

State Expenditures: History and Forecast

LEGISLATIVE ANALYST'S OFFICE

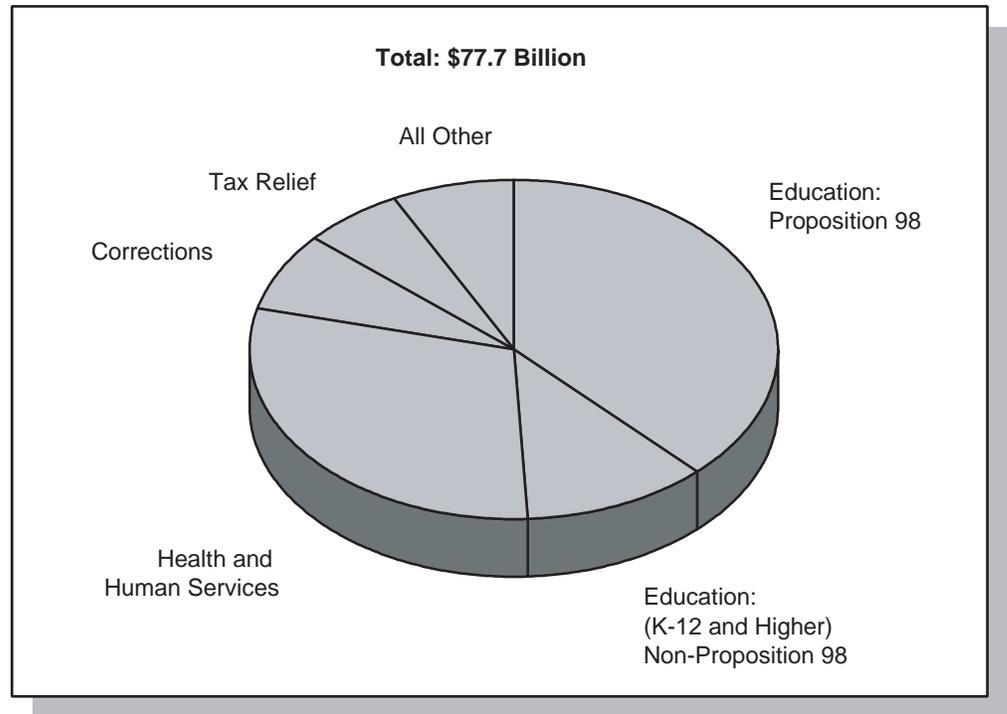
Presented To:
Senate Select Committee on
Fiscal Restructuring





