

## **Summary Overview of 2013-14 Budget Proposal** *Updated March 27, 2013*

### **1. Major K-12 Elements Governor's Budget**

Increase in Prop 98 of 5% to \$56.2 billion

Funds available for additional expenditures estimated at \$4.9 billion. Major proposals:

- *\$1.8 billion to pay down deferrals*
- *\$1.6 billion to begin implementation of district Local Control Funding Formula (LCFF)*
- *\$400 million for energy projects (Prop 39)*
- *\$100 million additional for Mandate Block Grant (and add two programs to the BG: Behavioral Implementation Plans (BIP) and High School Graduation Requirement.*
- *\$63 million for COLA on selected programs*
- *\$28 million for County Office LCFF*

### **2. Major Policy Proposals in Trailer Bills**

- *Local Control Funding and Accountability*
- *Prop 39 energy projects*
- *Shift Adult Education to Community Colleges*
- *Continue building on the Mandate Block Grant*
- *Permanent flexibility in two facilities maintenance programs & sale of surplus property*
- *Technology-based instruction*
- *State special education finance*
- *Charter Schools*

### **3. Local Control Funding Formula**

- *Begin implementation 2013-14*
- *\$1.6 billion new money for districts*
- *\$28 million new money for county offices*
- *Project full implementation by 2019-20*
- *Hold Harmless year of 2012-13*
- *Accountability based on local control and decision making*
- *Categorical statutes repealed*

#### 4. Local Control Funding Formula Elements

- *Base grade span grants* plus adjustments
- *Supplemental grants* of plus 35% of base for district-wide unduplicated enrollment counts of eligible pupils:
  - English Learners
  - Low income (measured by Free/Reduced Meal eligible)
  - Foster Youth
- *Concentration factor grants* of plus 35% of base for district-wide unduplicated counts of eligible pupils over 50%
  - Districts to report annually on counts of eligible pupils to SSPI.
  - COEs to review and validate reported data.
  - SSPI to calculate % of unduplicated eligible pupils

#### 5. Local Control Funding Formula Amounts

- Grade span base grants
  - K-3: \$6,342
  - 4-6: \$6,437
  - 7-9: \$6,628
  - 9-12: \$7,680
  - COLA each year.
- Adjustments:
  - For K-3: +11.2% (\$710). As a condition of receipt, districts must make progress to annual average 24:1 Class Size per school site in grades K-3.
    - Once LCFE fully implemented must maintain 24 to 1 unless a collectively bargained alternative ratio is agreed to by the school district.
  - For 9 -12: +2.8% (+\$215) for Career Tech for grades 9-12 span
  - Targeted Inst. Improvement Grant (TIIG)
- Home to School Transportation

#### 6. Local Control Funding Formula – what’s not in:

- Special Education ( Receives COLA)
- Child Nutrition (Receives COLA)
- American Indian Early Childhood ( Receives COLA)
- After School
- Quality Education Improvement Act (QEIA)
- K-12 High Speed Network
- Fiscal Crisis Management Team (FCMAT)
- Federal programs

## 7. Local Control and Accountability Plan

- *Aligned with and reflected in annual budget*
- Each year, districts are to take action on a Local Control and Accountability Plan. Plans may be for 1 to 5 years.
- Use Template to be adopted by the State Board of Education.
- Hold at least one public hearing at same meeting as hold hearing on district's budget.
- Demonstrate that plan approved by the governing board was done in consultation with teachers, principals, administrators, other school personnel, parents & pupils.
- Don't adopt budget prior to adoption of Local Control and Accountability Plan or approval of an update to existing plan.
- File plan with County Superintendent (COEs file w/State Superintendent of Public Instruction (SSPI))

