Statewide Expenditures

This Chapter describes items in the Budget related to statewide expenditures.

Infrastructure

Debt Service

General Obligation (GO) and lease revenue bonds, approved by the voters and the Legislature, are used to fund major infrastructure improvements. Since 2000, voters have approved over $100 billion of new GO bonds. The state has issued nearly $28 billion of new GO bonds since 2009 to fund major projects and programs, such as new road construction, flood control levees, new schools, and other public infrastructure. As the state issues the remaining voter-authorized bonds, debt service costs will continue to grow.

General Fund debt service expenditures, after various other funding offsets, will increase by $872.4 million (17.6 percent), to a total of $5.8 billion, over the current year expenditures. This increase is comprised of $779.7 million for GO debt service ($5.1 billion total) and $92.7 million for lease revenue bonds ($766.2 million total). The greater than normal year-over-year increase in GO debt service is the result of lower than normal current year debt service because the State Treasurer's Office was able to structure prior bond sales to accommodate the $1.9 billion Proposition 1A financing obligation that is due June 2013.

The Administration has taken actions to better manage this growing area of the Budget, such as requiring GO bond programs to demonstrate they have an immediate need for the additional bond proceeds prior to the issuance of new bonds. These efforts have helped reduce the amount of unspent bond proceeds in the state treasury from approximately $13.9 billion, as of December 2010, to just over $5 billion by the end of November 2012, excluding the fall 2012 GO bond sale. In addition, only the most critical new lease revenue bond funded projects have been approved. The Budget continues this approach.

The Budget proposes to lower the debt-service cost of transportation-related GO bonds by implementing a new weight fee revenue bond program that will authorize the direct payment of GO bond debt service from weight fees. Weight fees are supplemental vehicle registration charges applied to trucks. Currently, weight fees reimburse the General Fund for transportation GO bond debt service. This proposal will result in a higher-rated credit and thereby reduced debt service costs for transportation bonds. Finally, the Budget proposes extending the current use of miscellaneous State Highway Account revenues to offset qualified General Fund debt service costs for transportation projects (see the Transportation Chapter).

California Five-Year Infrastructure Plan

The Administration will release the 2013 Five-Year Infrastructure Plan later this year. The Plan will outline the Administration's infrastructure priorities for the next five years for the major state infrastructure programs, including high-speed rail and other transportation, resource programs, higher education, and K-12 education. Given the state's increased debt burden and General Fund constraints, the Plan will examine agencies' reported needs assessments, the use of General Fund-backed debt, and place less of a reliance on future voter-authorized GO bonds.

Employee Compensation

State Workforce

The 2013-14 state workforce is estimated at 348,045.8 positions, of which 215,972.9 are in the Executive Branch, 750 are in the Legislative Branch, 2,001.9 are in the Judicial Branch, and 129,321 are in Higher Education. Between 2010-11 and 2012-13, state government shrank by more than 30,000 positions. The Budget reflects the growth of 6,279.9 positions, primarily in higher education.

From February 2009 through June 2013, most state employees within the Executive Branch have been subject to unpaid leave days through furloughs and/or Personal Leave Programs, ranging from one to three days per month, totaling between 70 and 94 unpaid leave days. The unpaid days equate to a pay reduction of approximately 5 to 14 percent per month. In addition, state employees are contributing an additional amount toward retirement costs equal to 2 to 5 percent of their salary. These changes have provided savings of approximately $6 billion ($3.1 billion General Fund) to date.

In 2013-14, state employee salaries within the Executive Branch are projected to cost $15.7 billion ($7.4 billion General Fund), including the top step adjustment identified below. The state also provides pensions and contributions to health care benefits to its retired employees. Pay and benefits for rank-and-file employees are negotiated through the collective bargaining process. The state will begin engaging employee organizations in early 2013 to negotiate successor contracts. Contracts for 19 of the state's 21 bargaining units expire during the June 30-July 2, 2013 period.

Significant Adjustment:

- Current Labor Contracts and Excluded Employees—An increase of $502.1 million ($247 million General Fund) in 2013-14 for previously negotiated top step adjustments and health care benefit contribution increases for active employees. For most employees, the adjustment offsets the ongoing higher contribution for retirement costs previously implemented.