Composition of General Fund Spending

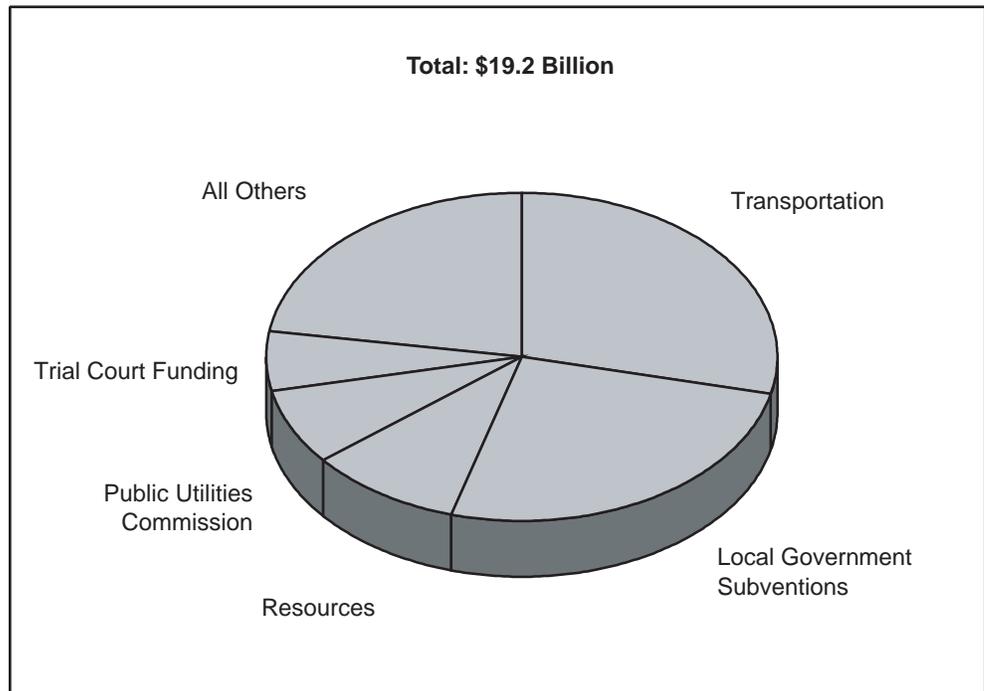
2002-03





Composition of Special Funds Spending

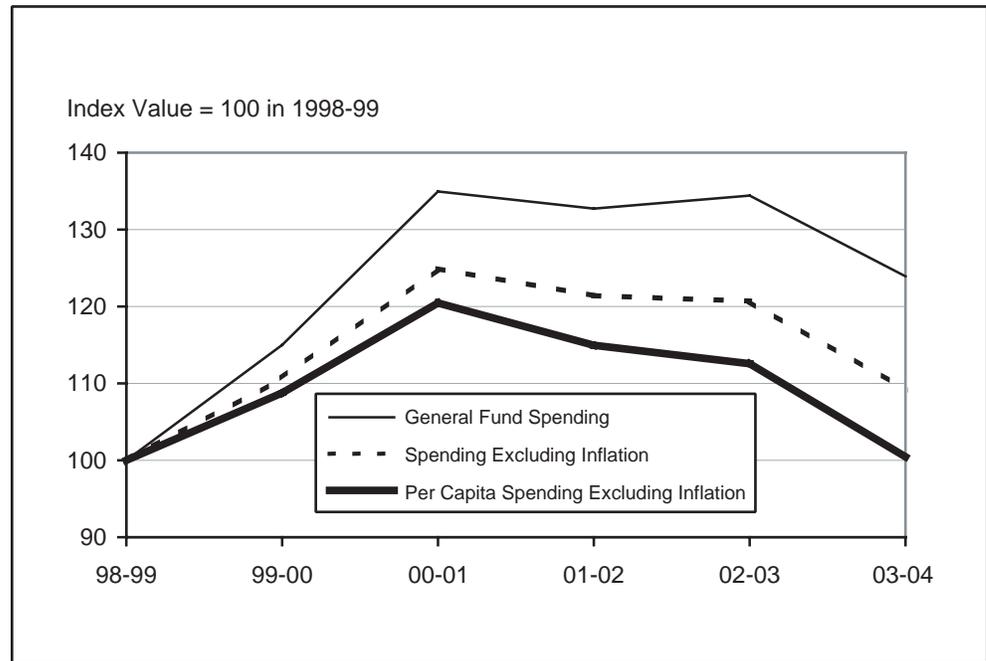
2002-03





Recent General Fund Spending Trends

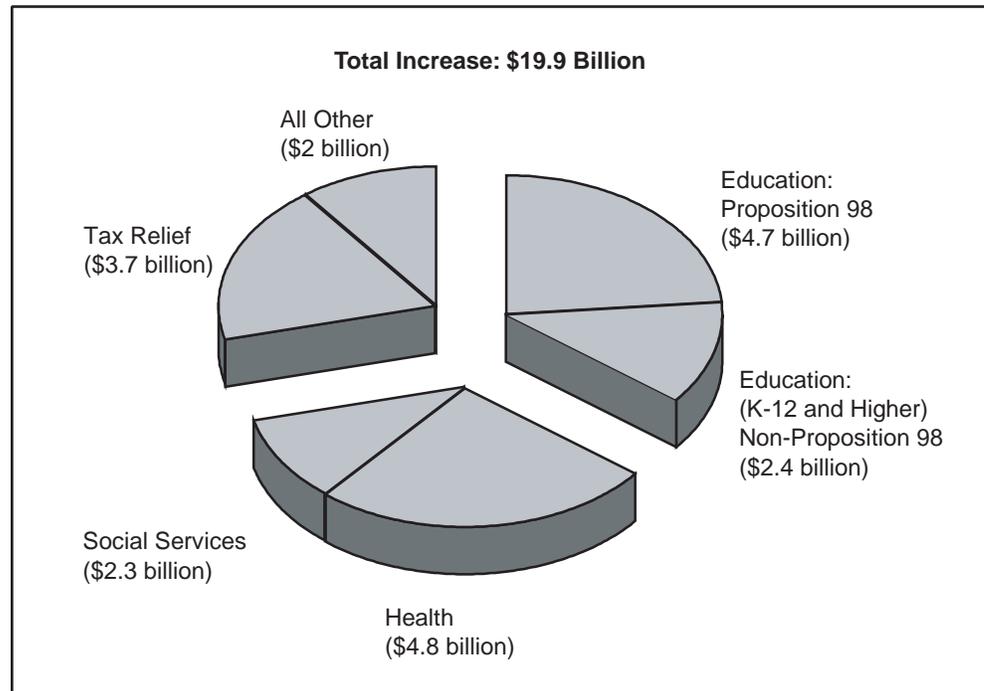
2003-04 Values Reflect AB 1769 Spending Totals





Sources of General Fund Spending Growth

1998-99 Through 2002-03



☑ Total General Fund spending rose from \$57.8 billion in 1998-99 to \$77.7 billion in 2002-03, an increase of \$19.9 billion, or 34 percent.

- About 56 percent of the growth was attributable to general inflation and population increases.
- The remaining 44 percent represented such factors as: new or expanded programs; increased levels of services; and, in some instances, caseload growth in excess of population and/or cost increases above general inflation.

