

The 2013-14 Governor’s Proposed Budget

Thanks to the passage of Proposition 30 and a slowly recovering economy, the governor is able to propose a budget that does not require additional cuts. Previous deep cuts in health and human services are not restored; most new funding is dedicated to education as an “investment in California’s future.” For both K-12 and community colleges about half of the new funding would address the “wall of debt”—paying down deferred payments (\$1.9 billion) which will ease district cash flow issues, but not restore programs.

The rest of the new funding is dedicated in K-12 to implement a very different funding mechanism that targets most of the new dollars to students who are from impoverished families, English learners or foster youth. Floated last year as the “weighted student formula”, it resurfaces with some refinements and is now called the “Local Control Funding Formula”. Community colleges also see new funding, but its use is left up to the discretion of the Chancellor’s office—growth? restoration? new programs? New funding—but many questions remain—especially for bargaining teams whose units haven’t seen any salary increases, whose salary has been cut and/or whose members have been laid off in significant numbers.

Proposition 39 also provides new income to the state; the governor chooses to add the funds to Proposition 98 and uses the new funding to support energy efficient projects in California schools and community colleges. Questions abound about the legality of this action as well as whether or not schools and colleges are the best target for the new funding.

But, as you know, this is only the beginning of the budget process...the Legislative Analyst will weigh in in February with an analysis, legislative committees will meet and hear arguments both for and against the proposals, the governor will have an opportunity to revise his proposals with the May Revision before the legislature presents a budget in June. The governor will then have the opportunity to delete specific items (blue-pencil) before signing the budget. It is likely that we will have an on-time budget (June 30) both because of the two-thirds majority in both houses as well as the need for only a majority vote to pass a budget.

Child Care and Development

	2013-14 Proposed Budget	Notes
COLA	Statutory COLA is 1.65%, but no COLA is proposed for Child Care and Development programs	
CalWORKs	Overall, \$6.6 million decrease Stage 2 is decreased by \$21 million to reflect a decline in number of eligible families Stage 3 is increased by \$24.2 million to reflect a transfer of about 6,000 children from Stage 2 to Stage 3	Reflects removal of one-time 2012-13 federal funds (\$20.7 million), an increase of \$16.8 million in one-time carryover funds and a \$5.9 million decrease in base grant funds

State Preschool	Funding is cut by .005 to adjust for slightly negative statutory growth
Reform	Governor wants to convene a stakeholder group to discuss opportunities to “streamline” current childcare structure

K–12 Education

	2013-14 Proposed Budget	Notes
COLA and Deficit	Statutory COLA is 1.65% but, under new funding proposal, is applied to only a few categorical programs Current deficit factor is 22.272%	Governor’s proposal for new funding stream incorporates COLA but does not guarantee that each district receives that increase—see LCFF below
Local Control Funding Formula (LCFF) formerly Weighted Student Formula (WSF) \$1.6 billion increase	Creates a new base per student amount. Additional funding (supplemental grant) is added for students who are English learners, eligible for free, reduced price lunches, and/or foster children (unduplicated) as well as a concentration grant when the number of those students is above 50%. LCFF also proposes differentiated funding for grade levels, incorporating CSR funding into the K-3 span and career technical funding into the 9-12 span. Under the proposal, districts’ current base revenue limit and categorical funding would be added together and compared with their proposed new funding level that takes into account needy students as above. Districts whose current funding is furthest away from their LCFF target would receive more of the new funding than districts closer to their targets. Implementation is expected to take seven years	Note that if LCFF is implemented as proposed, some current terms will become obsolete—revenue limit, deficit factor. All are incorporated into the new formula, but will no longer exist as individual factors. Be very careful if you are working on a formula as we do not know whether we will be working in a new environment (LCFF) or in the complicated, but more familiar arena (revenue limits and categoricals). School Services recommends that districts use current law in preparing their second interim reports (including a 1.65% COLA), but districts will follow direction from their County Office of Education.
Categorical Funding	LCFF collapses almost all categorical funding into the base grant and does away with reporting requirements. Exempts some categorical programs because of funding source—Special Education, American Indian programs and Child Nutrition which are recommended to receive a 1.65% COLA. Two other programs—Targeted Instruction Improvement Grant (TIIG) and Home to School Transportation—would remain outside the new LCF, funded at current levels as an add-on to the districts currently receiving these funds without future growth or COLAs	Transportation funding is critically important to some districts, especially large, rural districts. Look to see if part of the ending balance is dedicated in case transportation funds were completely removed. Classified locals should keep watch on funding for maintenance—the LCFF proposes eliminating the district’s contribution for deferred maintenance as well as the requirement to spend a specific percentage on routine restricted maintenance.
Facilities	No bond authority remains at the state level to fund new construction and modernization programs and no new state bond has been proposed	The governor suggests that “future K-12 facilities funding needs must be considered in the context of other competing education and non-education priorities and needs”. Currently state funds have been available outside of operational funding.

