

# California's Fiscal Outlook



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**California School Boards Association  
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**Legislative Analyst's Office**

# **Economic Outlook**

# Slow Economic Growth Expected Over Next Few Years

## ➤ **Consensus Economic Outlook:**

- Slow growth in U.S. GDP.
- Flattening of stock prices.
- Strong wage growth in California and country in 2018 and 2019, slower growth thereafter.
- Slow job growth.
- Very low unemployment.

# Cooling of Housing Market Expected Over Next Few Years

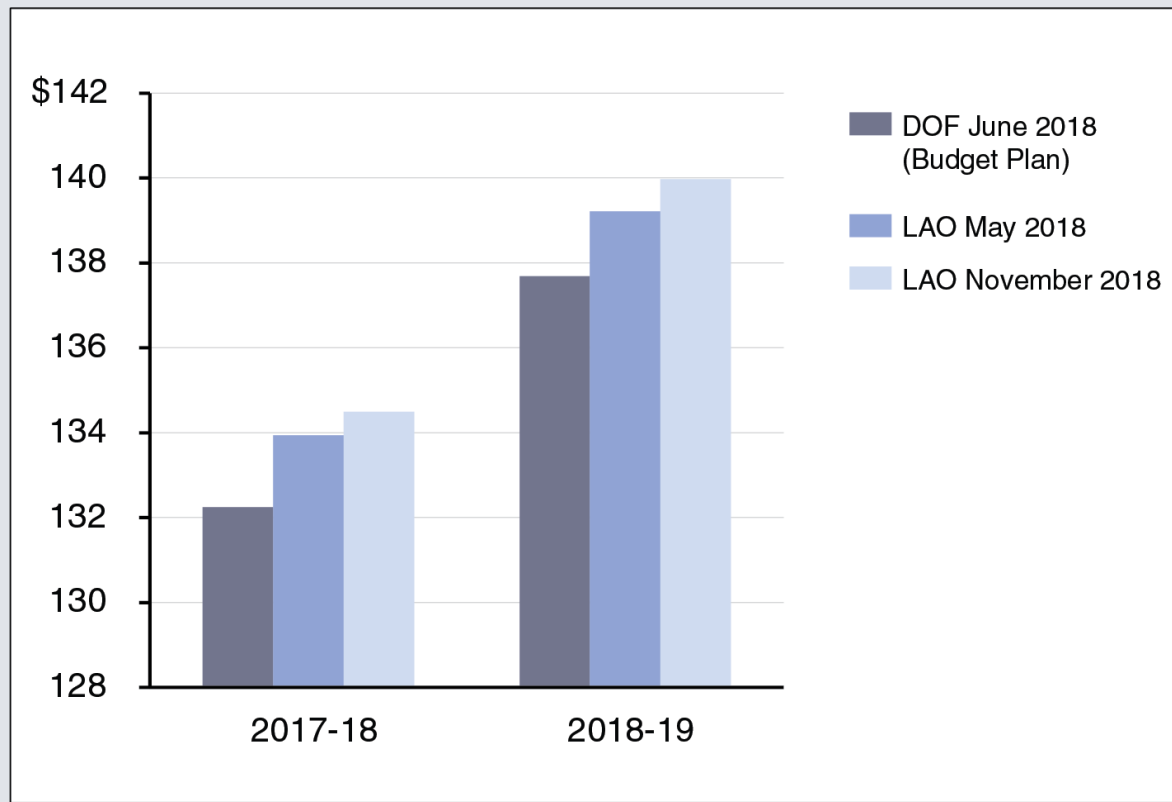
## ➤ **Housing Outlook:**

- Steady construction activity.
- Rising supply of homes.
- Tighter mortgage lending standards.
- Higher interest rates.
- Slower growth in home prices.

# Near-Term State Outlook

# Revenue for 2017-18 and 2018-19 Exceeding Budget Expectations

*General Fund Tax Revenues (In Billions)*



# Moderate Revenue Growth Projected for 2019-20

*LAO Estimates of General Fund Revenue and Transfers (In Millions)*

	2017-18	2018-19	2019-20
Personal income tax	\$93,966	\$97,865	\$100,985
Sales and use tax	25,007	25,870	26,819
Corporation tax	12,260	12,728	13,566
Subtotals	(\$131,233)	(\$136,463)	(\$141,369)
Insurance tax	\$2,575	\$2,696	\$2,883
Other revenues	1,711	1,762	1,799
BSA transfer	-4,289	-2,766	-745
Other transfers	-305	-641	-241
<b>Totals</b>	<b>\$130,925</b>	<b>\$137,514</b>	<b>\$145,065</b>

# State Bottom Line Projected to Be Healthy Over Near Term

*LAO Estimates of General Fund Budget (In Millions)*

	2017-18	2018-19	2019-20
Prior-year fund balance	\$5,657	\$10,076	\$10,281
Revenues and transfers	130,925	137,514	145,065
Expenditures	126,505	137,310	139,373
Ending fund balance	<b>\$10,076</b>	<b>\$10,281</b>	<b>\$15,973</b>
Encumbrances	1,165	1,165	1,165
SFEU balance	8,911	9,116	14,808
<b>Reserves</b>			
SFEU balance	\$8,911	\$9,116	\$14,808
Safety net reserve	—	200	200
BSA balance	11,002	13,768	14,513
<b>Total Reserves</b>	<b>\$19,914</b>	<b>\$23,084</b>	<b>\$29,521</b>



# Near-Term School Outlook

# Minimum Guarantee and K-14 Funding Down for 2017-18

*Proposition 98 Estimates (In Millions)*

	June Budget	November LAO	Change
<b>Minimum Guarantee</b>	\$75,618	\$75,391	-\$226
<b>K-14 Funding</b>			
General Fund	\$53,381	\$52,911	-\$471
Local property tax	22,236	22,556	320
Totals	\$75,618	\$75,467	-\$151
<b>Funding Above Guarantee</b>	—	\$76	\$76

