



EDUCATION PRIORITIES

JANUARY 2013

California School Boards Association

2013-14 Governor's Budget Summary

Governor Jerry Brown released his 2013-14 State Budget Proposal on January 10, 2013, in Sacramento.

Background

The 2013-14 proposed budget represents Governor Brown's third budget in his current term. His budget proposes \$98.5 billion in general fund expenditures and transfers which includes Proposition 98 funding at \$56.2 billion (K-14). This is 3.3 percent increase from revised current year.

The Governor's budget projects the state deficit is over, the budget is balanced, and includes a \$1 billion reserve.

For K-12 schools, the proposal includes a per pupil amount from all funds of \$11,742. Ongoing Proposition 98 per-pupil expenditures are estimated at \$8,304, an increase of over \$300 per pupil from 2012-13 level of \$7,967. The budget proposes to fund growth in average daily attendance (ADA) in 2012-13 and 2013-14.

Proposition 98 funding for K-14 is \$2.7 billion more than the revised 2012-13 amount. However, the total amount available for additional spending in 2013-14 is \$4.9 billion, as some money would be freed up from the current-year deferral pay-down and from the November voter-approved Proposition 39, the Income Tax Increase for Multistate Businesses Initiative. For K-12, the governor would use:

- \$1.8 billion to pay down additional state apportionment deferrals;
- \$1.6 billion to begin implementing a new "Local Control Funding Formula," a revised version of last year's Weighted Student Formula, which would create a new method of allocating revenue to school districts, charter schools and county offices of education; and
- \$400 million for school energy efficiency projects (pursuant to last year's Proposition 39).

Key elements of the Local Control Funding Formula (LCFF)

Calling the LCFF “fair, right and just,” the governor would begin implementing the new allocation method in 2013-14. The proposal would provide local districts and county offices of education with flexibility and discretion to decide how to budget their funds with the goal of improving student achievement. Flexibility would be provided by permanently eliminating nearly all categorical program requirements. Accountability would be provided by requiring that districts develop a plan for student achievement with their annual budgets. The plans are to describe how programs would serve and improve the achievement of students, including those students in the weighted categories of English learners, low-income students and foster youth.

LCFF allocation methodology: Base, supplemental and concentration grants

As proposed, the LCFF would be comprised of a base grant, grade span adjustments, and supplemental and concentration weights for each district and charter school. A base amount per unit of average daily attendance would target the undeficitated average revenue limit, which is estimated to be \$6816. Variations for grade span levels would be provided for grades K-3, 4-6, 7-8 and 9-12. In addition, a supplemental grant equal to 35 percent of the base grant would be provided for unduplicated student counts of English learners, economically disadvantaged students (based on free and reduced-price meal eligibility), and foster youth. An additional concentration factor would be provided to districts for each English language learner, economically disadvantaged and foster youth above a 50 percent threshold. Student counts would be district-wide.

Included in the proposal is a cap to provide the supplemental and concentration grant funding for English learner students for no more than five years per student.

A 24-to-1 student-to-teacher ratio in grades K-3 is proposed to be the maximum standard upon full implementation of the local control formula; the ratio may be exceeded if agreed to at the local level as part of a locally bargained agreement.

Two add-on amounts would be provided at the K-3 and 9-12 levels. The K-3 add-on would target the current amount of money spent by the state on K-3 Class Size Reduction (CSR) to the K-3 grade level grant. The 9-12 add-on would target the amount of money spent by the state on Career Technical Education (CTE) to the 9-12 grade level grant. There are two reasons for these add-ons: the add-ons allow these specific grade levels to benefit from these dollars instead of spreading them across K-12 and keeping them as separate add-ons prevents them from being counted toward the calculation of the concentration grants.

The grade-level dollar amounts, based on the \$6816, would be:

- K-3 = \$6342 per ADA (CSR add-on = 11.2% or \$710)
- 4-6 = \$6437 per ADA
- 7-8 = \$6628 per ADA
- 9-12 = \$7680 per ADA (CTE add-on = 2.8% or \$215)

The value of the supplemental grant for each unduplicated student who is either English learner (EL), economically disadvantaged students eligible for Free and Reduced Price Lunch (FRPL), or a Foster Youth would be:

- K-3 = \$2220
- 4-6 = \$2253
- 7-8 = \$2320
- 9-12 = \$2688

These amounts are based on each grade level's base grant without the CSR and CTE add-ons. The intent is to provide a Cost of Living Adjustment (COLA) to what districts will receive up to this amount.

