



May revision analysis

May 15, 2007

Under the May revision of the state budget released by Gov. Arnold Schwarzenegger on May 14, total general fund spending would increase by \$1.5 billion (1.5 percent) to \$103.8 billion in 2007-08. Spending would still outpace revenues by \$2.5 billion, but the reserve from prior years is large enough to enable 2007-08 to end with a positive balance of \$2.2 billion, according to the administration's projections.

The May revision contains few surprises for K-12 education and is mostly good news, although there are a few troublesome aspects. A slight increase in general fund revenues has resulted in increases to the Proposition 98 guarantee for 2006-07 and 2007-08. Total K-12 funding would now be \$66.6 billion in 2007-08. These increases, combined with a small savings from lower than budgeted average daily attendance and other program savings, have freed up dollars that the governor proposes for the following purposes:

Cost-of-living adjustment—the statutory COLA is 4.53 percent, rather than the 4.04 percent that was included in the January budget proposal. This will cost an additional \$226.8 million to fully fund the COLA for revenue limits and categorical programs.

Special education—the May revision provides increases of \$35.9 million (Proposition 98) and \$7.6 million (federal funds) over the January budget for revised estimates for local property tax and ADA growth. (As noted later, the May revision does not address the “bifurcated” COLA.)

Career technical education counselors—the May revision adds \$25 million to increase the number of high school counselors that specialize in career technical education. The administration proposes minimum grants of \$45,000 per high school under a priority distribution methodology that recognizes schools with the highest need based on the numbers of CTE enrollments, career path options and CTE course sections. This is an expansion of the \$200 million counselor program that was included in the current year budget, and these new funds are intended to supplement, not supplant, existing counseling resources.

Career technical education equipment—the May revision provides \$100 million in one-time funding for CTE equipment to be split evenly between K-12 and community colleges. This is in addition to the \$80 million for this purpose that was provided in the current year. Eligible K-12 entities include school districts, adult education programs, regional occupational centers and programs, charter schools, and county offices of education.

Making school meals healthy—the May revision proposes several augmentations in this area:

- \$11.1 million (Proposition 98) to permanently establish the California Fresh Start Program.
- \$24.9 million (Proposition 98) for a 4.7-cent increase in the meal rate for the school nutrition program, contingent on legislation that would provide incentives to schools that switch to lower fat cooking methods and reducing trans fats.

- \$4.4 million (one-time) for school breakfast startup grants. This would bring total funding to \$5.4 million and would fund 501 grants of up to \$15,000 per school site (\$4 million was provided in the current year for this purpose).
- \$8.5 million for county offices of education to provide educational services and technical assistance to schools to ensure that new nutritional standards are being met.

Providing online, user-friendly information on schools—The May revision proposes \$300,000 for the Fiscal Crisis and Management Assistance Team to coordinate a working group to develop criteria and definitions within the state’s Standardized Account Code Structure for the purpose of tracking district revenues and expenditures at the school-site level. This is in addition to \$167,000 that the administration provided in a budget letter in April to develop and administer the Governor’s Office of Education Transparency Web site. According to the May revision, the Web site “will present data in a fashion that is simple and intuitive. The intended audience for this effort is not the researcher or the seasoned professional, but parents or members of the general public who have basic questions about local schools. Specifically, the Web site will allow parents and others to compare and contrast data such as enrollment, test scores, course offerings, student/teacher ratios and some district-level financial information on per-pupil expenditures.”

Expanding preschool—The May revision provides \$50 million for the second phase of a three-year initiative to expand preschool opportunities for 4-year-olds residing in attendance areas of schools ranked in the lowest three deciles of the 2005 Academic Performance Index.

Student data systems—the May revision provides \$65 million (one-time) to support efforts to implement the California Longitudinal Pupil Achievement Data System and the California Longitudinal Teacher Integrated Data Education System. This is in addition to \$3.6 million that was proposed in the January budget for these purposes. Funds would be distributed by FCMAT to districts based on FCMAT’s assessment of each district’s training and other pre-implementation needs.

