

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION

K-14 Education -- Proposition 98 Overall

- **Revenue Assumptions.** Adopts the Governor's May Revise General Fund revenue estimates, and LAO property tax revenue estimates, which essentially continues Proposition 98 funding at the Governor's May Revise funding levels for K-12 schools and community colleges (K-14 education).
- **Current Year Funding.** Approves Proposition 98 spending of **\$56.5 billion** in 2012-13 for K-14 education, which reflects the estimated minimum guarantee. This level of funding is \$14.7 million higher than the Governor's May Revise.
- **Budget Year Funding.** Approves Proposition 98 funding of **\$55.3 billion** for K-14 education in 2013-14, which reflects the estimated minimum guarantee. This level of funding is about the \$22.1 million higher than the Governor's May Revise.
- **Deferral Paydowns.** Retires a total of **\$4.3 billion** in ongoing Proposition 98 payment deferrals for K-14 education over two years, which is **\$667 million** less than the level proposed by the Governor (\$13 million less in 2012-13 and \$654 million less in 2013-14).

Ongoing K-14 deferrals – which were utilized to mitigate programmatic reductions for K-12 schools and community colleges – reached an all-time high of **\$10.4 billion** in 2011-12. The 2012-13 budget act reduced K-14 deferrals to **\$8.2 billion**. The Conference Committee reduced outstanding K-14 deferrals to about **\$6.2 billion** in 2013-14.

Proposition 39 Implementation for K-14 Education.

- **Energy Efficiency Programs.** The budget provides total of **\$428 million** in funding for energy efficiency programs for K-12 education and community colleges in 2013-14. These funds result from Proposition 39 revenues and are counted toward Proposition 98. These funds are appropriated in the budget act and allocated pursuant to budget trailer bill language, as follows, in 2013-14:
 - ✓ **K-12 Grants.** Allocates 89 percent of Proposition 39 funds for K-14 education, which equates to **\$381 million** in 2013-14, to the California Department of Education (CDE) for K-12 local education agencies (LEAs), including school districts, charter schools and county offices of education, and State Special Schools. In allocating LEA funds, funds are

weighted as follows -- 85 percent is distributed on the basis of average daily attendance (ADA) and 15 percent is distributed on the basis of Free- and Reduced-Price Meals.

Minimum grants are also established for small K-12 LEAs within the following ADA thresholds:

- \$15,000 for LEAs with ADA of 100 students or less.
- \$50,000 for LEAs with ADA of more than 100 to 1,000 students.
- \$100,000 for LEAs with ADA of more than 1,000 but less than 2,000 students.

The trailer bill specifies that LEAs with 1,000 students or less can receive an advance on future allocations allowing them to bundle two years of funding in 2013-14 and subsequent years.

LEAs receiving more than \$1 million in energy funds shall expend 50 percent of the funding on projects larger than \$250,000 that achieve substantial energy efficiency, clean energy and jobs benefits.

The budget provides **\$109,000 GF and 1.0 position** for the Department of Education to implement and oversee the Proposition 39 energy efficiency program.

- ✓ **Community Colleges Grants.** Allocates 11 percent of Proposition 39 revenues to K-14 education, which equates to **\$47 million** in 2013-14, to the Community College Chancellor's Office on behalf of community college districts. Funds are distributed at the discretion of the Chancellor's Office.

The budget provides **\$86,000 GF and 1.0 position** for the Chancellor's Office to implement and oversee community college energy efficiency projects.

- **Energy Project Revolving Loan Program.** Budget trailer bill appropriates **\$28 million** in Proposition 39 revenues to the State Energy Conservation Assistance Account at the California Energy Commission for the purpose of establishing a revolving loan fund for K-14 education energy projects in 2013-14. This new program would provide low-interest and no-interest revolving loans, and loan loss reserves for eligible energy projects and technical assistance for K-12 LEAs and community college districts. (The \$28 million appropriated in 2013-14 for the ECAA revolving loan fund also counts toward Proposition 98 -- \$25 million (89 percent) for K-12 Education and \$3 million (11 percent) for community colleges.

K-14 Adult Education.

- **Adult Education Partnership Grants.** Building upon the Governor's May Revise proposal, approves **\$25 million** for two-year planning grants for coordinating and integrating adult education services in community colleges and school districts (through their adult schools). Per a Conference Compromise, grant awards will be provided to regional consortia of community

colleges and school districts, as selected by the California Community Colleges Chancellor's Office and the California Department of Education. Regional consortia participants could include local correctional facilities, other public entities, and community-based organizations.

