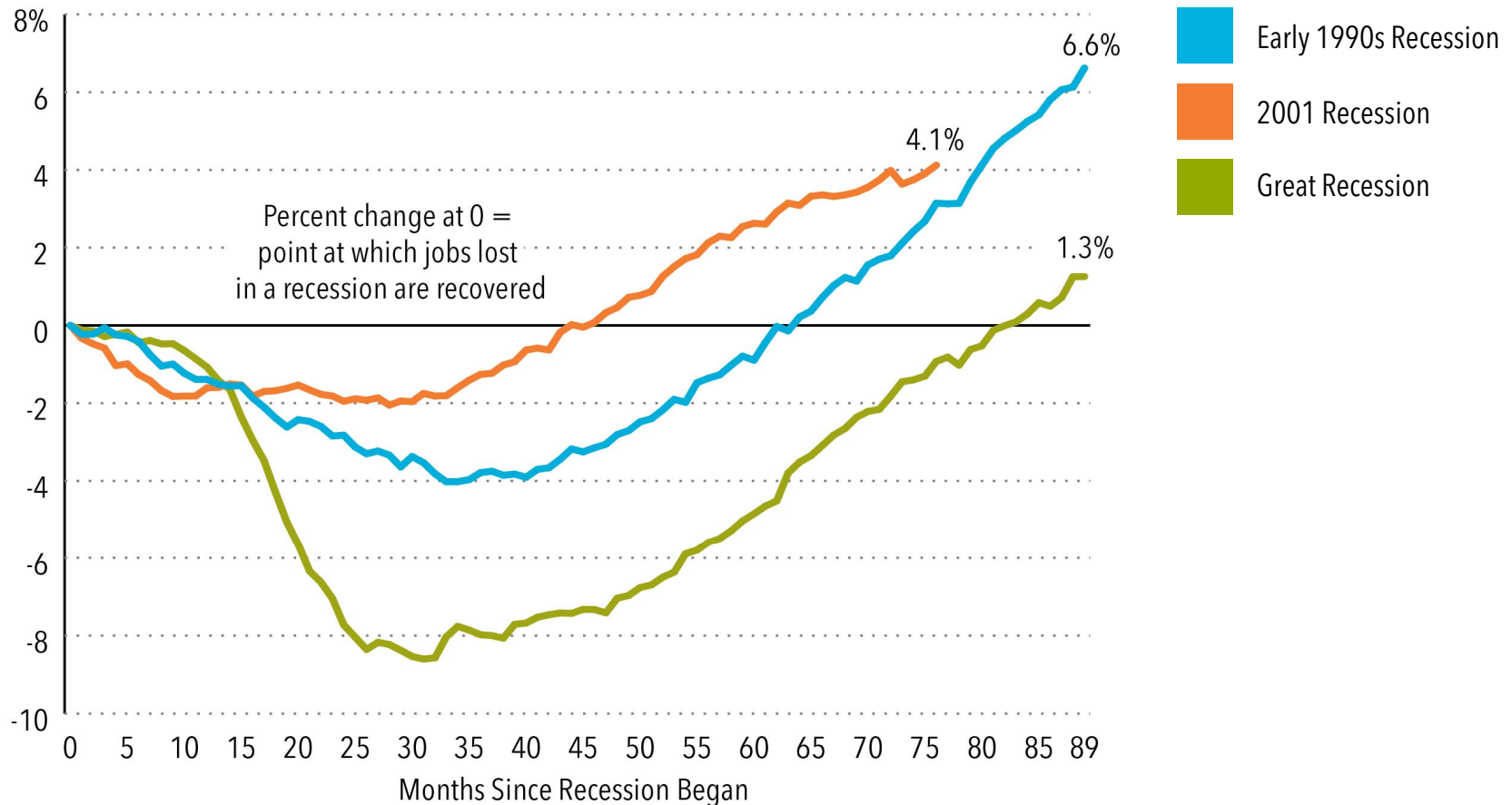
The Social and Economic Context of the State Budget

Despite five years of sustained economic growth the recovery remains uneven and elusive for many Californians.



It Took Much Longer to Regain the Number of Jobs Lost in the Great Recession, Compared to Other Downturns

Percent Change in Total Nonfarm Jobs in California Since Each Recession Began



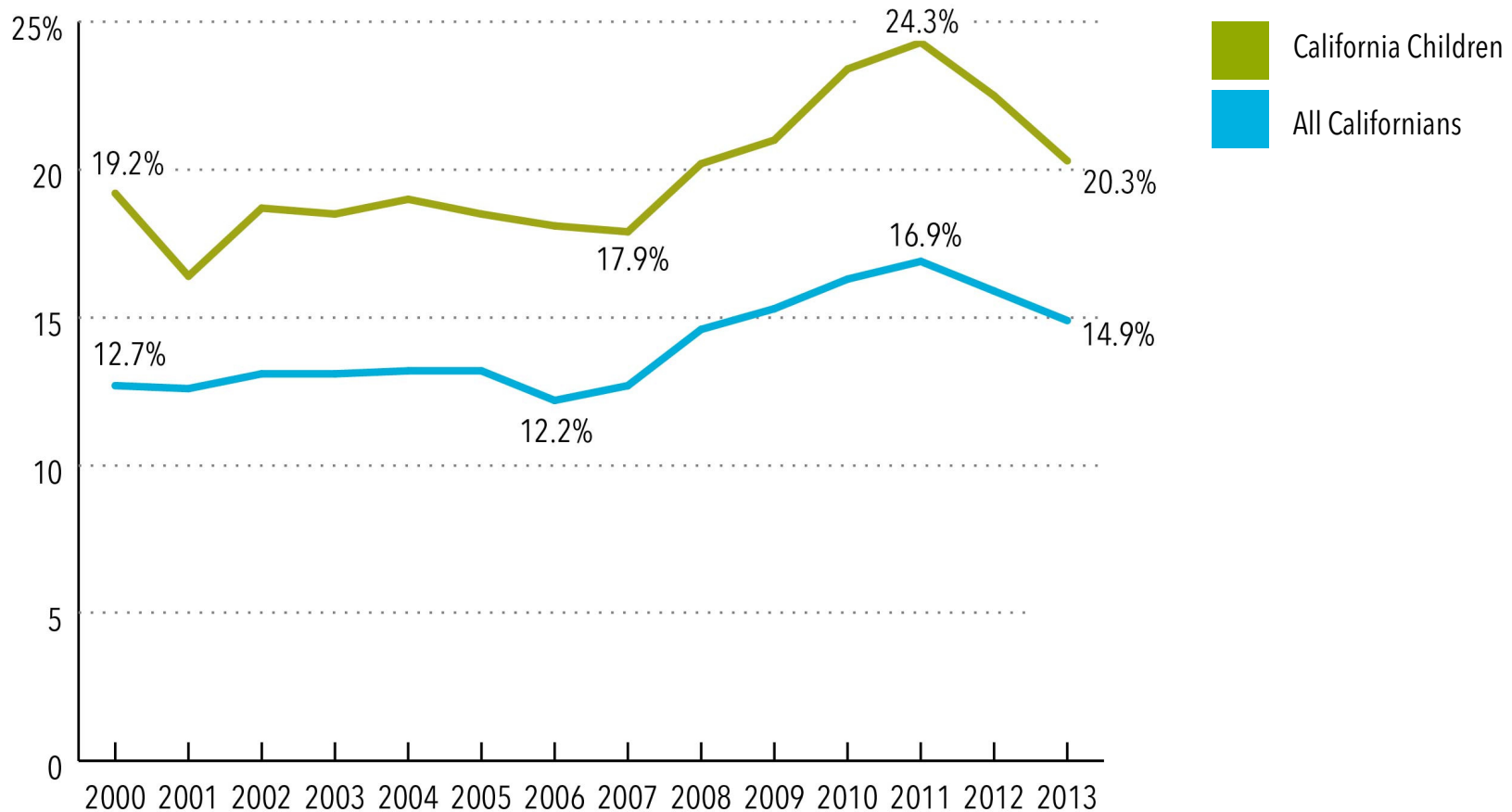
Note: The 2001 recession includes data up to July 2007, the month the Great Recession began in California.

Source: US Bureau of Labor Statistics



One in Seven Californians and One in Five California Children Lived in Poverty in 2013

Percentage of Californians With Incomes Below the Federal Poverty Line



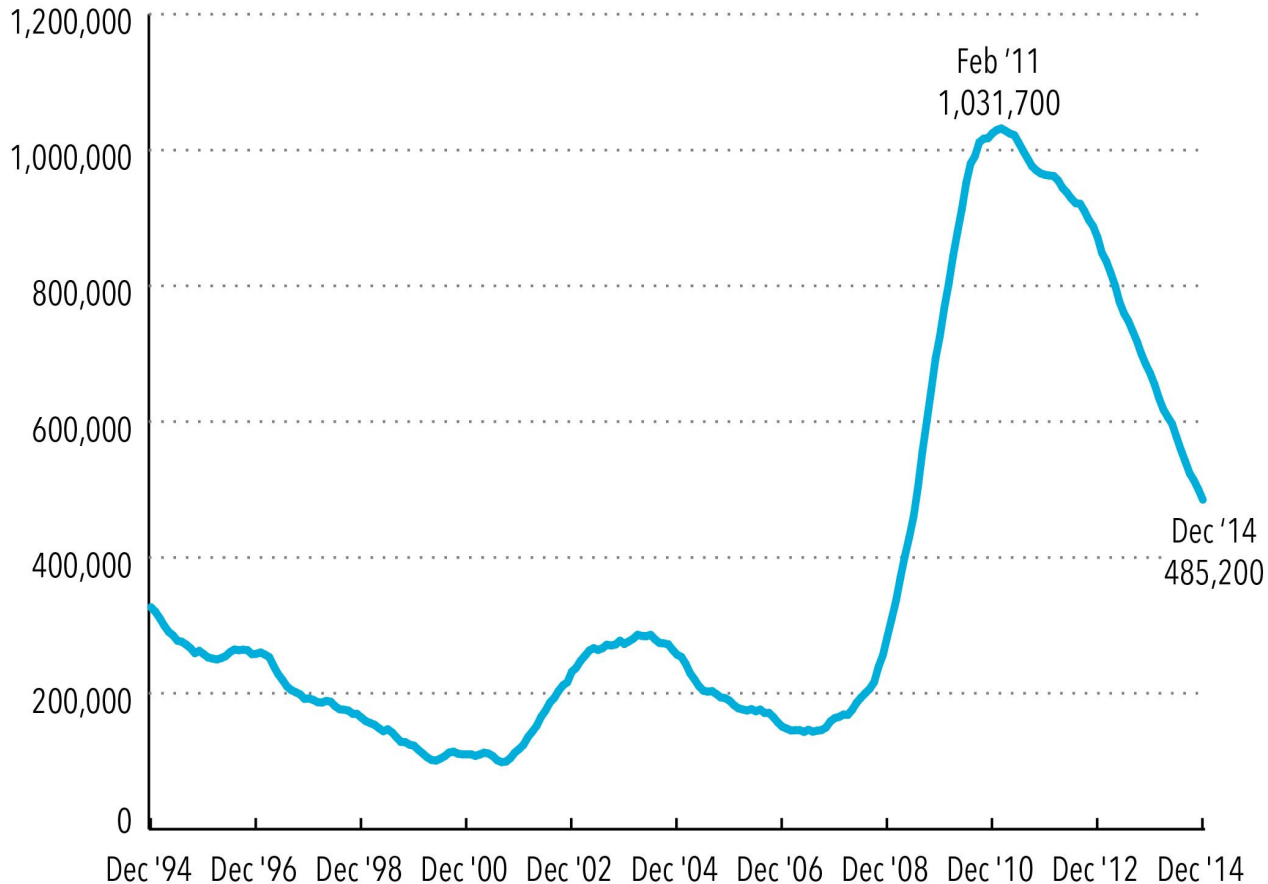
Source: US Census Bureau



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The Number of Californians Out of Work for At Least Six Months Continues to Decline as the Economy Improves

