

# K THRU 12 EDUCATION

**K**indergarten through 12<sup>th</sup> grade (K-12) education programs provide a variety of academic and support services primarily to pupils between the ages of three and 19. The programs equip California's young people with the skills to become successful adults, achieve career goals, obtain gainful employment and pursue higher education. Services include standards-based academic instruction, special education, career technical education programs, child care and development, teacher recruitment and development and adult education and remedial instruction, among others.

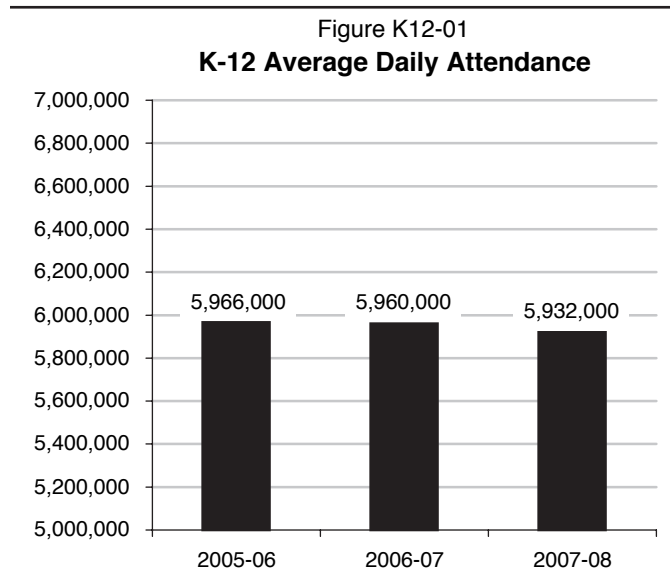
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## CHANGE IN TOTAL K-12 FUNDING

- 2006-07 \$172 million
- 2007-08 \$297 million

The May Revision to the Governor's Budget includes \$66.6 billion (\$41.4 billion General Fund and \$25.2 billion other funds) for K-12 education programs in 2007-08. This reflects an increase of \$297.5 million (\$855.8 million General Fund increase offset by a \$558.3 billion other funds decrease) over the 2007-08 Governor's Budget. More notable funding changes are further described below.

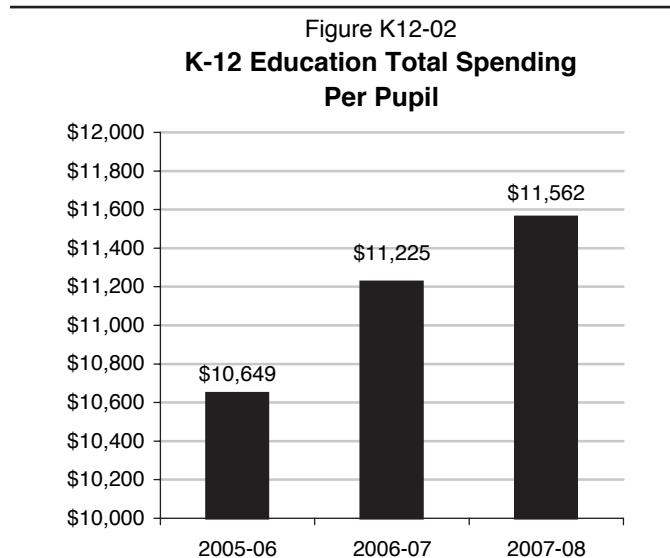
As a result of a steady decline in birth rates throughout the 1990s, attendance growth in public schools is also declining (see Figure K12-01). For the current year, K-12 average daily attendance (ADA) is estimated to be 5,960,000, a decrease of 5,000 or 0.09 percent from the 2005-06 fiscal year. For the budget year, the Administration estimates K-12 ADA will decrease at a greater rate than projected in the Governor's Budget. The May Revision projects a decline of 28,000 ADA or 0.48 percent, compared to the 23,000 or 0.39 percent



decline projected in the Governor’s Budget. As a result, ADA for 2007-08 is now projected to be 5,932,000.

