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January 10, 2013

Gov. Jerry Brown: California's budget deficit is gone

Gov. **Jerry Brown** said Thursday that California faces no budget deficit for the first time since the recession.

The spending plan Brown released this morning calls for small increases to education funding in a \$97.7 billion general fund budget for the fiscal year that begins July 1 but generally holds the line elsewhere.

The governor's budget will give each state university system an extra \$250 million. The addition is not as much as the University of California and California State University had hoped, so it remains to be seen whether university officials will pursue tuition hikes.

As part of his plan, Brown will demand each system cap the number of classes that students can take at 150 percent of what is necessary to complete most degrees - 270 quarterly units at UC and 180 semester units at CSU. That cap will shrink further after two years. Students could continue taking classes but would have to pay full price rather than the subsidized in-state rates. The governor believes this will force more students to finish on time and free up resources.

The governor proposes one of two paths to embrace the federal expansion of Medicaid - delivered in California as Medi-Cal. He suggests a slimmer state-based program that does not cover long-term care for newly eligible individuals - generally impoverished childless adults. An alternate version would hold the counties responsible for that population, building on the nascent federally-funded Low Income Health Program and leaving local officials to decide what benefits to offer.

Brown estimates that federal changes to Medicaid will cost the state \$350 million extra in 2013-14, an amount mostly due to an expected increase in the number of people who are already eligible for Medi-Cal but don't sign up until next year because enrollment will be easier and awareness higher.

Funding for K-12 schools and community colleges will rise \$2.7 billion, from \$53.5 billion to \$56.2 billion. The governor is calling on lawmakers to overhaul the school funding system with a new "Local Control Funding Formula," as detailed [this morning](#) in The Bee. The governor calls for \$1.6 billion to go toward this new formula in the first year.

Brown wants to use \$1.8 billion to reverse delayed payments to schools. The state delayed payments in past budgets as a backdoor way of borrowing to balance the budget.

The governor calls for a \$1 billion reserve, but doesn't rely on severe cuts to get there unlike previous years. Instead, he relies principally on two Medi-Cal related taxes on managed care and hospitals that are intended to draw down additional federal funds. The taxes require a two-thirds vote but the payers generally have been supportive because they get reimbursed back with the additional federal money.