

## **Summary of Governor's Proposed 2015-16 Budget**

Governor Jerry Brown proposed a record \$113 billion California budget amid an improving economy. It's a 5.4 percent increase from the current \$107.4 billion general fund spending. Here are highlights of his spending plan:

### **HIGHER EDUCATION**

The University of California and California State University systems would each receive a \$120 million budget increase. But Brown rejects the University of California's demand for more money to avert tuition hikes in favor of negotiations over ways to cut costs. The budget increase is contingent on tuition remaining flat. UC President Janet Napolitano has said that amount, which is \$100 million less than she sought for next year, is insufficient to accommodate the number of qualified students seeking admission and to keep faculty salaries competitive.

California State University Chancellor Timothy White said Brown's plan is \$97 million less than is needed for enrollment growth at the 23 CSU campuses and to meet the governor's goal of increasing the number of students who complete their degrees.

Brown earmarked an 8 percent increase for California's sprawling 112-campus community college system, compared to the 4 percent he provided for UC and CSU. Chancellor Brice Harris called it California's best community college budget in years. He said it would create space for an additional 45,000 more students and expand counseling programs that put students on a path to earning a certificate or transferring to a four-year school.

### **EDUCATION**

The state's general fund will increase about 5 percent from the current \$107.4 billion budget, with much of the increase earmarked for K-12 education and community colleges as required by law. K-12 funding grows by more than \$2,600 per student in 2015-16 over 2011-12 levels. The budget calls for speeding implementation of the new Local Control Funding Formula that channels additional money for schools with high levels of low-income and English-language learners. It includes nearly \$4 billion more for the formula than projected, allocating \$50.7 billion in the fiscal year that begins July 1. The \$7.8 billion K-14 budget increase repays districts \$992 million in deferred funding and boosts average per-pupil expenditures to a projected \$13,462 from state, federal and local funds. The budget also calls for \$1.1 billion to implement Common Core, the new math and reading benchmarks adopted by much of the nation.

### **HEALTH CARE**

The governor's budget includes more than \$31 billion in general funds for health and human services. California continues to implement federal health care reform, including expanding Medi-Cal, the state's version of Medicaid, to more low-income residents. The Medi-Cal caseload has grown 50 percent in just a few years, from 7.9 million enrollees in 2012 to 12.2 million in 2015. Brown said there are also uncertain costs that could run into the hundreds of millions because of President Barack Obama's executive order to spare some immigrants from deportation. Although the president's action excludes immigrants who came to the country illegally from qualifying for federal health benefits, California has a policy of using state money to provide health coverage for low-income immigrants with deferred-action status. As a result,

hundreds of thousands of low-income immigrants in California will be able to apply for Medi-Cal. The governor did not include higher reimbursement rates to doctors and providers who care for Medi-Cal patients. Advocates say the current rates are among the lowest in the nation, making it hard for patients to access care. The Brown administration is also proposing a new managed-care tax on health plans to raise \$1 billion annually. Some of the money will be used to restore a 7 percent across-the-board cut to the In-Home Supportive Services program.

## DEBT REDUCTION

The budget proposes making a \$1.2 billion deposit into the state's rainy day fund, bringing the cushion against future recessions to \$2.8 billion. It also includes a \$1.2 billion debt payment. Debt repayments include retiring the last of a \$15 billion deficit-reduction bond incurred under then-Gov. Arnold Schwarzenegger and repaying local governments \$533 million for their costs of following state mandates.

## WATER

The budget anticipates the dual possibilities of a fourth drought year as well as flooding. The first \$532.5 million of the \$7.5 billion water bond voters approved in November is set aside for providing safe drinking water, restoring watersheds and increasing water recycling efforts. Another \$115 million is designated for firefighting and providing emergency drinking water to poor communities. The governor proposes to start work on \$1.1 billion in projects to defend California from flooding even before the budget is approved. The state will provide \$6 million to help local communities draft groundwater plans, in addition to \$21 million from water bond grants.