<p>Accountability</p>	<p>The governor recommends that program decisions are best made at the local level. He proposes that each district prepare a District Plan for Student Achievement aligned with the district budget. The focus would be on educational outcomes and be aligned with “basic conditions for student achievement (qualified teachers, sufficient instructional materials, school facilities in good repair), programs that benefit low-income students and English language learners, and implementation of Common Core content standards and progress toward college and career readiness...”</p>	<p>Federal accountability requirements remain in place as well as academic performance requirements.</p> <p>The governor uses the word “subsidiarity—letting problems be solved closest to where they exist...giving the most authority to solve those problems at that closest level beginning in the classroom.”</p>
<p>Technology-Based Instruction</p>	<p>The budget proposes changing the current requirement that online instructional courses be provided under the immediate supervision of a teacher. Asynchronous online courses are recommended to remove impediments to greater flexibility, using a new independent student contract focused on measurable student outcomes and teacher validation of those outcomes to determine whether or not schools receive funding for these courses</p>	
<p>Mandates</p>	<p>Increases the current \$28/ADA block grant to \$47/ADA to cover the inclusion of two additional mandates—Behavioral Intervention Plan and Graduation Requirements</p>	<p>Districts could still choose to file specific claims but there is no additional funding proposed in the budget</p>
<p>Basic Aid Districts</p>	<p>Basic Aid districts would be treated the same way as revenue limit districts under the LCFF, comparing their current level of funding with their target level. Basic Aid districts would still be defined as districts whose local property taxes equal or exceed their district’s formula allocation. These districts would continue to retain local property taxes in excess of their new formula allocation</p>	<p>The governor proposes a ‘hold harmless’ position where more affluent districts (basic aid or not) do not lose funding, but would not receive as large a share of new Proposition 98 funding as districts further away from their target funding level</p>
<p>Charter Schools</p>	<p>Charter schools are included in the governor’s proposed LCFF and would have a target level of funding that grows more or less quickly depending on how far they are from their target funding level.</p> <p>The proposed budget shifts funding for charter school facilities to the California School Finance Authority in order to improve efficiency and streamline funding. Non-classroom based charter schools will have their funding determination process modified unless they are found to be out of compliance. Non-classroom based charter schools will be eligible for the Charter Schools Facilities Grant Program. The budget proposes to extend the 2012-13 requirement that districts first offer</p>	

	surplus property and facilities to charter schools before selling them to other entities.	
Special Education	Proposes to separate federal funding from state special education funding in order to remove unnecessary complications and help equalize funding among special education local area plans (SELPAs)	Special Education is one of the few programs with a proposed COLA of 1.65% as well as ADA growth funding
	The budget continues the funding for Mental Health services	Funding is distributed to individual districts by each SELPA's governing body
Energy Efficiency	Includes new funding (\$400.5 million) from Proposition 39 in the Proposition 98 calculation and proposes to direct all the new funding to schools and colleges in the budget year and the next four years	The resulting savings in utility costs will "assist schools and community colleges in recovering from budgetary reductions implemented over the past five years."
County Offices of Education	<p>The budget proposes a new funding stream for COEs similar to the LCFF for districts supported by an increase of \$28.2 million. The two-part formula would include per-ADA funding to support students in community schools and juvenile court schools. In addition, counties would receive unrestricted funding to cover operations, based on the number of districts served and the total ADA in the county.</p> <p>County office base grants would be subject to increases for serving students from low income families, English learners and foster students similar to what districts receive under the LCFF</p>	Of particular concern is what will happen to ROC/P programs under the LCFF and new COE configuration. The current proposal calls for a "hold harmless" situation for COEs similar to K-12 districts, this may be a way to push COEs into keeping these programs

Adult Education

	2013-14 Proposed Budget	Notes
Move Adult Education to Community Colleges	<p>The governor proposes to move all adult education to community colleges in order to address an "inefficient and redundant system that is not always structured in the best interest of adult learners."</p> <p>The budget would allow K-12 districts currently receiving flexed Adult Education funding to keep those funds with their LCFF base grant and would use new Proposition 98 funding to provide \$300 million to community colleges. Funding would be allocated from a new adult education block grant based on the number of students served. "Colleges would be encouraged to leverage the capacity and expertise currently available at K-12 district adult schools."</p>	Many districts still providing Adult Education are preparing for lay-offs in anticipation of the transfer of services.

