

## ***The Governor's May Revision to the 2013-14 State Budget***

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### **Overview**

Governor Brown has released the May Revision to the 2013-14 State Budget. To no one's surprise there was more money for public education. For the past four months, the state has experienced multibillion dollar increases in General Fund Revenues and in turn current year cash receipts. The governor focuses his revision to the budget on maintaining his reform for education finance and implementing a plan for state-based expansion of health care coverage.

### **The key changes in the May Revision include the following:**

- \$2.9 billion additional funds for Proposition 98 in the current year for K-12 schools and community colleges. One time funds provided to reduce deferrals and implement Common Core State Standards.
- \$467 million to pay for higher Medi-Cal costs
- \$484 million to reduce the costs of borrowing for short-term and long-term infrastructure investments
- \$48 million in CalWORKs job training and subsidized employment opportunities

Below is ACSA's summary and analysis of the governor's May Revision. You can review a copy of the May Revision here ([http://www.dof.ca.gov/documents/2013-14\\_May\\_Revision.pdf](http://www.dof.ca.gov/documents/2013-14_May_Revision.pdf))

### **Proposition 98**

The governor projects that Proposition 98 will grow by over \$1 billion during a two-year span. This is due mainly to the increase in revenues for the past several months. The current year, 2012-13 is projected to grow by \$2.9 billion. However, in the budget year 2013-14, the minimum guarantee is projected to decrease by \$1.8 billion. This occurs because of the collection of personal income taxes. The administration believes that many tax payers paid their income taxes early for 2013 and does not expect this upward trend to continue through the 2013-14 fiscal year. Therefore, the minimum guarantee drops in the budget year. The minimum guarantee is \$56.5 billion in 2012-13 and \$55.3 billion in 2013-14.

The governor proposes to use the additional Proposition 98 dollars to accelerate the repayment of inter-year deferrals and allocates \$1 billion for implementing Common Core Standards.

## Local Control Funding Formula

The main component and most controversial proposal in the governor's budget, the Local Control Funding Formula (LCFF), is also revised to address some of the concerns of stakeholders. The governor also provided an additional \$236 million to fund implementation of his proposal. This brings the total amount allocated to implement LCFF to approximately \$1.9 billion.

The main components of the proposal remain the same: base grant, supplemental grant, concentration grant and base grant adjustments for K-3 Class Size Reduction (11.23 percent increase in base grant) and Career Technical Education (2.3 percent adjustment). The governor however, uses the May Revision to address those who have voiced concerns regarding the concentration grant by making several statements. First, the governor clarifies that the new formula will spend 80 cents for every dollar on base grants, 16 cents on supplemental grants and 4 cents on concentration grants. The governor continues by stating, "an elimination of significant reduction of the concentration grant would direct new money away from the schools that need it most and perpetuate existing inequalities."

### The major changes to the LCFF are as follows:

- Use a three-year rolling average percentage of English learners, students from low-income families and foster children for purposes of calculating the supplemental and concentration grants.
- Require county offices of education to review school district English learner, low-income, and foster child data and require that data to be subject to audit as part of each local education agency's annual financial and compliance audit.
- Allow local education agencies to receive supplemental and concentration grant funding for each English learner for up to seven years.
- Provide Regional Occupation Centers and Programs and Home-to-School Transportation joint powers authorities with continued direct funding for two additional years.

## Accountability

The governor makes various changes to the accountability provisions associated with LCFF. The governor maintains his proposal to require districts to produce and adopt a Local Control and Accountability Plan concurrently with each district's spending plan. In addition to the components proposed in January (Williams requirements, programs that benefit targeted population and implementation of Common Core), school districts will also be required to spend funding generated by the supplemental and concentration grants for the benefits of the targeted populations.