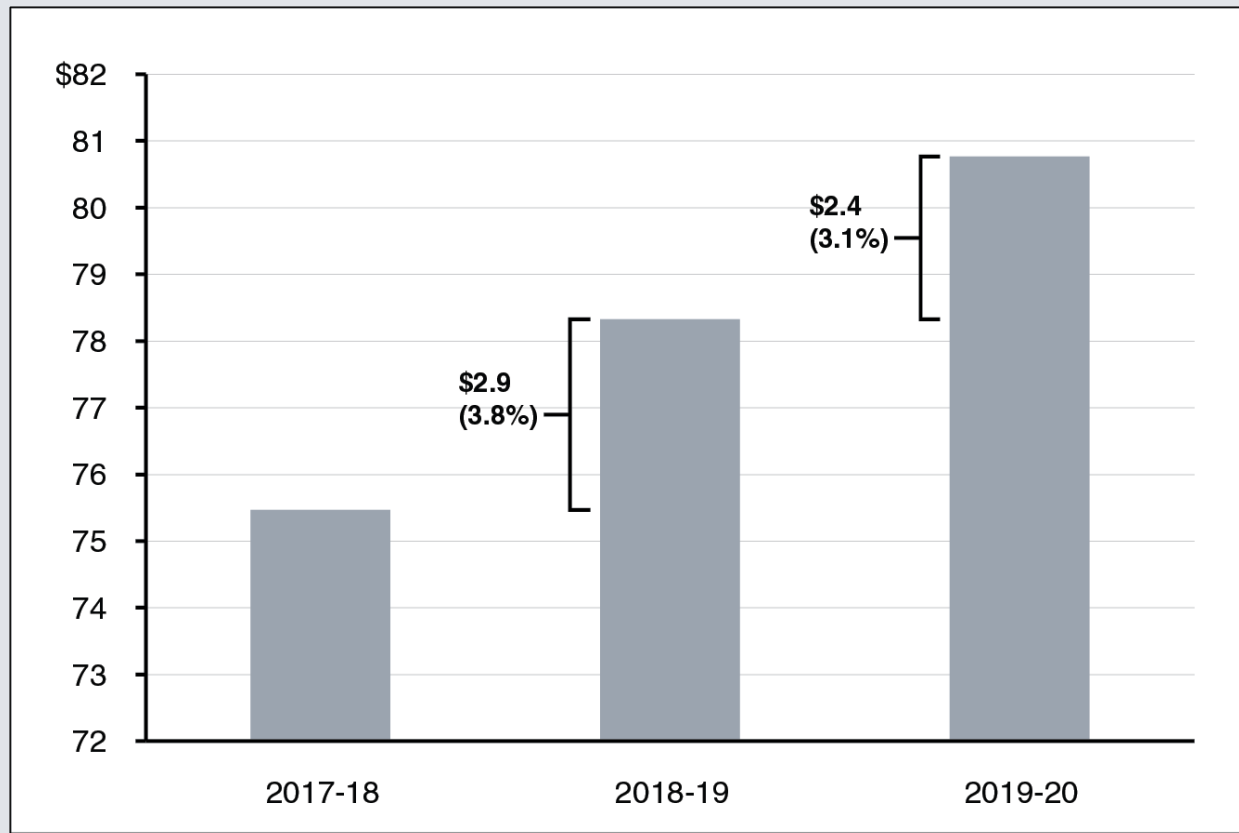
# Minimum Guarantee and K-14 Funding Also Down for 2018-19

*Proposition 98 Estimates (In Millions)*

	June Budget	November LAO	Change
<b>Minimum Guarantee</b>	\$78,393	\$77,932	-\$461
<b>K-14 Funding</b>			
General Fund	\$54,870	\$54,230	-\$640
Local property tax	23,523	24,096	572
Totals	\$78,393	\$78,325	-\$68
<b>Funding Above Guarantee</b>	—	\$394	\$394