Number of California Workers Unemployed 27 Weeks or Longer



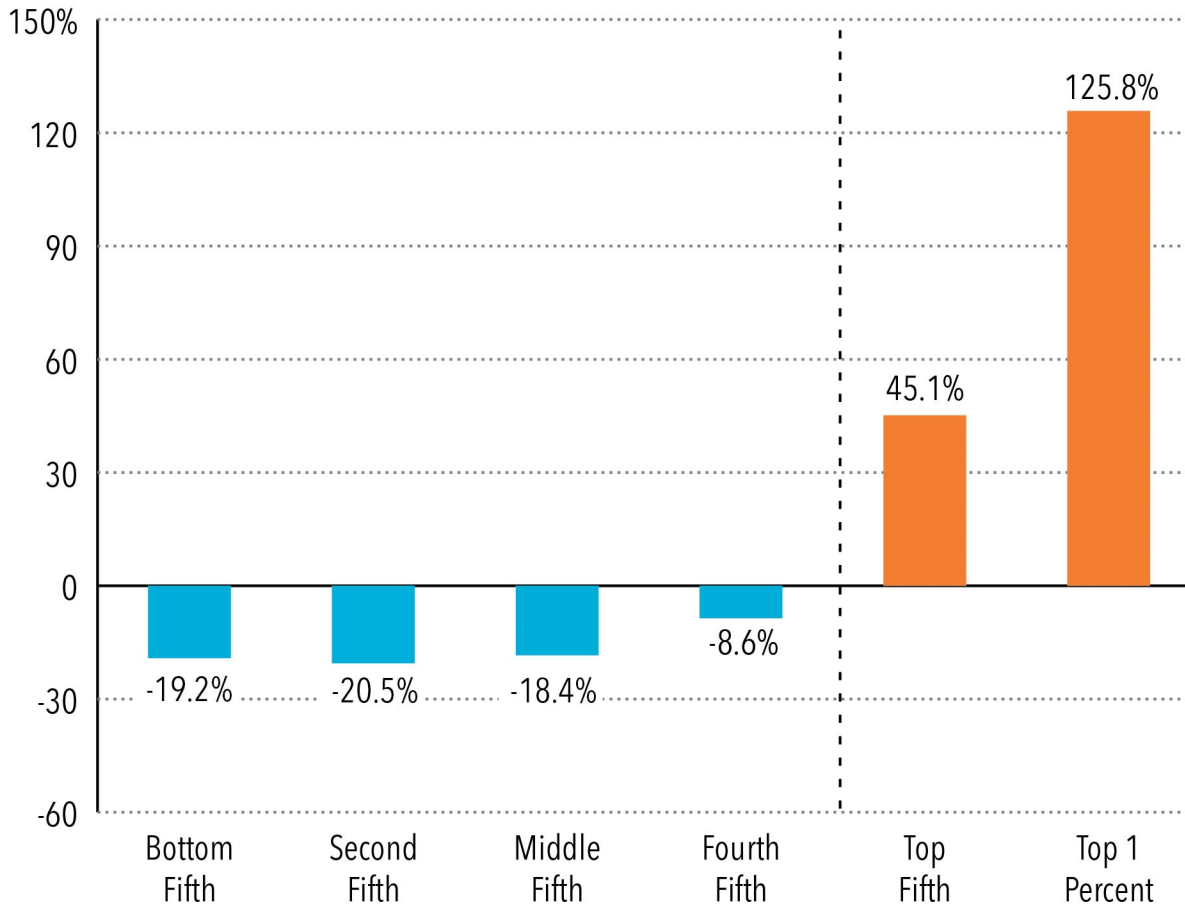
Note: Data reflect 12-month averages ending in the month displayed. Figures are rounded to the nearest 100.

Source: Employment Development Department



Only California's Wealthiest Saw Increases in Average Income Over the Last Generation

Percent Change in Average Adjusted Gross Income (AGI), 1987-2012, Inflation-Adjusted



Source: Franchise Tax Board



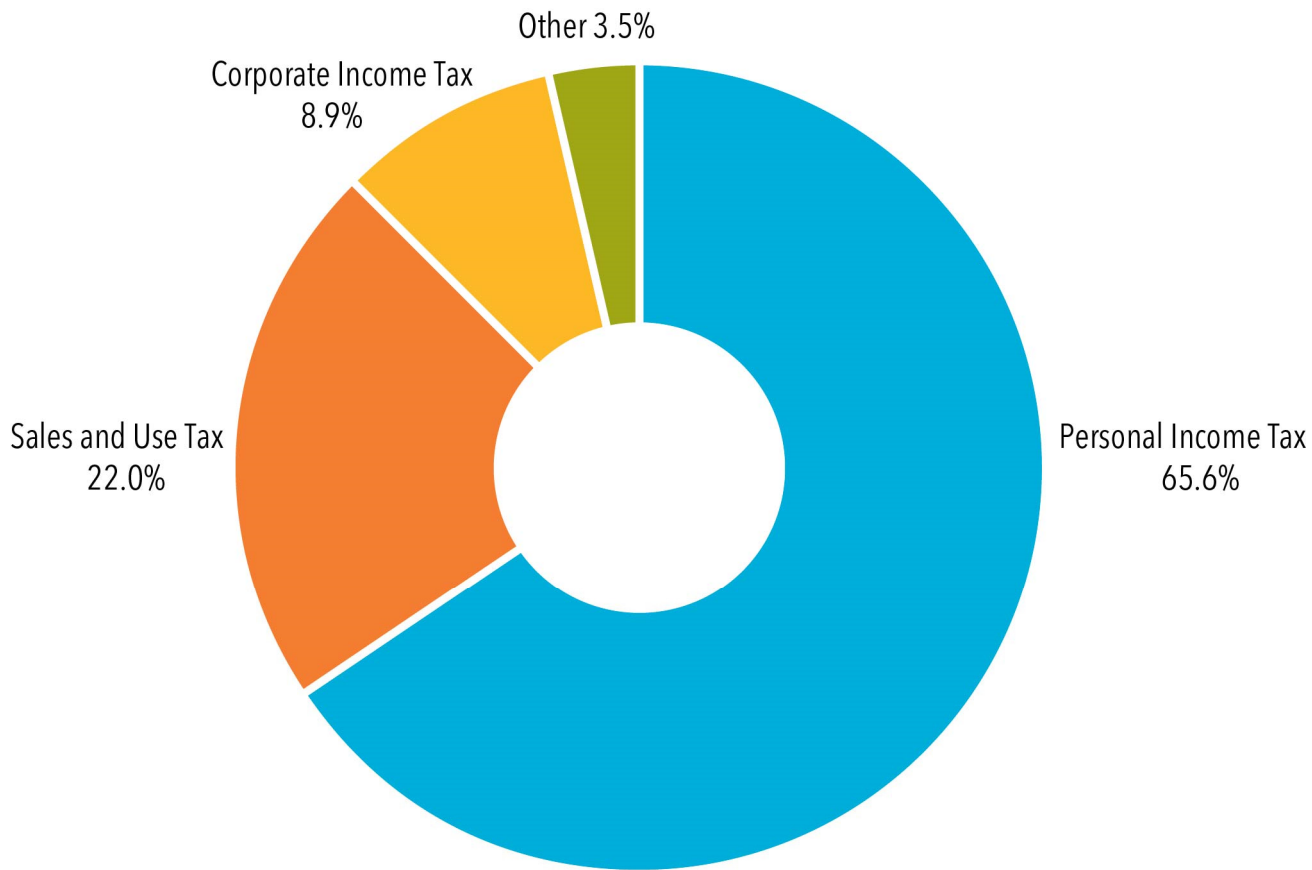
The Governor's Proposed 2015-16 Budget

New revenues would result in increased spending on education, paying down budgetary debt, and saving for a rainy day.



The Personal Income Tax Is Projected to Account for Nearly Two-Thirds of California's General Fund Revenues

Projected 2015-16 General Fund Revenues and Transfers = \$114.6 Billion



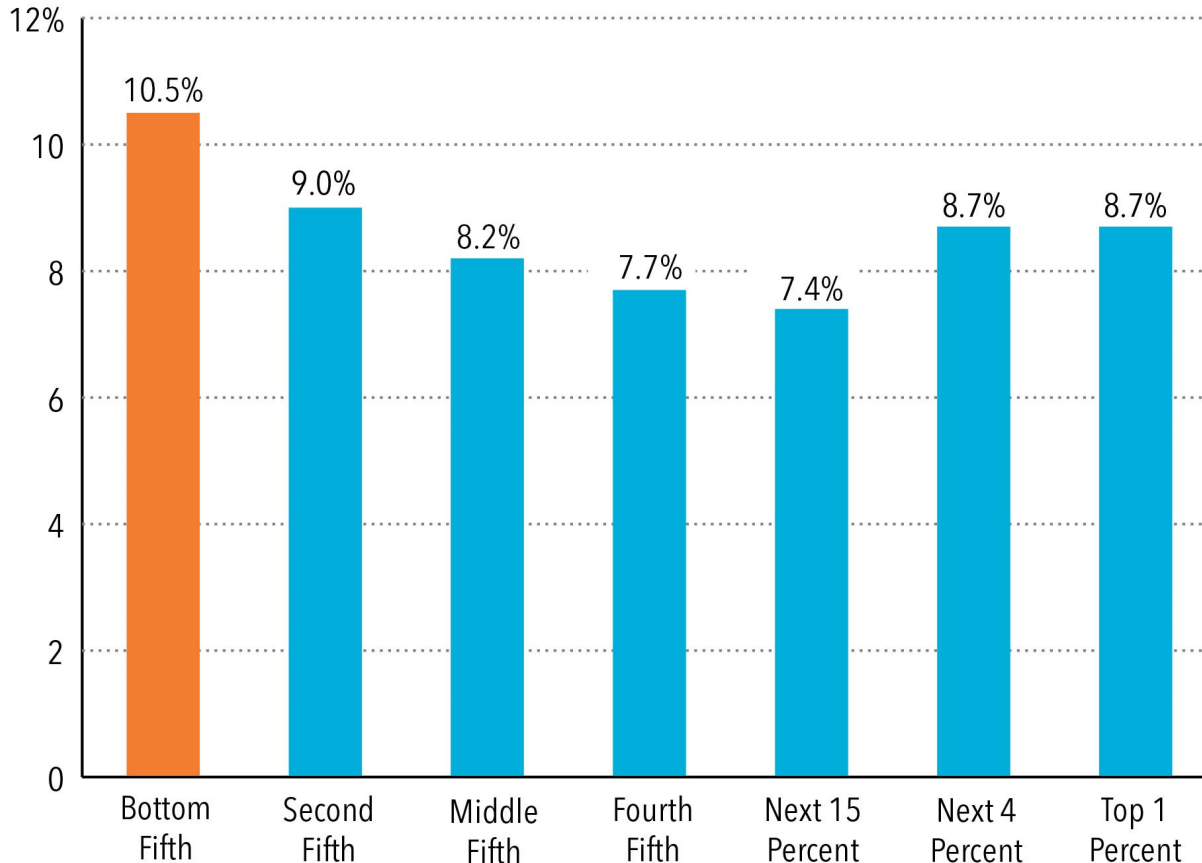
Note: Reflects total projected General Fund revenues, including a \$1.2 billion transfer to the state's rainy day fund in 2015-16 as a result of Proposition 2, the ballot measure passed by voters in November 2014.