**PER-PUPIL SPENDING**

Total per-pupil expenditures from all sources are projected to be \$11,225 in 2006-07 and \$11,562 in 2007-08, including funds provided for prior year settle-up obligations (see Figure K12-02). This is an indicator of the relative level of spending in California for support of K-12 education programs and not the actual level of funding allocated to each school for a pupil.



**MAJOR WORKLOAD ADJUSTMENTS**

Major workload adjustments for 2007-08 include the following:

- **Cost-of-Living Adjustment (COLA) Increases**—The May Revision proposes a \$226.8 million increase to fund an increase in the statutory COLA: \$160.8 million for revenue limits, \$17.8 million for special education, \$7.5 million for child care programs, \$9 million for class size reduction, and \$31.7 million for various categorical programs. The COLA increases to 4.53 percent from the 4.04 percent adjustment included in the Governor’s Budget.
- **ADA**—The May Revision proposes a \$293.3 million net reduction in 2007-08 to reflect the decline in ADA from the Governor’s Budget projection. The majority of this amount consists of a \$285.6 million reduction in school district and county office of education revenue limit apportionments (general purpose funding for schools). Due to an increase in the attendance estimate for 2006-07, there is a \$41.2 million increase in revenue limit apportionments included in the May Revision for that year.
- **Special Education**—The May Revision provides a Proposition 98 General Fund increase of \$35.9 million and a Federal Fund increase of \$7.6 million over amounts proposed in the Governor’s Budget. These changes include adjustments for revised figures for local property tax and ADA growth.

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

**PROPOSITION 98 GUARANTEE**

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to a multitude of factors, including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline.

Proposition 98 originally mandated funding at the greater of two calculations or Tests (Test 1 or Test 2). In 1990, Proposition 111 was adopted to allow for a third funding test in low revenue growth years. As a result, three calculations or Tests determine funding for school districts and community colleges (K-14). The calculation or Test that is used depends on how the economy and General Fund revenues grow from year to year (see Figure K12-03).

For fiscal year 2005-06, Proposition 98 funding was \$53.3 billion (this number reflects the guarantee level as recalculated pursuant to the Proposition 98 Settlement Agreement),

of which the General Fund share was \$39.7 billion or 74.5 percent. Local property taxes covered the balance. The 2006-07 Proposition 98 funding is estimated to be \$55.4 billion, a 3.9 percent increase over 2005-06. The General Fund share in 2006-07 is \$41.2 billion or 74.4 percent. These funding levels reflect the higher attendance estimates and the cost of apportionments for that year.

Proposition 98 funding for 2007-08 is proposed at \$57.6 billion, a four percent increase over the Governor’s Budget estimate. The General Fund comprises approximately 72.7 percent, or \$41.9 billion of total proposed Proposition 98 funding. The totals include funding for K-12, community colleges and other state agencies that serve students. K-12 Proposition 98 per-pupil expenditures in the May Revision are \$8,681 in 2007-08, up from \$8,569 in the Governor’s Budget.

**HOME-TO-SCHOOL TRANSPORTATION**

The Governor’s Budget proposed to shift the fund source for the \$627 million Home-to-School Transportation program from Proposition 98 General Fund to the Public Transportation Account (PTA). In April, the Administration issued a revised proposal for Home-to-School Transportation. The revised proposal will continue to result in General Fund savings of \$627 million. However, instead of shifting Home-to-School Transportation out of the Proposition 98 guarantee and funding it with PTA moneys, the PTA will reimburse the General Fund for the cost of the Home-to-School Transportation program.

Figure K12-03

**Proposition 98 Test Calculations**

**Test 1—Percent of General Fund Revenues**

Test 1 is based on a percentage or share of General Fund tax revenues. Historically, school districts and community colleges (K-14) received approximately 40 percent in the 1986-87 fiscal year. As a result of the recent shifts in property taxes between K-14 schools and cities, counties, and special districts, the current rate is approximately 41 percent.

