

K THRU 12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provide students 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 May Revision includes total funding of \$83 billion (\$49.7 billion General Fund and \$33.3 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 recently adopted Local Control Funding Formula is the primary mechanism for distributing funding to support all students attending K-12 public schools in California.

As a result of significant growth in General Fund revenues, Proposition 98 funding obligations increase by a total of \$6.1 billion over the three-year period of 2013-14 to

2015-16 relative to the Governor's Budget. Specifically, Proposition 98 Guarantee funding increases by \$241 million in 2013-14, \$3.1 billion in 2014-15, and \$2.7 billion in 2015-16. As a result of these changes, the revised Proposition 98 Guarantee levels at the May Revision for the 2013-14 through 2015-16 fiscal years are \$58.9 billion, \$66.3 billion, and \$68.4 billion, respectively.

The Proposition 98 maintenance factor—an indicator of the past reductions made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. Under the May Revision, this amount is reduced to \$772 million.

K-12 FUNDING PRIORITIES

The May Revision proposes to utilize this substantial combination of one-time and ongoing resources to further advance the core priorities of the Administration, paying down debts owed to schools, and investing significantly in the Local Control Funding Formula. The formula provides additional funding to school districts and students most in need of these resources. The May Revision maintains the repayment of all the inter-year budgetary deferrals, while substantially increasing funding for the formula by providing an additional \$2.1 billion—building upon the more than \$4 billion provided in the Governor's Budget. In total, this \$6.1 billion investment in the formula will provide enough funding to close 53 percent of the remaining gap to full implementation. The repayment of deferrals and the added investments in the formula will provide greater certainty of funding and address inequities in the prior school finance system, while allowing schools to expand base programs and services and support other key local investments and priorities. Funding is also provided for various workload adjustments under the new formula, as detailed in the K-12 Budget Adjustments section.

The 2013 Budget Act provided \$1.25 billion in one-time Proposition 98 General Fund to support the implementation of the recently state-adopted academic standards for English Language Arts and Mathematics—new standards focused on developing the critical thinking, problem-solving, and analytical skills students will need for today's entry-level careers, freshman-level college courses, and workforce training programs.

The Governor's Budget proposed more than \$1.1 billion in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education to further the implementation of the state-adopted academic standards. The May Revision significantly expands this investment by proposing an additional \$2.4 billion in Proposition 98 resources. With more than \$3.5 billion in total discretionary

funding, schools will be able to continue to make the necessary investments in professional development, provide teacher induction to beginning teachers, and purchase instructional materials and technology to prepare both students and teachers for success. Of this new total funding, \$40 million will be provided to county offices of education to assist schools in meeting new responsibilities required under the accountability structure of the formula. All of the funds provided will offset any applicable mandate reimbursement claims for these entities, which builds off the approach in the 2014 Budget Act where \$400.5 million in one-time funding was provided for both general purpose activities and mandates reimbursement. This combined two-year investment will substantially reduce the outstanding mandates debt owed to local educational agencies, consistent with the Administration's goal to pay down debt.

SPECIAL EDUCATION

The California Statewide Special Education Taskforce was formed in 2013 to examine the state of special education in California, analyze and consider best practices within the state and nation, and ultimately propose recommendations for improving the system. The taskforce, composed of parents, advocates, teachers, administrators, and experts in the field, began meeting in December 2013. After more than a year of deliberations, the taskforce released its final recommendations in March 2015, which focus on the areas of early learning, evidence-based school and classroom practices, educator preparation and professional learning, assessments and accountability structures, family and student engagement, and special education financing.

In response to these recommendations, the May Revision proposes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) in 2015-16 to implement selected program changes recommended by the taskforce, and makes targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.

Significant Adjustments:

- Increase Opportunities for Infants and Toddlers to Receive Early Interventions—The May Revision proposes augmenting the Early Education Program for Infants and Toddlers with Exceptional Needs, which identifies and provides early interventions for infants from birth to age two with special needs, by \$30 million Proposition 98 General Fund. Participation in the current program is limited to local educational agencies that have historically received state funding for this program.

