

California's Fiscal Outlook



Presented to:

California School Boards Association

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Legislative Analyst's Office

State's Fiscal Outlook

State Revenues Up in 2014-15 and 2015-16

General Fund and Education Protection Account Combined (In Millions)

	2014-15			2015-16		
	LAO Nov. 2015	Admin. June 2015	Change	LAO Nov. 2015	Admin. June 2015	Change
Personal income tax	\$76,400	\$75,384	\$1,016	\$81,676	\$77,700	\$3,976
Sales and use tax	23,709	23,684	25	24,971	25,240	-269
Corporation tax	9,714	9,809	-94	10,198	10,342	-144
“Big Three” Revenues	\$109,823	\$108,877	\$946	\$116,844	\$113,281	\$3,564

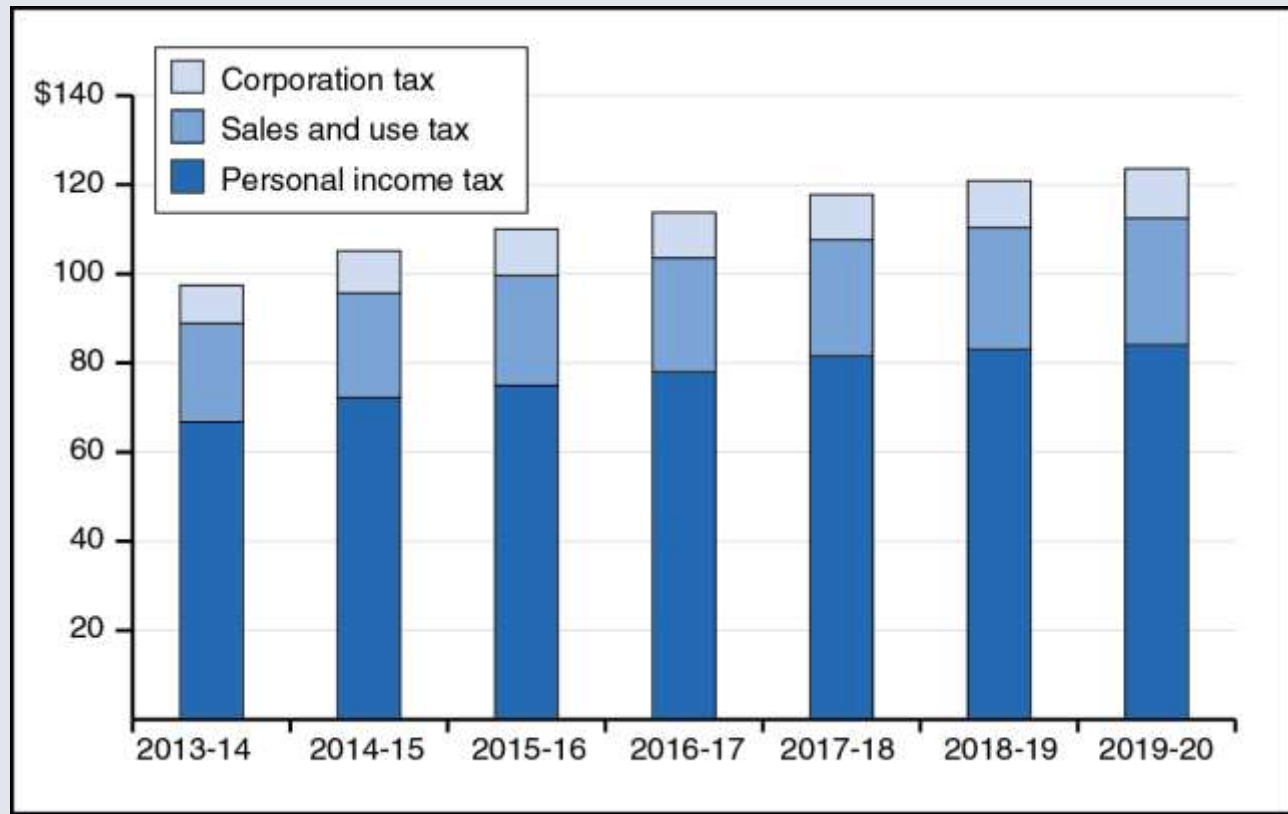
State's General Fund Condition Healthy in 2016-17

Estimates Under Main Scenario (In Millions)

	2014-15	2015-16	2016-17
Prior-year fund balance	\$5,253	\$2,157	\$3,210
Revenues and transfers	112,244	116,315	123,183
Expenditures	115,340	115,262	121,119
Ending fund balance	\$2,157	\$3,210	\$5,274
Encumbrances	-\$971	-\$971	-\$971
SFEU balance	\$1,186	\$2,239	\$4,304
Reserves			
SFEU balance	\$1,186	\$2,239	\$4,304
BSA balance	1,606	5,641	7,234
Total Reserves	\$2,793	\$7,880	\$11,537

All Big State Revenue Sources Grow Throughout Forecast Period

Big Three Revenues Under Main Scenario (In Billions)