Consolidates Funding for Apprenticeship Training. Shifts administration of the K-12 Apprenticeship program from the Department of Education to the California Community Colleges, and consolidates this program with the Community College Apprenticeship Program as a separate categorical program.

Proposition 98 – K-12 Education. Other major budget actions approved in Conference Committee include:

- **Implementation of Local Control Funding Formula.** Approves a total of **\$2.1 billion** in additional Proposition 98 funding to commence implementation of a new Local Control Funding Formula for K-12 local educational agencies in 2013-14. The Conference Committee provides an additional **\$214 million** compared to the Governor's May Revise.

The Conference Committee adopted a LCFF compromise plan that, building upon the Governor's proposal, creates the new formula and appropriations in statute, and establishes accompanying accountability provisions. Most notably, the Conference restores funding for all LEAs to 2007-08 levels,

- **Local Control Funding Formula.** Provides a total of \$2.1 billion for the purposes of implementing the Local Control Funding Formula for school districts and charter schools. Maintains May Revise level, \$32 million, to implement a new funding plan for County Offices of Education (COEs). Most notably, the Conference LCCF plan:

- ✓ Increases Target Base Rate. Provides a weighted average target per-pupil rate of roughly \$7,354. This level represents an increase of \$537 more per pupil than proposed at the May Revision. (The Governor's May Revise proposed \$6,816 per pupil.)
- ✓ Provides Additional Funding to Restore Almost All Districts to 2007-08 Funding Levels. Provides additional funding to nearly all districts for which fully implemented LCFF targets would be below 2007-08 state funding levels. Does not provide this additional funding for a small number of districts with exceptionally high rates.
- ✓ Adjusts EL/LI Supplemental Grant Rate. Districts would receive 20 percent of base rate for low income (LI) and English learner (EL) students. (The Governor's May Revise proposed 35 percent of the base rate.)
- ✓ Raises Concentration Threshold. Districts would qualify for additional concentration funding if 55 percent of their students are EL/LI. (May Revision proposed a 50 percent threshold.) Districts would receive an additional 50 percent of base rate for each EL/LI student above this 55 percent threshold. (The Governor's May Revise proposed 35 percent of base rate for each EL/LI student above 50 percent threshold.)

- ✓ Establishes Process for Expenditure of Supplemental and Concentration Funds. Requires the State Board of Education to adopt regulations that govern the expenditure of the supplemental and concentration grant funding. These regulations require school districts, COEs and charter schools "to increase or improve" services for unduplicated pupils in proportion to the increase in funds.
- ✓ LCFF Categorical Exceptions.
 - Continues Governor's proposal to provide Targeted Improvement Instructional Grant (TIIG) and Home-to-School (HTS) Transportation funding as "add-ons" to the LCFF per the Governor's proposal. However, TIIG funding is flexed; but HTS transportation would remain restricted to transportation.
 - Per the Governor's proposal, Adult Education and Regional Occupational Centers (ROC/Ps) are funded within the LCFF formula however these programs now include maintenance of effort requirement for the next two years.
 - Maintains several programs as separate categorical programs from the Local Control Funding Formula including Foster Youth Services, Adults in Correctional Facilities, Apprenticeship programs, Specialized Secondary Programs, Agricultural Vocational Education and Partnership Academies, instead of rolling them into LCFF per the Governor's proposal.
 - Continues Special Education, Child Nutrition, State Preschool, student assessments, Fiscal Crisis Management and Assistance Team (FCMAT), Indian Education programs outside of LCFF, as proposed by the Governor.
- ✓ Extends Phase-In Period. Full implementation is estimated to take eight years, instead of seven years per the Governor's proposal.
- ✓ Includes Accountability Provisions. Requires school districts and county offices of education to adopt a Local Control and Accountability Plan (LCAP) for the purposes of measuring pupil achievement pursuant to specified state priorities. Creates a statewide collaborative to provide technical assistance to school districts and COEs that are not meeting state priorities established in their LCAP. Authorizes the Superintendent of Public Instruction (SPI) to intervene in school districts and COEs who continue to struggle to meet state priorities after technical assistance is provided. Adopts the Governor's proposal to reduce demographic subgroup sizes for accountability purposes in order to better track outcomes for all students.
- **Implementation of Common Core Standards.** Provides **\$1.250 billion** in one-time Proposition 98 funding in 2013-14 to assist K-12 local educational agencies in implementing the new Common Core standards. This level of funding is \$250 million higher than the Governor's May Revision. This investment will allow K-12 LEAs – including school districts, charter

schools, county offices of education, and state special schools -- to make significant one-time investments in professional development, instructional materials, and enhancements to technology, in order to better implement Common Core standards. The \$1.250 billion in one-time funds will provide an average of about \$209 per pupil, outside of the Local Control Funding Formula. Funding would be available for expenditure by LEAs over a two year period.

