

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Al Muratsuchi, Chair

THURSDAY, MAY 15, 2014
UPON ADJOURNMENT - STATE CAPITOL ROOM 444

Overview of the Governor's 2014-15 May Revision

PART I: Proposition 98

- Department of Finance
- Legislative Analyst's Office
- Department of Education
- California Community Colleges

PART II: Child Care

- Department of Finance
- Legislative Analyst's Office
- Department of Education

PART III: California Student Aid Commission

- Department of Finance
- Legislative Analyst's Office
- California Student Aid Commission

PART IV: Public Comment

**PART I: OVERVIEW OF THE GOVERNOR'S 2013-14 MAY REVISION
PROPOSITION 98**

**6110 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**

The Subcommittee will hear testimony on the Governor's May Revision proposals related to Proposition 98.

BACKGROUND

Proposition 98 Spending Changes in 2014-15 May Revision <i>(In Millions)</i>	
K-12 Education	
Reduce deferral paydown	-742
Increase LCFF for higher attendance	121
Increase categoricals for higher attendance	17
Increase funding for FCMAT	1
Other K-12 adjustments	-20
Subtotal	(623)
California Community Colleges	
Rescind instructional equipment proposal	-88
Reduce deferral paydown	-78
Increase deferred maintenance funding	61
Provide one-time CTE funding	50
Reduce enrollment growth funding	-15
Other CCC adjustments	-12
Fund internet equipment and connectivity	6
Subtotal	(76)
Total May Revision Changes	-700

Source: Legislative Analyst's Office

The Governor's May Revision includes the following major adjustments to Proposition 98:

- Increases the overall Proposition 98 funding level over the last three years (2012-13, 2013-14, and 2014-15) by a total of \$242 million above the Governor's January Budget. Specifically, the May Revision makes the following changes to the Proposition 98 funding levels:
 - Decreases the Proposition 98 minimum guarantee by \$547 million in 2012-13 due to lower General Fund revenues.
 - Increases the minimum guarantee by approximately \$1.5 billion in 2013-14 due to higher year-to-year increases in General Fund revenues and a slight increase in estimated average daily attendance (ADA).

- Decreases the minimum guarantee by \$700 million in 2014-15. The increase in revenues in 2013-14 results in lower year-to-year growth in General Fund revenues, requiring a lower maintenance factor payment in 2014-15.
- Maintains the Governor's commitment to paying down debt by eliminating all payment deferrals to schools by the end of 2014-15. The May Revision accelerates the repayment of deferrals in 2013-14 by \$1.4 billion, reducing the deferral payment in 2012-13 and 2014-15 by \$574 million and \$820 million, respectively.
- Maintains the \$4.5 billion investment in implementing the Local Control Funding Formula (LCFF) provided in the Governor's January Budget. The May Revision also proposes the following changes to the LCFF related to the calculation of unduplicated pupils:
 - Allows schools participating in Provision 2 or 3 of the National School Lunch Program to establish student eligibility every four years, instead of every year. These schools would be required to update their counts annually for all newly enrolled or disenrolled students.
 - Requires the Superintendent of Public Instruction to revise a local educational agency's three year average of unduplicated students (low-income and English learners) using 2014-15 student data instead of 2013-14, if this would increase their average.
- Provides \$26.7 million in one-time reappropriated Proposition 98 funds for the K-12 High Speed Network to help schools in securing internet connectivity and infrastructure in order to implement the new computer based assessments aligned to the common core. This one-time funding would be used to conduct a statewide report of school's internet connectivity needs by March 1, 2015 and create a grant program to improve internet connectivity in K-12 schools. The grants would be distributed by the K-12 High Speed Network, in consultation with the California Department of Education (CDE) and State Board of Education (SBE) based on an assessment of need using the data provided in the report. The CDE, with approval of the Executive Director of the SBE, could distribute grants for critical projects prior to the issuance of the report.

- Proposes the following changes to the Governor's January Budget proposal on independent study and blended learning:
 - Eliminates the requirement for students participating in site-based blended learning to meet with a certificated teacher weekly to assess if a student is meeting satisfactory academic progress.
 - Allows schools to offer site-based blended learning, using a universal learning agreement for all students enrolled in the same course.
 - Provides funding for students enrolled in course-based independent study based on average daily attendance, instead of enrollment, and reduces funding for independent study programs that serve more than 10 percent of an LEA's total enrollment. Students above this threshold would generate funding based on the average high school absence rate (approximately 5 percent).

