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**Governor Brown Expands Health Care Coverage, Pays Down Debt and
Shores Up Teachers' Pensions in Revised State Budget**

SACRAMENTO – Governor Edmund G. Brown Jr. released a revised state budget today that provides health care to millions more Californians, pays down \$11 billion in debt and fully funds the teachers' retirement system over time.

“This May Revision is good news for California,” said Governor Brown. “It shows that California can afford to provide health care to many more people, while at the same time paying its debts and shoring up the long-troubled teachers' retirement system.”

The Governor's revised budget plan comes on the heels of an agreement with legislative leaders of both parties to bring greater stability to the state's finances in the years to come. The agreement, based on the Governor's January proposal, establishes a Rainy Day Fund that allows the state to save for the future while paying down its debts and unfunded liabilities. The proposal is expected to go before voters in November.

For the budget year (2014-15), the May Revision sets aside \$1.6 billion to make the final payment on the Economic Recovery Bonds and another \$1.6 billion for the Rainy Day Fund.

The May Revision reflects more than \$2 billion in added costs over and above the January budget. This includes higher spending to provide health care coverage under Medi-Cal for a million more people, emergency drought assistance, added funding to meet the Proposition 98 guarantee for K-14 schools, caseload increases in the In-Home Supportive Services (IHSS) program, additional contributions to the California Public Employees' Retirement System (CalPERS) and added staffing to administer California's unemployment insurance program.

When Governor Brown took office, the state faced a massive \$26.6 billion budget deficit and estimated annual shortfalls of roughly \$20 billion. These deficits, built up over a decade, have now been eliminated by a combination of budget cuts, temporary taxes and the recovering economy.

Significant details of the May Revision:

Shoring Up Teacher Pensions

The May Revision proposes a plan of shared responsibility among the state, school districts and teachers to shore up the State Teachers' Retirement System (STRS). The increased contributions in the first year

from all three parties total about \$450 million, but would grow thereafter to more than \$5 billion annually in 2020-21. The plan would eliminate the unfunded liability in approximately 30 years.

Implementing Federal Health Care Reform

Compared to what was projected in the January budget, 1.4 million more people will be covered through Medi-Cal, at a cost of an additional \$1.2 billion. Enrollment is now expected to rise from 7.9 million in 2012-13 to 11.5 million in 2014-15, for a total cost increase of \$2.4 billion.

Increased Money for Drought Response

The May Revision provides an additional \$142 million (\$121 million General Fund) in drought-related expenditures to reflect necessary spending on firefighting, emergency response, water management, wildlife preservation and food assistance.

Paying Down Debts and Liabilities

The Governor's January Budget proposes to reduce the Wall of Debt by more than \$11 billion this year alone and fully eliminate it by 2017-18. The Budget will completely pay off all remaining deferrals to schools and the Economic Recovery Bonds this year. The May Revision includes an additional \$100 million to repay a portion of existing mandate reimbursement claims that have been owed to local governments since at least 2004.

Additional details on the May Revision can be found at www.ebudget.ca.gov