



Overview of the 2018-19 Governor's Budget

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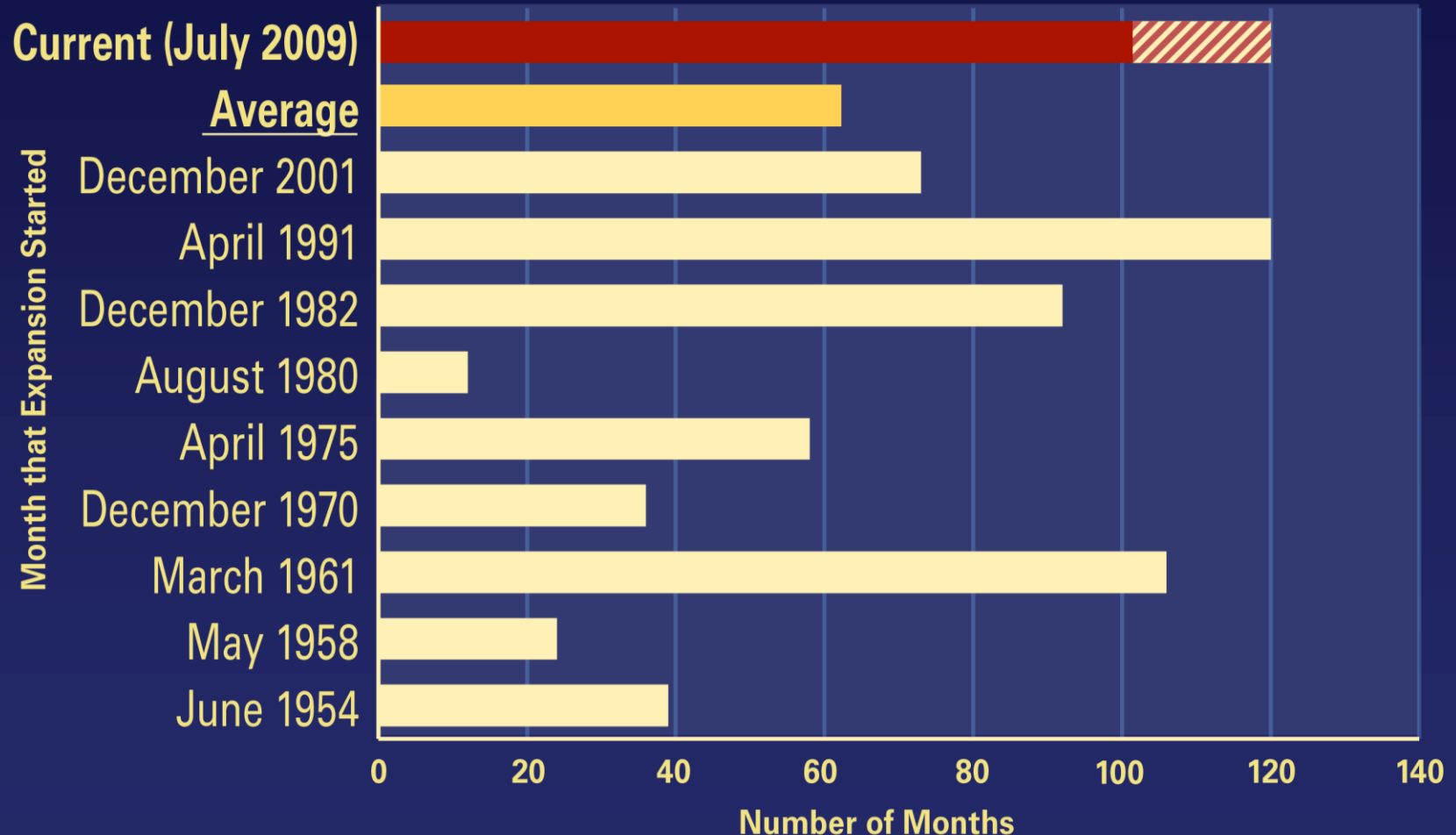
Summary of the 2018-19 Governor's Budget

- One-time budget surplus, but massive uncertainty
- Full Implementation of Local Control Funding Formula
- Fully fills the Rainy Day Fund to 10 percent of tax revenues
- Creation of online community college
- Extension of Cal Competes and hiring tax credits
- First full year of SB1 transportation funding
- Cap and Trade funding plan to come at State of State

