

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 \$87.6 billion (\$51.5 billion General Fund and \$36.1 billion other funds) for all K-12 education programs.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that 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 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 revised revenue estimates that indicate higher prior-year revenues, lower anticipated growth in 2015-16, and modest projected growth in 2016-17, Proposition 98

funding obligations increase by a total of \$626 million over the three-year period of 2014-15 to 2016-17 relative to the Governor's Budget. Specifically, Proposition 98 guarantee funding increases by \$463 million in 2014-15, decreases by \$125 million in 2015-16 and increases by \$288 million in 2016-17. As a result of these changes, the revised Proposition 98 guarantee levels at the May Revision for the 2014-15 through 2016-17 fiscal years are \$67.2 billion, \$69.1 billion, and \$71.9 billion, respectively.

The Proposition 98 maintenance factor—an indicator of past reductions made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. At Governor's Budget, it was anticipated that the maintenance factor would be repaid in full by the end of the 2015-16 fiscal year, prior to the creation of additional projected maintenance factor at the end of the 2016-17 fiscal year. As a result of reduced revenue estimates for 2015-16 and increased growth in per capita personal income for 2016-17, year-end maintenance factor balances of \$155 million and \$908 million are now projected for 2015-16 and 2016-17 respectively.

K-12 FUNDING PRIORITIES

The May Revision proposes to utilize the combination of increased 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 significantly increased local flexibility on spending decisions and additional funding for students most in need of these resources in an effort to narrow the achievement gap and elevate low-achieving students. The May Revision increases funding for the formula by providing an additional \$154 million—building upon the more than \$2.8 billion provided in the Governor's Budget. In total, the more than \$2.9 billion investment will bring the formula to 95.7 percent of full implementation. Added investments in the formula for 2016-17 will continue to reverse the inequities that characterized the prior school finance system, and allow schools to expand 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 Governor's Budget proposed almost \$1.3 billion in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education. The May Revision proposes an additional \$134.8 million, providing a total of more than \$1.4 billion in discretionary funding to schools in 2016-17 to further the implementation of the state-adopted academic standards, make necessary investments

in professional development, provide teacher induction to beginning teachers, address infrastructure and deferred maintenance needs, and purchase instructional materials and technology to prepare both students and teachers for success. All of the funds provided will offset any applicable mandate reimbursement claims for these entities. These resources, coupled with more than \$3.6 billion in one-time Proposition 98 funding provided to schools in the 2015-16 Budget for the same purposes, will substantially reduce the outstanding mandate debt owed to local educational agencies, consistent with the Administration's goal to pay down debt.

EARLY EDUCATION

The Governor's Budget proposed to consolidate state-subsidized early learning programs into a \$1.6 billion Early Education Block Grant, which would target children most in need of services, address inequity in the distribution of state funding, and align pre-kindergarten programs with local school district priorities. Through the spring, the Administration engaged in four public comment sessions on the Governor's Budget proposal, and received more than 200 responses on the proposal. Drawing in part on that feedback, the May Revision proposes a detailed implementation plan with the following components:

- A governance structure that includes school districts administering early education programs and county offices of education providing technical support and, where necessary, assisting school districts that lack the infrastructure to operate early education programs.
- A transition year for county offices of education to begin working with school districts and other providers in the region to prepare for program implementation in 2017-18.
- Enhanced alignment of pre-kindergarten and K-12 programs through the development of a regional early learning plan that considers input from school districts, county offices of education, families, teachers, and other community stakeholders.
- The use of an existing locally based quality rating system to define the minimum standards for pre-kindergarten program quality.

- A funding model that maintains current levels of funding for school districts and regions for a period of time as the transition to the new Block Grant model occurs. Future state spending investments will be targeted to those areas of the state that have traditionally lacked an equitable share of total funding.

The May Revision includes \$20 million Proposition 98 General Fund (\$10 million ongoing and \$10 million one-time) for county offices of education to begin work in the budget year to ensure a successful transition to the new early education program.

Significant Adjustment:

- State Preschool—A net decrease of \$4.3 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 0.47 percent at the Governor’s Budget to 0.00 percent at the May Revision.

TEACHER WORKFORCE

The traditional pathway to a California teaching credential requires a new teacher to earn a baccalaureate degree and then complete a graduate-level teacher preparation program. This pathway to a preliminary teaching credential takes at least five years—and very often six or seven years—to complete the required coursework and student teaching. As an alternative, some of California’s private and public postsecondary institutions offer integrated teacher credential programs, where students have the option of earning a degree and a teaching credential in four years. By enrolling in these programs, students can avoid a year or more of college costs while beginning their teaching careers a year or two earlier. However, currently only a handful of universities and colleges offer such credentialing programs.

The May Revision proposes a \$10 million General Fund one-time investment for grants to California postsecondary institutions to improve upon or develop four-year integrated teacher credential programs. Grants of up to \$250,000 would provide postsecondary institutions with funding to improve existing or create new integrated programs. Preference would be given to proposals that include partnerships with local community colleges and K-12 local educational agencies. The competitive grant program would be administered by the Commission on Teacher Credentialing, with the funds primarily provided for release time for faculty, creation of courses, summer scholarships for students, and program coordinators. Both public and private universities would be eligible to compete for the grants.

In addition to streamlining the teacher pipeline, the May Revision proposes one-time \$2.5 million Proposition 98 General Fund for the California Center on Teaching Careers, a program designed to strengthen statewide recruitment of qualified and capable individuals into the teaching profession. Funds would be used for a competitive multi-year grant to be administered by the Commission on Teacher Credentialing and awarded to a local educational agency to administer the center. The center would support public service announcements, employment referrals, the distribution of recruitment publications and information on financial aid and the availability of teacher preparation programs for prospective teachers, and outreach to high school students, college students, out-of-state teachers, and current credential holders.