Source: Department of Finance



California's Lowest-Income Families Pay the Largest Share of Their Incomes in State and Local Taxes

Average Percentage of Family Income Paid in State and Local Taxes



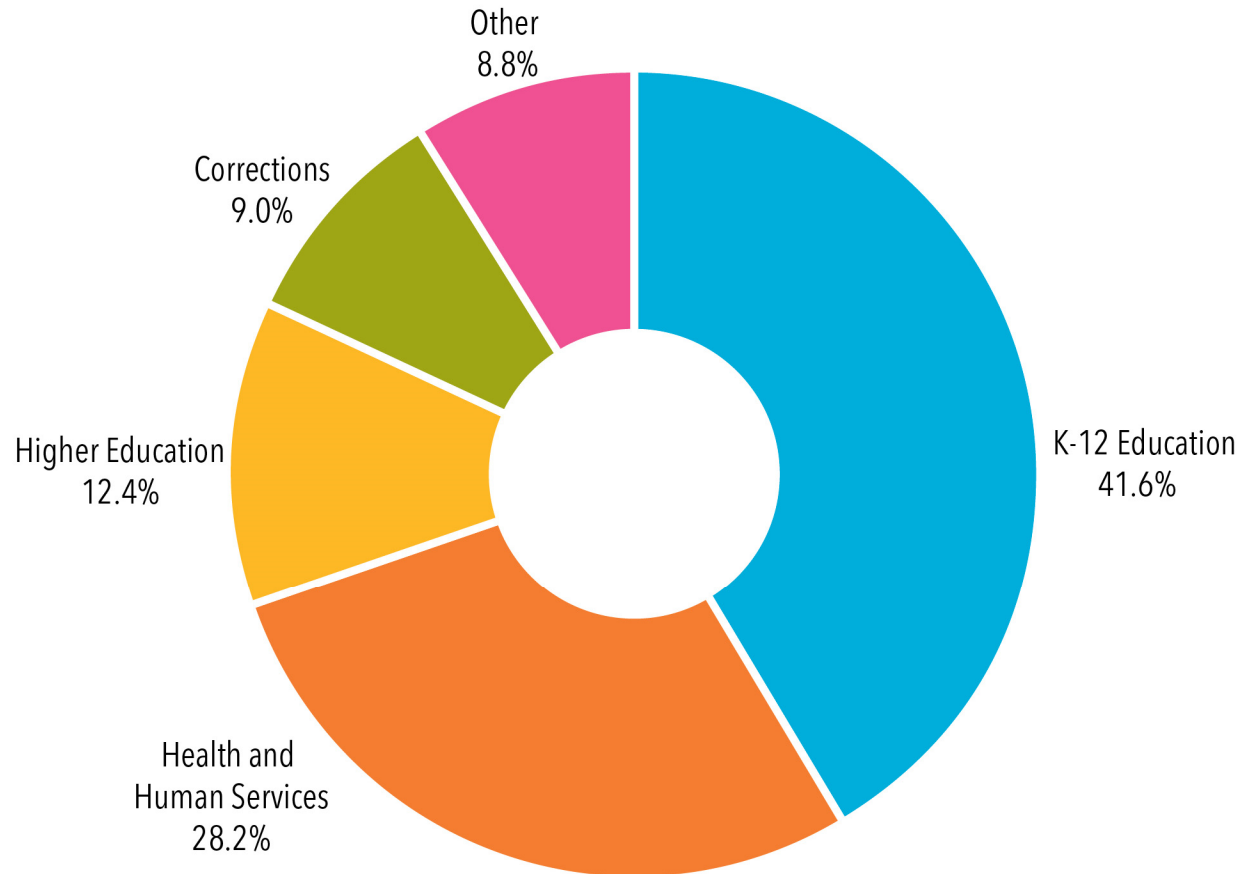
Note: Data are for nonelderly taxpayers only and include the impact of Proposition 30 temporary tax rates and the offset for federal deductibility of state and local taxes.

Source: Institute on Taxation and Economic Policy



More Than Four in Five State General Fund Dollars Support Education or Health and Human Services

Proposed 2015-16 General Fund Expenditures = \$113.3 Billion

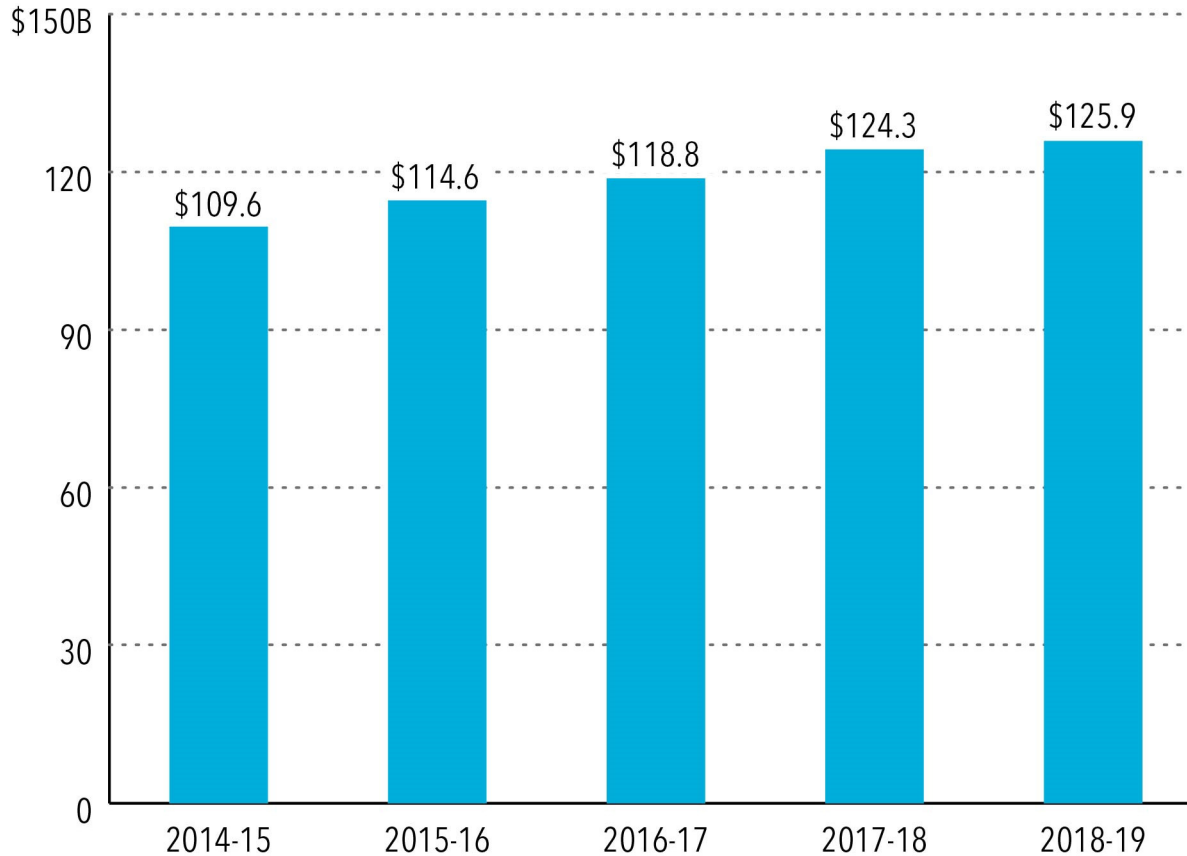


Source: Department of Finance



Annual General Fund Revenues and Transfers

Dollars in Billions

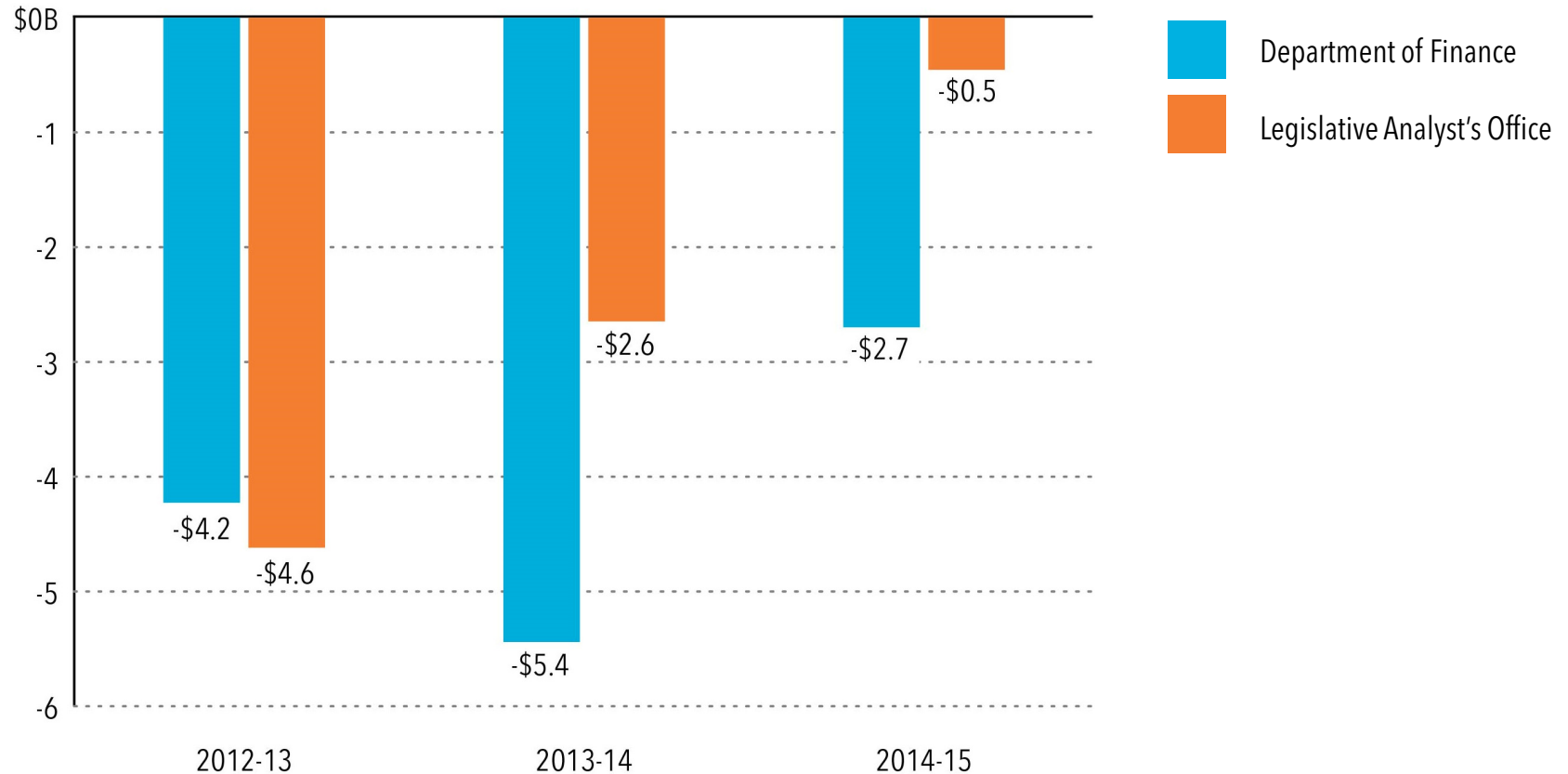


Note: 2014-15 is estimated; 2015-16 through 2018-19 are projected.
Source: Department of Finance



The Administration Has Underestimated General Fund Revenues by Billions in Each of the Past Three Years

Gap Between Fiscal Year Revenues Projected Each Preceding May and Actual, in Billions