# Minimum Guarantee Increasing Moderately Over Near Term

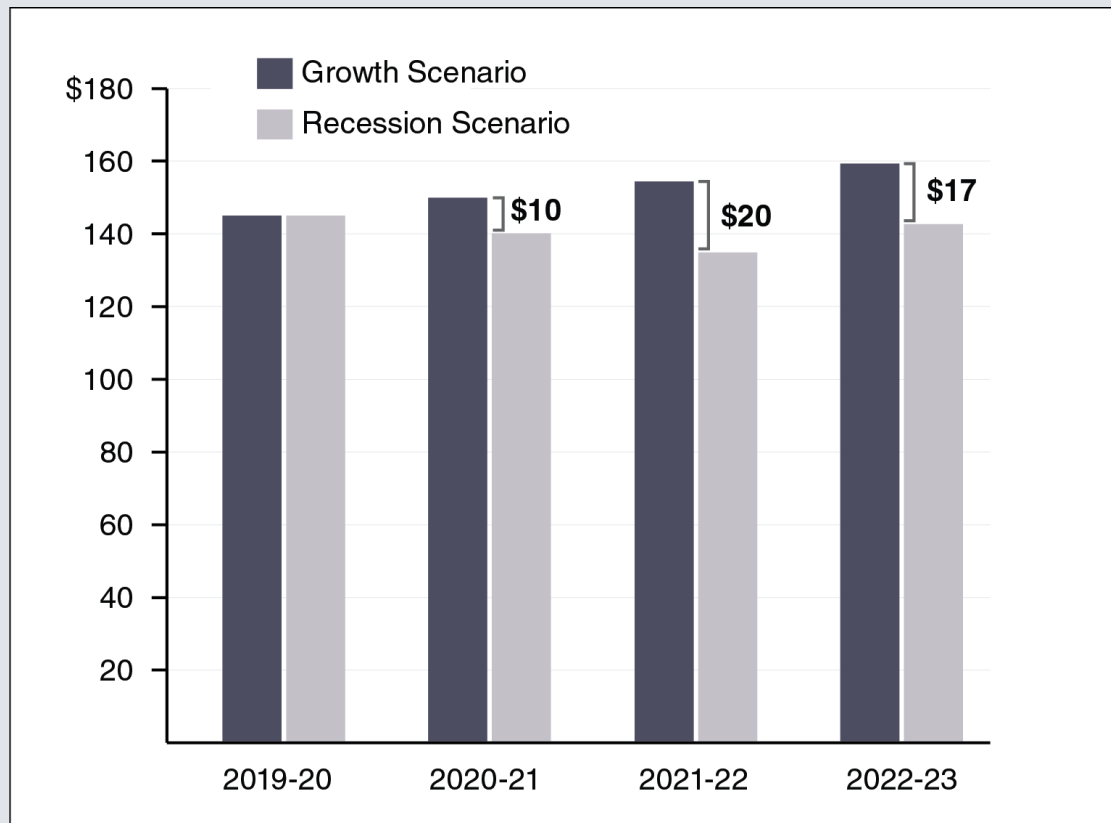
*(In Billions)*



# **State Outlook Through 2022-23**

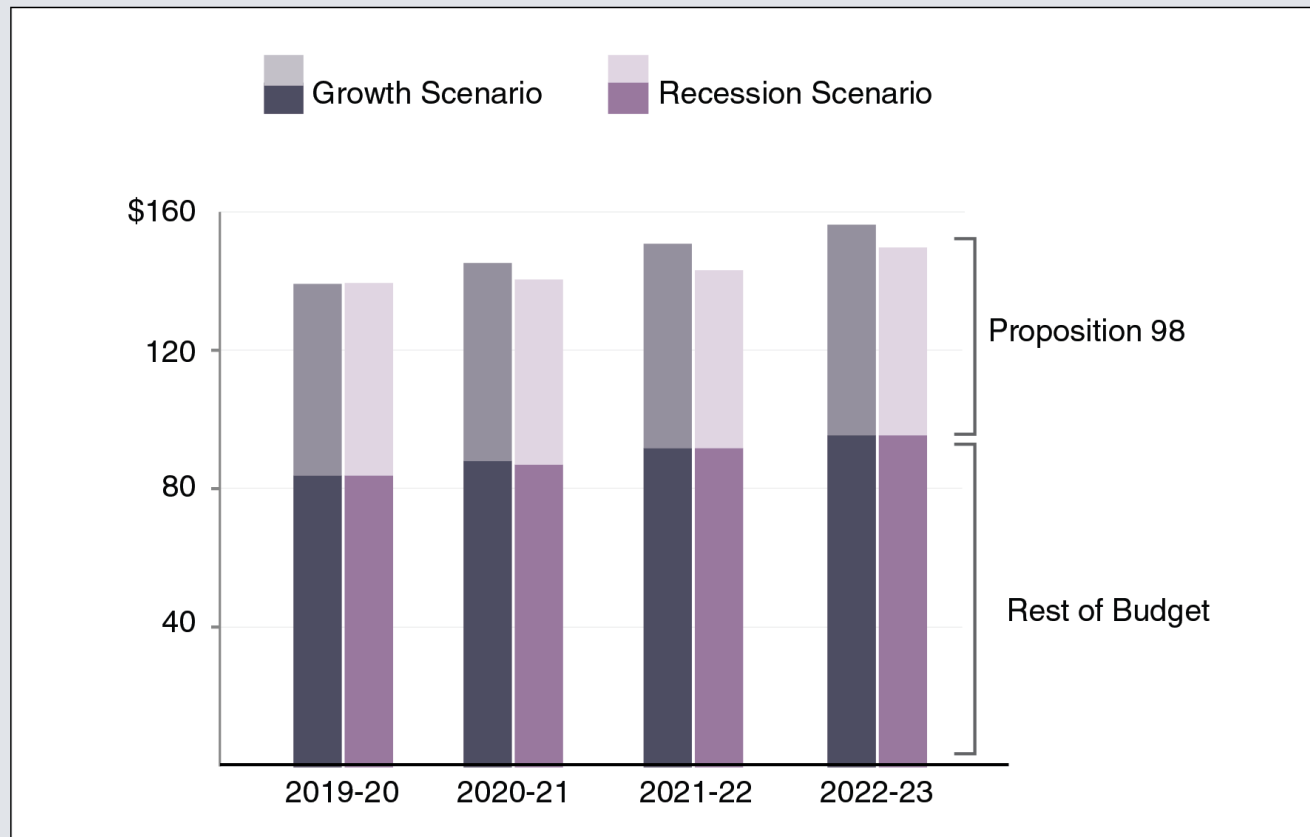
# Revenues Notably Higher Under Growth Scenario

*Total General Fund Revenues and Transfers (In Millions)*



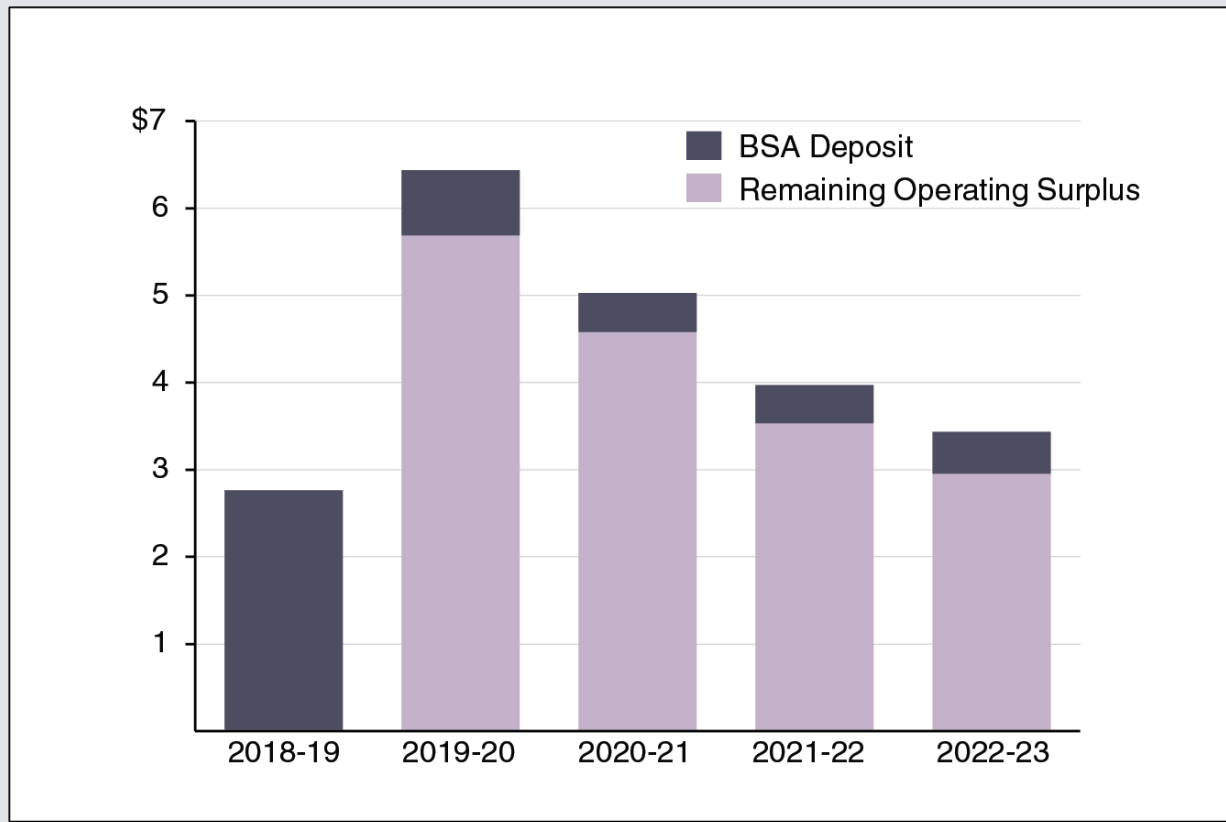
# Education Spending Most Affected Under Two Scenarios