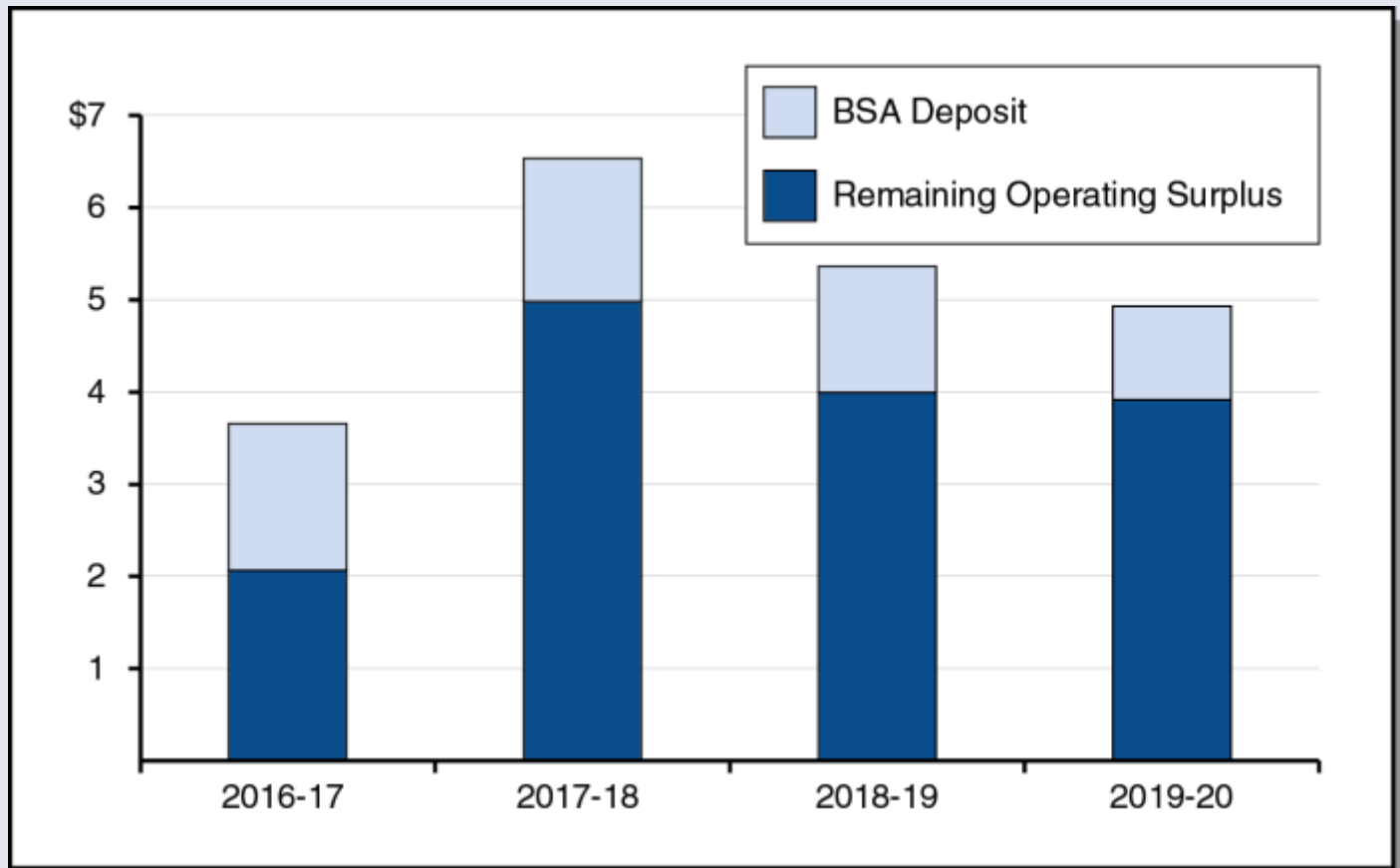
Annual Rainy Day Deposits Become Smaller Each Year of Forecast Period

Estimates Under Main Scenario (Dollars in Billions)

	2015-16	2016-17	2017-18	2018-19	2019-20
Capital gains tax revenues	\$13.9	\$12.5	\$12.6	\$12.0	\$10.6
Percent of General Fund tax revenues	12%	10%	10%	9%	8%
Size of BSA deposit	\$4.0	\$1.6	\$1.5	\$1.4	\$1.0
BSA = Budget Stabilization Account.					