- **Career Technical Education Grants.** Approves **\$250 million** on a one-time basis in 2013 -14 to establish the California Career Pathways Trust. The trust will provide one-time competitive grants to school districts, county offices of education, charter schools and community colleges to support K-14 education career pathways programs. Funding would be available over a two year period, with priority given to proposals that attract capital and in-kind contributions from business and serve distressed communities with high dropout rates.
- **Expands K-12 Mandate Block Grant.** Provides an additional \$50 million to the K-12 Mandates Block Grant – for a total of \$216 million in 2013-14 -- to provide additional funding to LEAs with high school enrollment to cover the High School Science Graduation Requirements mandate.
- **Modifies the Behavioral Intervention Program Mandate.** Modifies the Behavioral Intervention Plan (BIP) mandate to align it more closely with federal law and reduce unnecessary costs, while maintaining important protections for students with disabilities. Provides \$230,000 in one-time federal funds to the Department of Education to develop technical assistance advisories for SELPAs that reflect federal laws and regulations, as well as research and best practice. Requires the Department to establish a stakeholders group to guide these activities.
- **Special Education Funding Equalization.** Approves **\$30 million** to begin the process of equalizing state special education funding rates for Special Education Local Program Areas (SELPAs) in 2013-14. Per pupil funding rates would be equalized to the 90th percentile over a multi-year period in order to address significant historical inequities among SELPAs.

Child Care & Development

- **Restoration of State Preschool Program Funding.** Provides \$30 million in Proposition 98 funds in 2013-14 above the Governor's budget to begin the process of restoring reductions to the State Preschool Program (part-day/part-year) for low-income three- and four-year old children. The State Preschool program has sustained approximately \$120 million in cuts since 2009-10.
- **Backfill for Federal Sequestration Cuts.** Approves **\$2.6 million** in Proposition 98 funding to fully backfill the loss of federal special education funding authorized under the Individuals with Disabilities Education Act (IDEA) for services and programs for infants and preschoolers with disabilities in 2013-14.

- **CalWORKs Child Care.** Approved compromise adjustments to CalWORKs Stage 2 and Stage 3 child care caseload to fund Stage 2 at \$358 million and Stage 3 at \$183 million. This fully funds projected caseload for the budget year. Also approved budget bill language to allow for transfers from Stage 2 and Stage 3 within the fiscal year if caseload adjustments are needed. Also approved budget bill language to allow the Department of Finance authority to augment funding for the Stage 3 caseload if funding budgeted is found to be insufficient to cover caseload.
- **Other Capped Child Care Programs.** Approved \$15.8 million augmentation and BBL to ensure sufficient funding to fully backfill federal sequestration cuts. Augmentation and potential sequestration reductions would be allocated as follows: \$11.1 million for the General Child Care program, \$4.1 million for the Alternative Placement programs, and \$621,000 for migrant child care programs.

Approved \$10 million reappropriation of unspent child care funds to expand additional slots for the capped child care programs as follows: \$7 million for General Child Care program, \$2.6 million for Alternative Placement programs, and \$400,000 for migrant child care programs.

HIGHER EDUCATION

HIGHER EDUCATION CROSSCUTTING ISSUES

- Approved trailer bill language to require the California State University (CSU) and University of California (UC) to report the following information annually, starting in March 2014, with 2012-13 data as follows:
 - Number/Proportion of Transfers
 - Number/Proportion of Low-Income Students
 - 4-year Graduation Rates for both UC and CSU and 6-year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
 - Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status)
 - First-Years On Track to Degree (i.e. what percent of first years earned a specified number of units)
 - Spending Per Degree (Core Funds)
 - Units Per Degree
 - Number of Science, Technology, Engineering and Mathematics (STEM) degrees.
- Approved revised budget bill language related to technology funding earmarks for UC, CSU and the California Community Colleges that ensures that online-only courses have transferability among campuses and allow for cross-campus enrollment.
- Approved enrollment targets for both UC and CSU at their current full-time equivalent student (FTES) enrollment levels of 211,499 and 342,000 respectively.

6120 CALIFORNIA STATE LIBRARY (CSL)

- Approved no funding for the CSL to pursue linking local libraries to the Corporation for Education Network Initiatives in California (CENIC) system, but instead adopted budget bill language to require the State Librarian to prepare a needs assessment and spending plan to connect local libraries to a statewide high-speed internet network.

