



## State Budget 2014-15 – Governor’s Proposal

January 9, 2014

*Below please find a short budget summary based on the release of the governor’s proposed budget today. CFT will be working over the next few weeks to obtain more detail and follow-up reports will be forthcoming.*

### State budget overview

For the second year in a row the passage of Proposition 30 has enabled reinvestment in education and other critical services across California. With the state projecting a budget surplus and a proposed increase of \$6.3 billion in Proposition 98 funding our schools will be in better fiscal shape than in recent years. Despite this success and positive movement forward, we will continue to need to advocate for additional revenue sources for our schools including the renewal of Prop. 30 in coming years, since this budget is but a step toward adequacy.

### Proposition 98

The budget includes Proposition 98 funding of \$61.6 billion for 2014-15, an increase of \$6.3 billion over the 2013-14 Budget Act. When combined with increases of \$3.4 billion in 2012-13 and 2013-14, **the budget proposes a \$9.7 billion investment in K-14 education.**

In addition the governor is proposing a constitutional amendment to strengthen the state “rainy day fund.” A component of this amendment is the creation of a Proposition 98 reserve designed to smooth school spending and prevent cuts. The reserve as proposed would make no changes to the guaranteed level of funding for schools under Proposition 98.

### EARLY CHILDHOOD

- The governor’s proposal includes a demonstration pilot to improve outcomes for CalWORKs families by providing by providing licensed subsidized child care and other services.

#### **In addition the budget proposes:**

- **Stage 2:** An increase of \$6.3 million non-Proposition 98 General Fund in 2014-15 to reflect an increase in the cost-per-case of eligible CalWORKs Stage 2 beneficiaries and a slight decrease in the number of cases.
- **Stage 3:** An increase of \$2.8 million non-Proposition 98 General Fund in 2014-15 to reflect an increase in the cost-per-case of eligible CalWORKs Stage 3 beneficiaries and a decrease in the number of cases.
- **Child Care and Development Funds:** A net decrease of \$9.1 million federal funds in 2014-15 to reflect a reduction of available carryover funds (\$3.2 million), and a decrease of \$5.9 million to the base grant. Total federal funding is \$555.6 million.

## K-12 EDUCATION

### For K-12 schools, the governor's proposal includes the following:

- Total per pupil expenditures from all sources are projected to be \$11,985 in 2013-14 and \$12,833 in 2014-15, *including funds provided for prior year settle-up obligations*.
- Ongoing K-12 Proposition 98 per pupil expenditures in the budget are \$9,194 in 2014-15, up significantly from the \$8,469 per pupil provided in 2013-14, and the \$7,006 provided in 2011-12.
- Repayment of approximately \$6.4 billion in remaining K-14 deferred payments.

### Local Control Funding Formula

- The budget provides a second-year investment of \$4.5 billion in the LCFF, an average increase of 10.9 percent per pupil and enough to eliminate more than 28 percent of the remaining funding gap.
- The budget also provides an increase of \$25.9 million for county offices of education LCFF in 2014-15.
- \$33.3 million to support a 0.86 percent COLA for categorical programs that remain outside of LCFF.
- The Administration also proposes legislation to create a continuous appropriation for LCFF funding.

### K-12 facilities

- As part of the 2014 Five-Year Infrastructure Plan, the governor proposes to continue a dialog on the future of school facilities funding.
- The governor's proposed budget however does include the following proposals totaling an investment in school facilities of nearly \$400 million:
  - Transfer of **\$211 million** of remaining School Facility Program bond authority from specialized programs to core new construction and modernization programs.
  - **\$188.1 million** of one-time Proposition 98 General Fund to the Emergency Repair Program.

### Common Core/Student assessment

- The 2013-14 Budget Act provided \$1.25 billion in one-time Proposition 98 General Fund to support the implementation of the Common Core state standards.
- The 2014-15 budget proposes an increase of \$46.5 million in Proposition 98 General Fund to implement AB 484, which established a revised student assessment system aligned to the new state standards.