**Test 2—Adjustments Based on Statewide Income**

Test 2 is operative in years with normal to strong General Fund revenue growth. This calculation requires that school districts and community colleges receive at least the same amount of combined state aid and local tax dollars as they received in the prior year; adjusted for enrollment growth and growth in per capita personal income.

**Test 3—Adjustment Based on Available Revenues**

Test 3 is utilized in low revenue years when General Fund revenues decline or grow slowly. During such years, the funding guarantee is adjusted according to available resources. A low revenue year is defined as one in which General Fund revenue growth per capita lags behind per capita personal income growth more than one-half percentage point. Test 3 was designed so that education is treated no worse in low revenue years than other segments of the state budget.

In years following a Test 3 funding level, the state is required to provide funding to restore what was not allocated the previous year. This is often referred to as a maintenance factor.

To achieve additional General Fund savings, the May Revision proposes:

- To increase the 2007-08 reimbursement from the PTA for Home-to-School Transportation by \$3 million to reflect the increase in the COLA for the program and to reflect \$2.6 million in transportation costs for the State Special Schools.
- Reimburse the General Fund for \$200 million in 2006-07 Home-to-School Transportation expenditures.

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## PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

Governor Schwarzenegger's 2007-08 May Revision continues to reflect his priorities to build and sustain a world-class school system that begins in preschool and continues through college, technical and university training. All Californians must have opportunities to meet the demands of the 21<sup>st</sup> Century. Towards that end, the Administration once again has committed to fully funding the Proposition 98 guarantee to schools and cost-of-living and enrollment growth.

In recognition of the complex demands of educating over six million students, the May Revision supports programs that are shown to support teachers, students, parents and schools in a standards-based accountability system. These priorities include Career Technical Education, nutrition, technology, preschool and school safety. The Governor's initiatives offer the links necessary for California's students to master the state's world-class academic standards.

Of particular note, the May Revision reflects the Governor's support for ensuring that all students have quality teachers, education programs and professionals to prepare them for both higher education and the world of work. The May Revision includes substantial ongoing and new support for the expansion of Career Technical Education and teachers and counselors to ensure that the many students who directly enter the work force are educated and prepared to succeed.

Consistent with the Governor's lifelong support of physical fitness and healthy lifestyles, the May Revision emphasizes again the need for strong nutrition programs. The Administration proposes ongoing support for the California Fresh Start Program, along with increases for meal reimbursements and School Breakfast Programs in order to increase the quality of food served on campus.

Thanks to Governor Schwarzenegger's efforts, California is rapidly moving into the digital age for information on the state's students and schools. The Administration is committed to expanding and making more transparent information about schools, and towards that end funds new transparency of data initiatives as well as the aggressive deployment of student, teacher and school data systems.

Excellence in our schools is achieved when learning environments are safe. Therefore, the May Revision includes a one-time School Safety Initiative that focuses on the development and deployment of state-of-the art systems, training, and preparation.

### **CAREER TECHNICAL EDUCATION COUNSELORS**

The Budget Act of 2006 included \$200 million in ongoing funding to increase the number of school counselors serving seventh through twelfth grade students. These funds are being used to inform students about educational and career options and help them stay on track to complete high school graduation requirements and pass the California High School Exit Examination.

Building upon this foundation, the May Revision provides \$25 million Proposition 98 General Fund to increase the number of high school counselors that specialize in career technical education (CTE). These funds are intended to supplement, not supplant, existing counseling resources. Because many of our state's high school students have interests that extend beyond traditional academic preparation, it is essential for the state to invest in school counselors that can provide students with educational advice and options that will appropriately prepare them for employment in today's workforce after graduation, or provide them with the career-specific academic skills needed for transitioning into higher-level training at a community college, vocational school or four-year university. 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.