## 8. Local Control and Accountability Plans

- *Components: Goals and Strategies to:*
  - Implement content standards
  - Increase API and reduce gaps between subgroups
  - Improve achievement as evidenced by state assessments
  - Increase attendance, reduce drop-out rates
  - Increase % students completing college prep courses & CTE
  - Remedy deficiencies re: Qualified Teachers; Facilities; Instructional Materials
  - Address needs of English Learners; Low Income students; Foster Youth
  - Provide meaningful opportunities for parental engagement, including site councils
  - Additional elements for County plans re: effective oversight
- *Analysis, Data & Expenditures*
  - Plan to include analysis of data
    - Student achievement
    - Progress in implementing goals
    - Analysis may consider qualitative information, including site visit reviews by expert panels
  - Data and Expenditure requirements
    - Data should be consistent with data in School Accountability Report Cards (SARCs)
    - Cost projections & expenditures shall be included in district's adopted budget.
    - Shall document amount of expenditures for services for students in four categories: EL; F/RPM; Foster Youth; Juvenile Court and Community Schools: *Supplemental & Concentration grants must **substantially benefit** students that generated those funds.*

## 9. Review of Budgets now includes Criteria related to Local Plans

- County Superintendents' review and approval of budgets now includes criteria related to the Local Control & Accountability Plan:
  - Determine whether the adopted budget will allow school district to implement the specific actions and strategies included in Local Control & Accountability Plan.
- Shall disapprove a budget if:
  - District does not file Local Control & Accountability Plan with County Supt.
  - Plan filed does not adhere to template
  - Plan does not include all of the required components
  - Expenditures included in the budget do not reflect the costs necessary to implement the plan.

*CSBA Comment:* The basic design of the LCFF with a focus on identified students' needs and local governing board authority is a positive step for the state to take and it answers the questions of what should take the place of Tier 3 flexibility. Tying local budget adoption to specific goals is also a positive step away from rules and regulations that dictate how schools spend their money. Consolidating the myriad of categorical programs and eliminating unnecessary sections of the Education Code are also big positives.

CSBA remains gravely concerned that the amount of the base grant is still too low to guarantee that Local Education Agencies (LEAs) at least get back their revenue limit deficits and the full amounts of their categorical program cuts that have occurred since 2008-09. Getting repaid for the cuts and unfunded COLAs that occurred during the recession remains a high priority for all LEAs and so far the LCFF does not provide this.

The January trailer bill language eliminates provisions of the Education Code that allow the direct funding of entities that operate under a Joint Powers Agreement (JPA). This would affect Regional Occupational Centers/Programs (ROC/Ps) and transportation JPAs which receive funding directly on behalf of their participating school districts. There needs to be an allowance for this practice to continue for JPAs that provide these types of services. Even with elimination of statutes pertaining to ROC/Ps and transportation, the direct funding statute needs to be retained even without referencing the specific programs.

Other concerns that need to be addressed:

- *No allowance for regional cost variances*
- *EL Supplemental Grant limited to five years. Should be at least seven years.*
- *Expanded role of County Superintendent related to budget approval based on accountability plan requirements*
- *TIIG and Transportation need COLA*
- *Transportation funding needs reform*

These are important issues that need to be addressed; they are not insurmountable problems.

## **10. Prop 39 Energy Projects**

- Governor uses \$400 million in Prop 98 funds (generated based on Prop 39) for K-12 energy efficiency projects for 2013-14 through 2017-18.
- Funds to be allocated by SSPI on a per pupil (ADA) basis.
- Guidelines on use for energy efficiency; SSPI to consult with California Energy Commission & Public Utilities Commission for guidance.
- Rough estimate of \$67 per pupil
- Numerous policy bills already introduced

*CSBA Comment:* CSBA supports the Governor's calculation of Prop 98 funding based on the total amount of revenue generated by Prop 39. For K-14, the Governor proposes \$450 million in 2013-14 and \$550 million in each of the next four to be used for energy projects, consistent with the state's energy loading order with efficiency being given a higher priority over renewable energy. CSBA supports priority for funding school energy projects but remains concerned that the proposal pays for the projects out of Prop 98 money when Prop 39 calls project money to be paid from a newly created "Clean Energy Job Creation Fund" which is outside of Prop 98.