Uncertainties and the 2018-19 Governor's Budget

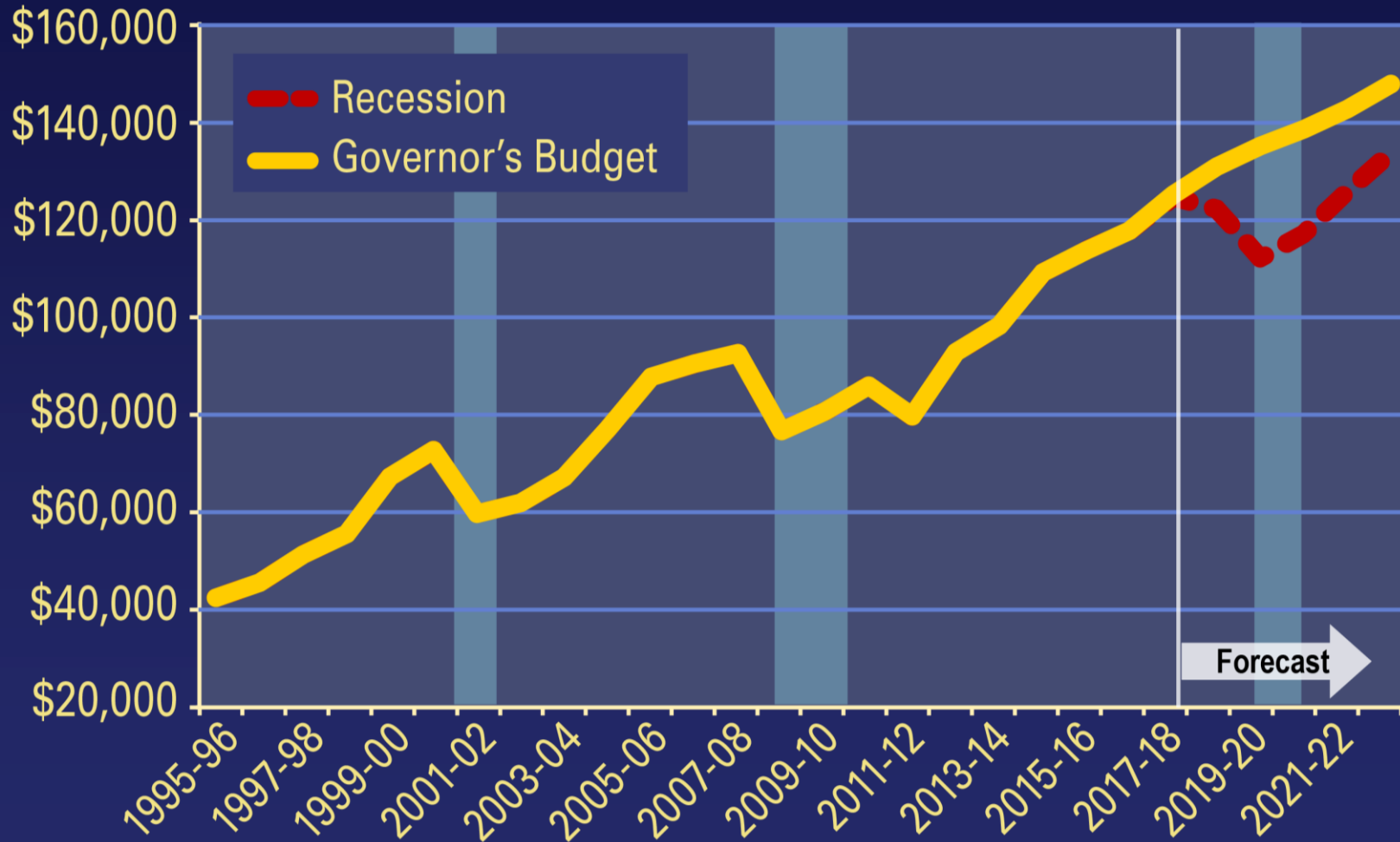
- Federal Government
 - Implications of Tax Bill
 - CHIP Reauthorization
 - Potential for Federal Cost Shifting
- Next Recession?