### **CAREER TECHNICAL EDUCATION EQUIPMENT**

Companion legislation to the Budget Act of 2006 provided \$80 million in one-time funding split equally for public schools and community colleges for investments in career technical education equipment and minor facilities reconfigurations. Building on those investments, the May Revision provides an additional \$100 million in one-time funding, also split equally, in separate legislation to purchase relevant equipment for programs in public schools and community colleges. Consistent with last year's legislation, eligible K-12 entities once again include school districts, adult education programs, regional occupational centers

and programs, as well as charter schools and county offices of education that offer appropriate programs. Of this amount, \$2.5 million is earmarked to support equipment purchases for K-12 nursing career pathway programs. These one-time funds complement ongoing resources for career technical education by ensuring that students have access to the latest equipment utilized by technicians in today's workplace to ensure students will be employable in a promising career upon high school graduation or will be ready to transition to higher skill levels in that career sector at the community colleges.

#### **MAKING SCHOOL MEALS HEALTHY**

The Administration has consistently championed improvements to the foods and beverages available to students on K-12 campuses. Specifically, the Governor's Obesity Initiative resulted in laws that significantly curtailed the availability of fattening, heavily-sweetened, high-caloric unhealthy snack foods and beverages in schools. In addition, the initiative created the California Fresh Start Pilot Program, which provided a financial incentive to promote the consumption, and increase the variety of, nutritious fruits and vegetables available to school-age children. A preliminary review indicates striking success in meeting the goals of the program.

The May Revision builds on the progress made by the Governor's initiative. In particular:

- The May Revision adds \$11.1 million Proposition 98 General Fund to permanently establish the California Fresh Start Program.
- \$24.9 million Proposition 98 General Fund is included to support a 4.7 cent increase in the meal rate for the School Nutrition Program. This funding is contingent upon enactment of Administration-sponsored legislation that will provide a financial incentive to schools that switch to lower fat cooking methods and reducing trans-fat.
- An additional \$4.4 million one-time Proposition 98 Reversion Account is included to provide a total of \$5.4 million for School Breakfast Startup grants. The program provides up to \$15,000 per school site for initiating or expanding a School Breakfast Program or a Summer Food Service Program. The Budget Act of 2006 provided a total of \$4 million, which funded 350 grants. The \$5.4 million proposed for 2007-08 would fund an estimated 501 grants.
- Due to the many nutrition standard changes currently underway and on the horizon, the May Revision includes \$8.5 million for county offices of education to provide educational services and technical assistance to schools and districts to ensure that these standards are being met. Food service directors and employees at the district and school site level are responsible for the nutritional content of meals, snacks,

and beverages as well as food preparation and financial duties. County offices of education are uniquely positioned to be able to provide assistance and expertise to districts in meeting standards and integrating fresh produce, whole grains and other healthy choices into school meals. Of the \$8.5 million, \$4.3 million Proposition 98 General Fund will be for ongoing program activities and \$4.2 million Proposition 98 Reversion Account will be for one-time implementation activities.

These increases will further enhance the ability of schools to serve nutritious meals to students. By providing nutritious food choices, school nutrition programs play an important role in promoting student health and combating childhood obesity.

### **PROVIDING ONLINE, USER-FRIENDLY INFORMATION ON SCHOOLS**

With the release of the Governor's Budget, the Administration committed to developing integrated and transparent systems that are easily accessible to provide meaningful information to parents, the public, educators and policymakers. To this end, the Administration is sponsoring legislation to redesign the School Accountability Report Card so that the information is more parent-friendly, less complicated and provides the relevant district- and site-level information that will allow schools to be compared to one another.

Additionally, in April, the Administration provided \$167,000 to develop and administer the Governor's Office Education Transparency Website (Website). While school-specific data is available over the Internet at the present time, the ability to do side-by-side comparisons of schools in a single session is not. The Website 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 Website 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.