Other K-12 Adjustments:

- Decreases the Proposition 39 energy efficiency funds available for K-12 schools by \$9 million in 2014-15, for a total of \$307 million due to reduced revenue estimates.
- Increases the Proposition 98 General Fund amount provided to schools by \$83.9 million in 2014-15 due to lower offsetting property tax revenues.
- Provides \$103.1 million in 2013-14 and \$121.1 million in 2014-15 due to increases in projected ADA. Also provides an additional \$15.3 million Proposition 98 General Fund for categorical programs and \$1.6 million for the Mandates Block Grant due to projected growth in attendance.
- Adds three additional mandates to the K-12 Mandates Block Grant (Parental Involvement, Williams Case Implementation, and Developer Fees) but makes no related adjustment to block grant funding. Includes \$1,000 for claims for each of these three new mandates as well as two existing mandates already included in the block grant.
- Updates the cost-of-living adjustment (COLA) to 0.85 percent for 2014-15, resulting in a decrease of \$258,000 Proposition 98 General Fund.

- Provides \$500,000 in additional funding for the Fiscal Crisis Management Assistance Team (FCMAT) due to increased workload as a result of LCFF implementation.

Community Colleges:

- Provides \$4.8 billion in Proposition 98 General Fund support for community colleges, down \$570 million from the January proposal. The May Revise amount would be a 4% increase in Proposition 98 General Fund support over the current year amount.
- Provides funding for 2.75% enrollment growth, instead of 3% growth, which was proposed in January. The revised plan would spend \$140.4 million Proposition 98 General Fund on enrollment growth.
- Reduces the proposed cost-of-living adjustment (COLA) from .86% as proposed in January to .85%. Under the new proposal, \$47.3 million Proposition 98 General Fund would be available for COLA.
- Provides \$50 million Proposition 98 General Fund to augment the Economic and Workforce Development categorical program. The program supports regional planning for career technical education (CTE) programs tied to regional workforce needs, and also supports equipment costs and professional development for CTE faculty. This is one-time funding. The proposal would require the Chancellor's Office to distribute the funding to already-formed regional consortia.
- Proposes trailer bill language that would increase the funding rate in 2015-16 for career development and college preparation noncredit courses to equal the rate of credit courses. These courses, often referred to as enhanced noncredit courses, offer noncredit classes that are tied to specific credit programs. The Administration notes that the current rate discourages these classes, which are in part designed to help students succeed in achieving career technical education goals. Currently the state provides a lesser rate for these classes than for-credit classes. This is a significant policy and funding change.
- Rescinds a January proposal to provide \$87.5 million Proposition 98 General Fund for the replacement of instructional equipment, and instead increases funding to allow community colleges to address deferred maintenance by \$60.5 million Proposition 98 General Fund. Total funding for deferred maintenance is now proposed for \$148 million. In addition, the May Revise proposes to eliminate a 1 to 1 match for districts who receive this funding.

- Provides an increase of \$6 million Proposition 98 General Fund to upgrade bandwidth and replace technology equipment at each community college to support technology initiatives begun in 2013-14 such as electronic transcripts, electronic education planning, and the online education initiative. Of this funding, \$1.4 million is one-time and \$4.6 million is ongoing.
- Continues to pay down all outstanding deferrals, but changes the year in which payments are counted. The chart below indicates the changes:

Year	Jan Proposal	May Revise	Difference
2012-13	\$194 Million	\$139 Million	-\$55 Million
2013-14	\$163 Million	\$296 Million	\$134 Million
2014-15	\$236 Million	\$158 Million	-\$78 Million

QUESTIONS

Proposition 98 and K-12:

- Does the LAO agree with the Administration's revenue projections?
- How do the updated revenue projections impact the Proposition 98 funding levels?
- Does the Administration support providing additional one-time funding for implementation of the common core, including professional development and instructional materials?
- Does the Administration anticipate providing additional funding for internet connectivity in the future, following the proposed report on technology infrastructure needs?

CCCs:

- How did the administration determine that 2.75% was the appropriate number for enrollment growth?
- Regarding the increased funding for technology, the Legislature provided \$16.9 million last year and the Governor's budget calls for \$10 million more in the budget year for the expansion of online classes. In addition, districts are allowed to use funding from the Student Success categorical for technology. Why is there a need for even more funding?
- The administration has chosen not to augment other categorical programs that support students, including EOPS and DSPS. Why not?
- What are the pros and cons of increasing the rate for enhanced noncredit courses? Should this proposal be vetted more thoroughly in a policy process?

PART II: CHILD CARE**6110 DEPARTMENT OF EDUCATION**

This Subcommittee held a joint hearing on March 11 with Subcommittee #1, on Health and Human Services, on early childhood education issues. The hearing focused on the importance of early childhood education and child care programs, current funding issues regarding these programs, and ideas for improvement and expansion.

The hearing today will allow the administration to present caseload information for 2014-15 based on updated estimates.