*(In Billions)*



# Sizeable Surpluses Under Growth Scenario Assuming No New 2019-20 Commitments

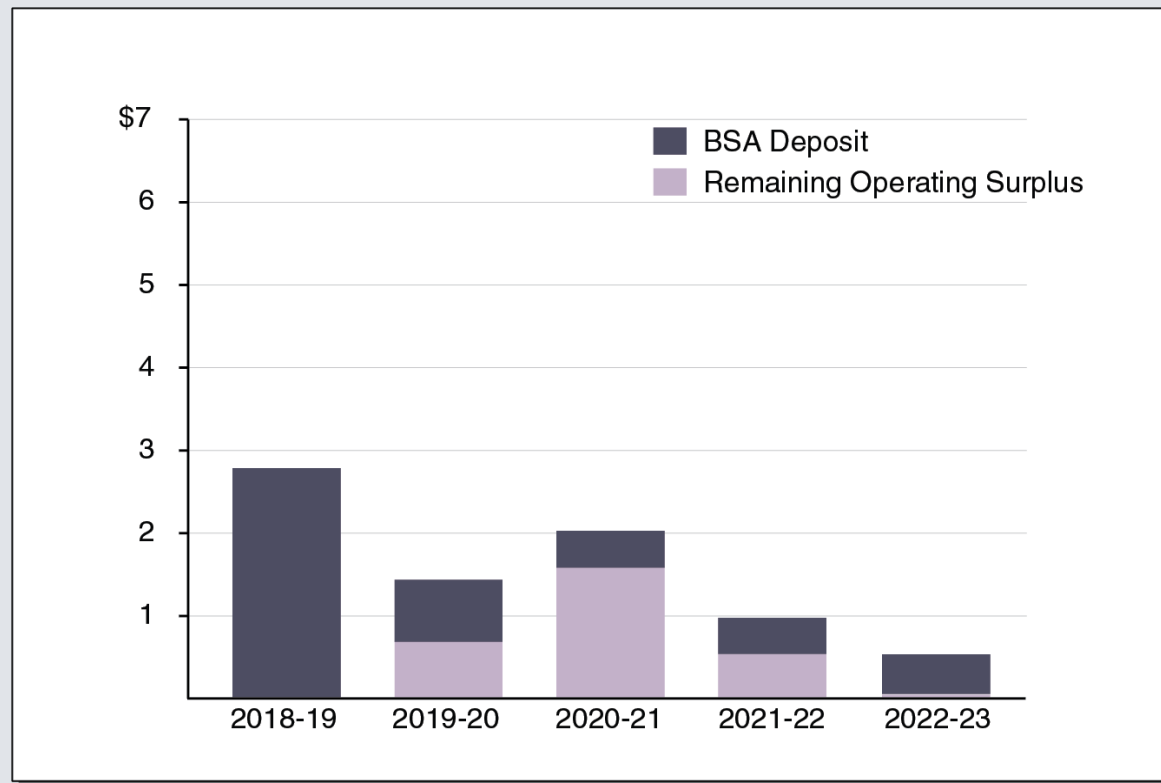
*(In Billions)*





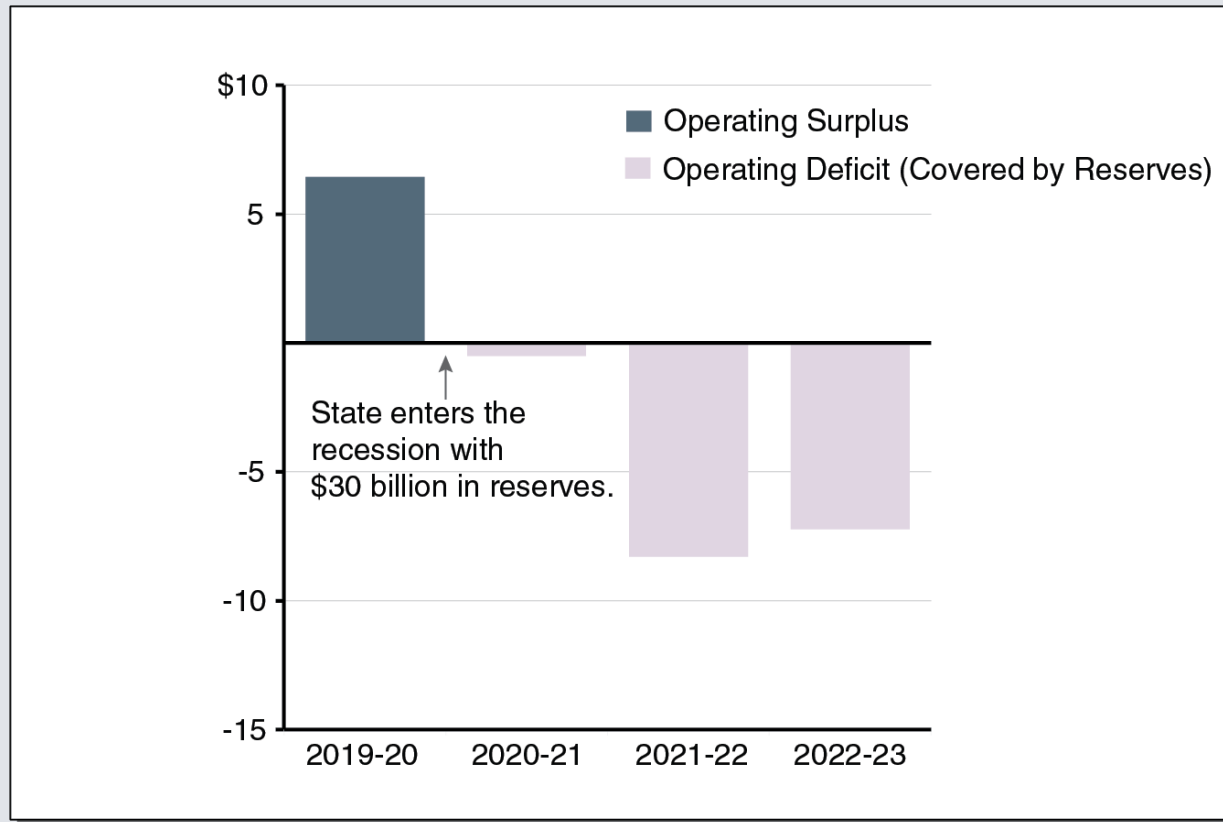
# Much Smaller Surpluses Under Growth Scenario if New 2019-20 Commitments Made