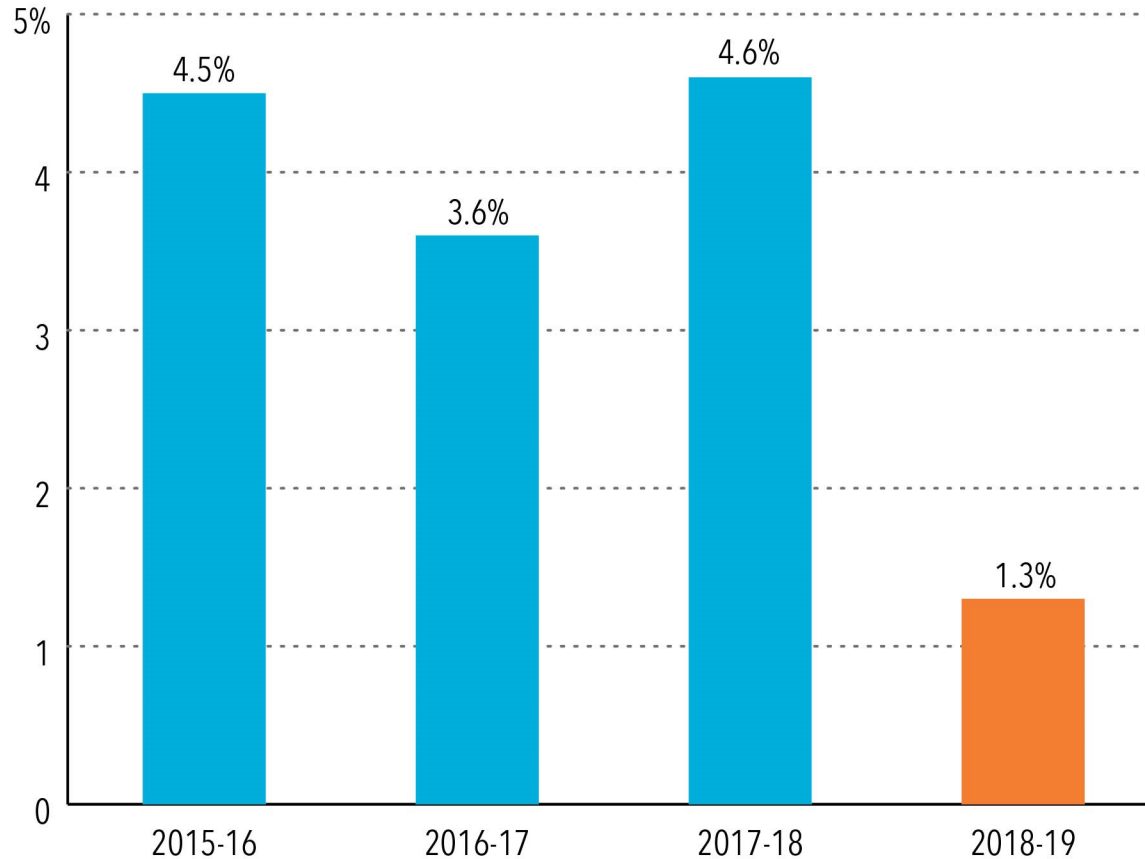


Note: 2014-15 projections are compared against the latest estimate of 2014-15 revenues from the Department of Finance because actual revenue figures will not be available until early 2016.
Source: Department of Finance and Legislative Analyst's Office



General Fund Revenue Growth Is Projected to Slow Substantially in 2018-19, When Proposition 30 Expires

Projected Year-Over-Year Growth in General Fund Revenues and Transfers



Source: Department of Finance



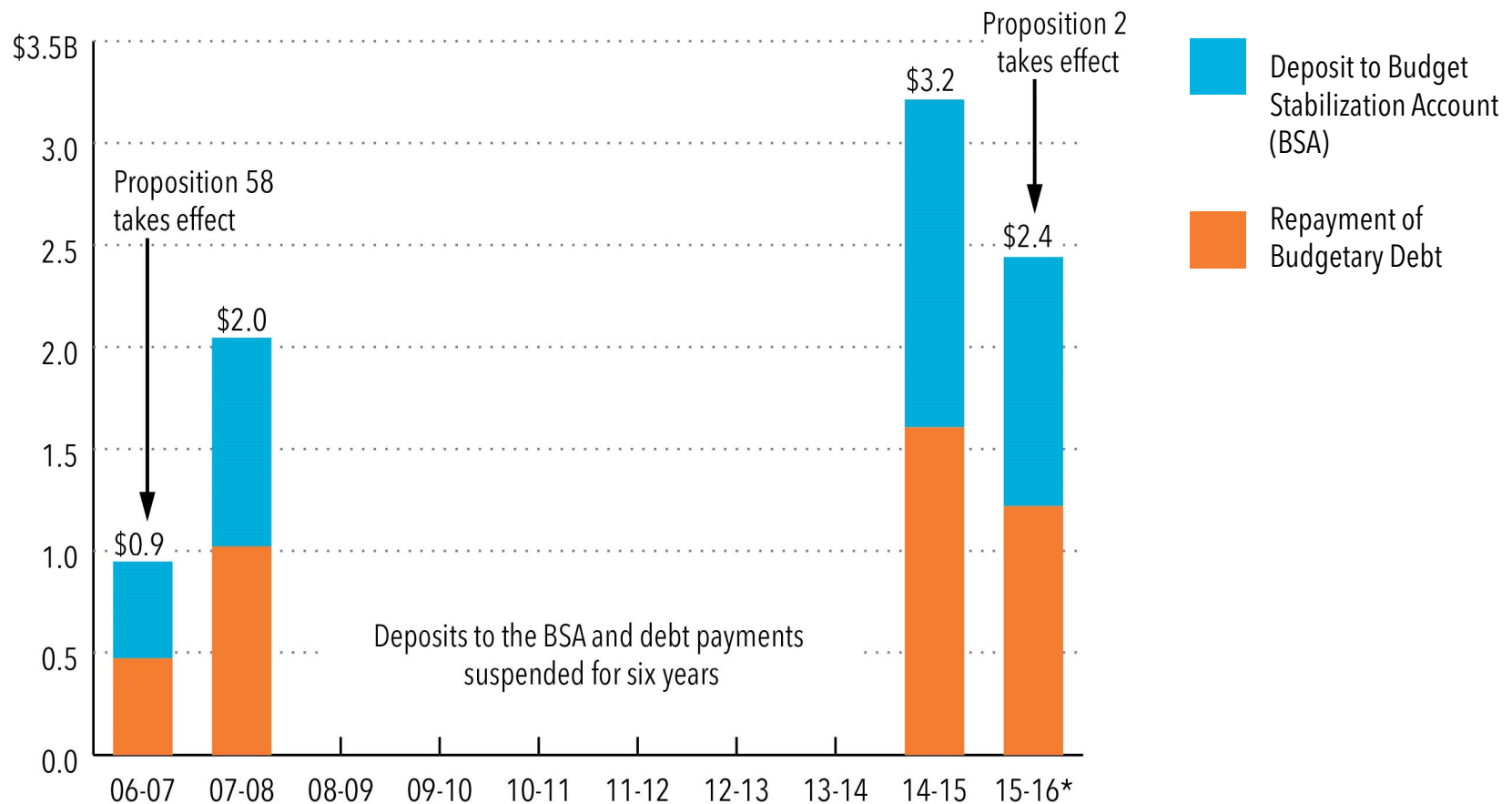
Proposition 2: Paying Down Budgetary Debt and Saving for a Rainy Day

Voter approval of Proposition 2 (2014) would require setting aside \$2.4 billion in 2015-16.



After Being Suspended for Six Years, Required Rainy Day Fund Deposits and Debt Payments Resumed in 2014-15

Dollars in Billions



* 2015-16 proposed.

Note: In 2007-08, state policymakers withdrew the entire \$1.5 billion balance in the BSA to help close a state budget shortfall.

Source: Department of Finance



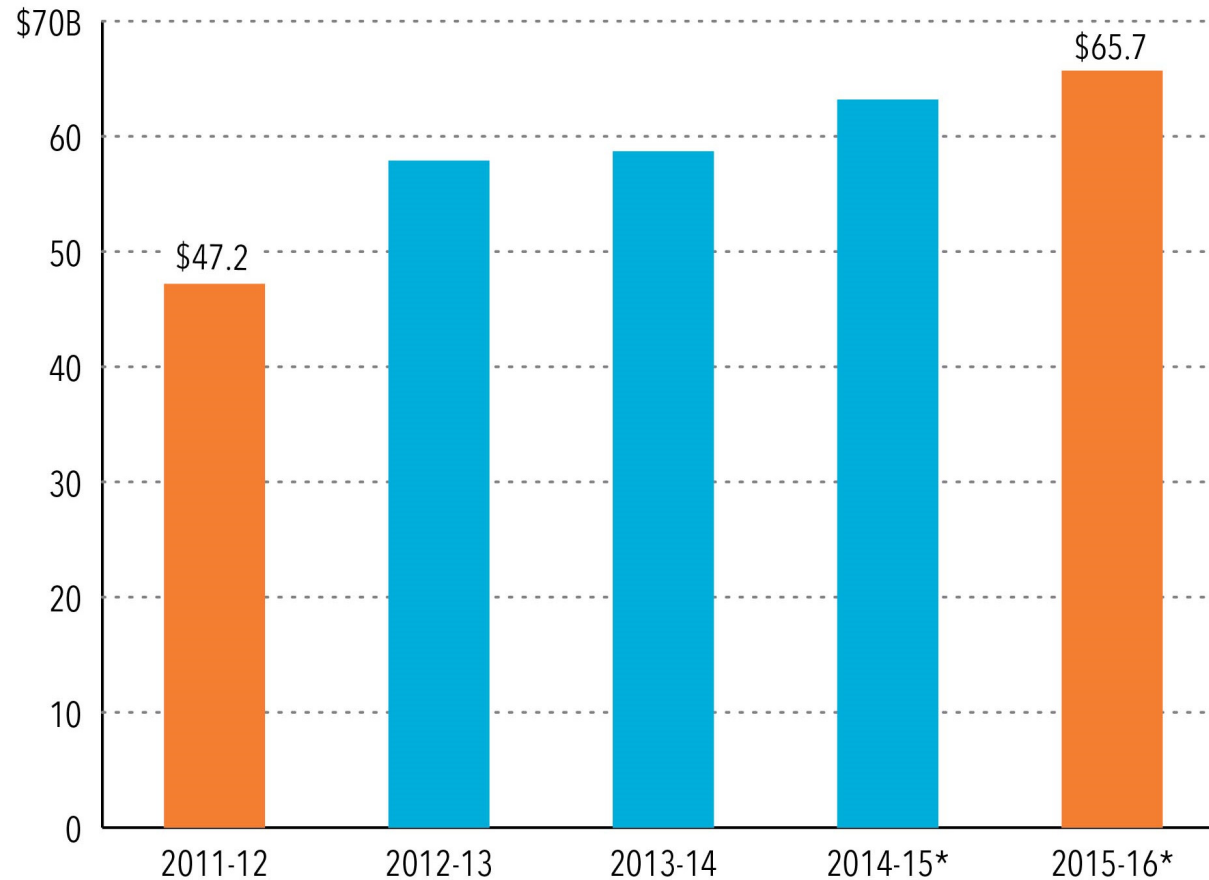
K-12 Education and California's Community Colleges

New revenues would result in increased spending per student, paying down debt, and workforce investments.



Due to Higher State Revenues, the Minimum Funding Guarantee for K-14 Education Would Increase in 2015-16

K-12 Proposition 98 Spending Per Pupil, Inflation-Adjusted



* 2014-15 estimated and 2015-16 proposed.