EMERGENCY REPAIR REVOLVING LOAN PROGRAM

The current School Facilities Aid Program provides grants to local educational agencies through voter-approved general obligation bond funds to build and modernize school facilities. In the event there is a need to replace or repair facilities due to an imminent health and safety concern, facility hardship grant assistance may be available to local educational agencies. However, the process to request and receive this funding can take several months. During this time period, a school may need to close, thereby displacing its students until the school district is able to address the underlying health and safety issues.

To assist school districts in remediating imminent and critical health and safety facility issues that would cause students to be displaced from an educational setting, the May Revision proposes \$100 million in one-time Proposition 98 General Fund to establish a bridge loan program to provide temporary funding to schools with insufficient resources to expeditiously address these imminent health and safety issues. Specifically, these funds are proposed to address “emergency facilities needs” — structures or systems that are in a condition that poses a threat to the health and safety of pupils and staff while at school. As a condition of participation, a school would have to provide independent verification that the school site has been deemed unsuitable for occupation, and the school would have to self-certify that no alternative facilities are available to educate the displaced students. Subject to an expedited review and approval process by the Department of Education, loan funds could be released in a matter of days to address the necessary repairs and ensure students can quickly return to the classroom. After funds are released, schools would have the option of repaying the loans in full within one year of disbursement without interest, or by structuring a long-term low-interest repayment plan not to exceed 20 years.

K-12 BUDGET ADJUSTMENTS

Significant Adjustments:

- Local Property Tax Adjustments—A decrease of \$196.5 million Proposition 98 General Fund in 2015-16 and \$211.3 million in 2016-17 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- Special Education Property Tax Adjustment—An increase of up to \$28.5 million Proposition 98 General Fund in 2015-16, provided on a contingency basis, for an anticipated shortfall in redevelopment agency property taxes for special education local plan areas. Related language provides a mechanism to distribute up to \$28.5 million based on a determination of property taxes reported for special education local plan areas as of the second principal apportionment certification in early June.
- Average Daily Attendance (ADA)—An increase of \$11.2 million in 2015-16 and a decrease of \$2 million in 2016-17 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of an increase in ADA in 2014-15 which drives projections for 2015-16, and a decrease in ADA for 2016-17.
- 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 increases the amount of energy efficiency funds available to K-12 schools in 2016-17 by \$33.3 million to \$398.8 million to reflect increased revenue estimates.
- Categorical Program Growth—A decrease of \$5.7 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of projected ADA growth.
- Cost-of-Living Adjustments—A decrease of \$18.6 million Proposition 98 General Fund to selected categorical programs for 2016-17 to reflect a change in the cost-of-living factor from 0.47 percent at the Governor’s Budget to 0.00 percent at the May Revision.
- K-12 Mandated Programs Block Grant—An increase of \$131,000 Proposition 98 General Fund to maintain statutory block grant funding rates, assuming 100-percent program participation.

CHILD CARE

Subsidized child care supports the gainful employment of working families. The state provides subsidized child care through a variety of programs, administered largely by the California Department of Education. Families can access care either through a collection of providers who contract directly with the state, or through a voucher they give to a provider who best meets their needs for care. These programs vary in minimum program requirements, in the method of provider reimbursement, and in the flexibility offered for parents who work non-traditional hours.

The Governor's Budget proposed requiring the Department of Education to develop a plan for subsidized child care that transitions away from the use of contracts toward a voucher system over the next five years. The May Revision clarifies that the plan should be a streamlined child care system that consolidates the number of child care programs, provides a single reimbursement rate structure (rather than the flat rate and market rate models the state currently uses) that improves provider payment processes, creates one statewide set of minimum program quality standards, is more efficient for families to access, and can be implemented within existing resources.

The 2015 Budget directed the Department of Education to convene two stakeholder workgroups to recommend actions the state may take to increase the administrative efficiency of state-subsidized child care contracts. The workgroups released their recommendations in April of this year. In response, the Administration proposes statutory language in the May Revision that streamlines the processes for single-parent verification and notices to families regarding changes in care. Further, the Administration anticipates that the Department of Education will make regulatory changes aligned with the workgroup recommendations.

Significant Adjustments:

- Stage 2—A decrease of \$884,000 non-Proposition 98 General Fund in 2016-17 to reflect a lower estimated increase in the cost per case. Total Stage 2 costs are \$421.4 million.
- Stage 3—A decrease of \$42.3 million non-Proposition 98 General Fund in 2016-17 to reflect a lower estimated increase in the cost per case and reduced caseload. Total Stage 3 costs are \$273.6 million.

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- Child Care and Development Funds—A net increase of \$55.6 million federal funds in 2016-17 to reflect an increase to the base grant amount and an increase in one-time funds carried over from prior years. Of this increase, \$9.2 million is allocated for child care quality activities in accordance with the requirements of the federal Child Care and Development Block Grant Act of 2014. Total ongoing and one-time federal funding is \$648.9 million.
- Capped Non-CalWORKs Programs—A net decrease of \$3.5 million non-Proposition 98 General Fund to reflect a change in the cost-of-living adjustment from 0.47 percent at the Governor’s Budget to 0.00 percent at the May Revision.
- Child Care Quality Activities—Provisional language in the May Revision directs the Department of Education to update its Child Care and Development Block Grant State Plan for quality expenditures to prioritize Quality Rating and Improvement System activities.