In an effort to strengthen fiscal transparency for the public, the May Revision includes \$300,000 Proposition 98 General Fund for the Fiscal Crisis and Management Assistance Team to coordinate, along with the Department of Education, 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. An additional position within the Department of Education would serve as the coordinator and support staff for the working group. Currently, most districts report financial data as aggregates at the district level, making it difficult for parents, community members, and policy makers to assess fiscal issues concerning individual school sites.



**EXPANDING PREKINDERGARTEN FAMILY LITERACY**

The May Revision provides an additional \$50 million in ongoing Proposition 98 funding 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. This funding will expand the provisions of the PreKindergarten Family Literacy (PKFL) program authorized by Chapter 211, Statutes of 2006 (AB 172). The PKFL program includes quality reforms designed to promote family literacy. The \$50 million will bring total funding for PKFL to \$100 million and total state funding for preschool programs to \$470.7 million.

Included in the PKFL program is \$5 million earmarked to provide up to \$2,500 per classroom for support activities, including professional development for preschool teachers. The Administration is proposing to extend the \$2,500 per classroom to all state subsidized preschool programs with priority given to PKFL programs. This will allow funds to benefit a larger population of children while maintaining the focus on targeted preschools under the PKFL program.

In addition, the May Revision continues to propose \$5 million in ongoing Proposition 98 funding to provide full day wrap-around care for children in PKFL programs. Wrap around care provides an opportunity for children of parents who work full-time to participate in preschool and still receive quality child care for the remainder of the day.

**MEETING CALIFORNIA'S INFORMATION NEEDS**

Timely and accurate information is increasingly critical in the education decision-making process at all levels, from local school site decisions to decisions made at the federal level. The Administration remains committed to enhancing the quality of data available on the State's student population and teacher workforce. To support this effort, the Governor's Budget included \$2.5 million to continue the development of the California Longitudinal Pupil Achievement Data System (CalPADS) and \$1.1 million to continue the development of the California Longitudinal Teacher Integrated Data Education System (CalTIDES).

To further support efforts to implement CalPADS and CalTIDES, the May Revision provides an additional \$65 million one-time Proposition 98 General Fund to be allocated by the Fiscal Crisis and Management Assistance Team to school districts based on their assessment of each district's training and other pre-implementation needs. The funds would be available to schools over the next two years, which is the estimated time that the Department of Education has indicated it will take until CalPADS will be operational. In addition, \$2 million is included for local staff and equipment support for the California School Information Services

(CSIS) program, which issues student identifiers. The Administration anticipates that the Department will have full implementation of CalPADS in 2008-09 which, coupled with the CSIS identifiers, will result not only in greater data reporting capability, but also efficiencies for the state and schools.

### **GOVERNOR'S SCHOOL SAFETY INITIATIVE**

Students learn best and achieve their full potential in safe and orderly classrooms. However, during the past decade, more than 300 school-associated violent deaths occurred on or near school campuses in America. These incidents remind us that our school systems and facilities can be vulnerable and that it is extremely important to have contingency plans and procedures in place. To address these issues, the May Revision includes a \$100 million one-time block grant for a three-year pilot program to build the structure and support for providing an environment of safety for the students of California. The funding will be distributed through a competitive process to county offices of education which will then partner with K-12 schools for a variety of one-time activities including but not limited to: (1) training for safe school trainers; (2) developing immediate emergency notification systems; and (3) identifying best practices for prevention/mitigation, preparedness, response and recovery.

### **SCHOOL RESOURCE OFFICERS**

The Administration proposes to provide \$9 million in ongoing funding to county offices of education to hire approximately 120 additional school resource officers to serve schools in jurisdictions where gang violence is prevalent. School resource officers are widely acknowledged by educators and law enforcement as a primary strategy to prevent gang violence and gang membership on school campuses. They serve as liaisons between schools and law enforcement, working with school administrators, students, parents and teachers to ensure a safe learning environment. In order to be eligible to receive funding for this program, county offices of education must work with local enforcement agencies to provide an amount equal to a 25 percent match of all funds received. The county offices of education must also conduct an in-depth survey to determine the potential statewide need for additional school resource officers.

