

California's budget surplus soars to new heights; schools to benefit

Jessica Calefati and Theresa Harrington, Bay Area News Group, 5-6-15

SACRAMENTO -- In the clearest sign yet that the Great California Recovery is proceeding on pace, Assembly Speaker Toni Atkins announced Tuesday that the state's revenue has climbed as much as \$8 billion in the last four months.

The state's public schools will receive the bulk of that windfall under Proposition 98, and Assembly Democrats hope it's used to increase average per-pupil spending and expand access to quality child care and preschool programs, the San Diego Democrat said.

Another chunk of change must be saved for a rainy day under a proposition approved by California voters in November. But the Legislature will likely also have about a billion dollars to play around with -- a happy accident that's expected to set off fights among health, poverty and other interest groups about how to spend the extra cash.

"We know we're not going to get everything we want," Atkins said. "No one ever does."

Atkins' comments come a week before Gov. Jerry Brown is expected to release a revised draft of his \$113 billion general fund spending plan for the fiscal year that begins in July.

Department of Finance spokesman H.D. Palmer wouldn't comment on Atkins' projection of increased state revenue of between \$6 billion to \$8 billion, but he said it's safe to assume the governor's May revision will reflect strong personal income tax receipts, driven in part by surging capital gains revenue as California's economy quickly recovers. The surplus was originally projected to be about \$2 billion.

thing is clear: California's financial outlook couldn't be more different now than it was just a few years ago in the depths of the state's fiscal crisis -- at one point the budget deficit hit \$26.6 billion.

Assembly Democrats have a "laundry list" of programs they'd like to see funded that they'll tailor once they know the precise amount of new revenue available, Atkins said.

Topping that list are plans to establish a state earned income tax credit for working families and to use some of the revenue generated from truck weight fees for the preservation and maintenance of California's crumbling roads and highways.

Atkins said she wants to see a slice of the surplus go to UC and CSU. But, she said, for UC to get its money the system would have to freeze in-state tuition, limit out-of-state student enrollment, implement pension reform and cut administrative costs.

Asked whether interest groups would be jealous of the huge windfall public schools are expected to get, Atkins said that schools had suffered tremendously during the Great Recession and that they deserved a break, even after receiving a big chunk of last year's surplus.

"It's good that the lion's share of this money is going to education," Atkins said. "We've all wanted this for a long time."

Senate Democrats share many of their Assembly counterparts' goals. They, too want to see new

investment in higher education and a solution that chips away at income inequality. But they don't necessarily agree on how to get there.

Senate President Pro Tem Kevin de Leon, D-Los Angeles, has proposed an alternative higher education plan that would give more money to UC and CSU in part by eliminating the Middle Class Scholarship Program, even though Atkins has said she won't support that.

De Leon and other Senate Democrats also may be more interested in improving the state's CalWorks program for low-income mothers and children than creating a state earned income tax credit, said a source close to the caucus's budget negotiations.

"We must invest in higher education so we have larger returns for California's future," de Leon said. "We must invest in quality child care so mothers can join the workforce knowing their children are being taken care of in a safe environment."

Perhaps surprisingly, news of the latest windfall didn't appear to be a cause for celebration among public school officials. While any increase in funding is welcome, they pointed out that California's school budgets are still so much smaller than they were before the recession.

"It still doesn't solve the overarching problem of adequate, sustained school funding," said Jon Gundry, Santa Clara County's superintendent of schools. "Until California at least surpasses the national average of per-pupil funding, we have a long way to go."

But Terry Koehne, spokesman for the Contra Costa County Office of Education, said the trajectory of the Legislature's funding for schools was certainly encouraging.

"We've been fighting and pushing for pre-recession funding levels for a long time now," he said. "Anytime we can see an increase in funding, it's certainly good news."

The recession forced school districts to increase their class sizes, cut arts and music programs and distribute thousands of pink slips to make ends meet.

When voters in November 2012 passed Proposition 30 -- which raised taxes on the wealthy substantially and the sales tax slightly -- schools started to roll back those cuts, but the recession's damage hasn't been undone yet.

According to the nonpartisan California Budget and Policy Center, the state ranked 42nd in K-12 school spending two years ago. But after voters approved Proposition 30, California's K-12 spending rose to 29th when compared with other states and the District of Columbia.

Proposition 30 is expected to generate about \$7.9 billion this year and \$8 billion next year. However, this additional funding is expected to decline after fiscal year 2015-16, as the new taxes are phased out.

The California Teachers Association and other groups have proposed extending the proposition. But Brown has so far resisted, saying the taxes were designed to be temporary.