Under Main Scenario, Operating Surpluses Each Year of Period

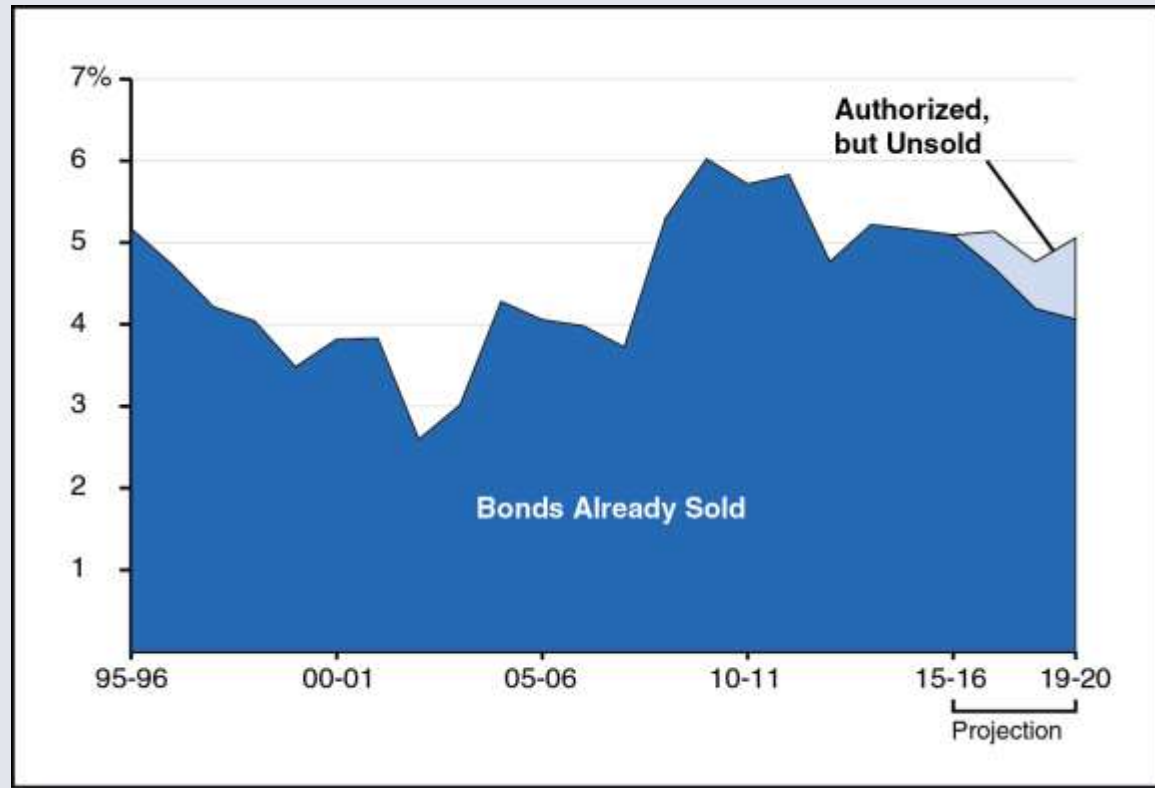
(In Billions)



Debt-Service Ratio

Expected to Remain Around 5 Percent

Percent of General Fund Revenues and Transfers Spent on Debt Service



Education Outlook

2014-15 Minimum Guarantee Up From Budget Act Estimates

(Dollars in Millions)

	2014-15		
	2015-16 Budget Plan	November LAO Estimate	Change
Minimum Guarantee			
General Fund	\$49,608	\$50,497	\$889
Local property tax	16,695	17,104	409
Totals	\$66,303	\$67,601	\$1,298
Key Information			
General Fund tax revenue	\$112,068	\$112,972	\$904
K-12 average daily attendance	5,994,522	5,981,073	-13,449
Operative test	1	1	—
Maintenance factor paid	\$5,402	\$5,942	\$541

2015-16 Minimum Guarantee Up From Budget Act Estimates

(Dollars in Millions)

	2015-16		
	2015-16 Budget Plan	November LAO Forecast	Change
Minimum Guarantee			
General Fund	\$49,416	\$49,444	\$27
Local property tax	18,993	19,704	711
Totals	\$68,409	\$69,148	\$739
Key Information			
General Fund tax revenue	\$116,619	\$120,119	\$3,500
K-12 average daily attendance	5,995,889	5,974,494	-21,395
Operative test	3	2	—
Maintenance factor paid	—	\$195	\$195