6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's base augmentation of \$125.1 million GF.
- Approved trailer bill language (TBL) and budget bill language to combine the UC's capital outlay and support budget items to increase UC's flexibility to manage their infrastructure program. The TBL would also give UC more flexibility to pursue capital outlay projects outside of the annual budget process after approval by DOF and review by the Joint Legislative Budget Committee.
- Approved budget bill language requiring UC to dedicate \$15 million for the UC Riverside Medical School.
- Authorized the UC to pursue construction of a new Merced Classroom and Academic Office Building.

6610 CALIFORNIA STATE UNIVERSITY

- Approved Governor's base augmentation of \$125.1 million GF.
- Approved a \$51.4 million GF increase to fund the annual increase in costs for CSU's required employer pension contribution to the California Public Employees Retirement System. Adopted budget bill provisional language and trailer bill language to require that CSU continue to receive annual GF adjustments based on the 2013-14 payroll level; however, if CSU chooses to increase payroll expenditures above that level, CSU would be responsible for the associated pension costs.
- Authorized \$76.5 million lease revenue bond funded capital outlay project for CSU to replace the Pomona Administration facility.

6600 HASTINGS COLLEGE OF THE LAW

- Approved \$455,000 GF augmentation, \$63,000 GF above the Governor's budget, and approved budget bill language tying the funds specifically to contributions to the University of California Retirement Plan for Hastings' state GF- and tuition-funded employees.

6870 CALIFORNIA COMMUNITY COLLEGES

- *Please see the K-12 Education Section of this report for information on the overall K-14 Proposition 98 budget.*
- **Current Year.** Buys down additional CCC deferrals by \$ 178.6 million in the current fiscal year.
- Provides \$30 million in one-time Proposition 98 GF in the budget year for deferred maintenance and instructional support.
- Approved the Governor's May Revision apportionment of Proposition 98 GF revenues for CCCs for COLA (\$87.5 million) and growth (\$89.4 million).
- Approved categorical program augmentations as follows: \$50 million for the student success taskforce, \$ 15 million for the Disabled Student Programs and Services, \$15 million for the Extended Opportunity Programs and Services program , \$8 million for the CalWORKS categorical program, and \$150,000 for the Academic Senate.
- Approved \$ 25 million for planning grants to improve coordination of the state's system of delivering adult education services between local educational agencies and community colleges.
- Approved May Revision proposal to consolidate the management of state apprenticeship programs currently funded under K-12 to the community colleges.
- Rejected the Governor's proposal to harmonize financial aid requirements for the Board of Governor's fee waiver program with the requirements for the Cal Grant program and federal student aid programs.
- Approved trailer bill language to give CalWORKS students priority enrollment at CCCs, given that time on aid was limited to two years in budget actions in 2012.
- Approved \$47 million Proposition 98 funding for energy efficiency projects at the community colleges, funded to satisfy requirements of Proposition 39 passed by the voters in November 2012. Approved one GF supported position for the Community Colleges Chancellor's Office to support this workload.

7980 CALIFORNIA STUDENT AID COMMISSION

- Approved trailer bill language to establish a compromise Middle Class Scholarship that is capped at full implementation at \$305 million. This scholarship program would be available to provide scholarships of up to 40 percent of tuition for California State University and University

of California students, annually, to families with incomes up to \$150,000. Scholarship awards would be phased in over four years starting in 2014-15 with freshman entrants. Eligibility would be limited to students that meet all Cal Grant program requirements except for the income and asset test and have a minimum of a 2.0 grade point average.

Scholarships would provide tuition coverage on a sliding scale with income of up to \$100,000 receiving 40 percent tuition coverage and a reduction of tuition coverage by approximately 0.6 percent for every additional \$1,000 of income up to \$150,000. If sufficient money is not available to provide specified scholarship amounts, scholarships would be prorated proportionately among all recipients.

In the first three years of implementation, starting in 2014-15, the scholarship program's statutory appropriations would be capped at \$107 million, \$152 million, and \$228 million. Statute would provide authority to prorate spending down to \$200 million and by one-third in the first three years of implementation if the May Revision projects a budget deficit for the upcoming fiscal year.

As an institutional requirement for participating in the Middle Class Scholarship, the UC and CSU is required to preserve current fee policies and the 2013-14 amount of student fee revenue that is set-aside as institutional aid.

In the budget year, \$250,000 is provided to the Student Aid Commission for startup activities and \$500,000 is allocated to the California Student Opportunity and Access Program for outreach related to the program.