Budget Assumes Current Recovery Would Match Longest Ever

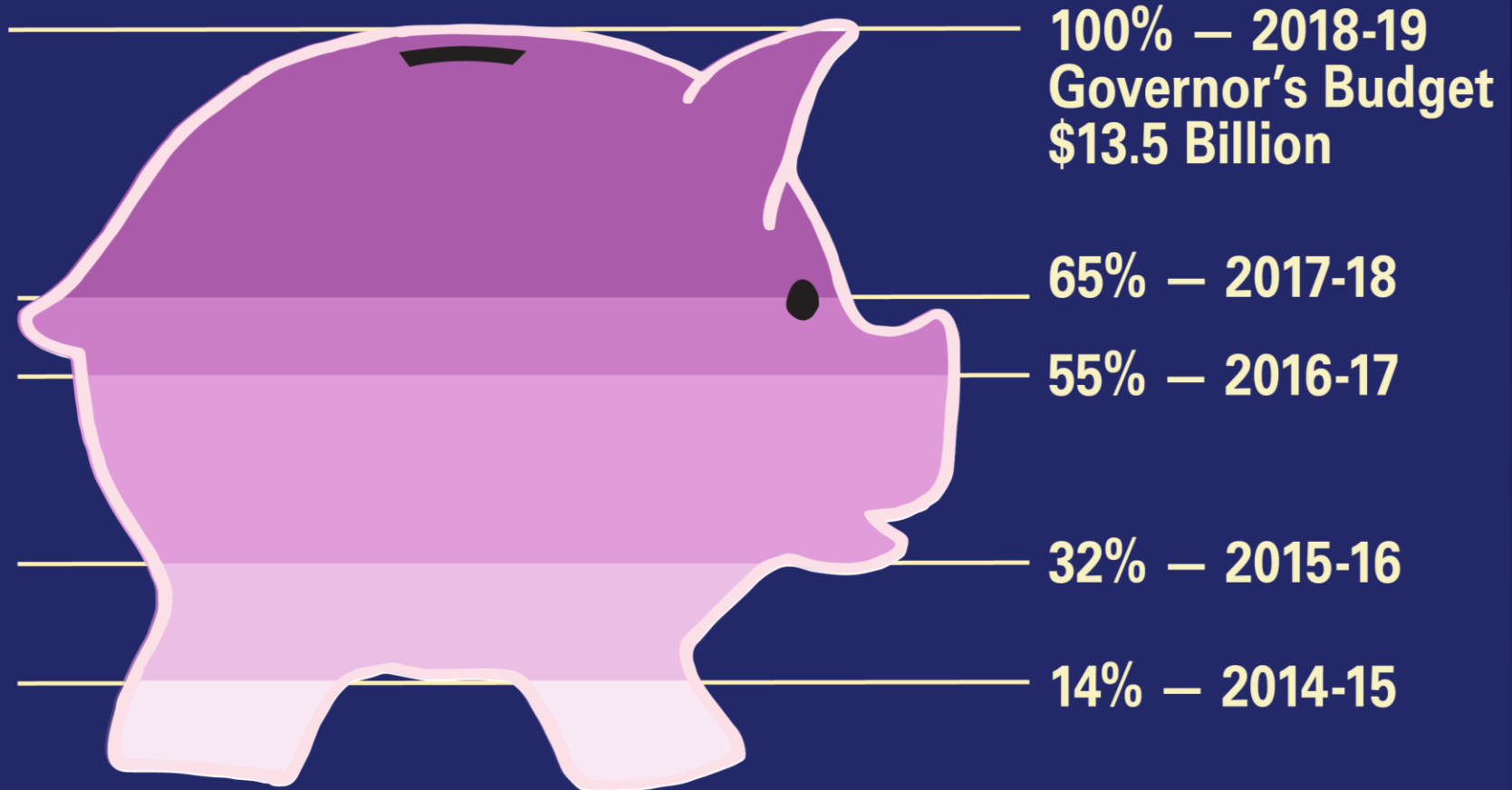