CSBA supports allocation of the energy project funds in a simple, transparent method to schools. For example, funds to be allocated to all local education agencies on an ADA basis with a minimum grant level for small schools, districts, counties. CSBA is evaluating the policy bills addressing this issue and will take positions on individual bills as necessary as they move through policy committees.

## **11. Shift of Adult Education**

- Adult Education program responsibility to Community Colleges
- K-12 funding remains with districts currently receiving (rolled into the LCFF)
- Community College funding augmented by \$300 million for a block grant to go out statewide to conduct Adult Education programs
- Adult Ed statutes repealed

*CSBA Comment:* Services provided by school districts through Adult Education programs are mostly adult elementary and secondary instruction (including remedial math and English), English as a second language, and high school completion and credit recovery. These are services that belong within the scope of the K-12 system. Many school districts have continued their Adult Education programs intact during the recession. Other districts have used flexibility to reform their adult education offerings. The LAO reports that 300 of the 335 Adult Education programs remain in K-12 districts. Increased collaboration and coordination between K-12 and Community Colleges should be encouraged but K-12 should retain its authority to offer Adult Education and meet the needs of local communities.

The Governor's proposal raises a number of policy issues that need to be dealt with and separate legislation is needed. Many K-12 school districts have the infrastructure already in place to offer adult education programs and their sites are closer to the people who need the

services, including parents of K-12 students. Community colleges do not currently have that infrastructure except in those cases where they are already providing the services. Other issues include how the proposed shift would impact staff. School districts need to know the disposition of the issue to make appropriate staffing decisions. This proposal is one that should be put on a slower track than the budget.

## **12. Mandates**

- Augments the current block grant by \$100 million for a \$300 million total
- Increase block grant amount from \$28/ADA to \$45/ADA
- Augmentation reflects addition of
- Behavioral Intervention Plans (BIP)
- High School Graduation Requirements
- No funding to pay BIP or Graduation Requirement via the claim process
- Statutory changes to BIP requirements intended to reduce mandate requirements.

*CSBA Comment:* CSBA is supportive of the proposed increase in the mandate block grant to cover a portion of the costs of the BIP and high school graduation mandates. While the amounts do not fully cover the full costs of complying with those mandates, the block grant appears to be a viable option for LEAs not wishing to complete all of the mandate claim forms and sit by for years hoping to get reimbursed. CSBA calls upon the state to address the more than \$3.3 billion in currently unfunded claims as well as the expected increase in that amount of some \$1.2 billion resulting from recent actions by the Commission on State Mandates regarding BIP.

*CSBA is working with other special education advocates to review and improve the language on restructuring the BIP requirements.*

## **13. Facility Related Programs**

- Deferred Maintenance. Funds are flexible; LEAs not required to make a local match to receive these funds
- Routine Restricted Maintenance. The 1% minimum contribution requirement is eliminated.
- Sale of Surplus Property. Makes permanent the ability to use proceeds for any one-time general fund purpose.

*CSBA Comment:* CSBA is supportive of this proposal.

## **14. Technology-Based Instruction**

- For both synchronous and asynchronous: May not deny enrollment to a pupil solely because of pupil's lack of access to computer hardware or software; shall provide access to the computer hardware or software necessary to participate.
- Synchronous Instruction:

- Lifts current limits on ratio of pupils to instructors
- Require governing boards to approve synchronous technology based -courses – ensure they are as rigorous as classroom-based.
- Asynchronous Instruction
  - Authorizes asynchronous instruction and requires written agreements for each pupil; must include learning objectives
  - As condition of apportionment, LEAs must retain written or electronic documentation that demonstrates satisfactory progress of pupils.
  - Governing boards must approve these courses and ensure they are as rigorous as classroom based.
  - Asynchronous Instruction Authorization

*CSBA Comment:* CSBA is supportive of this proposal.

