

MAY 2019

Overview of Reserves and Debt and Liability Payments

PRESENTED TO: Budget Conference Committee



LEGISLATIVE ANALYST'S OFFICE



Total Reserves Planned for 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.

- **Target Range of Reserves.** Our office has estimated a total reserve balance of \$20 billion to \$40 billion would be required to cover the budget problem associated with a mild to moderate recession.
- **Assembly Also Creates a New Disaster Account.**



Comparing Debt and Liability Repayments in 2019-20

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<i>(In Millions)</i>			
	Governor	Senate	Assembly
Retirement Liabilities (State)			
CalPERS ^a	\$3,000	\$1,103	\$600
CalSTRS	1,117	1,117	—
Retiree health	260	260	260
Subtotals	(\$4,377)	(\$2,480)	(\$860)
Retirement Liabilities (Universities and School Districts)			
CalSTRS	\$2,300	\$2,300	\$2,300
CalPERS	—	—	1,150
UC retirement program	25	25	25
Subtotals	(\$2,325)	(\$2,325)	(\$3,475)
Budgetary Liabilities			
Special fund loans	\$2,169	\$2,169	\$2,064
Payroll deferral	973	—	—
Pension deferral	707	—	—
Settle up	687	687	687
CalPERS loan	390	390	390
Subtotals	(\$4,926)	(\$3,246)	(\$3,141)
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.

- **State Retirement Liabilities.** Supplemental payments toward the state's unfunded liabilities improve the budget's bottom line condition in the future.
- **District Retirement Liabilities.** While these payments do not directly lower state costs, reducing schools' pension costs could put their budgets in better shape over the longer term.
- **Budgetary Liabilities.** Some of the Governor's proposed payments, including budgetary deferrals, do not necessarily better position the state to withstand a future budget problem.



Comparing Supplemental K-14 Pension Payments Under 2019-20 Budget Plans

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<i>Increased State Payment Relative to Current Law (In Millions)</i>			
	Governor	Assembly	Senate
CalSTRS			
Rate relief (funds set aside in 2019-20) ^a	\$850	\$850	\$980
District unfunded liability	2,300	2,300	2,300
Subtotals	(\$3,150)	(\$3,150)	(\$3,280)
CalPERS			
Rate relief (funds set aside in 2019-20) ^a	—	\$350	\$257
District unfunded liability	—	1,150	—
Subtotals	—	(\$1,500)	(\$257)
Totals	\$3,150	\$4,650	\$3,537

^a Reflects payments for 2019-20 and 2020-21 set aside in the 2019-20 budget. The Senate plans additional rate relief in 2020-21 (for both CalSTRS and CalPERS) but does not set aside the funds in 2019-20.
 CalSTRS = California State Teachers Retirement System and CalPERS = California Public Employees Retirement System.

- Weighing Trade-Offs of Rate Relief and Unfunded Liabilities.** Rate relief proposals help district budgets now, but do not address unfunded liabilities. We encourage the conference committee to prioritize payments that address unfunded liabilities.