This investment will allow for new participation in the program, and provide an opportunity for the state to reassess the outdated funding model.

- **Increase Opportunities for Children with Exceptional Needs in State Preschool**—The May Revision proposes \$12.1 million Proposition 98 General Fund to provide access to an additional 2,500 children in State Preschool. Priority for this funding is for children with exceptional needs.
- **Improve Outcomes for Children with Exceptional Needs who Participate in State Preschool**—The May Revision requires State Preschool programs to: (1) provide parents with information about accessing local resources for the screening and treatment of developmental disabilities, and (2) within existing professional development requirements, provide teachers with training on behavioral strategies and targeted interventions to improve kindergarten readiness. The May Revision proposes increasing State Preschool reimbursement rates by 1 percent (at a cost of \$6 million Proposition 98 General Fund) to reflect these changes.
- **Establish Statewide Resources to Encourage and Assist Local Educational Agencies in Aligning Systems of Learning and Behavioral Supports**—The May Revision proposes a one-time investment of \$10 million Proposition 98 General Fund to provide technical assistance and build statewide resources to assist local educational agencies interested in implementing school-wide, data-driven systems of support and intervention. School-wide tiered systems provide scientifically based practices and interventions that are proportional to a student’s needs. Research indicates that schools that have implemented tiered systems are more successful at improving disabled student outcomes.
- **Increase Dispute Resolution Resources**—The May Revision proposes an increase of \$1.7 million federal Individuals with Disabilities Education Act state-level activity funds to expand the current Alternative Dispute Resolution Grant Program to all Special Education Local Plan Areas in the state. On a limited scale, this program has proven successful in resolving special education disputes at the local level.
- **Increase State Systemic Improvement Plan Resources**—The May Revision proposes an increase of \$500,000 federal Individuals with Disabilities Education Act state-level activity funds to develop resources and provide technical assistance to local educational agencies for implementation of the federally required State Systemic Improvement Plan for students with disabilities.

ADULT EDUCATION

The May Revision maintains \$500 million Proposition 98 General Fund to establish the Adult Education Block Grant program to provide funds for adult education to school districts and community colleges. This proposed program will coordinate efforts of various entities—such as schools, community colleges, universities, local workforce investment boards, libraries, social services agencies, public safety agencies, and employers—to provide education and training more effectively.

The May Revision strengthens this proposal, substantially informed by feedback received from stakeholders.

Significant Adjustments:

- Eliminate Allocation Boards within Each Consortium—Each consortium will be required to create rules and procedures regarding how it will make decisions, based on state guidelines that require consortia to seek and respond to input on proposed decisions from interested stakeholders and to make decisions publicly.
- Require More Robust, but Less Frequent, Planning—Each consortium will develop a comprehensive plan for adult education in its region at least once every three years, with annual updates.
- Provide Greater Funding Certainty—The Superintendent of Public Instruction and the Chancellor of the California Community Colleges will certify maintenance of effort levels by July 30, and will determine the allocation of any remaining block grant funds to consortia by October 30. Beginning in 2016, the Superintendent and Chancellor will provide preliminary allocations to consortia shortly following the release of each Governor’s Budget, and final allocations, along with preliminary projections for two future years, shortly after each Budget is enacted. At the consortia level, allocations to districts will be at least equal to their distribution from the previous year, with limited exceptions. Further, use of a local fiscal administrator is no longer required.
- Integrate Adult Education Programs and Funding Streams—The Superintendent and Chancellor will, by January 31, 2016, develop and submit a plan to distribute Workforce Innovation and Opportunity Act Title II and Perkins funding using the consortia structure in future years. School districts, county offices of education, and community college districts that receive other specified state funds or

federal funds for adult education must be participating members of an adult education consortium.