Annual Revenue Could Drop by Over \$20 Billion in a Recession

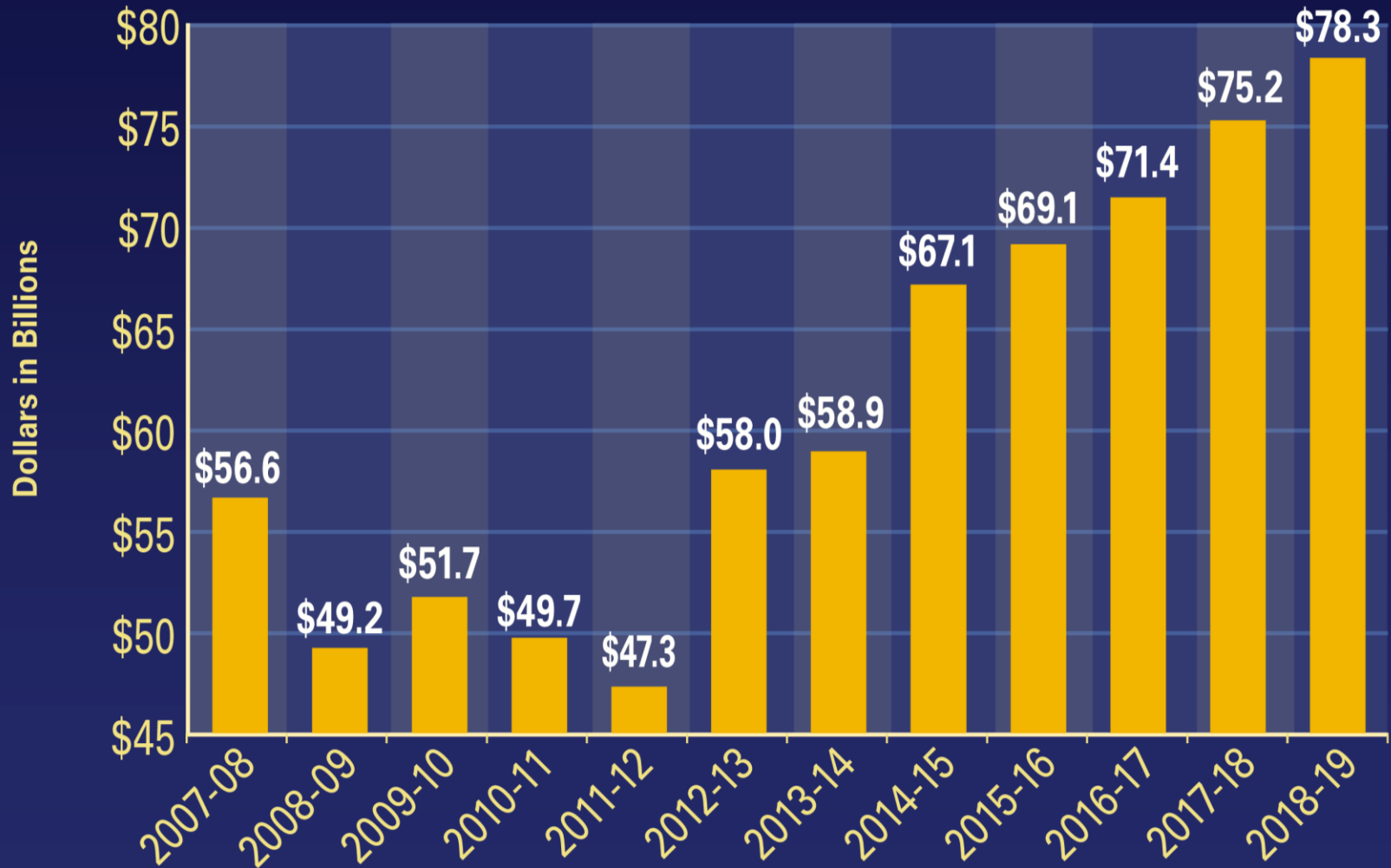
(Dollars in Millions)



