

MAY 2019

Conference Committee Overview

PRESENTED TO: Budget Conference Committee



LEGISLATIVE ANALYST'S OFFICE



Comparing General Fund Conditions in 2019-20

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<i>(In Millions)</i>			
	Governor	Senate	Assembly
Prior-year fund balance	\$6,224	\$9,719	\$10,248
Revenues and transfers	143,839	141,125	142,165
Expenditures			
Proposition 98	\$55,904	\$55,904	\$55,904
Non-Proposition 98	91,129	91,877	91,475
Ending fund balance	\$3,030	\$3,064	\$5,034
Encumbrances	1,385	1,385	1,385
SFEU Balance	\$1,646	\$1,679	\$3,650

SFEU = Special Fund for Economic Uncertainties.

- ▶ **Both Houses Adopt Similar Revenue Estimates (Small Revenue Policy Differences)**
- ▶ **Both Houses Adopt the Same Proposition 98 Funding Level**



Comparing Total Reserve Balances at the End of 2019-20

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<i>(In Millions)</i>			
	Governor	Senate	Assembly
BSA	\$16.5	\$16.5	\$16.4
SFEU	1.6	1.7	3.7
Safety Net	0.9	1.5	0.9
School reserve	0.4	0.1	0.0
Totals	\$19.5	\$19.8	\$21.0

BSA = Budget Stabilization Account and SFEU = Special Fund for Economic Uncertainties.

- ▶ **Assembly Adopts Higher Level of Planned Reserves**
- ▶ **Senate Transfers Additional Amounts to Safety Net Reserve**



Major Programmatic General Fund Spending Conference Items for 2019-20

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<i>Non-Proposition 98 General Fund</i>			
	Governor	Senate	Assembly
Education			
Child Care and Preschool	\$957 million (\$457 ongoing). Funds additional slots, rate increases, staffing, and various one-time initiatives.	\$1.2 billion (\$656 ongoing). Funds more slots, more rate increases, staffing, and various one-time initiatives.	\$1.3 billion (\$782 ongoing). Funds most slots, more rate increases, more staffing, and more one-time initiatives.
Kindergarten	\$600 million (one time). Funds full-day kindergarten facility grant program.	\$150 million (one time). Funds full-day kindergarten facility grant program for low-income schools.	\$200 million (one time). Funds full-day kindergarten and preschool facility grant program.
Student mental health	\$5.3 million (ongoing). Provides funding for student mental health at UC.	\$510 million (one time). Provides funding for student mental health partnerships.	Approves Governor's proposal. ^a
Supplanting pension payments ^b	\$850 million (one time). Provides rate relief to school districts for CalSTRS.	\$1.2 billion (one time). Provides rate relief to school districts for CalPERS and CalSTRS.	\$1.2 billion (one time). Provides rate relief to school districts for CalPERS and CalSTRS.
Health and Human Services			
Health insurance subsidies	\$295 million (ongoing, sunsets in 2022). Provides these subsidies for individuals with incomes between 200 percent and 600 percent of FPL.	\$595 million (ongoing, sunsets in 2022). Provides these subsidies for individuals with incomes less than 600 percent of the FPL.	Approves Governor's funding level for 2019-20, but defers policy change to policy bill process.
Developmental services	\$103 million (ongoing, sunsets in 2021-22). Increases rates targeted for certain providers.	\$203 million (ongoing). Approves the Governor's approach, increases rates across the board, and restores some prior benefit reductions.	\$117 million (ongoing). Increases rates across the board and restores some prior benefit reductions.
Medi-Cal	\$74 million (ongoing). Provides coverage to otherwise eligible adults ages 19-25 regardless of immigration status.	\$124 million (ongoing). Provides coverage to otherwise eligible adults ages 19-25 and over 64 regardless of immigration status.	Approves Governor's proposal.
Criminal Justice			
Access to Justice Package	—	\$171 million (ongoing). Provides various funding increases, including for trial court operations and court reporters.	—
Prison to Community Pipeline Package	—	\$119 million (one time). Provides funding for rehabilitation and reentry programs.	—
^a Assembly provides an additional \$35 million for various student mental health programs using other fund sources. ^b This figure includes fund set aside in 2019-20 for school district rate relief in both 2019-20 and 2020-21. All packages also include additional funding for school districts' unfunded liabilities. Note: This figure includes non-Proposition 98 General Fund costs. Ongoing costs reflect the estimated cost in 2019-20. CDE = California Department of Education; CalSTRS = California State Teachers' Retirement System; CalPERS = California Public Employees' Retirement System; and FPL = federal poverty level.			



Comparing Debt and Liability Repayments in 2019-20

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<i>(In Millions)</i>			
	Governor	Senate	Assembly
Retirement Liabilities			
CalPERS (state) ^a	\$3,000	\$1,103	\$600
CalSTRS (districts)	2,300	2,300	2,300
CalSTRS (state)	1,117	1,117	
CalPERS (districts)	—	—	1,150
Retiree health	260	260	260
UC retirement program	25	25	25
Subtotals	<u>(\$6,702)</u>	<u>(\$4,805)</u>	<u>(\$4,335)</u>
Budgetary Liabilities			
Special fund loans	\$2,169	\$2,169	\$2,064
Deferrals	1,680	—	—
Settle up	687	687	687
CalPERS loan	390	390	390
Subtotals	<u>(\$4,926)</u>	<u>(\$3,246)</u>	<u>(\$3,141)</u>
Totals	\$11,628	\$8,051	\$7,476

^a The Senate package would provide \$3 billion in CalPERS supplemental payments if tax conformity passes later in the legislative session.
 CalPERS = California Public Employees Retirement System and CalSTRS = California State Teachers Retirement System.
 Note: This figure includes both Proposition 2 and non-Proposition 2 debt payments. This figure excludes regularly scheduled debt payments, like bond debts.

- ▶ **The Governor Proposes a Higher Level of Total Debt Repayment . . .**
- ▶ **. . . Yet, Some of These Actions Better Prepare the Budget for the Future Than Others**
- ▶ **Some Actions Prepare School Districts for the Future**

- ***We Recommend the Legislature Consider How to Prepare for the Next Downturn.*** Reserves are the most important tool the budget has to prepare for a recession and have increased notably in recent years. However, the budget has other tools including, for example, paying down debts and one-time spending.
- ***We Recommend the Legislature Adopt an Overall Level of Reserves Higher Than the Governor’s Level.*** The Assembly adopts a higher level of reserves.
- ***We Recommend Focusing Debt Repayments on Purposes That Prepare for the Future.*** For example, the Senate’s plan to pay down the unfunded liability of the California Public Employees’ Retirement System (CalPERS) and the Assembly’s plan to pay down district unfunded liability for CalPERS.