### **SUMMER OF SAFETY**

The Administration proposes the Summer of Safety program to provide teens in neighborhoods with gang violence summer enrichment programs designed to reduce their exposure to high-risk behaviors. Specifically, the May Revision includes \$2 million to a county office of education to collaborate with experienced community-based organizations that serve youth ages 11-18. This prevention program is intended to steer teens away from poor choices and towards activities such as sports; arts, music and dance; academic enrichment programs;

as well as community service projects. Activities will provide youth with opportunities to explore new interests, develop new talents and skills and find purpose in a structured and safe, day-long program. The Summer of Safety will provide summer enrichment programs for up to 5,000 teens beginning in summer of 2008.

#### **ADDRESSING THE TEACHER SHORTAGE AND IMPROVING TEACHER QUALITY**

The May Revision proposes \$50 million Proposition 98 General Fund for grants to school districts to support the hiring of more than 1,000 additional credentialed career technical education (CTE) teachers. Providing additional qualified CTE teachers is essential to ensuring that students are provided with the most relevant training and instruction to prepare them for today's workplace as well as more advanced training in community colleges and four-year institutions. As the Administration and Legislature begin to rebuild CTE programs in K-12 schools, it will be essential to provide qualified instructors to ensure those programmatic investments are ultimately successful. The Administration proposes minimum grants of \$45,000 per high school and that the Department of Education, working in consultation with the Administration and Legislative Analyst, develop a methodology to determine the neediest high schools that exceed 400 students that would be eligible for this program. Priority criteria would include schools with five or fewer CTE courses at the minimum enrollment level and schools with fewer than 80 percent of CTE courses taught by instructors who are certified to teach those courses.

**Fund Teachers of College Preparatory Courses**—The May Revision proposes \$50 million Proposition 98 General Fund to fund grants to school districts to support the hiring of additional teachers of college preparatory courses (A-G courses) in an effort to assist more students to become eligible to attend college. Availability of college preparatory courses is key to meeting eligibility requirements for the state's public university systems, and many schools lack sufficient offerings by fully qualified teachers to ensure equitable opportunities for all students. The Administration proposes minimum grants of \$45,000 per high school of at least 400 or more pupils with specific eligibility criteria based on the percentage of total courses offered that qualify as college preparatory courses and the percentage of such courses taught by fully qualified teachers in those subjects.

**EnCorps Teachers**—The May Revision proposes to shift \$10 million budgeted for the Commission on Teacher Credentialing from one-time to ongoing Proposition 98 General Fund and to increase funding by \$2 million, for a total of \$12 million, to establish the EnCorps Teachers Program in an effort to recruit and train experienced retirees to the teaching corps. As California continues to face a severe teacher shortage, it is crucial that we explore innovative avenues to increase the number of individuals entering the teaching profession,

particularly in the subject areas of math, science and career technical education. One such untapped pool of individuals with subject matter expertise in these areas is the 11 million Californians who will retire by 2008. The EnCorps Teachers Program would establish a public-private partnership with industry and business to actively recruit retiring professionals to the classroom.

**Incentives for Science and Math Teachers**—The May Revision also proposes \$7.5 million Proposition 98 General Fund for the Commission on Teacher Credentialing to fund a variety of incentives for existing credentialed teachers in other subject areas to become authorized to teach science and math. The Administration will work with the Commission to develop an effective incentive structure and allocation methodology for this funding.

**Alternative Teacher Compensation Planning Program**—The May Revision proposes \$2 million Proposition 98 General Fund for a grant program to assist public school employers and exclusive representatives of credentialed teachers to plan an alternative teacher salary schedule based on criteria in addition to years of training and experience, pursuant to SB 1209 (Chapter 517, Statutes of 2006). The intent of this program is to develop alternative approaches to teacher compensation that recognize the additional efforts required of teachers to serve in challenging school settings, reward professional growth, and recognize contributions to student learning.

