

K THRU 12 EDUCATION

The 2011 Budget Act includes total funding of \$64.1 billion (\$34.7 billion General Fund and \$29.4 billion other funds) for all K-12 Education programs.

PROPOSITION 98

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 multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income and school attendance growth or decline. The sections that follow provide an overview of K-12 funding adjustments, while the Higher Education section contains the Proposition 98 adjustments for the Community Colleges.

For 2011-12, the Proposition 98 Guarantee is \$48.7 billion, of which \$32.9 billion is General Fund. This Guarantee level reflects an increase in General Fund revenues in 2011-12, the expiration of a variety of short-term tax increases, and the rebenching of the Guarantee for revenue and program shifts.

Rebenching the Proposition 98 Guarantee

According to the Proposition 98 constitutional formula, K-14 education is guaranteed the same percentage of General Fund revenue that was provided in 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted

or “rebenched” to accurately reflect the base year distribution of state revenues to K-14 education. In 2011-12, there are four new rebenching impacts:

- An increase of \$578.1 million to ensure that the Guarantee does not decrease with the shift in motor vehicle fuel revenues. Legislation eliminated the sales tax and increased the excise tax on motor vehicle fuel in 2010-11, reducing the amount of revenue that is counted as General Fund within the State Appropriation Limit for the purposes of the Proposition 98 calculation.
- An increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Guarantee. The Budget shifts responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare departments to school districts.
- A decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs, from Proposition 98. The Budget shifts the Child Care program fund source from Proposition 98 General Fund to non-Proposition 98 General Fund. The part-day preschool programs are still funded within Proposition 98.
- A decrease of \$1.7 billion to ensure that the total Guarantee is unchanged as a result of new local revenue related to redevelopment agencies. The Budget requires local agencies to provide remittances totaling \$1.7 billion in 2011-12 to K-12 school districts and county offices of education located within the project area of a redevelopment agency.

In addition to the above adjustments, Proposition 98 is decreased \$2.1 billion as a result of the reduction in General Fund sales tax revenue related to the realignment of public safety programs to counties.

PROPOSITION 98 K-12 EDUCATION

ADOPTED SOLUTIONS

- Defer \$2.1 billion in K-12 Education spending—This additional deferral is necessary to maintain funding for K-12 education programs at the 2010-11 funding level.
- Part-Day State Preschool—A decrease of \$62.3 million, reflecting the following: (1) a decrease of \$16.1 million to reduce income eligibility to 70 percent of the State Median Income; and (2) a decrease of \$46.2 million to reduce provider contracts across-the-board.

OTHER CHANGES

The Budget includes the following significant Proposition 98 General Fund policy and workload adjustments necessary to support the operations of K-12 Education programs:

- **Shift In Mental Health Services from Counties to Schools**—The Budget rebenchs the Proposition 98 guarantee and provides an increase of \$221.8 million Proposition 98 General Fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts. The Budget also reflects the repeal of the AB 3632 mandate. Additionally, the Budget includes \$2.8 million in one-time federal carryover funds for program oversight and technical assistance while transitioning these services from counties to schools, and for Office of Administrative Hearings caseload resulting from increased AB 3632 mental health service related disputes. The Budget continues to provide \$98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. Schools districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any costs exceeding this amount. In total, the Budget provides \$389.4 million from all fund sources, including \$69 million in federal funds currently budgeted for mental health services.
- **New Charter Schools**—A total of \$11 million to provide charter schools that commenced operations between 2008-09 and 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.
- **Clean Technology and Renewable Energy Training**—An increase of \$3.2 million to support the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program, which creates school-business partnerships that provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.
- **Extension of Flexibility for K-12 School Districts**—The Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements, and local budget reserve requirement.

NON-PROPOSITION 98 K-12 EDUCATION

ADOPTED SOLUTIONS

- Eliminate the Office of the Secretary of Education—A decrease of \$1.9 million to OSE and a shift of \$274,000 to the State Board of Education as part of streamlining government operations. These adjustments result in an overall decrease of \$1.6 million General Fund in 2011-12, and \$400,000 in the current year.
- Child Care and Development—A decrease of \$180.4 million to child care and development programs, reflecting the following: (1) a decrease of \$37.4 million to reduce license-exempt provider rates from 80 percent to 60 percent of licensed rates for voucher-based programs; (2) a decrease of \$12.4 million to reduce income eligibility to 70 percent of the State Median Income; and (3) a decrease of \$130.7 million to reflect an across the board reduction in provider contracts.

OTHER CHANGES

The Budget includes the following significant change:

- Eliminate Funding for CALTIDES—A decrease of \$2,124,000 federal funds and 3.0 positions to the Department of Education to reflect the elimination of California Longitudinal Teacher Integrated Data System (CALTIDES) funding. The CALTIDES was intended to provide a statewide longitudinal teacher database that would serve as the central state repository of information regarding the teacher workforce; however, this data system is not a critical need.