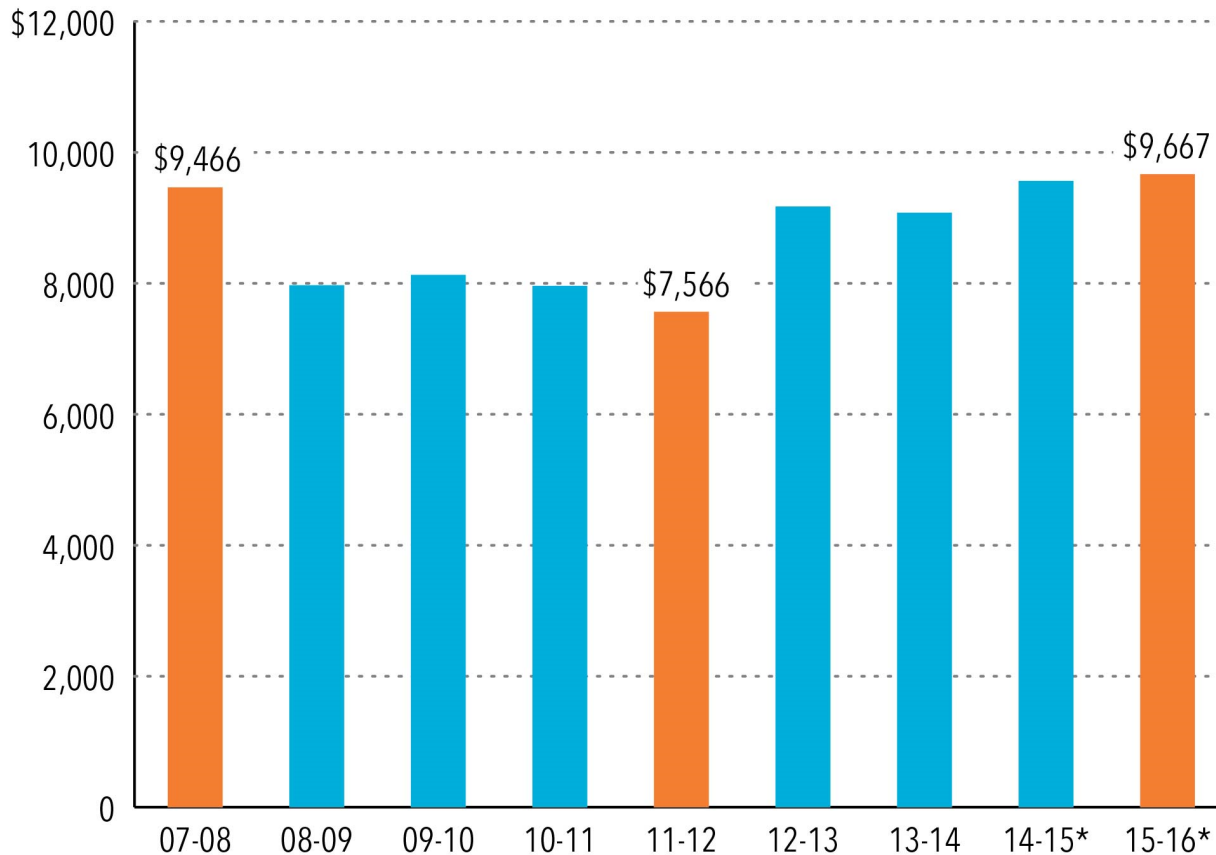
Note: Figures are in 2015-16 dollars. Figures exclude child care and include preschool spending. Proposition 98 spending reflects both state General Fund and local property tax dollars.

Source: Legislative Analyst's Office



Due to Higher State Revenues, 2015-16 Spending Per K-12 Student Would Increase to Just Above 2007-08

K-12 Proposition 98 Spending Per Pupil, Inflation-Adjusted



* 2014-15 estimated and 2015-16 proposed.

Note: Figures are in 2015-16 dollars. Figures exclude child care and include preschool spending. Proposition 98 spending reflects both state General Fund and local property tax dollars.

Source: Legislative Analyst's Office



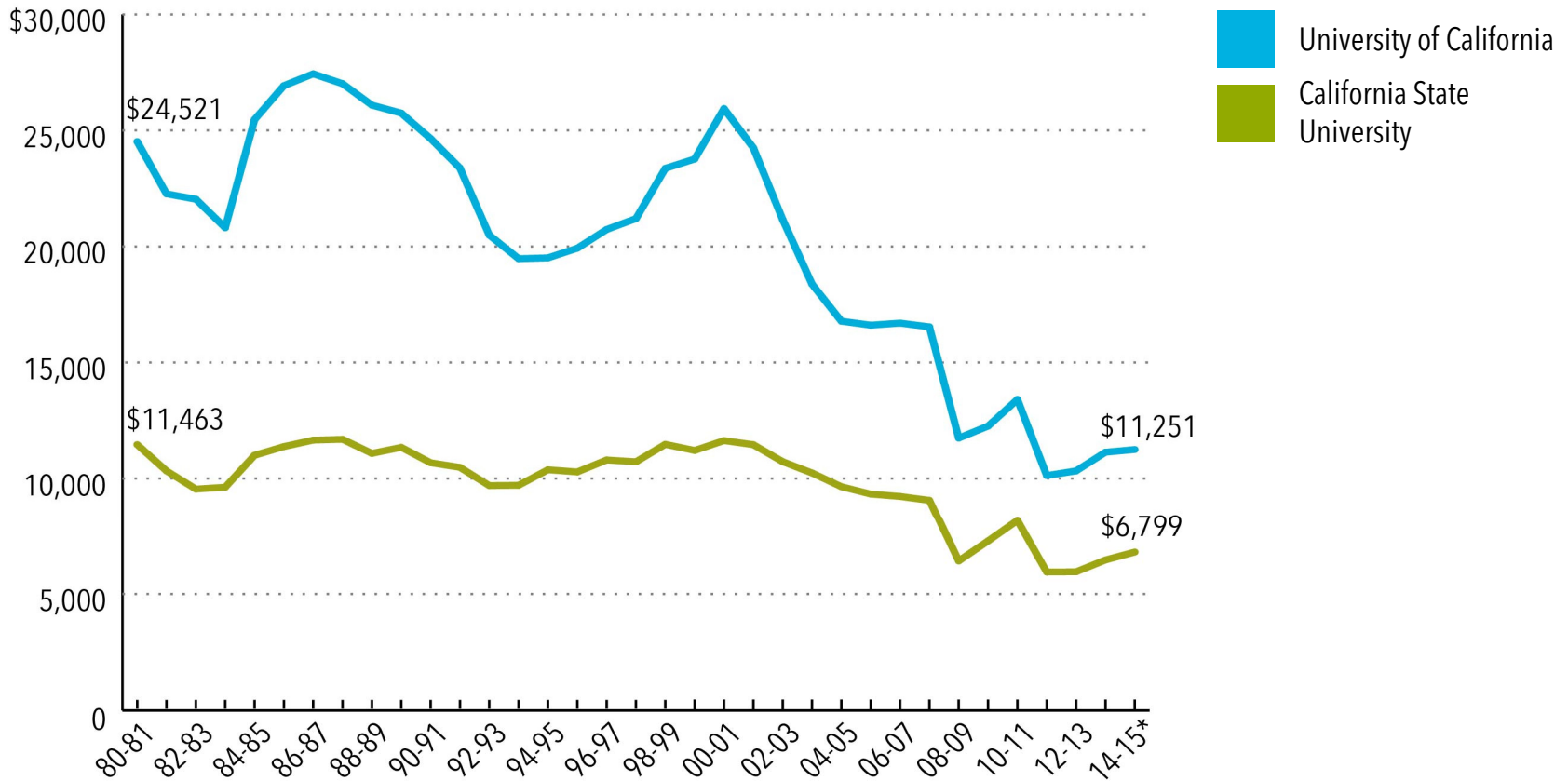
Higher Education: The University of California and California State University

Modest funding increases are contingent on tuition and fees remaining flat.



State Spending Per Student at CSU and UC Remains Near the Lowest Point in More Than 30 Years

Direct General Fund Expenditures Per Full-Time Student, Inflation-Adjusted



* Estimated

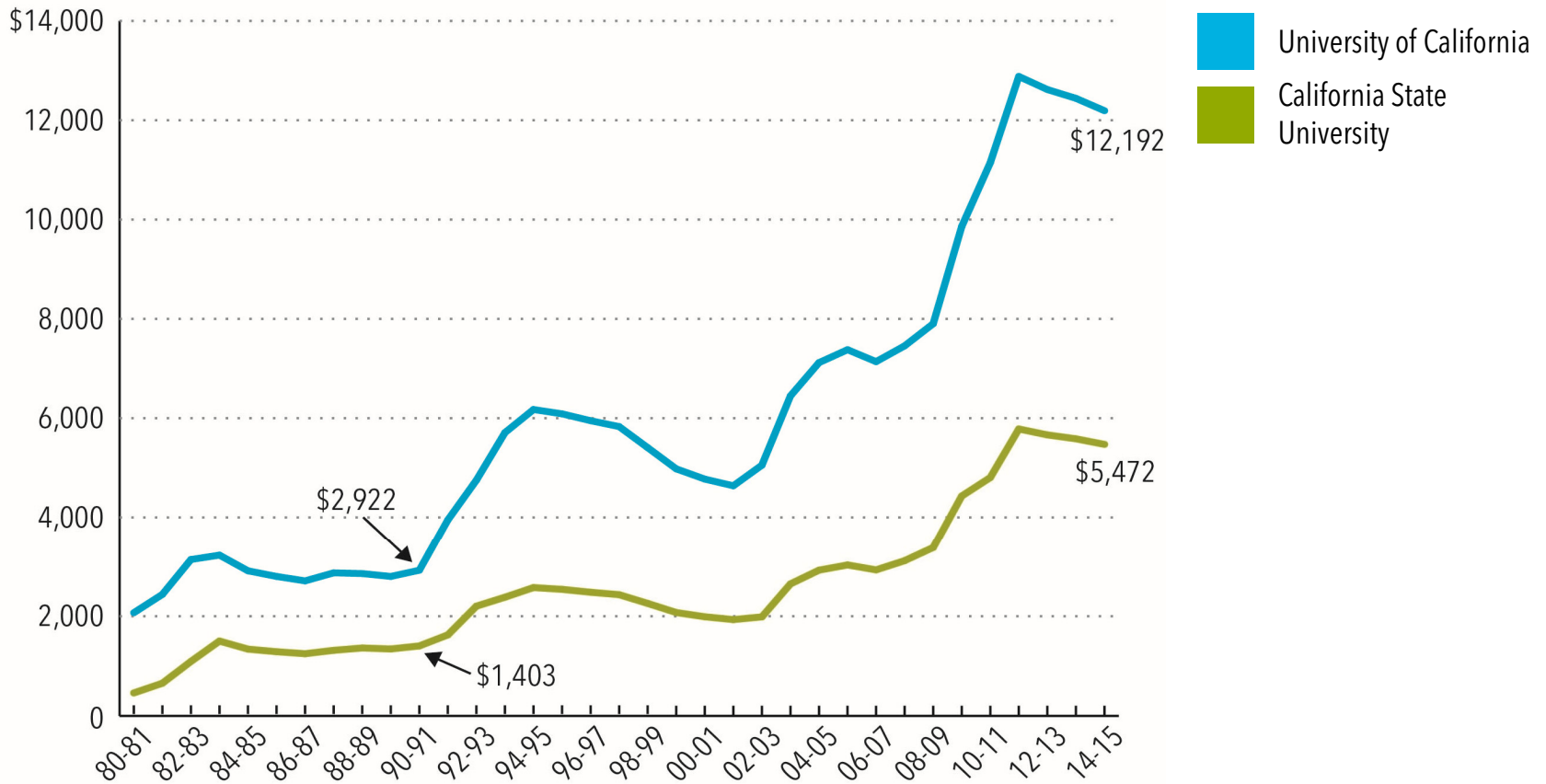
Note: Figures are in 2014-15 dollars and reflect "full-time equivalent" enrollment, which accounts for credits taken by each student relative to a full-time course load. Data exclude indirect state funding for CSU and UC attributable to Cal Grant tuition and fee payments.