K-12 BUDGET ADJUSTMENTS

Significant Adjustments:

- Career Technical Education—The Governor’s Budget proposed \$250 million in one-time Proposition 98 funding in each of the next three years to support a transitional Career Technical Education (CTE) Incentive Grant Program. School districts, county offices of education, and charter schools receiving funding from the program would be required to provide a dollar-for-dollar match each year. The May Revision proposes an additional \$150 million in 2015-16 for the first year of this transition program, an additional \$50 million in 2016-17, and a reduction of \$50 million in 2017-18. This adjusted schedule of funding will better allow schools to transition to entirely using their own discretionary funds by 2018-19. The May Revision also proposes a series of other changes to the Administration’s January proposal on CTE, including:
 - Increasing the minimum local-to-state funding match requirement to 1.5:1 in 2016-17 and 2:1 in 2017-18, to assist local educational agencies’ transition in supporting CTE with their Local Control Funding Formula apportionments and other existing resources after this program expires.
 - Eliminating Career Pathways Trust from the list of allowable sources of local matching funds.
 - Directing the Department of Education and the State Board of Education to give funding priority to applicants administering programs located in rural districts or regions with high student dropout rates.
- Quality Education Investment Act Transition Funding—An increase of \$4.6 million one-time Proposition 98 General Fund to provide half of the final apportionment of Quality Education Investment Act (QEIA) funding to selected school districts in 2015-16 that do not qualify for concentration grant funding under the Local Control Funding Formula. This funding will help ease the transition off QEIA funding for districts with isolated concentrations of English learners and students who qualify for free or reduced-priced meals.

- Simon Wiesenthal Center—An increase of \$2 million Proposition 98 General Fund for the Los Angeles County Office of Education to contract with the Simon Wiesenthal Center to support the Museum of Tolerance’s “Tools for Tolerance” training programs. These funds allow the center to partner with schools throughout the state to advance anti-bias education, inclusion, and equity through professional development programs.
- Local Property Tax Adjustments—A decrease of \$123.3 million Proposition 98 General Fund in 2014-15 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues. A decrease of \$224 million Proposition 98 General Fund in 2015-16 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- Average Daily Attendance—An increase of \$94.4 million in 2014-15 and an increase of \$173.5 million in 2015-16 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of an increase in 2013-14 average daily attendance (ADA), which drives projections of ADA in both 2014-15 and 2015-16.
- Proposition 39—The California Clean Energy Jobs Act was approved by voters in 2012, and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency projects. The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2015-16 by \$6.7 million to \$313.4 million to reflect reduced revenue estimates.
- Categorical Program Growth—A decrease of \$18.4 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of projected ADA growth.
- Cost-of-Living Adjustments—A decrease of \$22.1 million Proposition 98 General Fund to selected categorical programs for 2015-16 to reflect a change in the cost-of-living factor from 1.58 percent at the Governor’s Budget to 1.02 percent at the May Revision.
- K-12 Mandated Programs Block Grant—An increase of \$1.2 million Proposition 98 General Fund to reflect greater school district participation in the mandates block grant. This additional funding is required to maintain statutory block grant funding rates assuming 100-percent program participation.

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 Department of Education. Additionally, the State Preschool program is designed as an educational program to help children develop the skills needed for success in school. The Department of Education and the Department of Social Services jointly administer the three-stage CalWORKs child care system to meet the child care needs of recipients of aid while they participate in work activities and as they transition off cash aid. Families can access services through centers that contract directly with the Department of Education, or by receiving vouchers from county welfare departments or alternative payment program providers.

Significant Adjustments:

- CalWORKs Stage 2—An increase of \$46.8 million non-Proposition 98 General Fund, to reflect an increase in the number of new Stage 2 beneficiaries and an increase in the cost of providing care. Total base cost for Stage 2 is \$395.4 million.
- CalWORKs Stage 3—An increase of \$2 million non-Proposition 98 General Fund to reflect minor adjustments in caseload and the cost of providing care. Total base for Stage 3 is \$265.5 million.
- Capped Non-CalWORKs Programs—A net decrease of \$7.2 million (\$3.1 million Proposition 98 General Fund and \$4.1 million non-Proposition 98 General Fund) to reflect a change in the cost-of-living adjustment from 1.58 percent at the Governor’s Budget to 1.02 percent at the May Revision, and a net decrease of \$2.5 million (\$1.1 million Proposition 98 General Fund and \$1.4 million non-Proposition 98 General Fund) to reflect a change in the population of 0-4 year-old children.
- Child Care and Development Funds—A net increase of \$17.7 million federal funds in 2015-16 to reflect an increase in ongoing base federal funds of \$9 million, an additional \$5.5 million in one-time general-purpose funds from 2014-15, and an additional \$3.2 million in one-time quality funds from 2014-15. In addition, the May Revision identifies basic priorities for possible mid-year federal Child Care and Development Block Grant funding adjustments, and establishes the Infant and Toddler Quality Rating and Improvement System Block Grant with anticipated federal quality funds available beginning October 1, 2016.