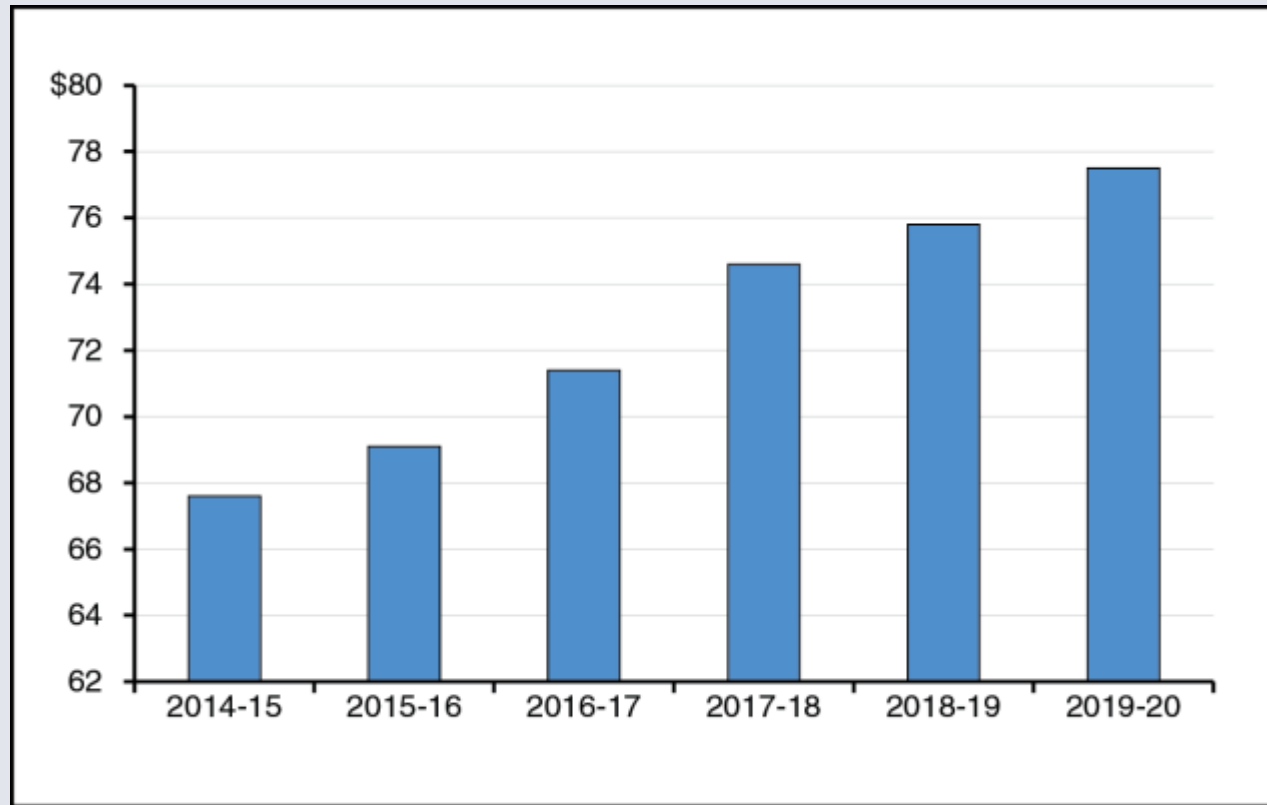
\$3.6 Billion Increase in Proposition 98 Funding Projected for 2016-17

LAO Main Scenario (In Millions)

2015-16 Budget Act Spending Level	\$68,409
Back out one-time actions:	
Secondary school career technical education grants	-\$250
CCC mandate backlog	-117
CCC maintenance and instructional equipment	-100
K-12 Internet infrastructure grants	-50
K-12 mandate backlog	-31
CCC Cal Grant B administration	-3
Total One-Time Actions	-\$551
2015-16 Ongoing Spending	\$67,858
Annualize preschool slots	\$31
New Funds Available in 2016-17	\$3,558
2016-17 Minimum Guarantee	\$71,447

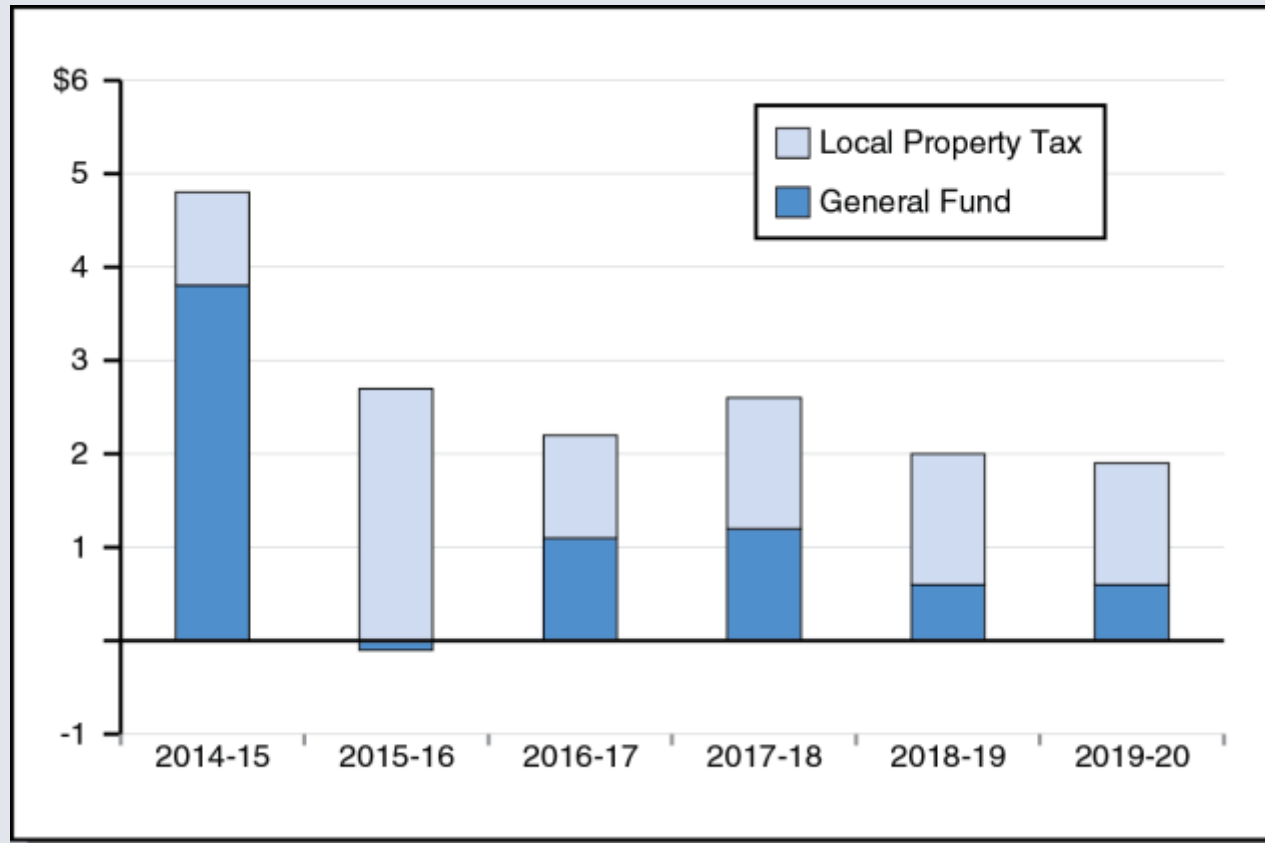
Minimum Guarantee Almost \$10 Billion Higher in 2019-20 Than 2014-15