**Personnel Management Assistance Teams**—The May Revision proposes \$3 million Proposition 98 General Fund to continue funding for the Personnel Management Assistance Teams pursuant to SB 1209 (Chapter 517, Statutes of 2006). These teams provide technical assistance to school districts in establishing and maintaining effective personnel management, recruitment, and hiring processes.

**Administrator Training Program**—The May Revision proposes \$2.5 million Proposition 98 General Fund for enhancement and expansion of the Administrator Training Program. This program provides very effective training and coaching for new K-12 school principals and vice-principals on leadership skills; financial and personnel management; the interrelation between academic standards, instructional material and curriculum frameworks; and the effective use of pupil assessments. However, the current program has not been geared to adequately serve existing school administrators. The primary purpose of the additional funding is to ensure that existing school administrators receive enhanced and appropriate training and coaching that recognizes their level of expertise.

## **SECOND GRADE TESTING**

Statutory authority for the Standardized Testing and Reporting (STAR) program exam that is used to assess student performance in the second grade will expire at the end of this year. However, second grade tests provide the only statewide assessment of whether or not a student has mastered basic reading skills. Testing in subsequent grades is focused on subject matter/content knowledge. Without second grade testing, the first information about student performance, related to state-aligned standards, would not be available until the beginning of fourth grade. Second grade testing is currently used to measure placement of students in third grade. Delaying identification of students who need additional support can be detrimental to student achievement. As a result, the Administration proposed funding to continue the second grade test and supports extending its sunset date to be aligned with the rest of the STAR components.

## **ENGLISH LEARNER SUPPLEMENTAL INSTRUCTIONAL MATERIALS FOR AFTER-SCHOOL AND SUMMER SCHOOL PROGRAMS**

The May Revision provides \$20 million one-time Proposition 98 General Fund for English learner supplemental instructional materials. The funds will be available for after-school and summer school programs to help students with a primary language other than English quickly develop grade-level English language skills.

## **CALIFORNIA HIGH SCHOOL EXIT EXAM INSTRUCTIONAL SUPPORT**

The California High School Exit Exam (CAHSEE), a cornerstone of the state's accountability system, helps to ensure that all students graduate from high school with at least the basic knowledge and skills needed in the workplace and in life. With each administration of the exam, increasing numbers of students are demonstrating their competency in reading, writing and mathematics. The CAHSEE plays a vital role in helping to identify students who are struggling so they can get the targeted assistance they need to succeed. The May Revision proposes \$8.5 million for county offices of education to provide school districts with instructional assistance that will help high school students pass the CAHSEE.

## **SUPPLEMENTAL INSTRUCTION**

The May Revision provides \$48.1 million Proposition 98 Reversion Account to fund 2005-06 and 2006-07 Supplemental Instruction Program obligations. The program consists of four smaller programs, all of which support after-school instruction and summer school activities. Over the past few years, demand for program moneys has outpaced cost-of-living and growth adjustments provided in the annual Budget Act. Consequently, deficiencies have developed over the past few years. In order to reimburse local educational agencies for services already provided to students, the May Revision provides one-time funding that should sufficiently

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fund the mandatory Grades 7-12 and Grades 2-9 programs. Any remaining balances will be allocated to support discretionary program obligations.

### **FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM AUDIT FUNDS**

The May Revision provides \$2 million for the Fiscal Crisis and Management Assistance Team to audit property tax revenue reporting practices at school districts and community colleges. The intent is to determine why the growth rate in property tax revenues as reported by districts is lower than the growth rates reported by the Board of Equalization and the countywide growth rates reported by county tax assessors. This discrepancy has occurred for a number of years and, for the 2005-06 fiscal year, resulted in a rate difference of approximately three percent, or \$300 million. The proposed audit will determine how much property tax is being received at the district level, how those revenues are allocated, and how those revenues are reported for purposes of offsetting the state's Proposition 98 General Fund obligation.