☑ Of the total \$19.9 billion increase, slightly over 71 percent (\$14.2 billion) was for education, health, and social services. Another 19 percent involved expenditures for tax relief granted



Increases Related to Education, Health, and Social Services

Total Education Funding Increased by 23 Percent (\$7 Billion)

- The Legislature overappropriated the Proposition 98 minimum guarantee by a cumulative total of \$6 billion between 1998-99 and 2002-03. Such overappropriations increase the base from which next year's spending levels are determined.
- *In K-12 education*, new funds were provided for general purposes funding (deficit reduction), child care, teacher recruitment and retention, testing, summer school, and after-school programs.
- *In higher education*, new funds were provided for increased base support, enrollment growth, funding above adult population growth, outreach to K-12 students, professional development for K-12 teachers, and buyout of student fee increases. Financial aid was also increased through legislation that established entitlements for Cal Grant awards.

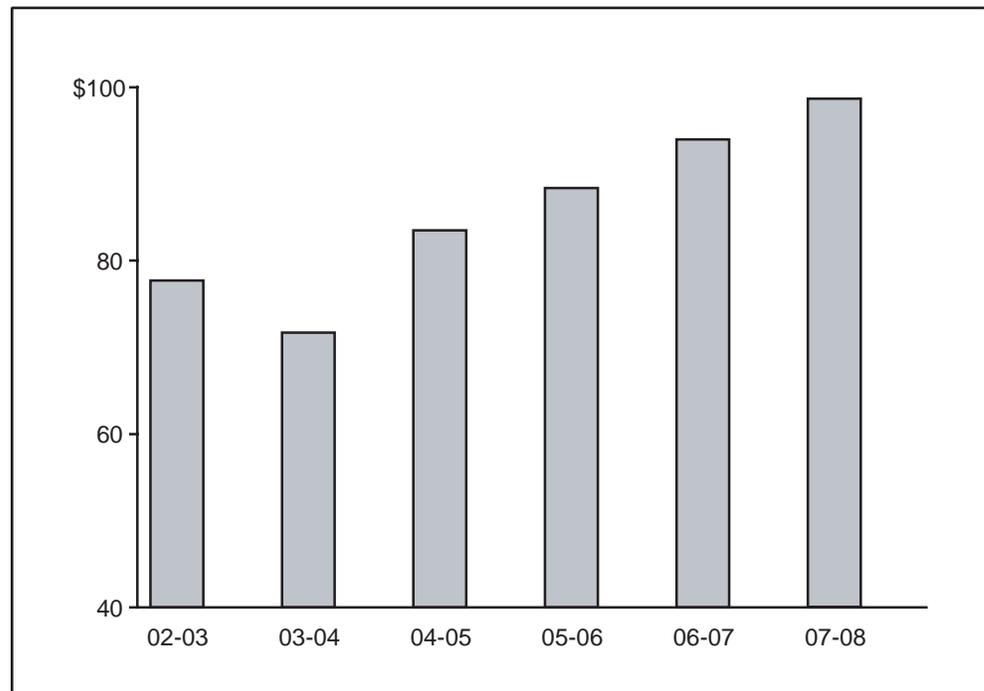
Total Health and Social Services Spending Grew By 44 Percent (\$7.1 Billion)

- The largest increase was in Medi-Cal, reflecting increases in the cost and utilization of medical services and expansion of eligibility (for example, 1931 (b) expansion and eligibility simplification).
- The major social services cash assistance programs—SSI/SSP and CalWORKS—experienced a moderate combined increase (4 percent annually) but disparate individual growth.
- Spending for other health and social services programs increased due to: (1) expansions in the Healthy Families Program, mental health, and child welfare services; (2) wage increases for certain IHSS providers; and (3) caseload and cost growth in the Department of Developmental Services.



Projected General Fund Expenditures

Out-Year Effects of AB 1769, in Billions



- General Fund expenditures would increase from \$71.7 billion in 2003-04 to \$98.7 billion in 2007-08 under AB 1769, representing an average annual increase of 8.3 percent.
- Spending would jump by over \$11 billion in 2004-05, as \$6.7 billion in one-time savings expire.
- Excluding the one-time savings, ongoing program spending would grow about 5.9 percent per year over the forecast period.



Key One-Time Expenditure Savings In 2003-04

AB 1769 Version of Budget

One-Time Expenditure Savings in 2003-04	Amount In Millions
Pension obligation bond	\$1,032
Use of federal funds to cover state costs	1,866
Deferral of Proposition 42 transfer	856
Treasurer's GO debt restructuring	960
Medi-Cal accounting shift	930
Noneducation mandate deferrals	564
Suspension of STRS cost-of-living payment	500
Total	\$6,708

- The above table shows key one-time expenditure savings included in the AB 1769 version of the 2003-04 budget.
- The expiration of the benefits from these one-time savings will cause expenditures associated with them to jump by an equivalent amount in 2004-05, absent further actions. This represents about 60 percent of the total increase between the two years.