LAO Main Scenario (In Billions)



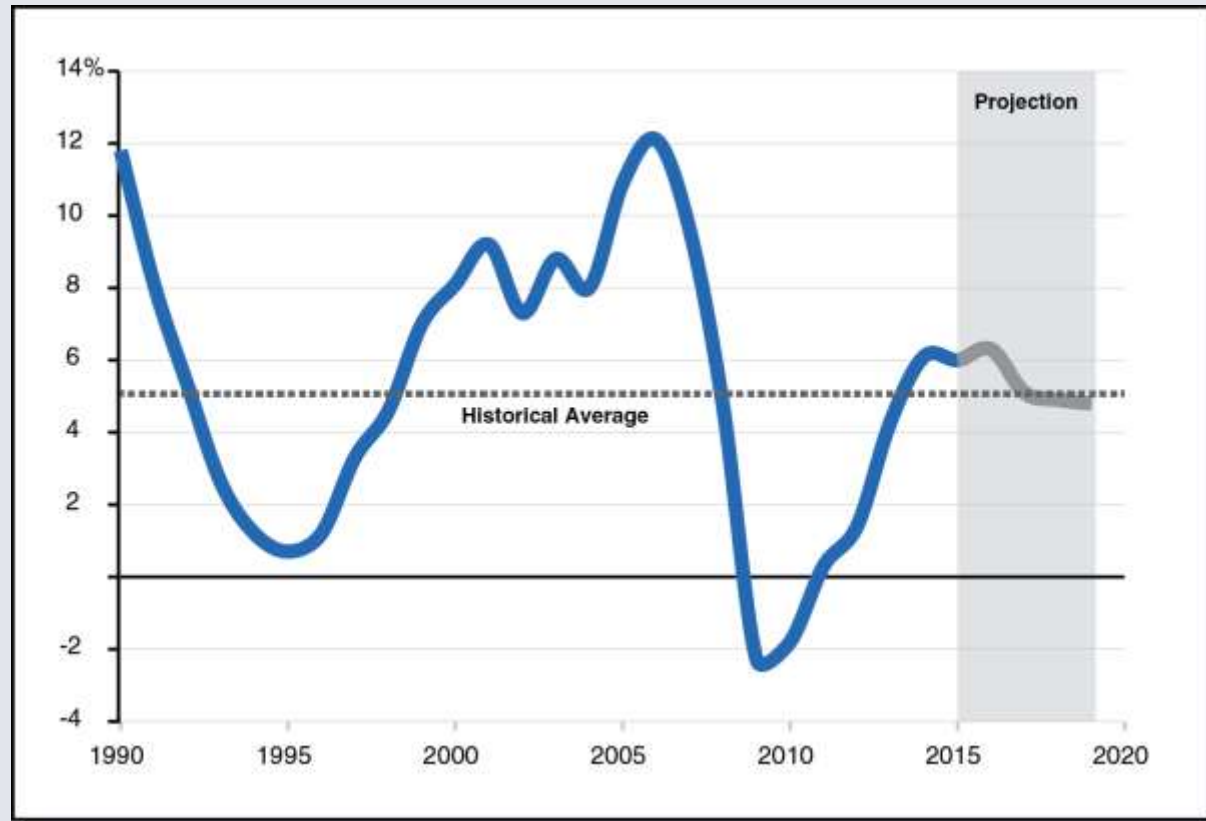
Increases in Guarantee Borne Disproportionately by Local Property Tax

Change From Prior Year (In Billions)