*(In Billions)*



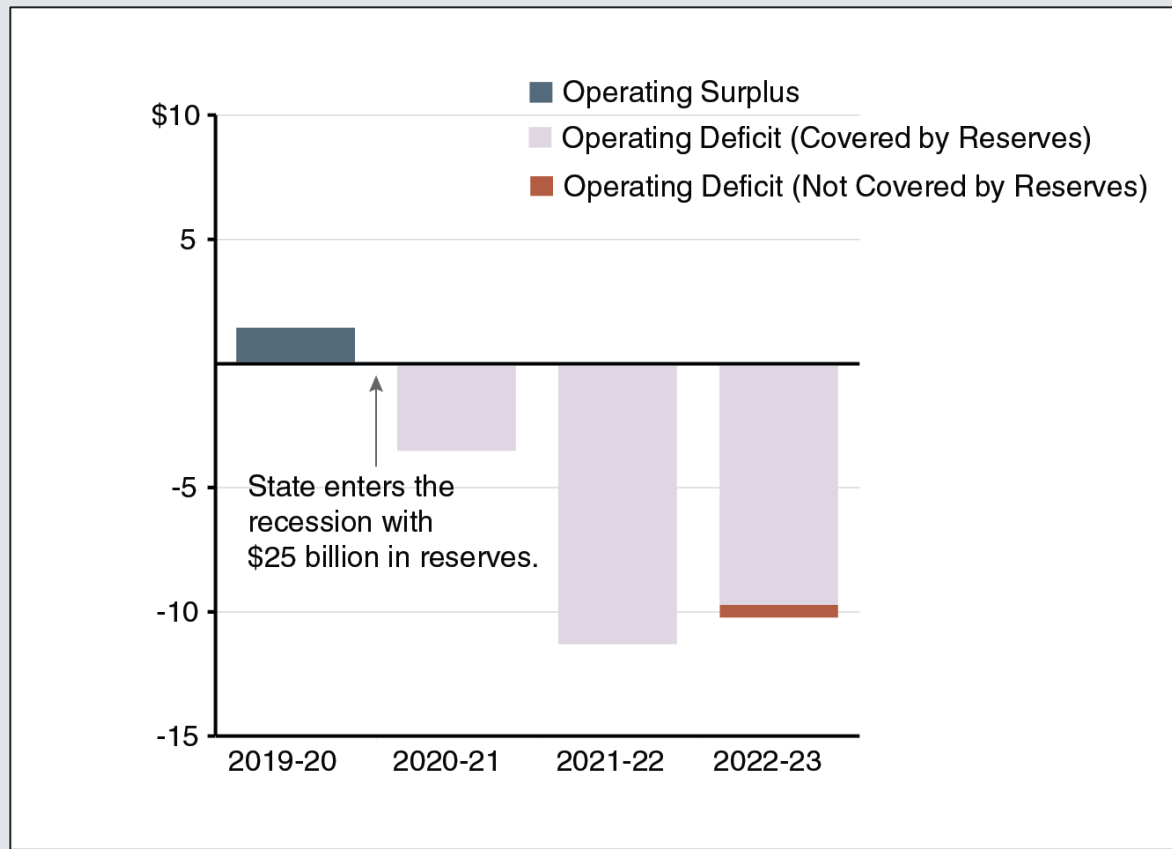
# Reserves Cover Operating Deficits Under Recession Scenario if No New 2019-20 Commitments