**Specifically, the governor proposes the following changes for spending on targeted students:**

- Local Education Agencies (LEAs) are required to spend no less than the amount they spent during the 2012-13 fiscal year on English learners and students designated fluent-English proficient, students from low income families and foster children.
- LEAs, upon full implementation, must spend for the primary benefit of targeted students at least as much as they receive from the base, supplemental and concentration grants that is generated by these students.
- LEAs must demonstrate how they will meet the above requirements and how they will increase resources to targeted students as resources increase over time.
- LEAs must ensure that expenditures for supplemental and concentration funds are proportional to the number of students at each school site.

In addition to the above provisions directed solely at the use of the supplemental and concentration grants, the governor proposes to add more accountability measures in an effort to hold schools accountable for the achievement of all student groups through a state based system utilizing county offices of education, the Superintendent of Public Instruction (SPI) and the State Board of Education.

**Specifically, these additional requirements are:**

- County superintendents may provide technical assistance to any school district at any time.
- The county superintendent may disapprove a local plan if a district fails to meet academic achievement targets (established by the State Board) for each subgroup of students for 2 out of 3 years if the local plan is unlikely to improve student achievement.
- When a Fiscal Crisis and Management Assistance Team (FCMAT) review is necessary, a county superintendent may make changes to a district's plan or overturn any decisions made by a local governing board.
- The SPI may intervene in place of the county superintendent when a district is failing to meet its academic achievement targets.

In an effort to coordinate resources and data for foster youth, the governor proposes to clarify coordinated services between LEAs and county social service agencies to ensure foster youth receive the necessary services and support to be successful. To this end the governor also proposes to require the California Department of Education (CDE) to report on the educational progress of foster youth and require county superintendents develop plans to coordinate services for foster youth with LEAs and county child welfare agencies.

## Adult Education

In a dramatic turn of events, the governor has dropped his proposal to shift adult education to community colleges. Instead the governor proposes to maintain status quo for a minimum of two years. During the two year moratorium, the governor expects K-12 school districts and community colleges to collaborate on a “regional adult education consortium.” Further, districts must maintain their current level of spending for adult education in 2013-14 and 2014-15 in order to receive future funding.

### **This new collaborative will consist of the following characteristics:**

- \$30 million provided for planning and implementation grants.
- \$500 million proposed to fund these consortia jointly operated by community colleges and school districts beginning in 2015-16.
- Regional consortia may also include workforce investment boards, correctional facilities and community based organizations.
- Planning grants awarded jointly to consortia by CDE and Chancellor’s Office.
- At least \$350 million must be allocated to existing adult education providers.
- Funding prioritized to critical instruction areas. These include English as a second language, citizenship, high school diploma, GED, and workplace education.
- Instruction in parenting, home economics and programs for older adults will not be eligible for funding.
- Consortia are required to develop course sequencing pathways that move adult learners seamlessly from completing their adult education programs to their next endeavor.

## Other Proposals

**Average Daily Attendance/ Cost-Living-Adjustments/Program Growth** – The May Revision increases funding in 2012-13 by \$35.5 million and 2013-14 by \$87.6 million to pay for increases in ADA. The May Revision also provides for an increase of \$14 million to specific categorical program growth. However, the May Revision also includes a decrease of \$2.9 million based on a revised COLA factor of 1.565 percent for 2013-14.

**Common Core Implementation** – \$1 billion provided on a one-time basis for the implementation of Common Core State Standards. This funding can be used for instructional materials, technology, and professional development. In addition, these dollars will be provided on an ADA basis and districts will have two years to spend the resources. A plan is required and at least one public hearing must be held.

**Deferrals** – Accelerates the deferral restoration by provided an additional \$1.6 billion in the current year, 2012-13. This brings the total deferral buy down for the 2012-13 fiscal year to \$3.4 billion. Alternatively, the deferral buy down for the 2013-14 fiscal year is reduced to \$909 million.