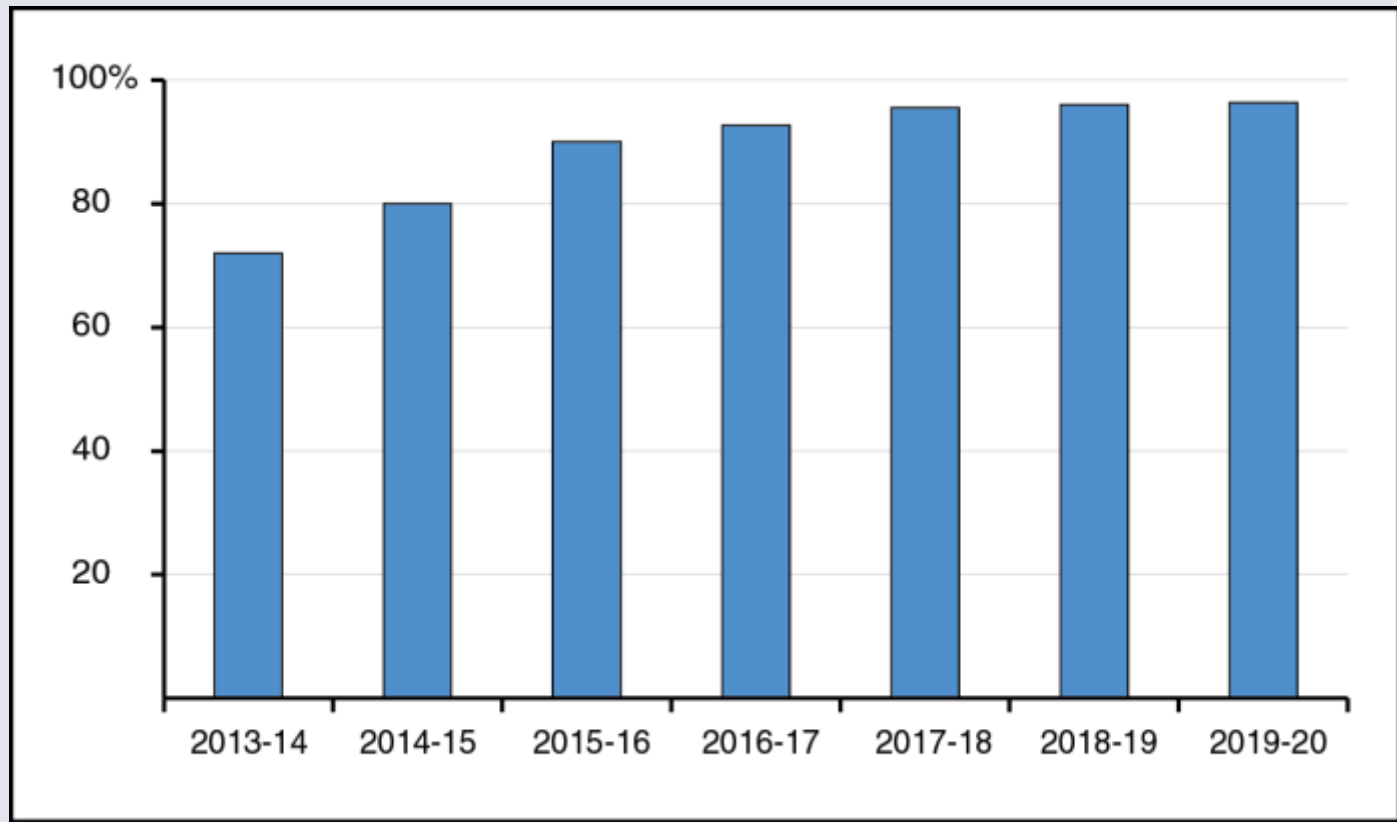
Assessed Property Values Grow Moderately Throughout Forecast Period

Percent Change From Prior Year



Local Control Funding Grows More Quickly During First Half of Forecast Period

Percent of Target Funded



Effect of State Revenues on Minimum Guarantee Changes Throughout Period

- **2014-15: Highly Sensitive**
- **2015-16: Highly Insensitive**
- **2016-17: Somewhat Sensitive**
- **Remainder of Period: Somewhat Sensitive**