## CLIMATE CHANGE

The budget provides a glimpse of how California will achieve the more aggressive climate-change goals that Brown outlined in his inauguration speech. The state would spend \$1 billion from the state's three-year-old cap-and-trade program on efforts to combat global warming. The money comes from a program that imposes extra costs on businesses that emit pollutants, and this year was expanded to include companies that produce gasoline and other fuels. Money would go to low-carbon transportation, for projects that link affordable housing to transportation hubs, energy efficiency, urban forests and to fund construction of the \$68 billion bullet train that will run through the Central Valley. Brown broke ground for the high-speed rail project earlier this week. The governor plans to work with the Legislature, environmental groups, business interests and others to develop a plan to further slash greenhouse-gas emissions by 2030.

## TRANSPORTATION

Brown's budget offers scant detail on how he plans to address \$59 billion in needed repairs of the state's crumbling roads, highways and bridges. Brown's long-term push to reduce gasoline consumption and encourage electric cars is drying up money for infrastructure maintenance from the state gas tax. He says he will seek solutions by negotiating with lawmakers from both political parties. He would need Republican support for new taxes or fees, which require two-thirds support to pass the state Legislature. Republicans have been pushing to redirect money from his \$68 billion bullet train project to more pressing transportation needs, while Brown's budget suggests he could attempt to increase commercial weight fees and local government funding.

## RETIREE HEALTH CARE

Brown plans to pressure state employee labor unions to help reduce the state's unfunded liability for retiree health care benefits, currently estimated at \$72 billion. He says the cost is unsustainable, growing from \$458 million in 2001 to \$1.9 billion now and absorbing a growing portion of the general fund. Without changes, the state's unfunded liability is projected to grow to \$300 billion by 2047-48. Brown proposes that the state and its employees share equally in paying now for future retiree health benefits so that investment returns will help make up the difference. Brown says that will save nearly \$200 billion over 50 years, eliminating the unfunded liability by 2044-45.

## COURTS

Brown continues to try to make up for about \$1 billion in cuts during the recession that led to layoffs and the closure of courtrooms and courthouses. The proposed \$3.7 billion budget includes \$180 million in additional spending, with most going to trial courts. It includes \$27 million to handle an expected surge of cases because of the passage of Proposition 47, which allows felons who committed some nonviolent drug and theft crimes to have their convictions reduced to misdemeanors. The budget proposes reviving a debt amnesty program to give traffic ticket scofflaws a 50 percent break if they pay delinquent fines; the program would be funded with revenues from the paid-off tickets. It would allocate \$5 million less to the Judicial Council, the policymaking body that oversees court administration, which was criticized by the state auditor this week for questionable spending and inflated salaries.

## PRISONS

The budget includes nearly \$36 million to open cells for 2,376 additional inmates as the state struggles to meet a February 2016 federal court deadline for reducing inmate crowding. It also calls for expanding death row by 97 inmates. Another \$52 million goes for better care of mentally ill inmates in response to a years long federal lawsuit, while the state is adding 93 parole agents to help reduce caseloads. About \$20 million is saved because voters approved Proposition 47, reducing penalties for those charged with lower-level drug and property offenses, and because the courts reduced penalties for certain career criminals. The budget increases overall corrections spending by nearly 2 percent, to \$12.7 billion, including funding for counties' costs and \$1.8 billion for the federal receiver who controls prison medical care. The budget for the Department of Corrections and Rehabilitation increases \$160 million, to \$10.3 billion.

## STATE PARKS

State parks would get \$20 million for deferred maintenance and another nearly \$17 million increase to continue existing service levels. Elizabeth Goldstein, president of California State Parks Foundation, said in a statement that "the era of state park closures seems to be behind us." She calls the \$20 million in maintenance funds a pittance compared to a backlog estimated at more than \$1.3 billion, but noted that Brown's \$40 million proposal last year was never approved. The \$16.8 million in additional operations funding will not be enough to restore visitor services, hours of availability and park amenities that were cut during the recession. However, another \$1.2 million will go to open the new Los Angeles State Historic Park next fall in downtown Los Angeles and more than \$400,000 to open a new Donner Memorial State Park Interpretive Visitor Center near Interstate 80 at Truckee.