**Proposition 39 Implementation** – The governor proposes an increase of \$12.5 million for energy efficiency projects. Also, in response to various concerns regarding implementation of Proposition 39, the governor proposes to provide a minimum grant level of \$15,000 for small school districts. In addition, other school districts will receive the greater of \$50,000 or their per ADA distribution amount to ensure that smaller districts receive sufficient resources to complete projects. Further, the California Energy Commission is provided \$4 million to help identify cost-effective energy savings opportunities for school facilities.

**Special Education Funding** – The governor proposes to collapse additional programs and simplify special education funding. Further, the governor is backfilling the federal sequestration cut by increasing funding by \$60.7 million.

**Technology Based Instruction** – The governor has decided to drop his proposal to expand online learning opportunities for school districts and instead pursue this proposal in next year's budget.

## **ACSA Perspective**

There are two revisions to the governor's budget that ACSA advocated for during our Legislative Action Day – *Rejecting the shift of Adult Education to the community colleges and one-time resources for implementation of the Common Core Standards*. Both of these proposals were included in the governor's budget revision. These are positive steps in the right direction and it is hopeful that the Legislature will adopt a similar structure in the budget negotiations.

The influx of revenues is welcome news for public education and increases the minimum guarantee by an additional \$2.9 billion. However, it should be noted that this increase is only for the current year and not the budget year 2013-14. The governor is taking a very conservative approach to the economy and does not expect this ongoing increase in revenues to last throughout the 2013-14 fiscal year. Further, the governor notes that his proposed budget is precariously balanced and several factors such as increased health care costs, lawsuits over redevelopment agencies and federal court intervention in the state's correctional facilities could all force the state budget into deficits.

Clearly, the largest and most controversial provision of the governor's budget remains his attempt to reform education finance through the Local Control Funding Formula (LCFF). Since the release of the January Budget Proposal, education stakeholders have reviewed, analyzed, debated and advocated for different iterations of LCFF. There have been various concerns

regarding the restoration of past cuts, the impact of new accountability provisions and the need for a concentration grant. Recently, both the Assembly and the Senate introduced legislative vehicles in an effort to have a policy discussion regarding the governor's proposal. The Assembly has placed the governor's trailer bill language into AB 88 (Buchanan) and the Senate introduced SB 69 (Liu) that has some modifications to the governor's proposal and additional accountability provisions.

The ongoing concern regarding the governor's approach has been the lack of resources dedicated to the base grant for school districts or the attempt to restore all districts to pre 2007-08 funding levels. Many have voiced concern regarding the concentration grant and suggested its elimination (the concentration grant is eliminated in SB 69). The governor has countered with a strong statement in his May Revision stating, "... any money redirected from the concentration grant will not produce as significant a benefit when spread out across all schools as it would if it remained concentrated with those districts that need it most." The governor has clearly articulated where he stands on his proposal and appears to be challenging those who disagree.

The politics of the budget are always intriguing and this year is no different. Neither the Senate nor the Assembly has demonstrated that they are collaborating to address or respond to the governor's budget proposal. Each house has taken different approaches to address education finance reform, neither of which is consistent with the governor. Further, Assembly Speaker Perez released his [blueprint for the state budget](#). The Speaker noted that an agreement can be reached on targeting funding for low income students and English learners but there needs to be a global approach to serving children in poverty including increasing resources for early education and development programs. The Speaker also stated that all districts must benefit from the economic recovery and that restoring districts to pre-recessionary levels was a top priority.

The next 30 days leading to the adoption of the state budget by June 15<sup>th</sup> will be a fast paced process with many different rumors and proposals arising before the final adoption takes place. Every education stakeholder will advocate for their point of view and attempt to sway the Legislature. It is more likely that the governor will push to pursue something within the budget process because that is where his leverage lies. However, the Legislature will continue to pursue the policy process in an effort to give stakeholders a public forum to voice concerns or support.

As things progress throughout this budget process, ACSA will keep you updated on the various changes that occur as well as ACSA's position. For any questions, please contact Adonai Mack at [amack@acsa.org](mailto:amack@acsa.org).