Other Outlook Scenarios

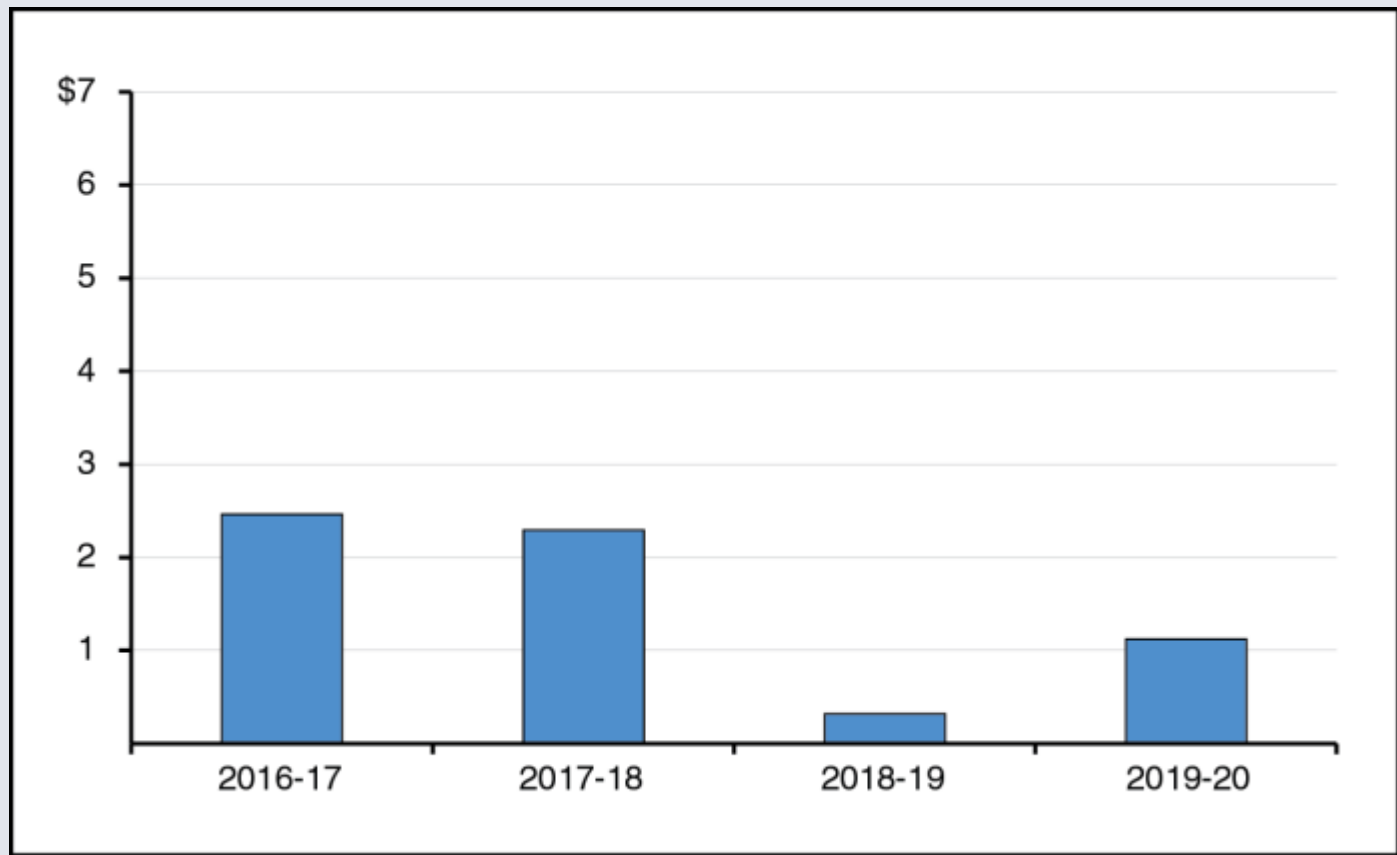
Current Economic Expansion Already Among Longest in U.S. History

Data Since 1854

Economic Expansion	Number of Months
April 1991 to March 2001	120
March 1961 to December 1969	106
December 1982 to July 1990	92
July 1938 to February 1945	80
July 2009 to present	77 (so far)
December 2001 to December 2007	73
April 1975 to January 1980	58
April 1933 to May 1937	50
Average Economic Expansion, 1945 to 2009	58
Source: National Bureau of Economic Research.	

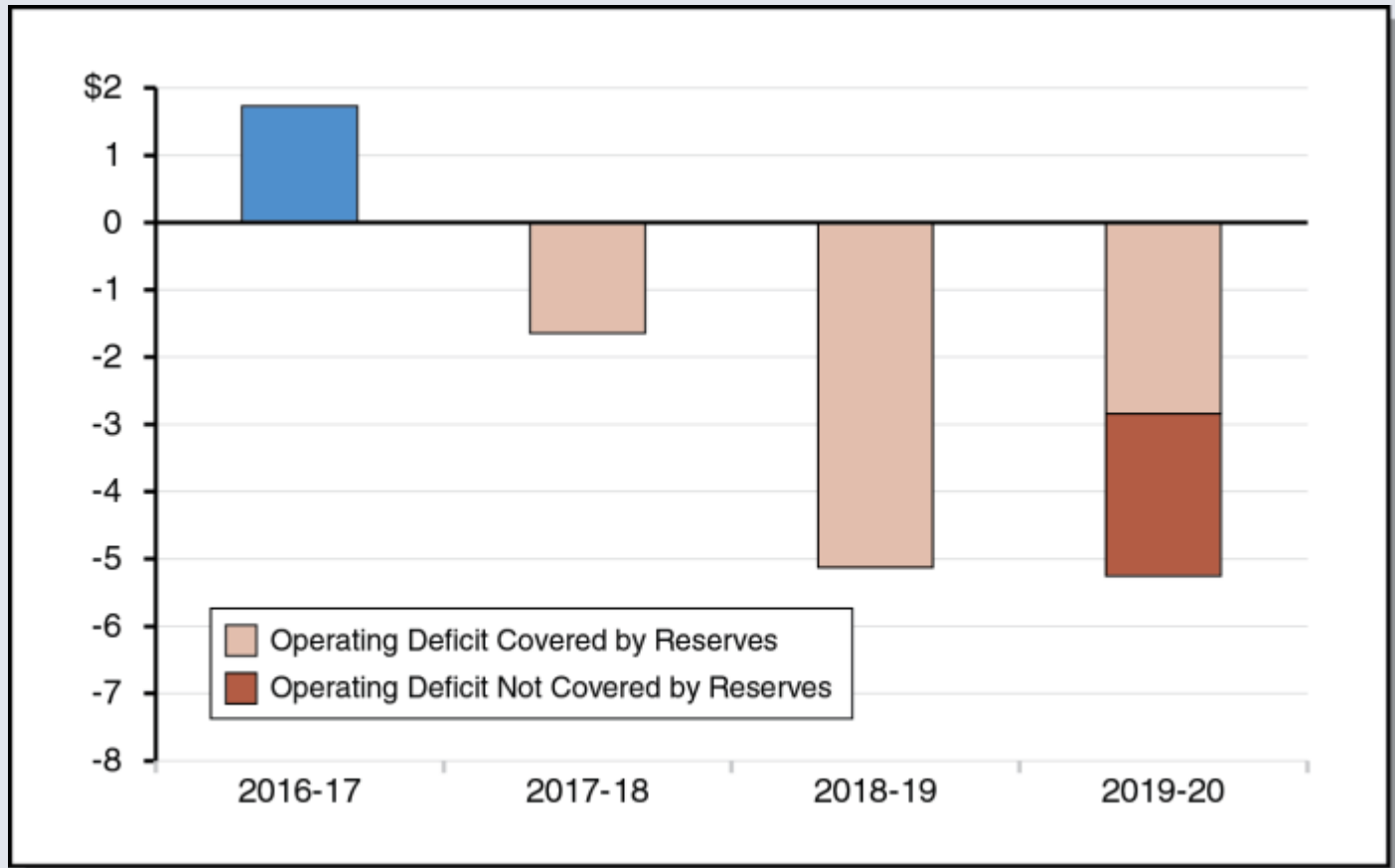
Slowdown Scenario: Smaller Operating Surpluses