Source: California State University, Department of Finance, and University of California



Since 1990-91, Tuition and Fees Have More Than Tripled at CSU and More Than Quadrupled at UC

Systemwide Tuition and Fees for California Resident Undergraduates, Inflation-Adjusted



Note: Figures are in 2014-15 dollars. Without adjusting for inflation, systemwide tuition and fees at CSU and UC have been frozen since 2011-12.

Source: California State University and University of California



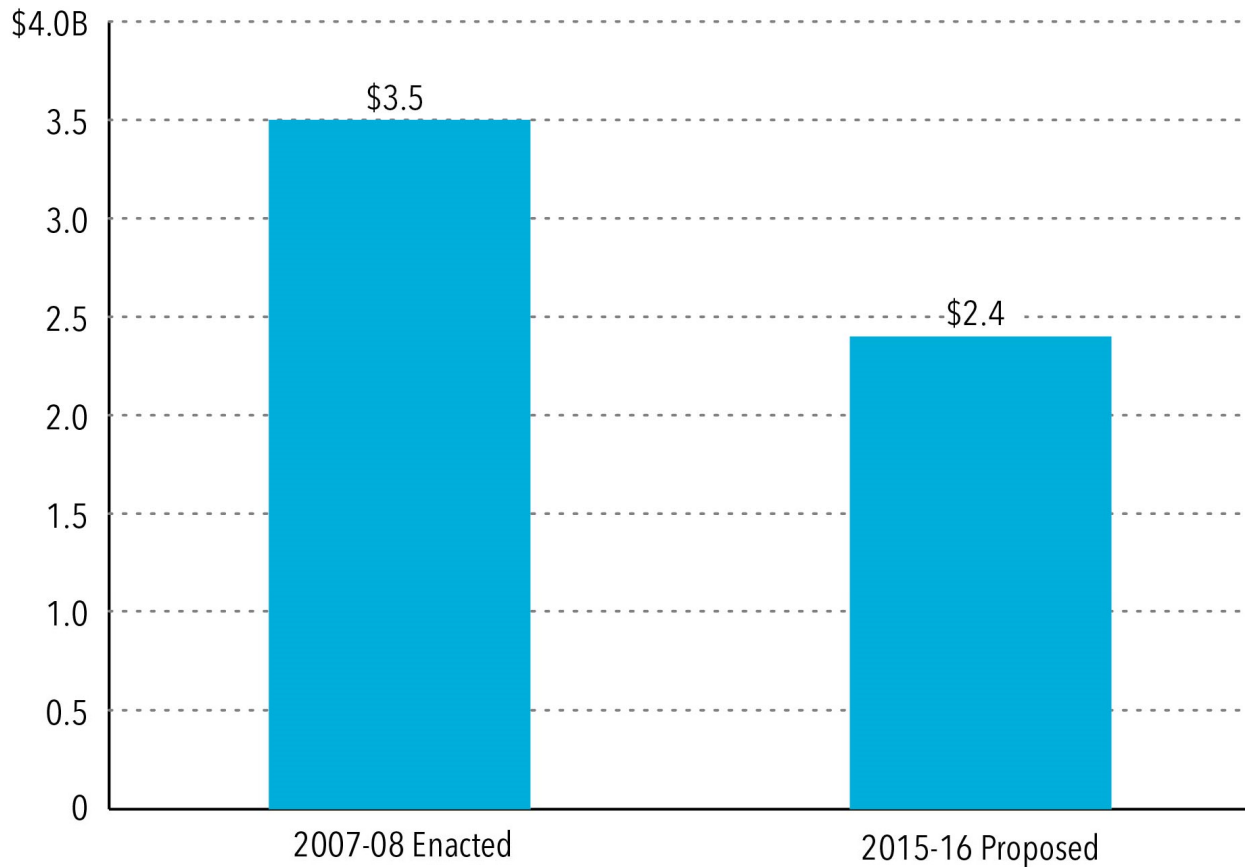
Early Education: Child Care and Preschool

Proposed spending and the number of slots remain below pre-recession levels.



Support for Child Care and Preschool Is \$1.1 Billion Below 2007-08, Even With the Recent Increase in Funding

Total Funding for Subsidized Child Care and Preschool Slots in California, Inflation-Adjusted

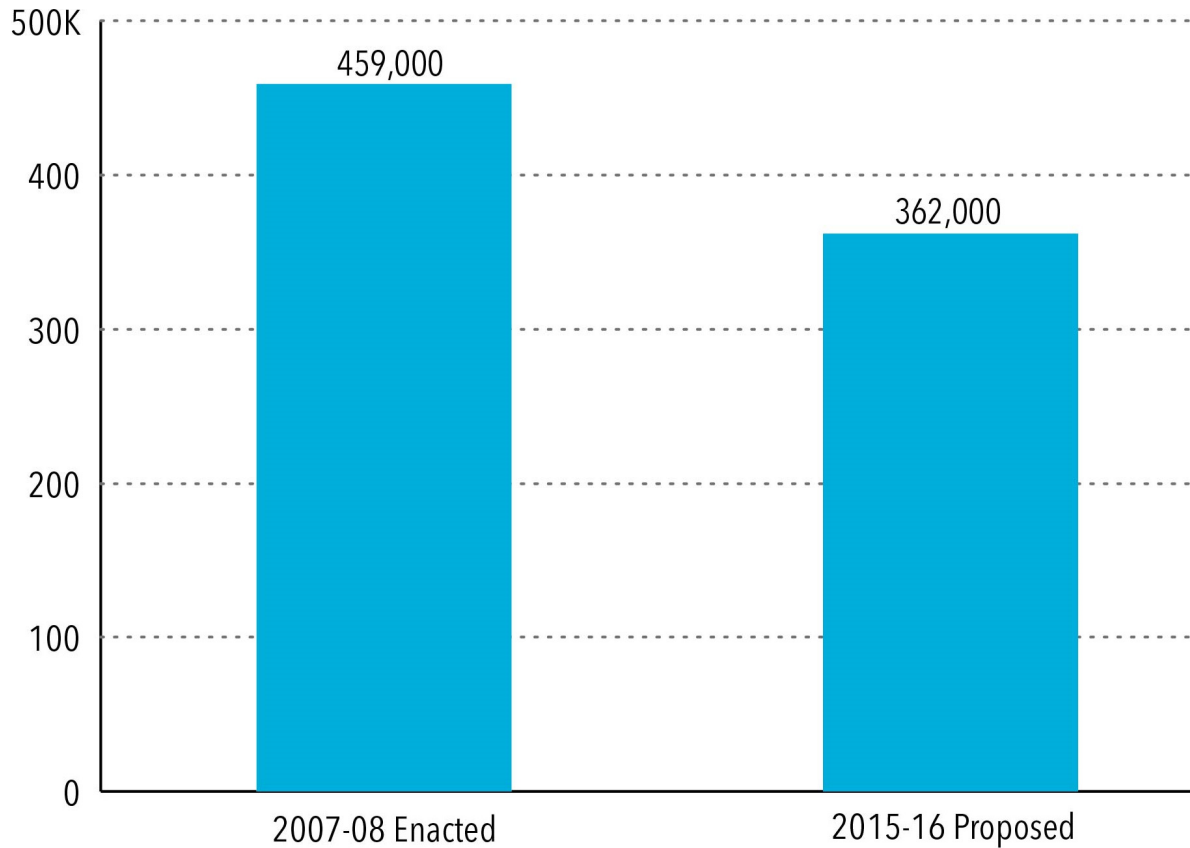


Note: Figures are in 2015-16 dollars and include federal and state funds. Child care includes CalWORKs and non-CalWORKs programs.
Source: Department of Finance



State Budget Cuts Have Reduced Child Care and Preschool Slots by More Than One-Fifth Since 2007-08

Slots in California Funded With Federal and/or State Dollars



Note: Child care includes CalWORKs and non-CalWORKs programs. A portion of the drop since 2007-08, roughly 3,000 slots, is due to a new methodology for calculating funded slots in several small child care programs.

Source: Department of Finance



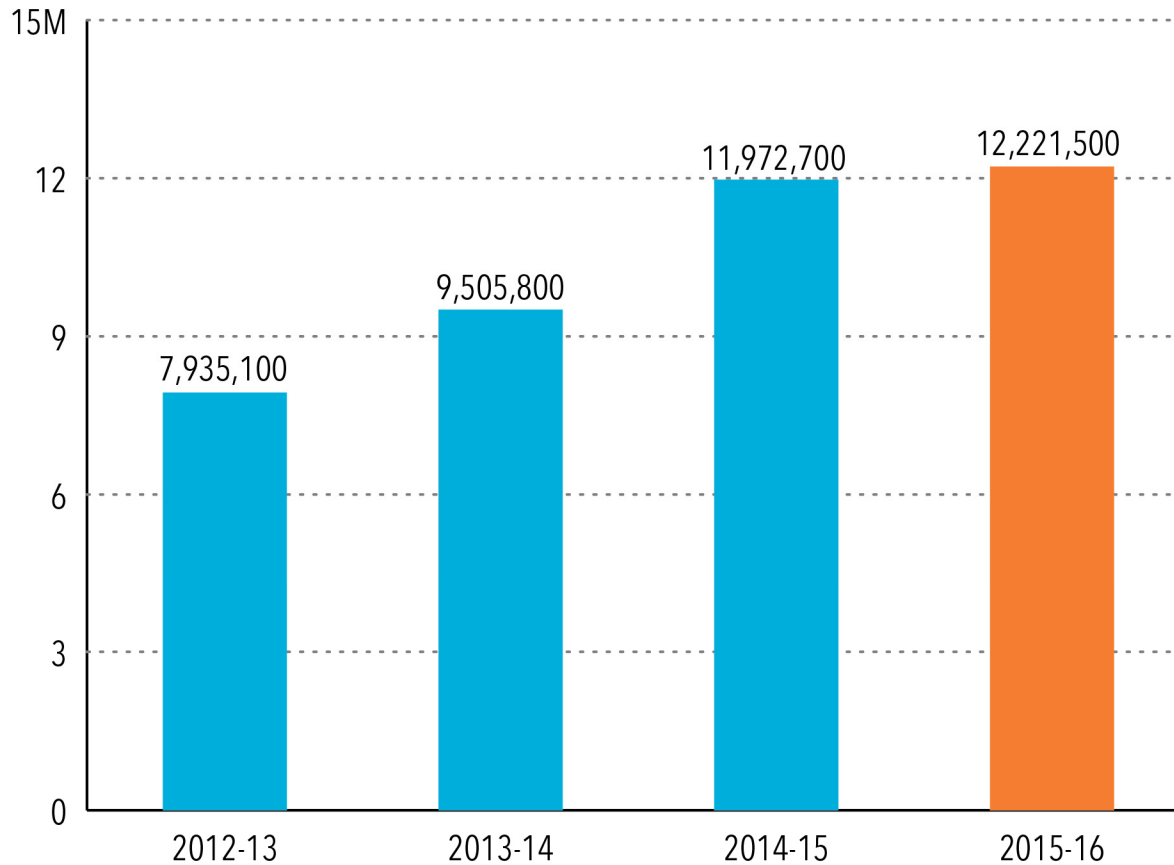
Health Care

The proposed budget reflects the ongoing implementation of federal health care reform, including the expansion of Medi-Cal.



