



2018-19 BUDGET CONFERENCE COMMITTEE

SB 840

Wednesday, May 30, 2018

1:30pm - State Capitol, Room 4202

AGENDA

- Introductions
- Overview Presentation by Mac Taylor, Legislative Analyst
- Remarks by Amy Costa, Department of Finance
- Member Question and Remarks
- Adjournment

Conference Committee Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:
2018-19 Budget Conference Committee



Comparing General Fund Conditions in 2018-19

| <i>(In Millions)</i> | | | |
|--------------------------|-----------------|-----------------|-----------------|
| | Governor | Senate | Assembly |
| Prior-year fund balance | \$8,451 | \$7,770 | \$8,400 |
| Revenues and transfers | 133,513 | 135,777 | 136,410 |
| Expenditures | 137,562 | 139,696 | 140,429 |
| Ending fund balance | \$4,402 | \$3,851 | \$4,381 |
| Encumbrances | 1,165 | 1,165 | 1,165 |
| SFEU balance | 3,237 | 2,686 | 3,216 |
| Reserves | | | |
| SFEU balance | \$3,237 | \$2,686 | \$3,216 |
| Safety net reserve | — | 1,000 | — |
| BSA balance ^a | 13,767 | 13,911 | 13,911 |
| Total Reserves | \$17,004 | \$17,597 | \$17,128 |

^a Assembly total includes the Budget Deficit Savings Account.
SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

- ***Both Houses' Reserve Levels Likely Could Weather a Mild Recession.***
- ***What Share of New Commitments Are One Time?***
 - Roughly one-third of the Senate's \$2.9 billion in new commitments is one time.
 - Roughly half of the Assembly's \$4 billion in new commitments is one time.
- ***How Do Ongoing Costs Change in the Out Years?***
 - Costs for the Senate CalWORKs proposal grow significantly in the out years.
 - Costs for the Assembly health care proposal grow significantly in the out years.

General Fund Changes From the May Revision

| <i>(In Billions)</i> | | | |
|---|--------------|--------------|--|
| | Senate | Assembly | Comments |
| Revenues and Transfers | | | |
| Additional Revenues | \$2.7 | \$2.8 | Senate uses LAO revenues. Assembly uses LAO revenues, except corporation taxes. |
| Formula-Driven Changes | | | |
| Reserves | -0.1 | -0.1 | Both houses dedicate sufficient revenue to fill the Budget Stabilization Account to its maximum. |
| Additional Proposition 2 Debt Payments | -0.3 | -0.4 | Both houses have higher debt payment requirements due to higher revenue assumptions. |
| Less General Fund Spending for Proposition 98 | 0.6 | 0.7 | Both houses use LAO property tax revenues, resulting in reduced Proposition 98 General Fund requirements. The overall guarantee is slightly lower (\$34 million) under the Assembly's revenue assumptions. |
| Changes to May Revision Proposals | | | |
| Reject Various Proposals | 0.5 | 1.1 | Both houses reduce funding for state infrastructure. The Assembly also reduces funding for deferred maintenance. |
| Additional Resources Available | \$3.4 | \$4.0 | |
| New Proposals | | | |
| | Senate | Assembly | |
| Reserves | \$1.0 | — | Senate establishes safety net reserve. Assembly implements optional deposit using Budget Deficit Savings Account. |
| New Commitments | \$2.9 | \$4.0 | Includes new spending and some tax credit expansions. |

Major Legislative Augmentations Provided in 2018-19

| | Senate | Assembly |
|--|--|---|
| Homelessness | \$641 million (\$0 ongoing) Increases funding for affordable housing, emergency aid block grants, and domestic violence shelters. | \$1,268 million (\$33 million ongoing) Increases emergency aid block grants. |
| Health Care | \$169 million (about \$300 million ongoing) Expands Medi-Cal eligibility and benefits, and others. | \$412 million (about \$900 million ongoing) Expands Medi-Cal eligibility and benefits, provides insurance premium assistance, and others. |
| CalWORKs and SSI/SSP Grants | \$505 million (reaching roughly \$2 billion ongoing by 2021-22) Provides CalWORKs grant increases. Reinstates cost-of-living adjustments for CalWORKs and SSI/SSP. | — |
| Various Human Services Programs | \$50 million (roughly \$30 million ongoing) | \$306 million (roughly \$225 million ongoing) |
| UC/CSU | \$473 million (\$375 million ongoing) Increases for salaries, benefits, enrollment, and various other academic and support services. | \$369 million (\$344 million ongoing) Increases for salaries, benefits, enrollment, and various other academic and support services. |
| Child Care | \$224 million (all ongoing) Increases slots and rates. | \$430 million (\$224 million ongoing) Increases slots and rate. One-time funding for facilities. |
| Reentry and Diversion | \$100 million (\$0 ongoing) Funds various services for offenders, such as housing. | \$150 million (\$0 ongoing) Funds various services for offenders, such as housing. |
| Census | \$95 million (\$0 ongoing) Increases funding for the statewide Complete Count Committee. | \$113 million (\$0 ongoing) Increases funding for statewide Complete Count Committee and provides funding for local count committees. |
| Judicial Branch | \$68 million in 2019-20 (over \$200 million ongoing by 2021-22) Provides cost-of-living adjustment. | — |