Filling Up the Rainy Day Fund Before the Next Recession



School Funding Has Increased by 66 Percent Since 2011



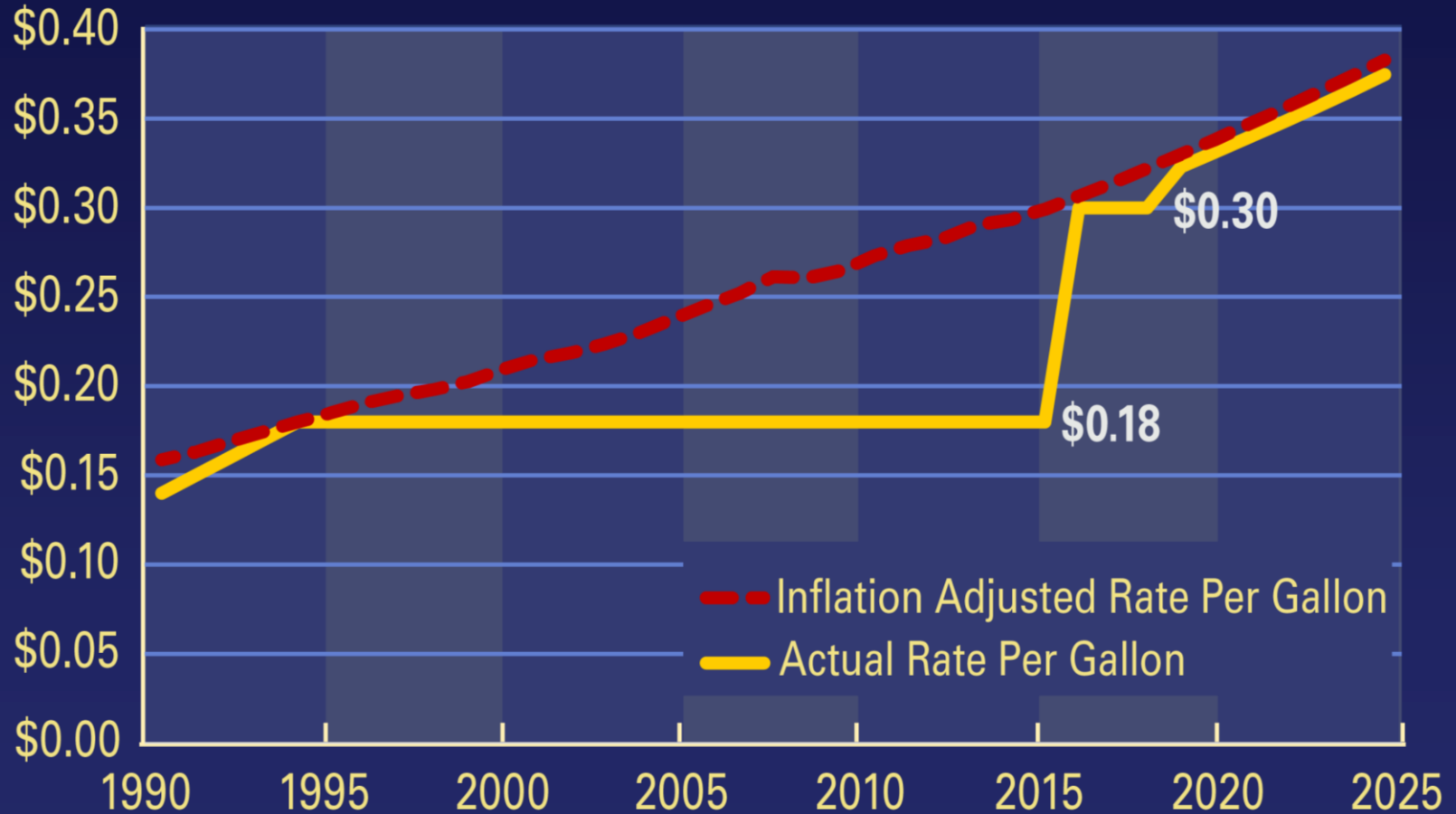
K-12 Education Funding

- Full Implementation of Local Control Funding Formula—two years early
- \$200 million to connect K-12 career technical education with Strong Workforce Program
- Special Education
 - \$167 million to build capacity for ages 0 to 5
 - \$100 million to expand teacher workforce
 - Improved transparency and planning

Community College Funding

- New allocation formula to create better incentives for improving student outcomes
- Creation of California Online College to target adult working population
- Implementation of AB 19 and consolidation of financial aid programs

SB 1 Restores Lost Purchasing Power for the Gas Tax



Strengthening Infrastructure

- SB1 Transportation: \$4.6 billion in addition to first \$2.8 billion from 2017 Budget
- \$1.3 billion for natural resources and housing, pending voter approval of bonds in 2018
- Restart court construction program

Supporting Job Creation

- 2.6 million jobs added in California since January 2011
- Budget extends Cal Competes tax credit: \$180 million for five more years
- Small businesses: \$20 million in direct assistance
- Reconstituted statewide hiring credit: \$50 million

Paying Down Debts and Liabilities

- Wall of Debt reduced from \$35 billion to less than \$6 billion
- Plans in place to pay off \$272 billion in retirement-related liabilities over the next three decades

Balanced Budgets Have Been Quickly Followed by Huge Deficits