Medi-Cal Enrollment Is Projected to Rise by Just 2 Percent in 2015-16, Following Two Years of Double-Digit Increases

Enrollment Gains in Prior Years Were Largely Due to Implementation of Health Care Reform



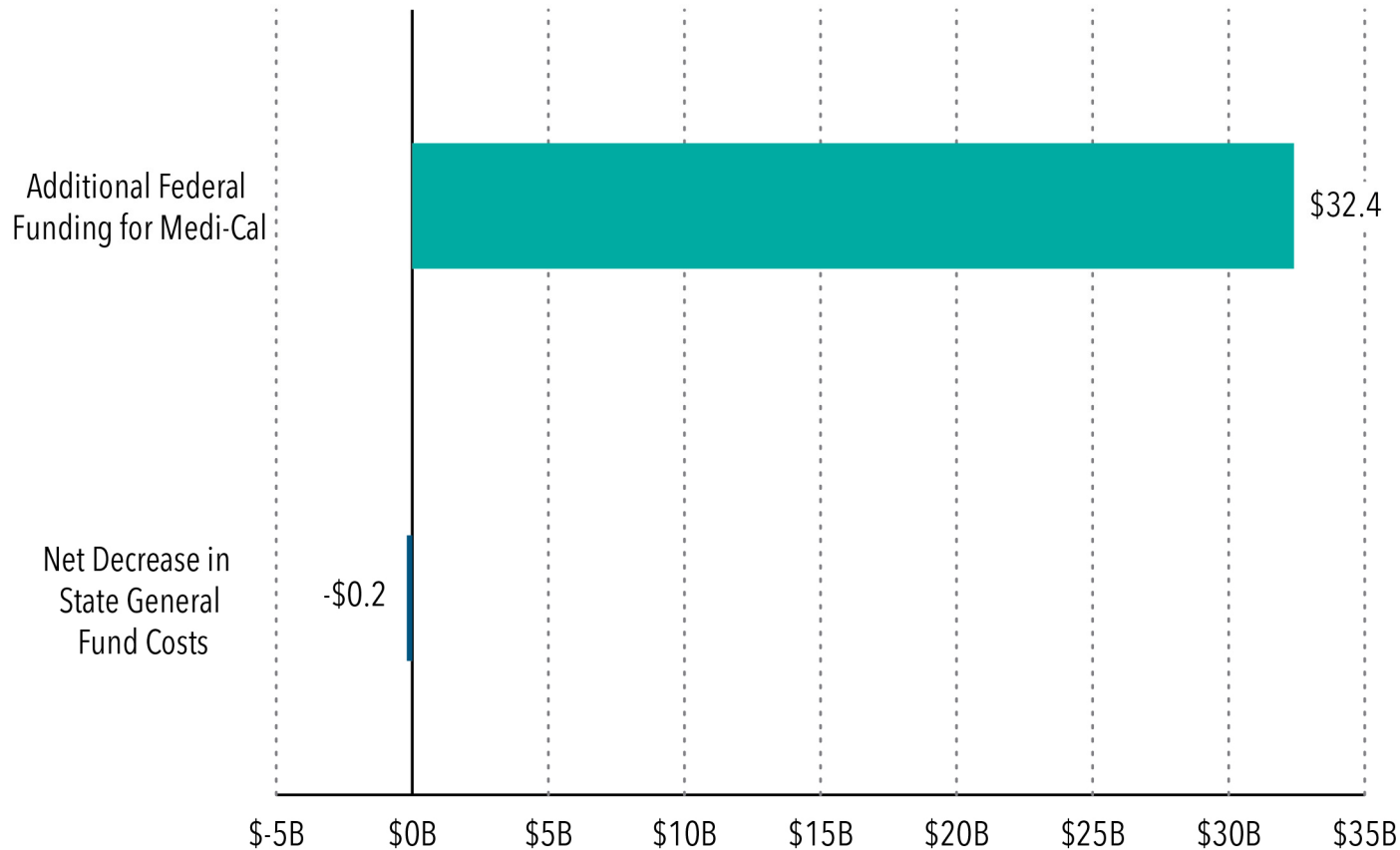
Note: 2012-13 to 2014-15 are estimated, and 2015-16 is projected. Figures reflect average monthly enrollment.

Source: Department of Health Care Services



Federal Funding Is Up, State Costs Are Down, as Medi-Cal Enrollment Rises Due to Health Care Reform

Fiscal Effects of Increased Medi-Cal Enrollment, 2014-15 and 2015-16 Combined, in Billions



Note: 2014-15 is estimated and 2015-16 is proposed. The net decrease in state costs is due to two factors: (1) a shift – back to the state – of certain dollars previously provided to counties for indigent health care and (2) the use of some proceeds from a tax on Medi-Cal managed care plans to offset state spending.

Source: Department of Finance and Department of Health Care Services



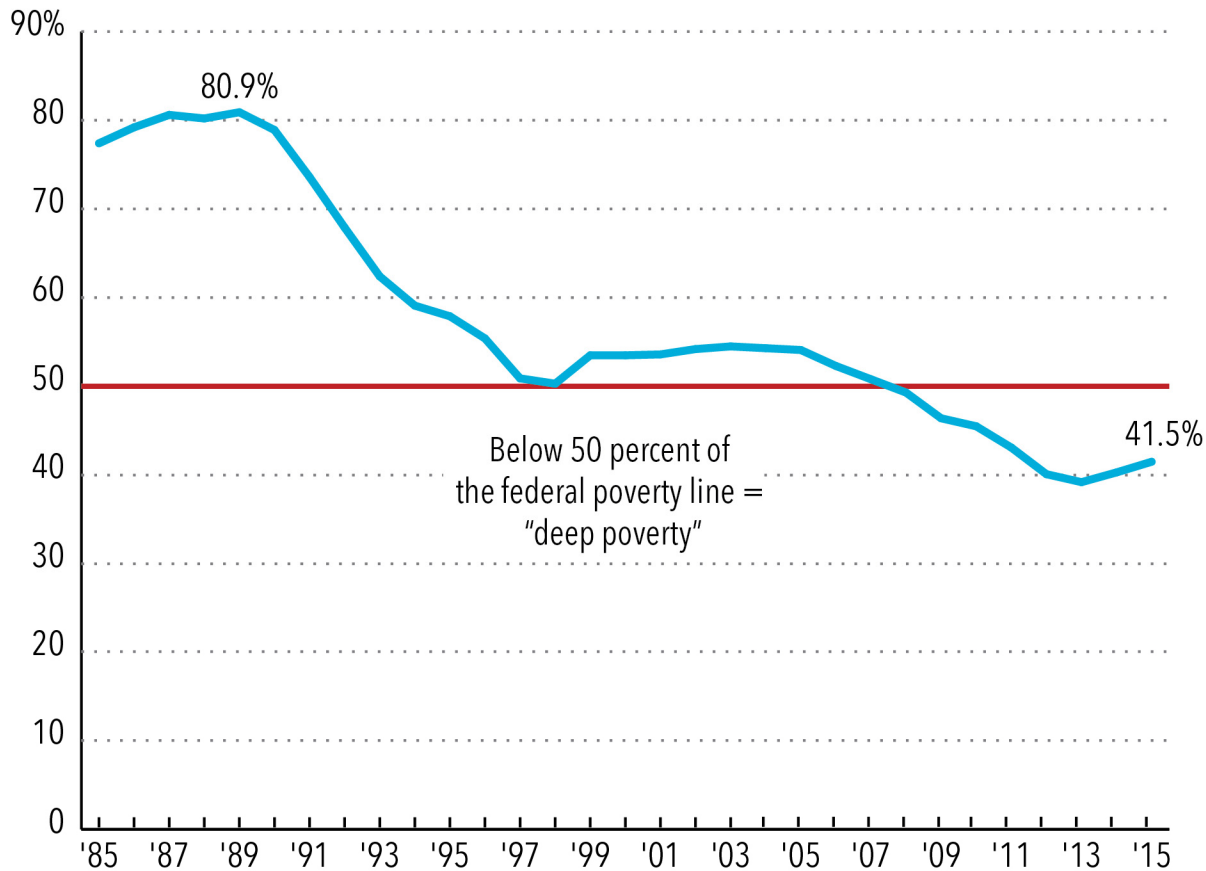
Human Services

A lack of reinvestment leaves the state's safety net severely weakened by years of funding cuts.



Under the Governor's Proposal, CalWORKs Grants Would Remain Far Below the Deep-Poverty Threshold

Annualized Maximum Grant for a Family of Three as a Percentage of the Federal Poverty Line

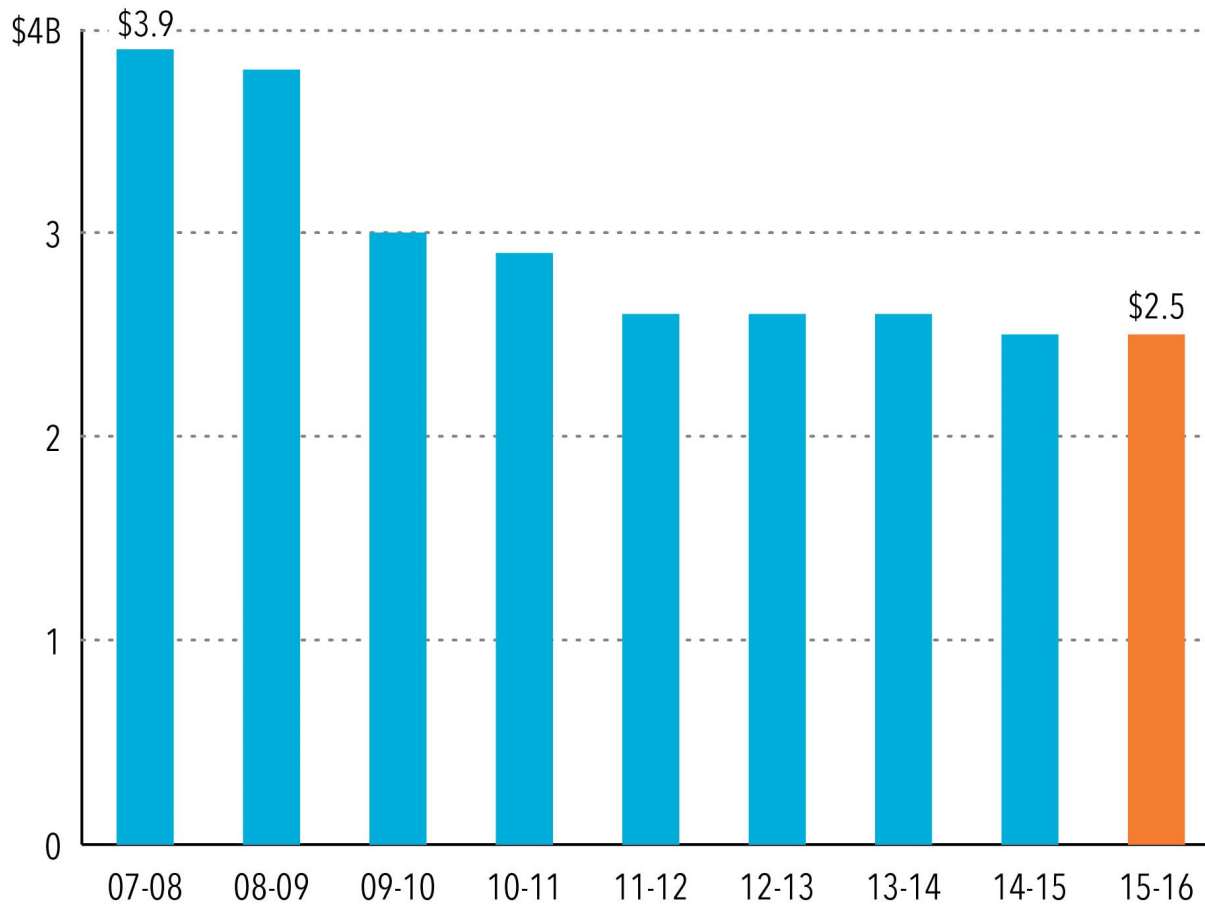


Note: Grants are for high-cost counties beginning in 1996. Prior to 1998, grants were provided through the Aid to Families with Dependent Children Program. The 2015 grant reflects a 5% increase scheduled for April 2015.
Source: CBP analysis of Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data