Calculating each district's allocation

Allocation amounts would be calculated as follows:

STEP A

$$\begin{array}{r} \text{(K-3 Base Grant + CSR add-on) x K-3 ADA} \\ + \quad 4\text{-6 Base Grant x 4-6 ADA} \\ + \quad 7\text{-8 Base Grant x 7-8 ADA} \\ + \quad (9\text{-12 Base Grant + CTE add-on) x 9-12 ADA} \\ \hline \text{SUBTOTAL A} \end{array}$$

STEP B

The next step would be to calculate the Supplemental Grant for each unduplicated count of EL, FRPL, and students in Foster Care. When the total number of students is 50 percent or less than the total population, each student would generate an additional amount of funds equal to 35 percent of their grade level Base Grant (not including CSR or CTE add-ons).

$$\begin{array}{r} (.35 \times \text{K-3 Base Grant}) \times \text{Count of qualified unduplicated students in K-3} \\ + \quad (.35 \times 4\text{-6 Base Grant}) \times \text{Count of qualified unduplicated students in 4-6} \\ + \quad (.35 \times 7\text{-8 Base Grant}) \times \text{Count of qualified unduplicated students in 7-8} \\ + \quad (.35 \times 9\text{-12 Base Grant}) \times \text{Count of qualified unduplicated students in 9-12} \\ \hline \text{SUBTOTAL B} \end{array}$$

STEP C

In Step C, the Concentration Grant would be calculated for each Supplemental Grant-eligible student above 50 percent of the student population.

$$\begin{array}{l} (.35 \times \text{K-3 Base Grant}) \times \text{Count of qualified unduplicated students in K-3 above 50} \\ \text{percent of student population} \\ + (.35 \times \text{4-6 Base Grant}) \times \text{Count of qualified unduplicated students in 4-6 above 50} \\ \text{percent of student population} \\ + (.35 \times \text{7-8 Base Grant}) \times \text{Count of qualified unduplicated students in 7-8 above 50} \\ \text{percent of student population} \\ + (.35 \times \text{9-12 Base Grant}) \times \text{Count of qualified unduplicated students in 9-12 above 50} \\ \text{percent of student population} \\ \hline \text{SUBTOTAL C} \end{array}$$

STEP D

Add amount received by district in 2012-13 for Home-to-School Transportation and Targeted Instructional Improvement Grant (TIIG) to sum of Subtotal A, B, and C.

NOTE: The proposal calls for COLA to be added annually to the grade level Base Grant amounts (not including the CSR or CTE add-ons).

Accountability provisions via District Plan for Student Achievement

Districts would be required to adopt a District Plan for Student Achievement “concurrent and aligned with” their annual budget and spending plan. The plans would be required to address how districts plan to use funding received through the new formula towards improvement in three main categories, but districts would have discretion in the content of their plan.

The three main categories are:

- Basic conditions for student achievement;
- Programs or instruction that benefits low-income students, English learners and foster youth; and
- Implementation of Common Core State Standards and progress toward college and career readiness as measured by the Academic Performance Index, graduation rates and completion of college preparatory and career technical education courses.

Although the budget proposes to eliminate most programmatic and compliance requirements to which LEAs are currently subject, federal accountability requirements and fiscal and budgetary controls and academic performance requirements would remain in place. More detail on the local funding formula will be available in forthcoming trailer bill language.

Charter Schools

Charter school funding would be calculated the same as above, except that the Concentration Grant qualifying amounts would not exceed that of the school district where the charter school is located.

County offices of education (COEs)

County Offices of Education (COEs) would also be proposed for a change in funding via a two-part funding formula. There would be (1) a per-ADA allocation for students attending community schools and juvenile court schools, and (2) an unrestricted amount of funding for general COE operations based on the number of ADA in the county. There would also be an allocation of supplemental grant money similar to the district formula. Details on this part of the proposal are unavailable and will be made public when trailer bill language is released by the Department of Finance.

Other education budget proposals

Deferrals: \$1.8 billion is proposed by the governor as a second pay-down toward reducing apportionment deferrals. This amount, coupled to the \$2.2 billion current-year deferral pay-down, would lower the total outstanding deferral debt for K-12 to \$5.6 billion at end of the 2013-14 fiscal year down from a high of more than \$9.2 billion. The governor proposes to pay off all remaining deferrals by the end of the 2016-17.

Cost-of-Living (COLA) Adjustments: A COLA of 1.65 percent is proposed for the following programs that would remain outside of the local funding formula: Special Education; Child Nutrition; American Indian Education Center; and American Indian Early Childhood Education.

As stated previously, the proposal calls for COLA to be added annually to the grade level Base Grant amounts (not including the CSR or CTE add-ons). Neither Transportation nor TIIG would receive COLAs in the proposal.

