Overview of the 2018-19 Governor’s Budget

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Summary of the 2018-19 Governor’s Budget

- One-time budget surplus, but massive uncertainty
- Full Implementation of Local Control Funding Formula
- Fully fills the Rainy Day Fund to 10 percent of tax revenues
- Creation of online community college
- Extension of Cal Competes and hiring tax credits
- First full year of SB1 transportation funding
- Cap and Trade funding plan to come at State of State
Uncertainties and the 2018-19 Governor’s Budget

- Federal Government
  - Implications of Tax Bill
  - CHIP Reauthorization
  - Potential for Federal Cost Shifting

- Next Recession?
Budget Assumes Current Recovery Would Match Longest Ever

Number of Months

Month that Expansion Started

- Current (July 2009)
- Average
- December 2001
- April 1991
- December 1982
- August 1980
- April 1975
- December 1970
- March 1961
- May 1958
- June 1954

2018-19 Governor’s Budget
Annual Revenue Could Drop by Over $20 Billion in a Recession

(Dollars in Millions)
Filling Up the Rainy Day Fund Before the Next Recession

100% — 2018-19 Governor’s Budget $13.5 Billion
65% — 2017-18
55% — 2016-17
32% — 2015-16
14% — 2014-15
School Funding Has Increased by 66 Percent Since 2011
K-12 Education Funding

- Full Implementation of Local Control Funding Formula—two years early
- $200 million to connect K-12 career technical education with Strong Workforce Program
- Special Education
  - $167 million to build capacity for ages 0 to 5
  - $100 million to expand teacher workforce
  - Improved transparency and planning
Community College Funding

- New allocation formula to create better incentives for improving student outcomes
- Creation of California Online College to target adult working population
- Implementation of AB 19 and consolidation of financial aid programs
SB 1 Restores Lost Purchasing Power for the Gas Tax
Strengthening Infrastructure

- SB1 Transportation: $4.6 billion in addition to first $2.8 billion from 2017 Budget
- $1.3 billion for natural resources and housing, pending voter approval of bonds in 2018
- Restart court construction program
Supporting Job Creation

- 2.6 million jobs added in California since January 2011
- Budget extends Cal Competes tax credit: $180 million for five more years
- Small businesses: $20 million in direct assistance
- Reconstituted statewide hiring credit: $50 million
Paying Down Debts and Liabilities

- Wall of Debt reduced from $35 billion to less than $6 billion
- Plans in place to pay off $272 billion in retirement-related liabilities over the next three decades
Balanced Budgets Have Been Quickly Followed by Huge Deficits