



Analysis of the Governor's FY 2014-15 Revised Proposed Budget

On May 13, 2014, Governor Brown released the May Revision to his FY 2014-15 annual State Budget proposal. The May Revision focuses on maintaining the core priorities outlined in the Governor's originally proposed Budget, which includes paying down debt and reducing long-term liabilities, while maintaining a balanced budget. The revised budget contains over \$2.0 billion in additional spending beyond Governor Brown's initial January budget, including a net increase of \$2.4 billion in revenues across FY 2012-13 through FY 2014-15, mostly from higher than estimated Capital Gains tax. However due to the change in State revenues, lower property taxes, and higher enrollment in K-12 schools the majority of this increase will go towards Proposition 98 minimum guarantee.

When compared with the January budget the revised plan includes increased spending for various programs, such as:

- \$659 million increase to for education.
- \$1.2 billion in additional funding for Medi-Cal.
- \$1.5 million in CalFresh assistance.
- \$107.9 million increase to In-Home Support Services (IHSS).
- \$142 million emergency drought assistance this is on top of the \$600 million already allocated in March.
- \$12.5 million increase for 2014-15 investment in municipal law enforcement services.

**2014-15 Total State Expenditures by Agency
Compared to January Budget**
(*\$ in millions*)

	January Budget	May Revision	\$ Change	% Change
Legislative, Judicial, Executive	\$ 5,990	\$ 6,126	\$ 136	2.3%
Business, Consumer Services & Housing	\$ 1,580	\$ 1,724	\$ 144	9.1%
Transportation	\$ 10,233	\$ 10,472	\$ 239	2.3%
Natural Resources	\$ 4,557	\$ 4,171	\$ (386)	-8.5%
Environmental Protection	\$ 3,132	\$ 3,169	\$ 37	1.2%
Health and Human Services	\$ 48,052	\$ 48,978	\$ 926	1.9%
Corrections and Rehabilitation	\$ 11,968	\$ 12,004	\$ 36	0.3%
Medi-Cal	\$ 73,979	\$ 75,174	\$ 1,195	1.6%
K-12 Education	\$ 45,761	\$ 45,257	\$ (504)	-1.1%
Higher Education	\$ 12,758	\$ 12,877	\$ 119	0.9%
Labor and Workforce Development	\$ 880	\$ 915	\$ 35	4.0%
Government Operations	\$ 934	\$ 937	\$ 3	0.3%
General Government:				
Non-Agency Departments	\$ 2,122	\$ 2,213	\$ 91	4.3%
Tax Relief/Local Government	\$ 2,199	\$ 2,204	\$ 5	0.2%
Statewide Expenditures	\$ 3,181	\$ 3,500	\$ 319	10.0%
Supplemental Payment to the ERBs	\$ 1,591	\$ 1,604	\$ 13	0.8%
Total	\$ 228,917	\$ 231,325	\$ 2,408	1.1%



Report on the Governor's FY 2014-15 Proposed Budget

Governor Brown reiterated his commitment to paying off the Wall of Debt by FY 2017-18. The May Revision includes \$100 million to local governments. The pre-2004 reimbursable mandate debt payments are as follows; \$100 million in FY 2014-15, \$748 million in FY 2015-16, and \$52 million in 2016-17. The Administration notes that about 73 percent of the payment will go to counties.

In response to the Governor's Revised Budget, on May 13, 2014 California State Association of Counties (CSAC), the League of Cities, Regional Council of Rural Counties (RCRC), and the Urban Counties Caucus joined forces and proposed an alternative to the Governor's plan for early repayment of \$337 million in loans from the Highway Users Tax Account (HUTA). The Governor's budget allocates \$100 million to cities and counties and \$237 million to the State. Their proposal would instead distribute funds based on the formula for the gas tax swap excise rate, which was the source of the loans: \$148.3 million for cities and counties and \$192.7 million for the State. Under the current Governor's proposal Monterey County would get \$650,442. The proposed formula would reimburse \$977,439 for the County an increase of \$329,997 in HUTA repayment funds for the County of Monterey.