*(In Billions)*



# Reserves Would Be Depleted Under Recession Scenario if New 2019-20 Commitments Made

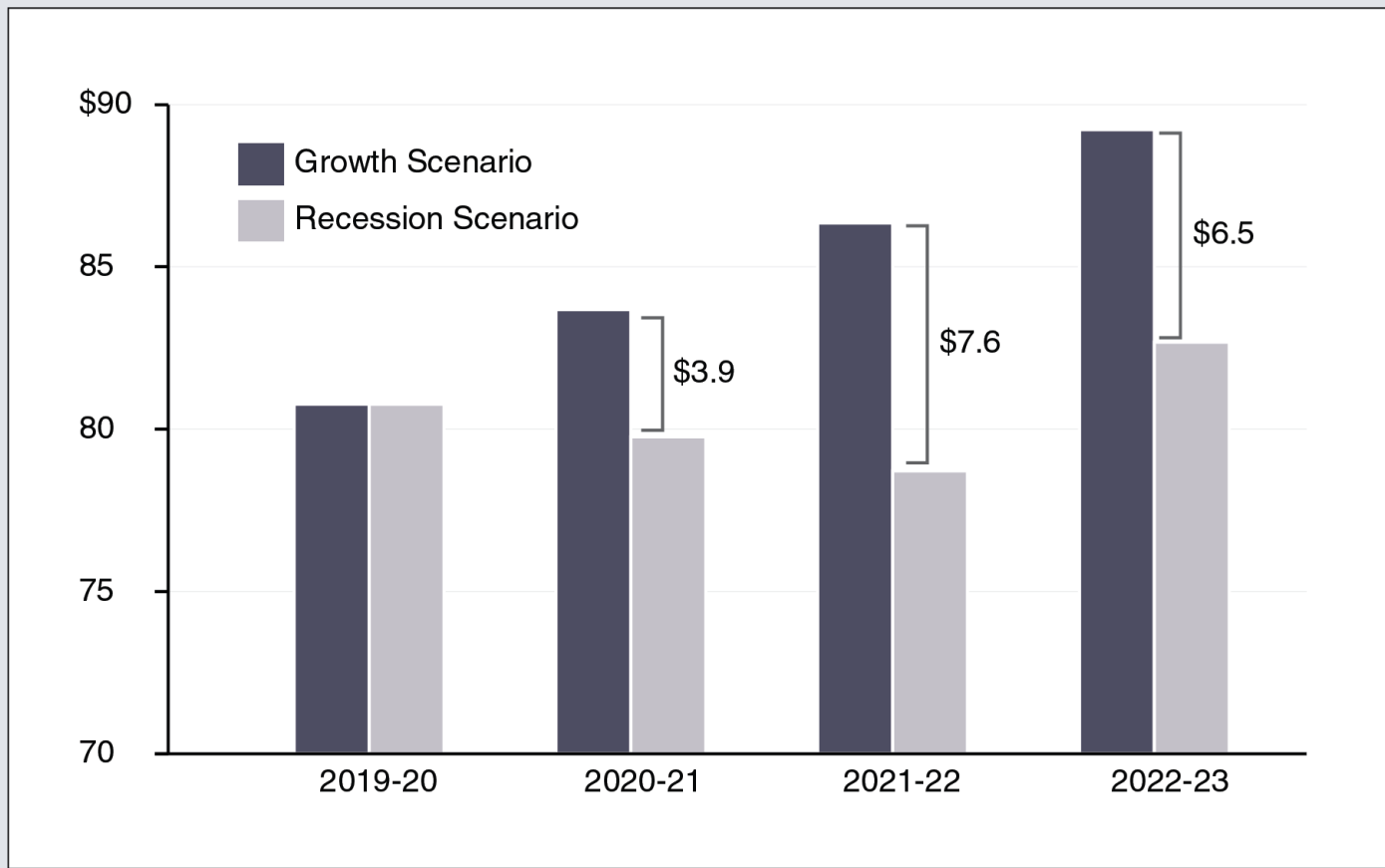
*(In Billions)*



# **Education Outlook Through 2022-23**

# Minimum Guarantee Differs