## **15. Special Education**

- California uses a “census-based” allocation funding model, referred to as AB 602 funding. It combines state and federal funds. Rates vary from \$500 to about \$1,000 per ADA.
- Budget trailer bill proposes to simplify and consolidate funding allocation and to allocate federal and state funds separately.
- Consolidates a number of state special education programs.
- Intended to address inequity of funding levels and to ensure that recipients don’t lose more funding when ADA declines than they gain when it rises.
- Budget proposes
  - \$2.9 billion in Prop 98 funding for special ed
  - \$1 billion in federal IDEA funds

*CSBA Comment:* CSBA is supportive of special education receiving a COLA and the effort to simplify and eventually equalize special education funding. However we are looking at the proposed formula changes to try to insure no unintended consequences, especially in light of potential reductions in federal IDEA funding. We are currently involved in efforts to reduce mandated costs associated with BIP and will continue to pursue reform in that program.

## **16. Charter Schools**

- **Facility programs**
  - Shift the Charter School Facility Grant Program and the Charter School Revolving Loan Funds from California Department of Education to the California School Finance Authority.

- Extend for five years the requirement that school districts with identified surplus property and facilities first offer to sell to charter schools before selling to other entities or disposing.
- **Countywide & State Benefit Charters:** Would authorize a charter school, with approval of its charter authorizer, to include establishment of multiple individual schools within a single petition for such purposes as compliance monitoring, data reporting and collection, student performance data, oversight and apportionment. (new Ed Code 47602.1)
- **State Board Authorized Charters:** Removes current requirement that if SBE designates an LEA to provide supervisorial and oversight responsibilities to an SBE authorized charter school, the LEA be located in the same county in which the SBE authorized charter school is located or is the governing board that first denied the petition. (Amends EC 47605)

*CSBA Comment:* CSBA is concerned about the proposals on Countywide, State Benefit and State Board authorized charter schools. In particular, the proposal to delete the current requirement and expand the range of LEAs that may be designated to provide oversight and supervision to SBE authorized charter schools. The current statutory requirement that the designated LEA be located in the same county as the charter school or be the LEA that first denied the petition helps ensure that the LEA has proximity and on-the-ground knowledge of the charter school and can be readily available to provide adequate oversight and supervision.

These proposed statutory changes address policy issues and should be considered through policy bills and committees, not enacted through budget trailer bills.

## 17. Concluding Comments

- Beginning of the process. Look for revised projections.
- Trailer Bills released February 1, 2013
- District-level LCFF allocation released by Department of Finance February 21, 2013
- Hearings on LCFF begin February 28 in Senate Budget Committee and March 12 in Assembly Budget Subcommittee. Follow up hearing in Assembly Subcommittee on April 9.
- The Governor's Budget moves in the right direction, paying down the Wall of Debt, including deferrals, and recognizing local control.
- LCFF – the goal is right, but the target amount must be increased.
  - Need to ensure that state restores the funding to 2007-08 at least, as LCFF is implemented.
- A culture shift towards more local authority and accountability. How will Boards navigate and what other policy initiatives will help them be successful?
- Adult Education is major policy change – needs to be on slower track than budget.
- Prop 30 is temporary; what next to ensure education is adequately and fairly funded?

*CSBA Comment:* CSBA remains highly committed to repayment of apportionment deferrals and the governor's proposed timeline to eliminate deferrals by the end of 2016-17. All available resources are needed to ensure that LEA funding is restored across-the-board to the pre-recession funding level. This includes deferrals, revenue limit deficits and categorical cuts. We are calling for the implementation of the Local Control Funding Formula to occur but with changes that would provide for a higher base grant amount that would fund schools *at least at the national average* and restore foregone funding to individual LEAs. This will require discipline on the part of the state to ensure that all available funds are steered toward these priorities. This includes revenues from Proposition 39 and revenues anticipated that exceed current projections. The LCFF can be implemented with a portion of "new money" and as deferrals, debts and cuts are retired, more effort can be made to fund the new formula.