Due to Budget Cuts, State Spending for SSI/SSP Grants Is More Than One-Third Below the 2007-08 Level

General Fund Expenditures in Billions, Inflation-Adjusted



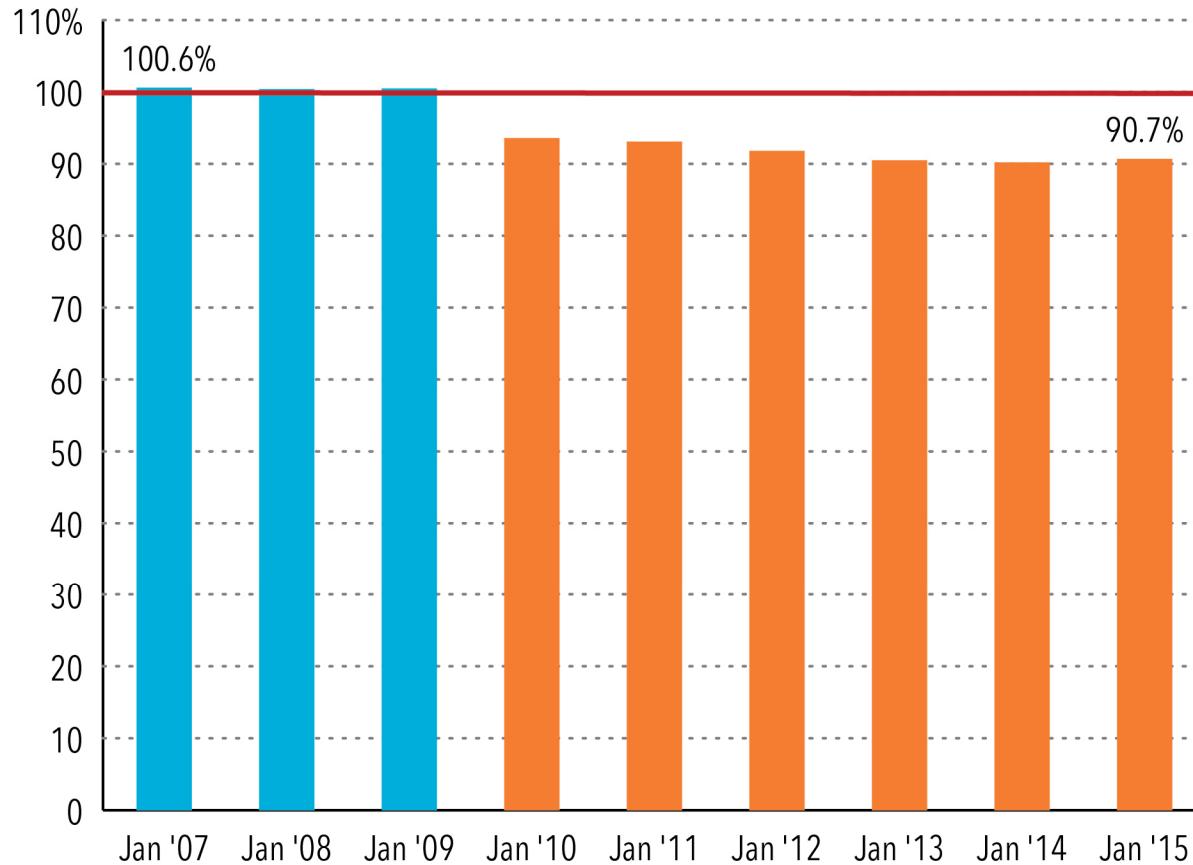
Note: Figures are in 2015-16 dollars. All figures are estimates except for 2015-16, which is proposed.

Source: Department of Social Services



SSI/SSP Grants for Individuals No Longer Lift Seniors and People With Disabilities Out of Poverty

Maximum Monthly Grant for Individuals as a Percentage of the Federal Poverty Line



Source: Department of Social Services and US Department of Health and Human Services

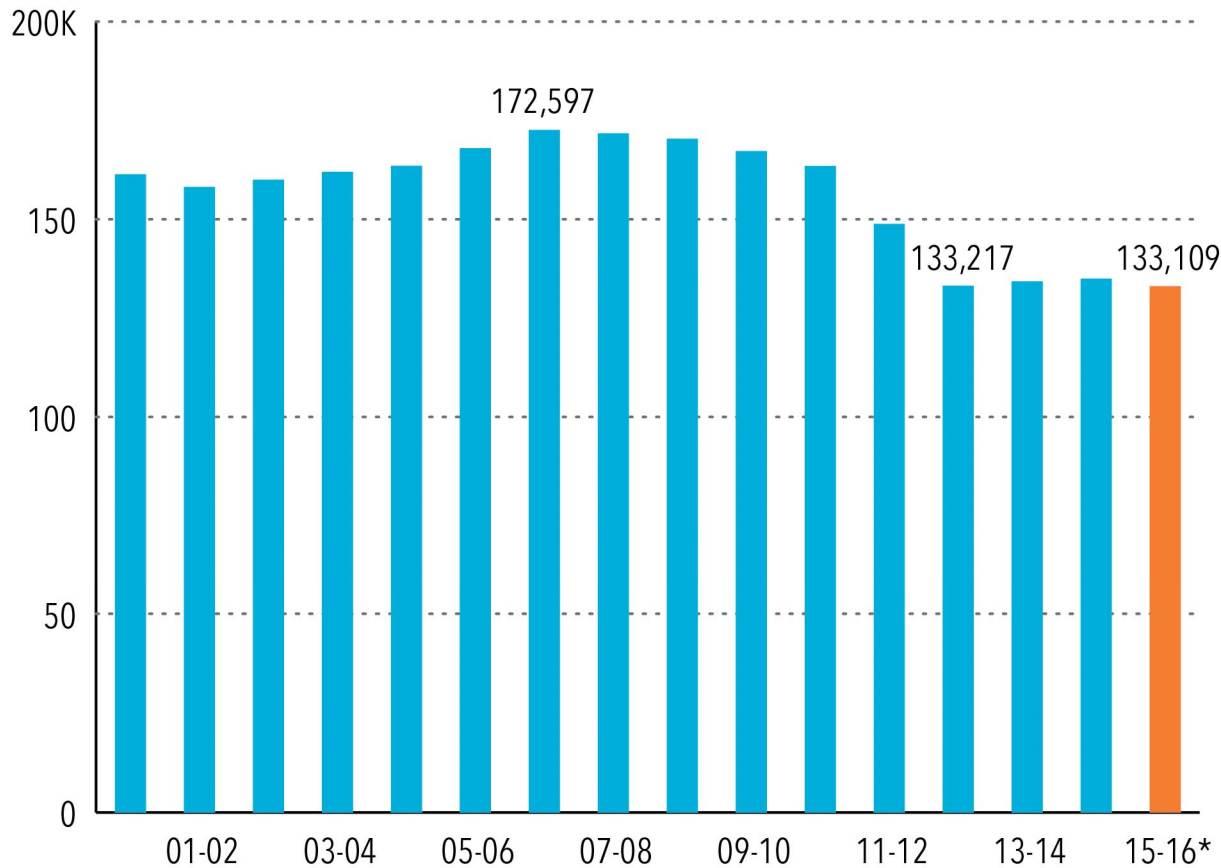


Corrections

Spending on state corrections is maintained as efforts to comply with a federal court order continue and implementation of Proposition 47 (2014) begins.



The Number of People Incarcerated by the State Is Projected to Decline Slightly in 2015-16



* 2014-15 estimated and 2015-16 projected.

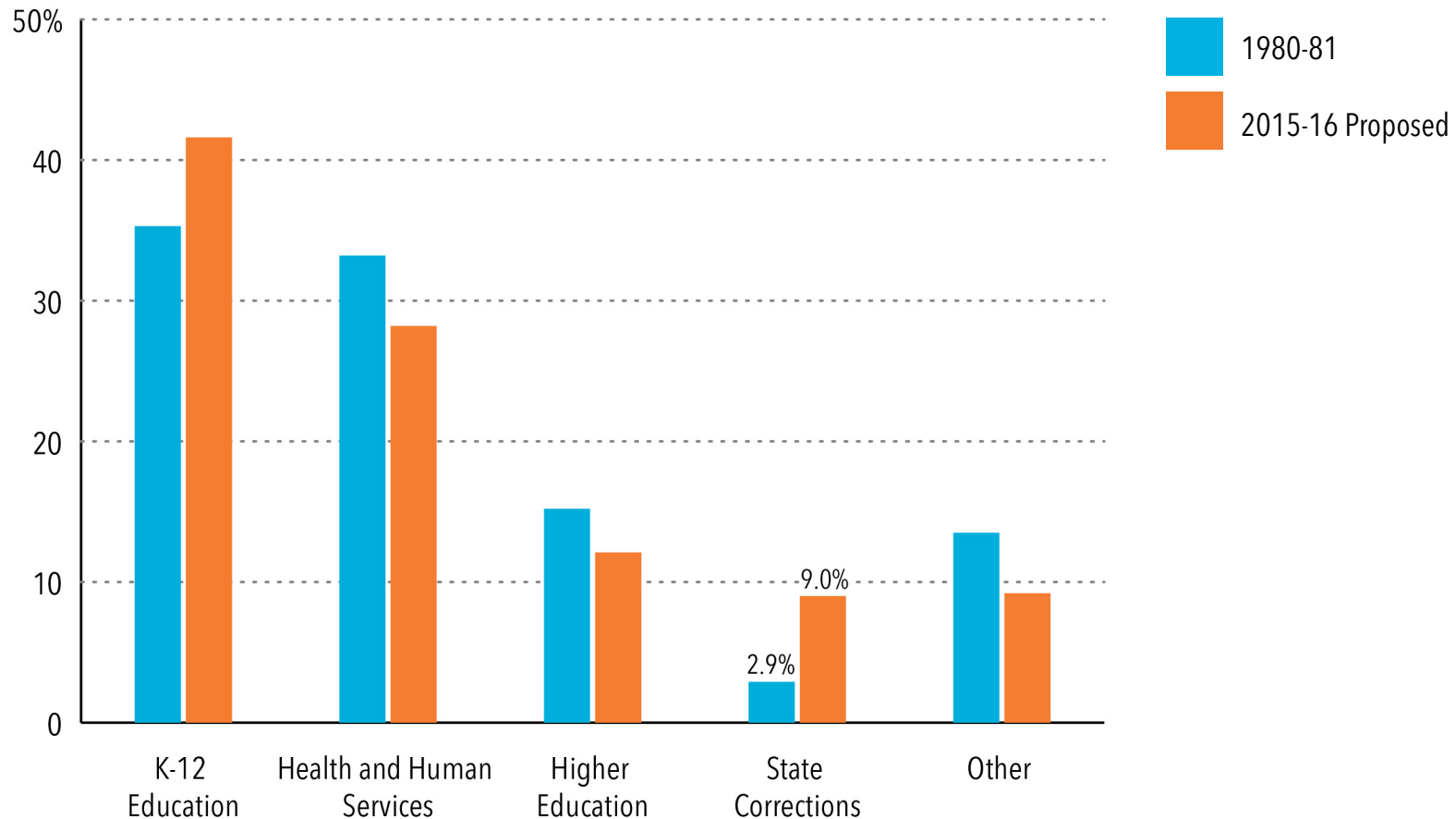
Note: Reflects average daily population housed in state prisons and other facilities in and outside of California.

Source: California Department of Corrections and Rehabilitation



Spending on Corrections Is Three Times Larger as a Share of Total State General Fund Spending Than in 1980-81

Percentage of General Fund Expenditures



Note: General Obligation bond repayments are removed from "higher education" and added to "other" for 2015-16 in order to make data comparable to 1980-81.

Source: Department of Finance





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