

### May Revision 2013-14

Governor Brown released a very cautious revision to his January budget proposal—citing concerns that the increased state revenues might reflect a one-time boon. The education funding guarantee, Proposition 98, increases by \$2.9 billion in the current year. Because of his almost pessimistic view, he allocates much of the increase to one-time uses. His advisors believe that the guarantee will drop \$941 million in the 2013-14 budget year. Interestingly, the Legislative Analyst takes issue with the governor’s revenue estimates and forecasts \$3.2 billion more than the administration for 2011-12, 2012-13 and 2013-14. Despite the higher revenue projection, the LAO also recommends caution on the part of the legislature and advocates for an alternative interpretation of the Proposition 98 maintenance factor—which would allow the legislature to fund Proposition 98 at a lower rate than otherwise required.

As in the January budget, the governor targets significant funding to pay down prior year deferrals to both K-12 and community college funding—money that eases district cash flow problems, but does not allow for program restoration. The May Revision calls for a two year total of \$16.8 billion towards paying down the “wall of debt,” leaving only \$5.5 billion in outstanding deferrals at the end of 2013-14.

Both the Assembly and the Senate have budget bills that differ from the governor’s as well as each other—all of which will have to be worked out in a conference committee before June 15—if they are to meet the Prop 25 imposed deadline for submission of a budget to the governor. Both the Assembly and the Senate call for spending above the administration’s level—potentially good news for schools and colleges—if the governor will sign a budget that spends more.

#### Child Care and Development

The May Revision has a slight increase in the number of slots for state preschools because of population growth in ages 0-4, but does not reinstate previous cuts nor provide a cost-of-living increase. There are minor adjustments in CalWORKs to account for changes in eligibility for Stage 2 and Stage 3 families. The **Assembly** would direct new resources toward child development.

#### K-12 Education

- **Local Control Formula Funding**—the governor holds fast to his proposal to shift additional education resources to English learners and students from low-income families. He increases funding over the January proposal by \$240 million bringing the total to fund the LCFF to \$1.9 billion. His proposal for a base grant for all students adjusted by grade levels is unchanged as well as his 35% increase for targeted students (ELs and students eligible for free and reduced price lunches). Districts with more than 50 percent targeted students would also receive an additional 35% for each student over 50 percent as a concentration grant. The governor characterized this as distributing each new dollar in K-12 funding as 80 cents toward the base grants, 16 cents toward supplemental grants and 4 cents toward concentration grants. The May Revision states “the vast majority of schools will benefit from additional resources...” It also promises that no school receives less funding than it did during the 2012-13 year. The target base grant is the average, undeficitated 2012-13 revenue limit. The governor expects to reach the target levels by 2019-20. In the meantime, the target base

would grow by COLA—but the COLA would not be immediately received by all districts. The funding level proposed by the governor would move districts about 12 percent closer to their target, but depending on their distance from the target, different districts would see very different levels of funding in the budget year.

The biggest change in the LCFF proposal from the governor is in the area of Accountability—the May Revision sets up a system similar to what is in place for district budgets—and would give the County Superintendent, FCMAT and the State Superintendent authority over a district’s academic progress as well as tracking whether or not the targeted funds were spent on the students who generated those funds.

The **Senate** version of the LCFF would do away with the concentration grant in order to increase the base grant and raise the supplemental grant factor to 40 percent. It would not begin the new funding system until 2014-15. The **Assembly** sets the target base grant at the national average level of per student funding and would also establish an “Economic Recovery Target” for all schools to restore lost categorical funding as well as past inflation adjustments. The supplemental and concentration grants would be set based on “the best available research.”

- **Common Core Implementation**—the May Revision would appropriate \$1 billion in one-time funds for use in the implementation of Common Core State Standards—providing funding that could be used in 2013-14 or 2014-15 for staff development, technology and instructional materials. Estimates of the statewide cost to implement CCSS range from \$2-3 billion.

### County Offices of Education

- **LCFF**—the May Revision does not change the governor’s proposal for funding COEs with a targeted funding method similar to K-12 districts. There would still be two distinct funding streams—per ADA funding for community schools and juvenile court schools and unrestricted funding for general county office operations, based on the number of school districts in their county and the total ADA within the county.

### Community College

- **COLA, Growth and Student Support**—instead of the \$196 million unallocated increase proposed in January—the May Revision calls for COLA at \$87.5 million (1.57% revised from earlier estimate of 1.65%) , enrollment growth of \$89.4 million (1.5%) and an additional \$50 million for Student Success (totaling \$99 million in new funding for the program formerly known as Matriculation).
- **Weighted Census and Unit Cap**—the May Revision does away with January proposals that would have moved the census date to later and implemented a 90-unit cap on state-subsidized units.
- **Online Course Expansion**—keeps \$16.9 million in the budget to increase number of courses that have high demand, fill quickly and are prerequisites for many degrees.

The **Senate** would provide funding for some categorical programs (EOPS, DSPS, CalWORKs, Part-time Faculty Office Hours and Health Insurance, CARE, Academic Senate and Financial Aid Administration as well as one-time funding for maintenance, instructional equipment and professional development. Overall, the Senate approved \$30 million more in one-time funding as well as \$61 million in ongoing funding than in the May Revision.

The **Assembly** would appropriate above both the Senate and the governor in the 2013-14 budget—increasing growth funding to 2.2% (\$122.4 million). The Assembly also puts \$160 million toward categorical funding, restoring many to their 2007-08 levels (including all of the part-time faculty programs)

### **Adult Education**

- **Consolidation of all Adult Education in Community Colleges**—the governor rescinded his January proposal and instead calls for a two-year period for community colleges, K-12 schools and county offices of education to create consortia that would find the best ways to deliver adult education programs in their regional areas. The May Revision calls for \$30 million in planning grants. It also promises \$500 million in 2015-16 for adult education programs and would require that \$350 million of that funding go to existing adult education providers who have maintained an adult education program.

The **Senate** approved the proposed \$30 million in planning grants, while the **Assembly** takes a very different approach. Their proposal removes adult education funding out of the LCFF and provides that in 2013-14 local educational agencies receiving adult education funding continue to receive the same level of funding and requires that they maintain 2012-13 spending level for those programs. Beginning in 2014-15, the Assembly would restore both program requirements and funding to pre-flexibility levels.

### **University of California**

- **Multi-year Stable Funding Plan**—the plan calls for a 20 percent increase in General Fund appropriations (about \$511 million) over a four-year period.
- **Freeze on student tuition**—in order that “universities stay affordable for students and their families”, the May Revision calls for a freeze on tuition until 2016-17.
- **Cap on state-subsidized units**—the January proposal to cap units has been withdrawn, but the administration will still focus on alternative incentives to increase cost-effectiveness.