### Proposition 39: Energy efficiency investments

- The budget proposes to allocate the \$363 million of energy efficiency funds available in 2014-15 as follows:
  - \$316 million and \$39 million to K-12 school and community college districts, respectively, for energy efficiency project grants.
  - \$5 million to the California Conservation Corps for continued technical assistance to K-12 school districts.
  - \$3 million to the Workforce Investment Board for continued implementation of the job training program.

## HIGHER EDUCATION

- Overall the budget proposes total funding of \$26.3 billion, reflecting an increase of \$1.1 billion, or 4.2 percent, above 2013-14. Within these resources, the budget includes funding of \$14.5 billion in General Fund and Proposition 98-related sources.
- The breakdown of total funding (including General Fund) for the three systems, UC, CSU, and CCC, is as follows:

	<b>Funding (in millions)</b>	<b>Percent change from 2013-14</b>
University of California	\$7,011.9 million	1.6 percent
California State University	\$5,743.1 million	4.1 percent
Community Colleges	\$11,556.3 million	4.5 percent

### Incentive program

- The budget allocates \$50 million for a higher education innovations incentive award program for UC, CSU, and CCC.
- The budget summary states, “These incentive awards will recognize models of innovation in higher education that: (1) significantly increase the number of individuals in the state who earn bachelor’s degrees, (2) allow students to earn bachelor’s degrees that can be completed within four years of enrollment in higher education, and (3) ease transfer through the state’s education system, including by recognizing learning that has occurred across the state’s education segments or elsewhere.”

### California Community Colleges

- State funding investment (General Fund only) for community colleges represents an increase of 11.4 percent by 2014-15, according to Department of Finance. The budget expands community colleges’ recent efforts to improve student success, with a particular focus on achievement in underrepresented student groups.
- Key budget proposals for the CCC include:
  - 0.86 percent cost-of-living adjustment (\$48.5 million)
  - \$592.4 million to eliminate remaining deferrals
  - 3 percent enrollment growth/restoration (\$155.2 million), with a direction to the Board of Governors to adopt a growth formula that “gives first priority to districts identified as having the greatest unmet need in adequately serving their community’s higher-educational needs.”
  - \$100 million augmentation for continued expansion of the Student Success and Support Program
  - \$100 million to close achievement gaps in underrepresented student groups and to better coordinate delivery of existing categorical programs
  - \$87.5 million in one-time funds for scheduled maintenance
  - \$87.5 million in one-time funds for instructional equipment
  - \$1.1 million for additional staffing for the Chancellor’s Office
  - \$2.5 million for local technical assistance

### University of California and California State University

Given the growth in state revenues, the 2013-14 budget provided a \$125.1 million General Fund increase to both UC and CSU (the first year installment of a 4-year commitment). However, those increases are conditioned upon the two systems holding tuition flat at 2011-12 levels through 2016-17: \$12,192 for UC and \$5,472 for CSU. This year the governor proposes an *ongoing* increase of \$142.2 million in General Fund support, again with the notion that the increase should obviate the need for CSU to raise student tuition and fees.

In his proposed budget, the governor rebuffed the UC and CSU proposed budgets that called for increases in state funding of 10 percent, opting for more constraint and arguing that the state just emerged from the Great Recession of 2008.

## **ADULT EDUCATION**

The 2013 Budget Act provided \$25 million Proposition 98 General Fund for two-year planning and implementation grants to regional consortia of community college districts and K-12 districts, \$15.1 million Proposition 98 General Fund Reversion for the Adults in Correctional Facilities program, and required K-12 districts to maintain the 2012-13 level of adult education and career technical education programs in 2013-14 and 2014-15. Adult education consortia plans are slated to be completed by early 2015, and in its budget proposal, the Brown Administration states its intention to make an investment in the 2015-16 budget for adult education, including adult education provided in county jails, through a single restricted categorical program.

The Administration vows to “continue to work jointly with the State Department of Education and the California Community Colleges Chancellor’s Office to complete the adult education consortia plans, while working with the Legislature to ensure that any legislation pertaining to adult education aligns with and supports the planning process currently underway, and provides consistent guidance to the K-12 and community college districts.”

***This report is the product of collaboration between the CFT Legislative and Research Departments.***

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