

K THRU 12 EDUCATION

California provides compulsory instruction and support services to more than six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. Through a system of 58 county offices of education and more than 1,000 local school districts and charter schools, students are provided with instruction in English, mathematics, history, science, and other core competencies to provide them with the skills they will need upon graduation for either entry into the workforce or higher education.

The Budget includes total funding of \$70 billion (\$39.6 billion General Fund and \$30.4 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.

Proposition 98 funding increases to a total of \$56.5 billion in 2012-13, an increase of \$2.9 billion over the 2012 Budget Act. In 2013-14, the Proposition 98 guarantee is \$55.3 billion, an increase of more than \$8 billion over the 2011-12 level. Proposition 98 funding for K-12 education is projected to grow by almost \$20 billion from the

2011-12 fiscal year to the 2016-17 fiscal year, representing an increase of more than \$2,800 per student.

LOCAL CONTROL FUNDING FORMULA

The Budget contains a new Local Control Funding Formula to replace today's overly complex, administratively costly, and inequitable school finance system. The new formula recognizes that the current system is largely state-driven, and limits the ability of local school officials to decide how best to meet the needs of their students. The formula is responsive to research and practical experience indicating that students from low-income families and English language learners come to school with unique challenges that often require supplemental services and support to be successful in school.

The Local Control Funding Formula includes the following components:

- A base grant for each local education agency equivalent to \$7,643 per unit of average daily attendance (ADA). This amount includes an adjustment of 10.4 percent to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6 percent to reflect the cost of operating career technical education programs in high schools.
- A 20-percent supplemental grant for English learners, students from low-income families, and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 22.5 percent of a local education agency's base grant, based on the number of English learners, students from low-income families, and foster youth served by the local agency that comprise more than 55 percent of enrollment.
- An Economic Recovery Target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

Of the more than \$25 billion in new funding to be invested through the formula over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through this formula, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants.

Under the Budget, the average base grant is \$7,643, which is \$2,375 more than today's average revenue limit.

ACCOUNTABILITY

The Local Control Funding Formula moves from a state-controlled system that emphasizes inputs to a locally-controlled system focused on improved outcomes. Local agencies will decide the best way to target funds. However, districts will be required to increase or improve services for English learner, low income, and foster youth students in proportion to supplemental and concentration grant funding. Additionally, the new system better aligns the state's accountability structure with the existing local budget process. All school districts, county offices of education, and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the state, including pupil achievement, parent engagement, and school climate.

County superintendents will review and provide support to the districts under their jurisdiction. The Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the Budget creates the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction would have authority to make changes to the district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation.

This system recognizes that the state retains an important role in supporting school districts that struggle to meet state and local expectations. The state will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

K-12 BUDGET ADJUSTMENTS

Significant Adjustments:

- *Local Control Funding Formula*—An increase of \$2.1 billion Proposition 98 General Fund for school districts and charter schools, and \$32 million Proposition 98 General Fund for county offices of education, to support first-year funding provided through the Local Control Funding Formula.
- *Common Core Implementation*—An increase of \$1.25 billion in one-time Proposition 98 General Fund to support the implementation of the Common Core—new standards for evaluating student achievement in English-language arts and math. Funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials, and technology. Local education agencies will be required to develop a plan to spend this money over the next two years and hold a public hearing on the plan.
- *Career Technical Education Pathways Grant Program*—An increase of \$250 million Proposition 98 General Fund for one-time competitive capacity-building grants for K-12 school districts and community colleges to support programs focused on work-based learning. K-12 schools and community colleges must obtain funding commitments from program partners to support ongoing program costs.
- *K-12 Mandates Block Grant*—An increase of \$50 million Proposition 98 General Fund to reflect the inclusion of the Graduation Requirements mandate within the block grant program. This increase will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.
- *K-12 Deferrals*—An increase of \$1.6 billion Proposition 98 General Fund in 2012-13 and an increase of \$242.3 million Proposition 98 General Fund in 2013-14 for the repayment of inter-year budgetary deferrals. When combined, total funding over the two-year period will reduce K-12 inter-year deferrals to \$5.6 billion by the end of the 2013-14 fiscal year. This will reduce total outstanding deferrals by more than 40 percent of their peak value, when more than \$9.5 billion was deferred.
- *Proposition 39 Implementation*—The Budget allocates \$381 million Proposition 98 General Fund to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85 percent will be distributed based on ADA and 15 percent will be distributed based on free and reduced-price meal eligibility. The Budget establishes minimum grant levels of

\$15,000 and \$50,000 for small and exceptionally small local education agencies and allows these agencies to receive an advance on a future grant allocation. The Budget will provide other local education agencies the greater of \$100,000 or their weighted distribution amount. The Budget provides \$28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges. Additionally, the Budget appropriates \$3 million to the California Workforce Investment Board to develop and implement a competitive grant program for eligible workforce training organizations that prepare disadvantaged youth or veterans for employment in energy related fields.

- *Special Education Funding Reform*—The Budget includes several consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

CHILD CARE AND STATE PRESCHOOL

Subsidized Child Care includes a variety of programs designed to support low-income families so they may remain gainfully employed. These programs are primarily administered by the State Department of Education (SDE). Additionally, the State Preschool program is designed as an educational program to help ensure children develop the skills needed for success in school. SDE and the Department of Social Services jointly administer the three-stage CalWORKs child care system to meet the needs for child care of recipients of aid while they participate in work activities and as they transition off of cash aid. Families can access services through centers that contract directly with SDE, or by receiving vouchers from county welfare departments or alternative payment program providers.

Significant Adjustments:

- *Backfill for Federal Sequestration*—The Budget backfills an estimated \$15.9 million of federal sequestration reductions with a like amount of General Fund as follows: \$11.1 million for General Child Development programs, \$4.2 million for Alternative Payment programs, and \$0.6 million for Migrant Day Care programs.
- *Shift of Funds from CalWORKs Stage 2 to Stage 3*—In the event that CalWORKs Stage 3 child care funding is insufficient to support the estimated caseload, the Budget authorizes the transfer of any unused funds from CalWORKs Stage 2 to Stage 3 to ensure that eligible Stage 3 families continue to receive child care services.

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- *Reappropriation of Unspent Child Care Funds*—The Budget reappropriates \$10 million of child care program funds from 2012-13 to 2013-14. The unspent funds will be used to establish new slots in the following programs: \$7 million for General Child Development programs, \$2.6 million for Alternative Payment programs, and \$0.4 million for Migrant Day Care programs.