

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Susan Bonilla, Chair

MONDAY, MAY 20, 2013
10:00 AM - STATE CAPITOL ROOM 444

PART I: Overview of the Governor's 2013-14 May Revision: Proposition 98 and Adult Education

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

PART II: Governor's Local Control Funding Formula Proposal

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

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

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

The Subcommittee will hear testimony on the Governor's May Revision proposals as they relate to Proposition 98 and Adult Education. The LAO will provide a handout addressing each of these issues.

BACKGROUND

Major adjustments to Proposition 98 include:

- A current year increase in the Proposition 98 minimum guarantee of \$2.9 billion. Specifically, the May Revision provides a revised funding level of \$56.5 billion in 2012-13. This increase is driven by higher revenues as well as a higher maintenance factor payment.
- A budget year reduction in Proposition 98 funding of nearly \$1 billion. Specifically, the May Revision provides \$55.3 billion under Proposition 98 in 2013-14. The reduction in the guarantee is primarily driven by decreases in 2013-14 General Fund revenue estimates, which the Administration estimates to be \$1.8 billion lower than January levels.
- Modified deferral payments to pay more deferrals in the current year with one-time funds and less in the budget year, preserving more ongoing funds for programmatic expenditures. This approach allows the state to retire an additional \$760 million in deferrals over the two-year period relative to the January budget. (The January budget paid \$4.2 billion in deferral payments, the May Revision pays \$4.9 billion).

- Withdraws the adult education proposal from the January Budget, which was rejected by the Assembly, and proposes to maintain the status quo for existing K-12 and Community College Adult Education programs for two years. However, the Administration proposes to transition to a new adult education program comprised of regional adult education providers, who would determine what programs to offer and how to allocate state funding. This proposal includes:
 - \$30 million in Proposition 98 General Fund in 2013-14 for two-year planning and implementation grants, and \$500 million Proposition 98 General Fund in 2015-16 to fund programs jointly administered by regional consortia of community college districts and school districts. These consortia can include other providers such as workforce investment boards, community-based organizations and local correctional facilities.
 - The planning grants and \$500 million in funding will be awarded jointly by the State Department of Education and the Chancellor's Office, with at least \$350 million of the funding going to existing adult education providers.
 - The new program will only award funding to specific areas of instruction, including English as a second language, citizenship, high school diploma, general education development (GED), and workforce development. Consortia also will be required to develop course sequencing pathways to allow adult learners to progress from adult education courses to other programs, such as college-level career technical and academic programs.
 - The districts within each consortia must maintain their current level of spending on adult education in 2013-14 and 2014-15 to be eligible for the new funding.
- Slightly increases funding for Proposition 39 to a total of \$464 million (\$413 million for K-12, \$51 million for community colleges) and modifies the proposal to provide minimum grants of \$15,000 for districts with less than 200 students and \$50,000 for other small districts that would receive less than that amount through the per student allocation.
- An additional \$4 million to County Offices of Education to transition to their new formula proposed under the Governor's Local Control Funding Formula.

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- \$1 billion in one-time funds in 2012-13 to assist schools in implementing Common Core standards, consistent with the goals of the Assembly Budget Blueprint. Funding can be used for professional development, instructional materials, and technology enhancements. Proposes to provide this funding on a per pupil basis, providing roughly \$170 per pupil.
- \$60 million to backfill the Special Education sequestration reduction. Proposes to allocate this funding to SELPAs based on the AB 602 formula.
- Withdraw of the January proposal to amend the laws governing independent study and technology-based instruction. The administration indicates that it remains committed to amending these laws and will work to produce a new proposal during the coming year.

QUESTIONS

Proposition 98 and K-12:

- 1) The Governor's budget assumes a large increase in current year revenues which provide \$2.9 billion more to Proposition 98. While the minimum guarantee increased in the current year, the guarantee decreases in the budget year under the Governor's plan. What is driving this decline in funding?
- 2) The LAO has more optimistic revenue projections than the Administration. How do those projections affect the Proposition 98 minimum guarantee?
- 3) The Administration proposes to provide \$1 billion in one-time funds for Common Core State Standards implementation. What are the intended uses of the funding? The Department of Education has projected costs of \$3 billion for implementation. Can CDE explain what is included in their cost estimates?
- 4) The Governor proposes to backfill the federal sequestration reductions to Special Education. This would permanently increase the state's maintenance of effort moving forward. What was the Administration's rationale for proposing this adjustment? Are there concerns with this proposal?

Adult Ed:

- 1) How would this plan impact current and successful adult ed programs? Would they be allowed to continue to operate in the same manner?
- 2) Will this plan prevent growth in direct adult ed services during the two-year planning period?

- 3) What is the rationale for only using community colleges as the regional fiscal agent? Why not K-12 schools? Will that give community college systems more control?
- 4) Is \$500 million the right amount to spend on adult education? Is \$30 million the right amount for the planning grants?
- 5) The proposal encourages regional collaboration. How will regions be determined?