by Billions of Dollars Under the Two Scenarios

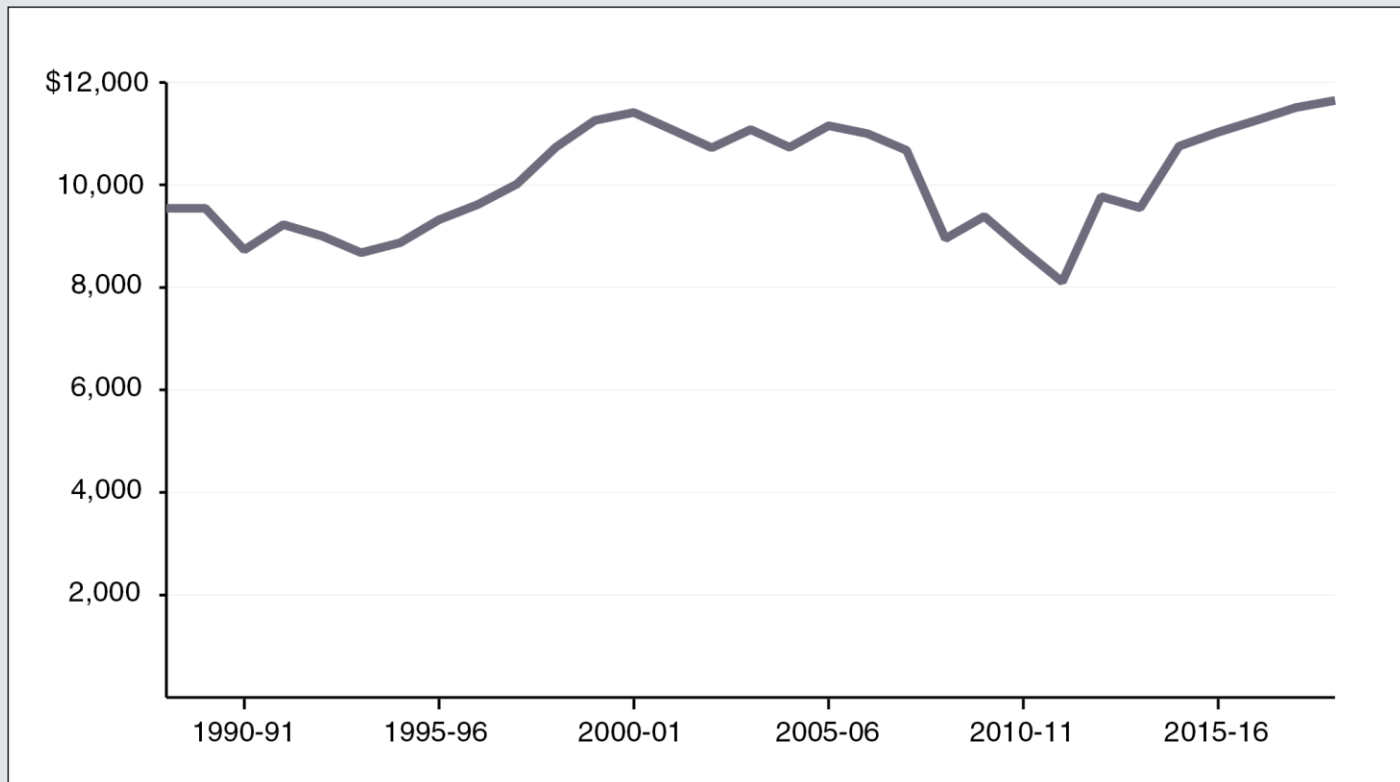
*(In Billions)*



# Key District Budget Trends

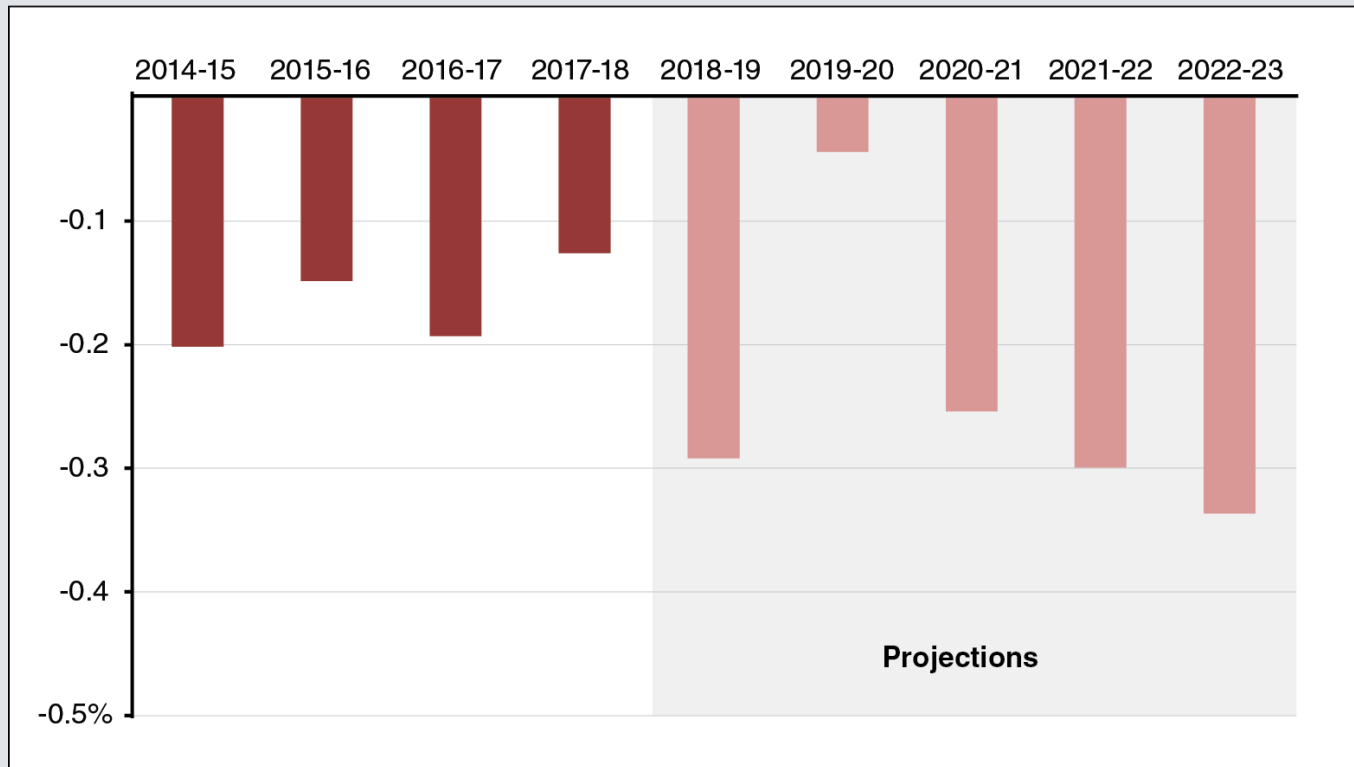
# Proposition 98 Funding Per Student at All-Time High