Special Education: The governor proposes to separate federal funds from state funds for special education and to consolidate funding for several state special education program add-ons into the state's base AB 602 formula calculation. These moves are aimed at making the funding for special education more streamlined and easier to equalize.

Adult Education: The governor proposes a significant shift in how adult education is provided by shifting responsibility for the program to community colleges. Those K-12 districts that currently provide adult education would retain their funding. Community colleges would pay for adult education services from increased Proposition 98 funding. The budget proposes \$300 million for community college adult education programs.

Implementation of Proposition 39 Energy Funding: The governor proposes that \$400 million from last year's Proposition 39 be allocated by the California Department of Education on an ADA basis for school energy efficiency projects.

Online Learning—Technology-Based Instruction: To promote additional opportunities and greater instructional flexibility, the governor proposes statutory changes that would allow school districts to offer more online courses and do so in a manner that would not require simultaneous participation of all students and instructors. Statutory changes related to independent study contracts will also be proposed.

Mandates: The budget provides \$300 million for the Mandates Block Grant. This is a \$100 million increase in funding and is intended to cover costs associated with adding two programs to the block grant: Behavioral Intervention Plans (BIP) and the graduation requirement mandate.

School Facilities: The budget proposes permanent flexibility to several facilities-related programs. However, the *Williams* facilities repair and maintenance requirements would remain in place.

- **Deferred Maintenance.** Permanently repeal local match requirements.
- **Routine Restricted Maintenance.** Permanently eliminate the one percent minimum set-aside requirement.
- **Sale of Surplus property.** Make permanent the ability of districts to use proceeds from sale of real and personal surplus property for any one-time general fund purpose.

2014 School Construction Bond: Noting that there is no school construction and modernization program bond authority at the state level, the budget proposes to engage in “a dialogue on the future of school facilities funding.” The Administration puts forward three guiding principles:

- From a state perspective, future K-12 facilities funding needs must be considered in the context of other competing education and non-education priorities and needs;
- The school facilities construction process should be easy to understand and efficient.
- School district and their respective localities should have appropriate control for school facilities construction processes and priorities.

Charter schools: The LCFF would also apply to charter schools, whereby they would be funded similar to school districts. Other charter school issues raised in the budget proposal include:

- Shifting the Charter School Facility Grant program and the Charter School Revolving Loan Program from California Department of Education to the California School Finance Authority; and
- Extending for five additional years the 2012-13 requirement that school districts with identified surplus property and facilities first offer to sell those resources to charter schools before selling them to other entities or disposing of those assets.

Shorter School Year and Budget Reserve Requirements

The Governor proposes to talk with stakeholders about the flexibility provisions that have been provided around the number of instructional days and minimum budget reserve requirements. Although no changes were proposed in the budget, his advisors have indicated that they are interested in weighing the continued need for this flexibility versus a desire to phase the 180-day school year and reserve requirement back in over a period of time.

Conclusion

CSBA's response to the proposal has been favorable to the Governor's commitment to increase funding for schools, pay down apportionment deferrals and create a funding system that relies on local governing boards to set local priorities, which he refers to as subsidiarity. Governor Brown is to be applauded for his untiring work to get Proposition 30 approved by voters in November and for his continuing work to steer decision-making authority away from the state to local governing boards. Some details of the new funding formula need to be worked out, especially to ensure that all LEAs are restored to their pre-recession level of funding. Additionally, CSBA will be looking into the mandate proposal in greater detail once budget trailer bill language is available.

All in all, this budget proposal is the best we have seen in five years and, with a growing economy, school funding is pegged to be increasing annually into the foreseeable future. What happens when the temporary revenues contained in Proposition 30 expire in 2019 will hang over the heads of budget planners until a solution is crafted, either by the Legislature or by another ballot initiative.

Although there is much to like and be intrigued about in this budget proposal; many details remain to be discovered and determined. It is apparently still the Administration's intent to reveal details of the LCFF, as well as proposals related to mandate block grant and changes in special education funding in trailer bill language. Trailer bills do not typically go through the regular committee hearing process.

The Department of Finance has advised education stakeholders that it will provide more specifics on the LCFF, including district-specific runs, later in January.

The accountability and district plan provisions will require more thorough review. The Administration has said that the district plan will need to show how funds will be used serve the students in weighted categories of English learners, economically disadvantaged and foster youth, but they note that does not mean the funds may be spent on only those students. Some have suggested this is much like current accountability for school wide Title I funds.

The governor's budget starts the annual budget process. The Legislative Analyst will provide their analysis of the budget by mid-February and legislative hearings will begin after that. With more money being available, the clear Democratic majority in both houses and a Democratic governor, meeting the June 15 budget adoption deadline this year will be no problem.