CCCs:

- 1) Did the administration consider funding other community college programs, such as services for disabled or economically-disadvantaged students?
- 2) Does the administration, LAO or chancellor's office believe some of the one-time current year funding could go to one-time needs other than deferral, such as deferred maintenance, equipment costs or professional development?

PART II: LOCAL CONTROL FUNDING FORMULA

6110 DEPARTMENT OF EDUCATION

This Subcommittee has held two hearings on the Local Control Funding Formula (LCFF) proposal to date. On March 12, the Subcommittee heard an overview of the Governor's January proposal for the Local Control Funding Formula. On April 9th, the Subcommittee discussed various options to consider as alternatives to the Governor's proposal. These discussion points allowed the Subcommittee to contemplate various adjustments to the Governor's proposed formula.

The hearing today will focus on the Governor's proposed changes to the Local Control Funding Formula as presented in the May Revision. Primarily, the discussion will focus on changes to the accountability plan as that is where the most substantial changes occur. Additionally, the LAO will walk the Subcommittee through various options for modifying to the Governor's formula based on discussion and testimony from the April 9th hearing.

The majority of this information will be provided through handouts from the Legislative Analyst's Office which will be provided at the hearing.

BACKGROUND

The Governor's May Revision increases funding for the Local Control Funding Formula by \$240 million, for a total of \$1.9 billion. The proposal is largely unchanged from the January Budget proposal. According to the Department of Finance, key differences in the May Revision include the following:

Funding Formula adjustments:

- Require county offices of education to review school district English learner, free and reduced price meal eligible student, and foster child data and require this data to be subject to audit as part of each local educational agencies annual financial and compliance audit. Further, ensure that all local educational agencies report current English learner, free and reduced price meal eligible student, and foster child data within the California Longitudinal Pupil Achievement Data System.
- To prevent dramatic fluctuations in the data, use a three-year rolling average percentage of English learners, free and reduced price meal eligible students, and foster children for purposes of computing the supplemental and concentration grants.
- Allow local educational agencies to receive supplemental and concentration grant funding for each English learner for up to seven years instead of five years.
- Provide regional occupation centers and programs and home-to-school transportation joint powers authorities with continued funding for two years.
- Specify that funding for Local Control Funding Formula cost-of-living adjustments and transition funding are subject to an annual appropriation in the Budget and clarify that

base funding levels as adjusted for average daily attendance are continuously appropriated.

- Ensure that local property tax revenues that currently fund regional occupational centers and programs are included as part of a county office of education's 2012-13 state aid received through categorical programs replaced by the Local Control Funding Formula.

Accountability Adjustments:

- Require local education agencies to spend, for the primary benefit of English learners and students designated fluent-English proficient, free and reduced price meal eligible students, and foster children, a minimum level of funding based on the amount they spent for these students during 2012-13. Further, upon full implementation of the Local Control Funding Formula, require local agencies to spend for the primary benefit of these students at least as much as they receive from the base, supplemental, and concentration grants generated by English learners, free and reduced price meal eligible students, and foster children.
- Require expenditures of supplemental and concentration funds to be proportional to the number of English learners, free and reduced price meal eligible students, and foster children at each school site.
- Allow the State Board of Education to provide direction to the Superintendent of Public Instruction to intervene in place of the county superintendent in a district which is failing to meet academic achievement targets.
- For school districts that fail to meet academic achievement targets set by the State Board of Education for two out of three years, the county superintendent may disapprove local plans that are not likely to improve student achievement; and, in limited cases where a Fiscal Crisis and Management Assistance Team review deems necessary, a county superintendent may make changes to a district's plan or overturn decisions made by the district governing board.
- Allow the State Board of Education to provide direction to the Superintendent of Public Instruction to intervene in place of the county superintendent in a district which is failing to meet academic achievement targets.
- Ensure foster care students are identified as a subgroup for purposes of the Academic Performance Index and ensuring districts continue to spend.

QUESTIONS

- 1) The plan now requires local education agencies to spend a "minimum funding level", for the "primary benefit" of English learners and students designated fluent-English proficient, free and reduced price meal eligible students, and foster children. How does the Administration define "primary benefit" and how does this term differ from your prior requirement of "substantially benefit"?
- 2) How does the accountability plan affect current reporting requirements, including federal requirements?
- 3) What is the timeline for the State Board of Education to develop the template?

- 4) How do you envision the role of FCMAT changing around the area of academic accountability? Would the same people doing fiscal oversight also provide academic accountability? What are the costs associated with building support under FCMAT to implement academic accountability? What resources are being provided for this assistance and training? Does your plan envision CDE having a role?
- 5) How would the plan ensure parent participation, including parents whose primary language is not English? Will outreach and document translation occur?
- 6) The issue of a school site vs. district concentration factor continues to be raised. What are the fundamental differences between these two approaches? Why does the Governor continue to pursue a district concentration factor? Has a school site approach been considered?
- 7) The Administration does not propose changes to the base level of funding. Concerns continue to be raised over the adequacy of the base which does not appear to support costs incurred by all districts. Many districts received basic support through categorical programs that go away under the Administration's plan. Can the Administration address this concern?