BACKGROUND

The Governor's May Revision provides no significant policy changes to early childhood education and child care programs. Cost and caseload adjustments include:

- A decrease of \$15.6 million General Fund to reflect a decline in the number of new CalWORKs Stage 2 beneficiaries. Total base cost for Stage 2 is \$348.5 million.
- An increase of \$30.2 million General Fund to reflect a slight increase in CalWORKs Stage 3 caseload and cost per case. Total base cost for Stage 3 is \$216.1 million.
- A net decrease of \$15.4 million General Fund to reflect a decrease of \$15.9 million of excess authority in these programs that had been included to backfill federal sequestration cuts, which did not occur, and an increase of \$481,000 due to an increase in the population of 0-4 year-old children.
- An increase of \$356,000 Proposition 98 General Fund to reflect an increase in the population of 0-4 year-old children.
- A net increase of \$24.4 million federal funds in 2014-15 reflecting an increase in ongoing base federal funds of \$17.3 million and an additional \$7.1 million in one-time funds from 2013-14.

Summary of Child Care and Preschool Subsidized Slots^a

	2012-13	2013-14 Revised	2014-15		Change from January	
			January	May	Amount	Percent
CalWORKs Stage 1	34,849	37,774	42,719	41,787	-932	-2%
CalWORKs Stage 2b	63,379	54,080	55,943	51,956	-3,987	-7%
CalWORKs Stage 3	25,448	31,674	30,830	34,563	3,733	12%
Subtotal	123,676	123,528	129,492	128,306	-1,186	-1%
General Child Care	46,036	44,854	47,429	46,360	-1,068	-2%
Alternative Payment	24,854	25,626	26,515	25,962	-553	-2%
Migrant	2,491	2,477	2,567	2,509	-59	-2%
Handicapped	143	144	145	145	0	0%
Subtotal	73,524	73,101	76,656	74,976	-1,680	-2%
Total Child Care	197,200	196,629	206,148	203,282	-2,866	-1%
State Preschool	129,511	136,182	137,093	137,189	96	0%

a Reflects average monthly slots.

b Does not include 1,781 Stage 2 Community College Child Care slots.

QUESTIONS

- In its March hearing, the Subcommittee heard concerns regarding the number of child care slots available for working families, and regarding the stagnant rates the state pays to providers, which hinders efforts to improve quality. What is the administration's plan to address these problems on a statewide scale?

PART III: CALIFORNIA STUDENT AID COMMISSION**6980 CALIFORNIA STUDENT AID COMMISSION**

This Subcommittee held a hearing on March 5 regarding the Cal Grant program. The hearing focused on the current Cal Grant program and ideas for improving the program to better serve students.

The hearing today will allow the administration to present Cal Grant cost and participation information for 2014-15, based on current and administration-proposed policies.

BACKGROUND

The Governor's May Revision provides no new significant policy changes from the January budget proposal, but does include funding changes to the Cal Grant program due to updated participation and funding swaps and one other change to the Student Aid Commission budget. The changes include:

- A \$13.9 million General Fund increase in 2013-14 and a \$25.1 million General Fund increase in 2014-15 due to increased participation. An increase in the number of awards in the current year (carried forward as additional new and renewal awards in the budget year) accounts for most of the increase. About \$5.8 million of the budget-year increases is related to Dream Act participation. Another \$0.9 million reflects higher costs for the Governor's proposed expansion of Cal Grant renewal eligibility.
- An increase in General Fund support for Cal Grants by \$164.5 million General Fund to offset reductions in Temporary Assistance for Needy Families (TANF) and Student Loan Operating Fund (SLOF) support. A \$104.5 million reduction in TANF funds is related to a change in General Fund requirements for social service programs. A \$60 million reduction in SLOF support follows notification from ECMC, the organization administering California's federal guaranteed student loan program, that it no longer will provide SLOF contributions for Cal Grants.
- Includes a one-time payment of \$6 million from the Cal Loan Program to offset Cal Grant General Fund costs in the May Revise. This program provided bond financing for private colleges to issue need-based loans to students who did not qualify for other educational loans because of their credit histories. The California Educational Facilities Authority closed the program earlier this year and is in the process of selling the remaining loan portfolio. Proceeds from the sale, estimated at between \$5 million and \$6 million, will offset the Commission's loan assumption payments.

- The Governor also provides \$52,000 in reimbursement authority for the Student Aid Commission to furnish data to financial aid researchers. Under this proposal, research organizations will cover the costs for CSAC to fulfill approved data requests.

QUESTIONS

- The Subcommittee has heard support for increasing the amount of the Cal Grant B stipend, which at \$1,473 annually does not come close to meeting total student expenses, and eliminating an upcoming cut to Cal Grant awards for students at private, non-profit colleges. What are the administration's positions on these proposals?