Pensions

Chapter 296, Statutes of 2012 (AB 340) established the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA provides lower pension benefits and requires higher retirement ages for new employees in state and local government and schools hired after January 1, 2013. Additionally, state employees in designated bargaining units and associated excluded employees will make additional payroll contributions to their pension plans beginning July 1, 2013. Among other reforms, PEPRA eliminates pension spiking, limits post-retirement employment, and prohibits the purchase of non-qualified service credit (airtime).

Significant Adjustment:

- Pension Contributions—An increase of $95.2 million ($48.7 million General Fund) in 2013-14 for pension contributions. The 2013-14 total includes an additional $63.2 million ($42.2 million General Fund) directed toward the state's unfunded pension liability to reflect the savings resulting from increased employee contributions under PEPRA. This additional payment comes on top of significant savings already achieved due to prior-year increases in employee pension contributions. The state also makes separate pension contributions on behalf of school teachers and judges.

Figure SWE-01 below provides an historic overview of contributions to the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), the Judges' Retirement System (JRS), and the Judges' Retirement System II (JRS II) for pensions and retiree health care benefits.

Figure SWE-01

State Retirement Contributions

(dollars in millions)

	CalPERS Total	CalPERS GF	Retiree Health & Dental Total	Retiree Health & Dental GF	CalSTRS Total	CalSTRS GF	JRS Total	JRS GF	JRS II Total	JRS II GF
2004-05	2,480	1,364	801	801	1,149	1,149	127	126	21	21
2005-06	2,403	1,322	887	887	1,081	1,081	121	119	24	24
2006-07	2,765	1,521	1,006	1,006	959	959	129	129	27	27
2007-08	2,999	1,650	1,114	1,051	1,623	1,623 [1]	162	160	37	37
2008-09	3,063	1,685	1,183	1,147	1,133	1,133	189	186	40	40
2009-10	2,861	1,573	1,182	1,146	1,191	1,191	184	182	32	32
2010-11	3,230	1,777	1,387	1,351	1,200	1,200	166	164	54	54
2011-12	3,174	1,746	1,504	1,466	1,259	1,259	195	193	58	58
2012-13[3]	3,449	1,761 [2]	1,351	1,315 [2]	1,303	1,303	161	159	53	53
2013-14[3]	3,537	1,803	1,517	1,513	1,358	1,358	189	187	57	57

1/ Includes repayment of $500 million from 2003-04 Supplemental Benefit Maintenance Account withholding/lawsuit loss (interest payments not included).

2/ Beginning in 2012-13, California State University pension and health care costs are only included in the Higher Education section and not in this table.

3/ Estimated as of the 2013-14 Governor's Budget.

Improving the Budget Process Through Zero-Basing and Other Tools

Executive Order B-13-11 directed the Department of Finance to modify the state budget process to increase efficiency and focus on accomplishing program goals. The Administration completed several zero-base reviews — for the state hospitals and the state prisons — which led to significant changes being included in the 2012 Budget. The Budget reflects continued implementation of the Executive Order, including:

- The Department of Consumer Affairs is requiring each of its boards, bureaus, and divisions to determine appropriate enforcement and licensing performance measures, with updated data to be provided in each year's budget.
- The California Department of Human Resources is implementing streamlined services for departments. The Department has also expanded the use of consortium examinations, accelerated the approval process for routine personnel issues, streamlined the selection process for career executive assignments, and modernized the training classes and resources available online.
- Both the Department of Transportation (Caltrans) and the Department of Public Health (DPH) are undertaking a multiyear process to zero-base their budgets. The Budget reflects changes to the Local Assistance and Planning Programs within Caltrans, including the consolidation of five programs into a single Active Transportation Program which will simplify and enhance funding for pedestrian and bicycle projects. The results of the first year of the DPH review will be provided this spring.

Additional departments will be undertaking reviews in the coming months, including the Department of Veterans Affairs, the Department of Resources Recycling and Recovery, and the Department of Toxic Substances Control.

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