

K THRU 12 EDUCATION

The Budget includes total funding of \$68.4 billion (\$37.9 billion General Fund and \$30.5 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.

For 2012-13, the Proposition 98 guarantee is \$53.6 billion, of which \$36.8 billion is General Fund. This funding level assumes passage of the Governor's tax initiative, which increases Proposition 98 funding by \$2.9 billion in 2012-13. With the passage of the tax initiative, Proposition 98 funding for K-14 education will grow by more than \$17 billion over four years. This equates to an increase of over \$2,500 per K-12 pupil. This level of funding will allow the state to begin restoring significant reductions that have been imposed on K-12 schools and community colleges since 2007-08. For 2012-13, the Budget will maintain level Proposition 98 programmatic funding for every school district, pay off \$2.2 billion in the amount of payments to schools and community colleges that are deferred each year, and fund the Quality Education Investment Act (QEIA) program within the Proposition 98 guarantee.

The Budget outlines the reductions that would be necessary to restore balance if the Governor's tax initiative is not approved by the voters. Specifically, \$5.4 billion in reductions to schools and community colleges would be triggered in 2012-13. A reduction of this magnitude would result in a funding decrease equivalent to three weeks of instruction in K-12 schools. It will also eliminate the ability for the state to begin repaying funding deferrals, thus continuing the practice of providing 20 percent of annual school and community college program funds in arrears.

The sections that follow provide an overview of K-12 funding adjustments, while the Higher Education section contains the Proposition 98 adjustments for the Community Colleges.

K-12 BUDGET ADJUSTMENTS

ADOPTED SOLUTIONS:

- *Redevelopment Agency Asset Liquidation*—An increase of \$1.3 billion in local property taxes for 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 General Fund by an identical amount.
- *Proposition 98 Adjustments*—A decrease of approximately \$630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in 2010-11, and (2) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the Budget reduces current year appropriations for a number of different programs by \$220.1 million, backfilling them with one-time Proposition 98 General Fund, which achieves General Fund savings of a like amount.
- *Quality Education Investment Act*—A decrease of \$450 million General Fund for 2012-13. The overappropriation in 2011-12 will be used to prepay the \$450 million required to be provided on top of the minimum guarantee in 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement. The program will be funded within the guarantee to achieve one-time savings of \$450 million for 2012-13. Additionally, savings of \$181 million in 2013-14 and \$40.8 million in 2014-15 are achieved by using the remainder of the current year overappropriation to prepay a portion of the 2013-14 and 2014-15 QEIA obligations.

OTHER CHANGES:

- *K-12 Deferrals*—An increase of \$2.1 billion Proposition 98 General Fund to reduce K-12 inter-year budgetary deferrals from \$9.5 billion to \$7.4 billion.
- *Charter Schools*—An increase of \$53.7 million Proposition 98 General Fund for charter school categorical programs to fund growth in charter school enrollment. In addition to funding growth, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance to charters by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to participate in the temporary revenue anticipation note mechanism already available to schools and county offices of education.
- *Mandates Block Grant*—An increase of \$86.2 million over the 2011-12 funding level to provide a total of \$166.6 million for K-12 mandates through a new voluntary block grant. Participating school districts and county offices of education would receive \$28 per student, while participating charter schools would receive \$14 per student. Districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

CHILD CARE AND STATE PRESCHOOL

Subsidized child care includes a variety of programs that are designed to support low-income families. These programs are primarily administered by the State Department of Education through non-Proposition 98 General Fund and the annual federal Child Care and Development Fund grant.

The state also funds preschool programs for half of the day that are primarily designed as an educational program to help ensure children develop the skills needed for success in school. Families must be income eligible, but in contrast to the rest of the subsidized child care system are not required to demonstrate a need for care.

ADOPTED SOLUTIONS:

- *Reduce Child Care Costs*—The Budget reflects total child care savings of \$294.3 million in non-Proposition 98 General Fund, resulting in the elimination of 14,000 child care slots. The reductions consist of the following:
 - *Include Center-Based Services within the State Preschool Program*—A decrease of \$163.9 million General Fund by including part-day center-based services for 3- and 4 year-olds within the State Preschool Program funded through Proposition 98.
 - *Reduce Provider Contracts Across the Board*—A decrease of \$100 million to reduce child care provider contracts, consisting of the following: (1) \$80 million to reduce contracts across the board by 8.7 percent, excluding CalWORKs Stage 1 and Stage 2 Child Care, resulting in the elimination of 10,600 child care slots, and (2) \$20 million to further reduce voucher-based programs, except for those serving current and former CalWORKs families, eliminating an additional 3,400 slots.
 - *Suspend Statutory Cost-of-Living Adjustment*—A decrease of \$30.4 million in 2012-13 by not providing the statutory COLA for non-CalWORKs programs. In addition, the Budget suspends the COLA for these programs until 2015-16, which results in total savings of \$73.3 million through 2014-15.

OTHER CHANGES:

- *State Preschool Programs*—The Budget reflects the following major adjustments to state preschool programs:
 - *Funding for the State Preschool Program*—An increase of \$163.9 million in Proposition 98 General Fund to cover the cost of part-day preschool services for 44,100 3- and 4-year olds.
 - *Assess Family Fees*—An increase of \$3.4 million in fee revenues by assessing fees to families who are currently exempt from paying fees for State Preschool Program services. This action will offset a like amount of Proposition 98 General Fund.
 - *Reduce Provider Contracts*—A decrease of \$30 million in Proposition 98 General Fund to reflect the 8.7-percent across the board reduction to general child care programs. Both preschool and general child care programs are

administered by Title 5 centers that contract directly with the Department of Education. This reduction results in the elimination of 12,500 preschool slots.

- *Suspend Statutory Cost-of-Living Adjustment*—A decrease of \$11.9 million in Proposition 98 General Fund.