(In Billions)



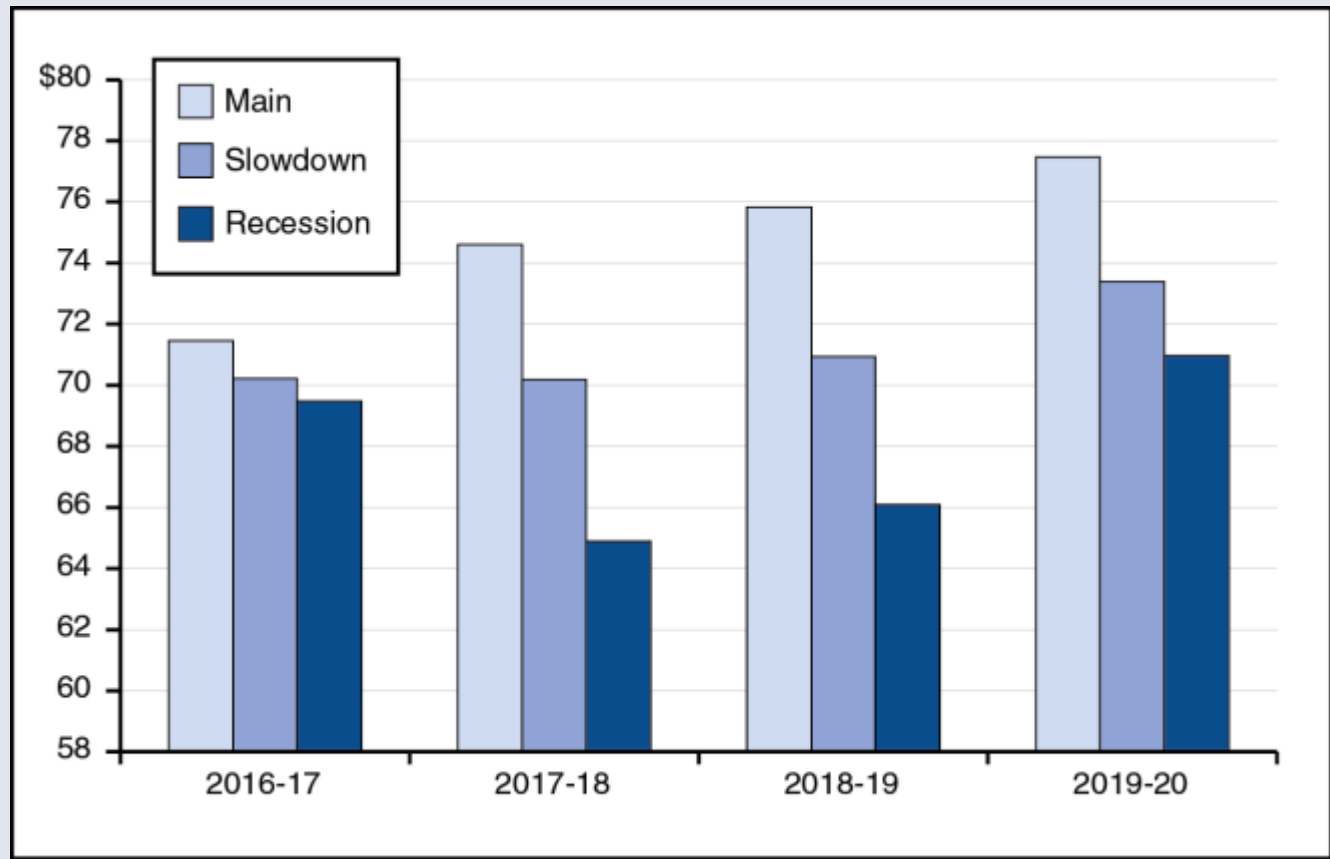
Recession Scenario: Reserves Cover Operating Deficits Until 2019-20

(In Billions)



Comparing Proposition 98 Minimum Guarantee Under Three Scenarios

(In Billions)



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