*Inflation Adjusted, 2018-19 Dollars*



# K-12 Attendance Projected to Continue Declining

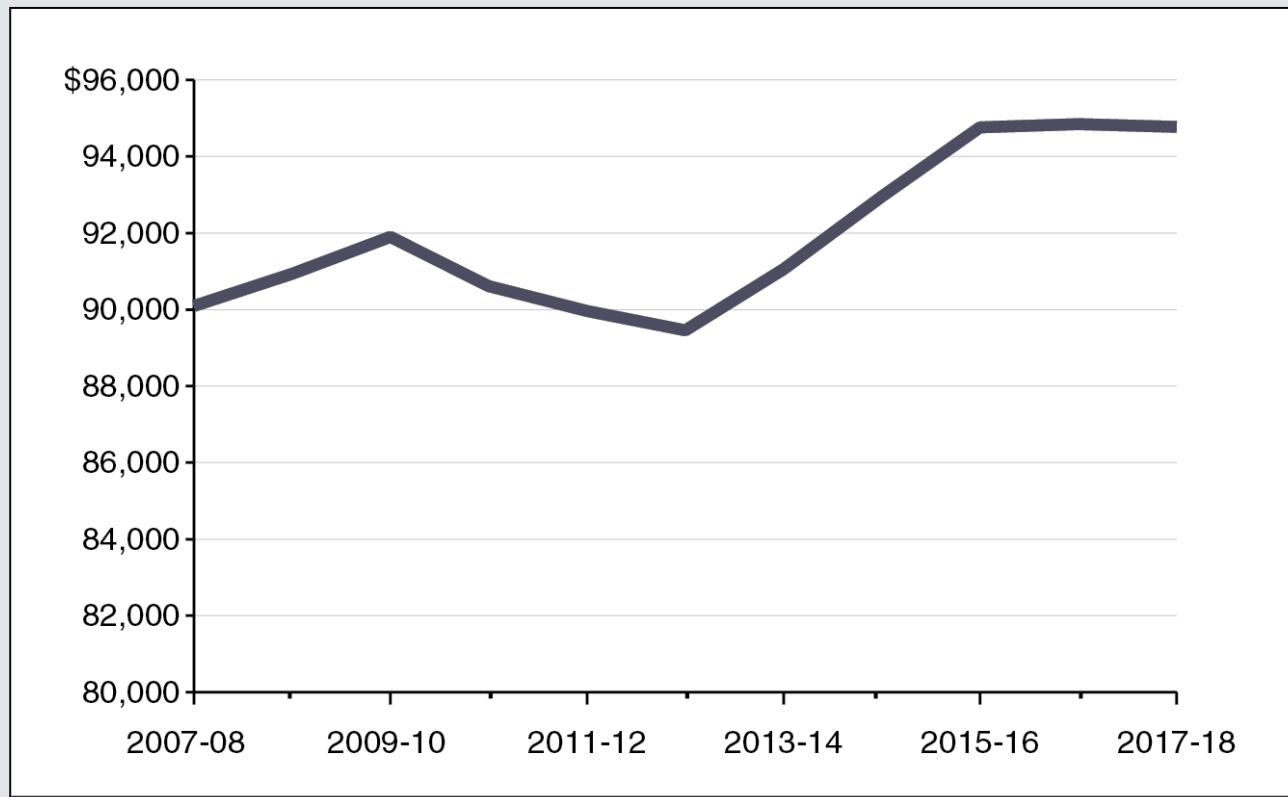
*Annual Percent Change*





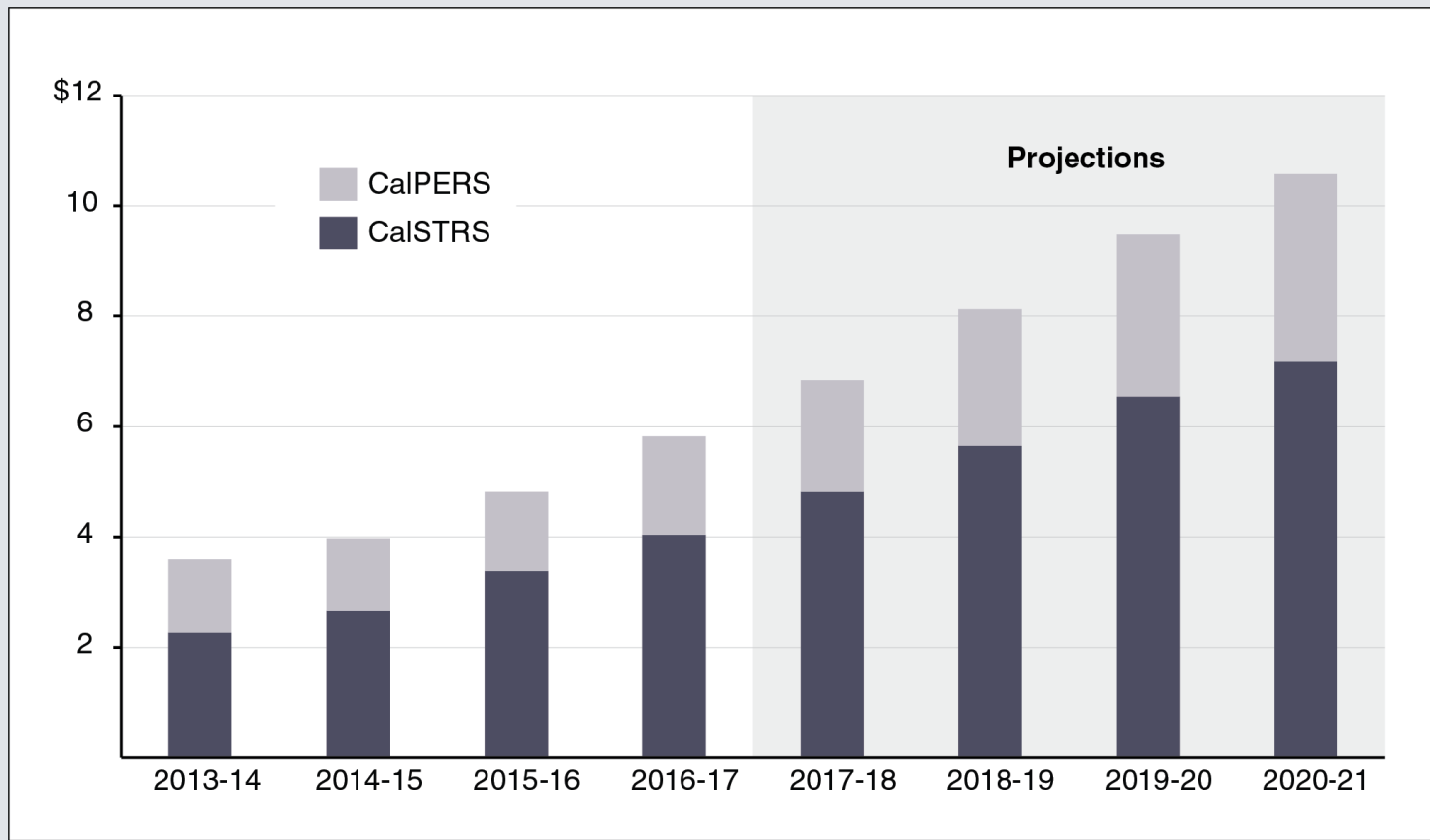
# Average Teacher Salary and Benefits Growing Over Time

*Inflation Adjusted, 2017-18 Dollars*

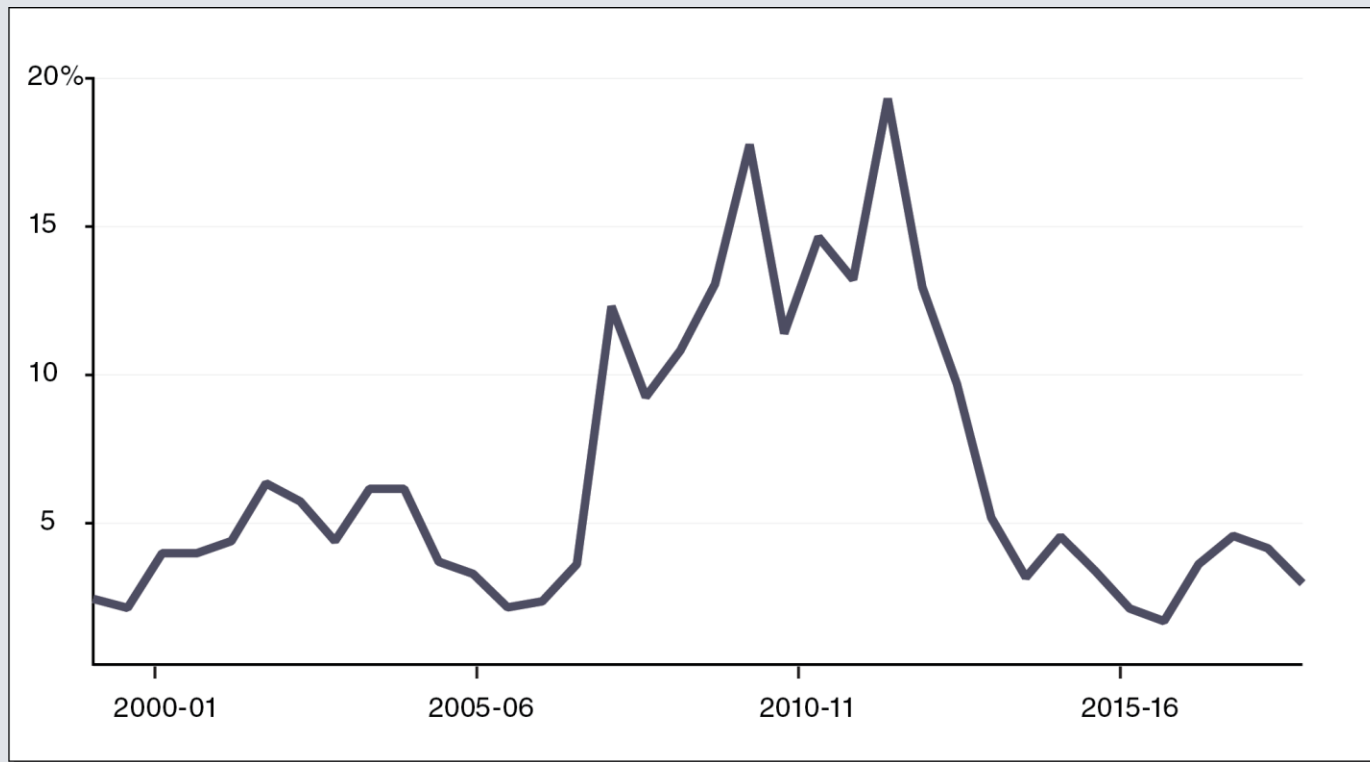


# Pension Costs Projected to Continue Rising

*Annual District Contributions (In Billions)*



# Share of School Districts in Fiscal Distress at Historically Low Levels



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