Apprenticeship	Apprenticeship programs would also be transferred to community colleges under the governor's budget proposal. \$15.7 million would be shifted to the community college budget
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Community College

	2013-14 Proposed Budget	Notes
COLA and growth	While community college funding grows in the budget proposal, there is no specific COLA or growth funding. See below	Statutory COLA is 1.65%
Apportionments	The budget calls for an increase of \$196.9 million to base apportionments. The Chancellor's office is directed to allocate funding to districts but it is not necessarily targeted to COLA or growth	This represents a 3.6% increase in general purpose funding
Deferrals	The governor uses half of the community college share of new Proposition 98 funding to pay down \$179 million in deferred funding	Depending on your district's cash flow issues, there may be savings in borrowing costs
Property Tax Adjustment	Proposes an increase of \$133.2 million in 2013-14 to reflect reduced property tax estimates. In addition \$47.8 million is included to offset lower-than-anticipated property tax revenues from the elimination of redevelopment agencies	
Clean Energy Projects	Similar to K-12, the governor proposes to use the funding from Proposition 39 to support \$49.5 million of new clean energy projects that will reduce current utility requirements and expand the use of renewable energy sources	Colleges may use the funds to expand career technical education training and on-the-job work experience training in partnership with the California Conservation Corps and participating community conservation corps programs.
Technology and online courses	\$16.9 million to increase the number of courses available to matriculated undergraduates. The focus is to be on courses that have the highest demand, fill quickly and are prerequisites for many different degrees. As proposed, the plan calls for a 'virtual campus' to increase statewide student access to 250 new courses delivered through technology, the creation of a single, common and centralized delivery and support infrastructure and the expansion of options for students to access instruction in other environments and earn college credit for demonstrated knowledge and skills by exam	

Census Accounting Reforms	The budget proposes to change state funding to correspond with completion at the end of the term rather than the current census date. Savings will not revert to the state, but will remain at the college to build higher apportionment rates for students who complete courses and for student support services
Board of Governor's Fee Waivers	Would require students applying for a BOG waiver to complete the Free Application for Federal Student Aid and include both parent and student income
Cap on state-supported units	The budget proposes to place a cap on units covered by apportionment funding. After taking 90 semester units, students would be required to pay the full cost of instruction. Colleges could grant case-by-case waivers, but they would not receive state funding for these units
Adult Education and Apprenticeship Programs	<p>The governor proposes to transfer responsibility for current K-12 Adult Education and Apprenticeship Programs to the community college in order to improve coordination at the regional and statewide levels. The governor believes that community colleges are "better positioned to address the needs of adult learners because that is their core function."</p> <p>Funding would be allocated from a new block grant (\$315.7 million) based on the number of students served and only for core instructional areas such as vocational education, English as a Second Language, elementary and secondary education and citizenship. If colleges offer non-mission courses, students will be required to pay the full cost of instruction.</p>

University of California

	2013-14 Proposed Budget	Notes
General Fund Increase	An ongoing increase of \$125.1 million for core instructional costs, including \$10 million to increase the number of courses available to matriculated undergraduates through the use of technology.	This funding is in addition to the \$125 million received in 2012-13 and "should obviate the need for UC to increase student tuition and fees."
Debt Service Costs	The budget proposes to shift debt service appropriations for capital improvement projects into the UC budget so that the costs will be factored into the university's overall fiscal outlook. New capital expenditures will be subject to approval by the Administration	
Student Incentives	In order to shorten students' time-to-degree, reduce costs and increase access	

to courses for other students, the governor calls for a cap on the number of units students can accrue. To begin with, the cap for UC students would be 150 percent of the standard units needed to complete most degrees—270 quarter units. In later years, students would be limited to 225 units at UC. If students exceed the cap, they would be required to pay the full cost of instruction. UC may extend waivers, but the state would not reimburse the university for these costs.

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