School safety—the May revision includes three proposals in this area:

- \$100 million (one-time) for a block grant for a three-year pilot program to enhance school safety. Funds would be distributed to county offices of education via a competitive grant process. The COEs would then partner with schools for a variety of one-time activities, such as training for safe-school trainers; developing emergency notification systems; and identifying best practices for prevention/mitigation, preparedness, response and recovery.
- \$9 million for COEs to hire approximately 120 school resource officers to serve schools in jurisdictions where gang violence is prevalent. COEs would be expected to provide a 25 percent local match.
- \$2 million for a “Summer of Safety” program to provide teens in neighborhoods with gang violence summer enrichment programs to reduce their exposure to high-risk behaviors. Funds would be allocated to a county office of education to collaborate with experienced community-based organizations that serve youth ages 11-18.

Teachers—the May revision contains a number of proposals related to the quality and quantity of teachers:

- \$50 million for grants to school districts to hire more than 1,000 new CTE teachers. The minimum grant would be \$45,000 per high school, and grants would be allocated to “the neediest” schools that would be identified pursuant to a methodology to be developed by the state Department of Education, the administration and the legislative analyst.
- \$50 million to fund grants for school districts to hire additional teachers of college preparatory courses (a-g courses). The minimum grant would be \$45,000 per high school and would be allocated to schools based on the percentage of total courses offered that qualify as a-g courses and the percentage of such courses taught by fully qualified teachers in those subjects.
- \$2 million (for a total of \$12 million) for the EnCorps program proposed in January to recruit retired professionals into science and math teaching positions.
- \$7.5 million for incentives for teachers to become credentialed in science and math.
- \$2 million for a grant program to plan an alternative teacher salary schedule based on criteria in addition to years of training and experience.
- \$3 million for Personnel Management Assistance Teams to provide technical assistance to school districts in establishing and maintaining effective personnel management, recruitment and hiring practices.
- \$2.5 million to expand the Administrator Training Program.

English learner materials—the May revision provides \$20 million for supplemental instructional materials for English learners. Funds would be available for after-school and summer school programs.

California High School Exit Exam support—the May revision contains \$8.5 million for county offices of education to provide school districts with instructional assistance to help students pass the CAHSEE.

Supplemental instruction—the May revision contains \$48.1 million (one-time) to cover 2005-06 and 2006-07 funding deficits in supplemental instruction programs.

Property tax collections—the May revision provides \$2 million for FCMAT to audit property tax revenues to determine why the growth rate in property tax revenues reported by districts and community colleges is lower than the growth rate reported by county tax assessors.

Other issues

In January, the administration proposed to shift funding for home-to-school transportation from Proposition 98 to the state’s Public Transportation Account and reduce the Proposition 98 guarantee by \$627 million. CSBA and the Education Coalition strongly opposed this proposal, especially because of the “rebenching” of Proposition 98.

Now, the administration proposes to continue funding home-to-school transportation from Proposition 98 and then use the PTA to reimburse the state general fund. In this way, the administration would get the general fund relief it seeks without affecting the Proposition 98 guarantee.

The May revision continues to propose the \$269 million CalWorks child care shift to Proposition 98, and the Legislature is almost certain to approve that shift.

The governor has asked the Legislature to consider selling a long-term license to operate the state lottery on the theory that a private contractor would generate more lottery sales and revenues. He believes that it could result in a one-time windfall of billions of dollars for the state's general fund. However, these dollars are not included in his May revision budget numbers.

In support of this proposal, the governor notes that California's lottery "substantially underperforms" the lottery of other states. An interesting question, however, is whether other states have expanded American Indian casinos as aggressively as California has. The expansion of this casino gaming in California could have diminished the ability of the lottery to experience the growth seen in other states.

The May revision fails to address several of CSBA's high-priority issues, including declining enrollment, mandate reimbursement and funding the "bifurcated" special education COLA.

Many of the new and expanded programs in the May revision would be funded through county offices of education instead of directly through districts. It is worth noting that in some instances, the COEs may not have the capacity to administer the proposed programs.

The May revision also contains Proposition 98 funding for some programs that appear—based on the administration's descriptions—to be state operations rather than local assistance. Since Proposition 98 dollars can be used only for local assistance and not state operations, this would appear to be a violation of the California Constitution.