- State Preschool—An increase of \$13.5 million Proposition 98 General Fund to reflect 2,500 part-day State Preschool slots as described in the Special Education section, as well as various technical adjustments including an adjustment in the cost of living and a change in the population of 0-4 year-old children.
- Early Head Start/Child Care Partnership Grant—An increase of \$2.4 million federal funds to provide Early Head Start services to an additional 260 infants and toddlers in 11 northern counties.

COMMISSION ON TEACHER CREDENTIALING

The Commission on Teacher Credentialing sets the State’s standards for educator preparation for the K-12 public schools of California. The Commission implements these standards through the issuance and renewal of teaching and services credentials, development and administration of educator examinations, accreditation of educator preparation programs, and monitoring of educator conduct. The Commission consists of 19 members: 15 voting members and four ex-officio non-voting members.

The Commission is a special fee agency, with teacher credential fees providing approximately 85 percent of its revenue base; the remainder is provided by examination fees paid by educators and accreditation fees paid by educator preparation programs. Over the past five years, the number of candidates enrolled in and completing educator preparation programs and applying for credentials has declined, resulting in a decrease in the Commission’s revenue base. At the same time, the Commission’s non-discretionary operating costs have continued to increase. The May Revision includes \$4.5 million in additional funding to address these costs. To address the structural pressures on the Commission’s budget in the near term, the May Revision proposes to increase the teacher credential fee to \$100 for initial and renewal credentials in an effort to provide the Commission with additional revenue necessary to support mission-critical activities. Credential fees had been held flat at \$55 since 2000, until the fee was raised to the current level of \$70 in 2012. Even with this proposed increase, teacher credential fees would remain lower than renewal fees charged to professionals in a number of other occupational fields.

To address some of the long-term underlying causes of the Commission’s current structural budget issues, it is important to streamline functions and create workload efficiencies at the Commission. The Administration proposes to begin this effort with a focus on the Commission’s responsibility to monitor educator misconduct through

the existing district reporting process. Often, the evidentiary files of district-reported cases of teacher misconduct are incomplete and lack basic information, which increases processing time and costs. While the minimum required information is currently specified in regulations, the Administration proposes to place these requirements in statute in an effort to emphasize the basic information needed in a district report of teacher misconduct. The Administration also proposes to provide the Commission with jurisdiction to investigate a superintendent or charter school administrator who fails to report educator misconduct. Both of these changes are intended to improve the quality of these reports, allowing the Commission to act more quickly in determining the correct course of action in each of these cases and ultimately reach a more efficient disposition of each case.

PUBLIC SCHOOLS ON MILITARY INSTALLATIONS

The U.S. Secretary of Defense established a program to construct, renovate, repair, or expand elementary and secondary public schools on military installations to address capacity or facility condition deficiencies. The program is 80 percent federal funded, with a 20-percent local match requirement for a school district to receive funding under the program.

In 2010, the Department of Defense assessed the condition of 160 public schools on military installations in the United States and created a priority list of schools with the most serious condition and/or capacity deficiencies. California has 11 schools located in six school districts that are within the top 33 of the priority list. The majority of schools on this list have expressed concerns about raising the required 20-percent local match. In an effort to assist participating districts, the Administration is exploring several funding options to help the eligible schools establish their local match, including the provision of low-interest state loans through existing programs.