



First take: Governor's May Revision

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Gov. Jerry Brown released the May Revision to his 2013-14 state budget proposal Tuesday morning, May 14, 2013. The documents, which include proposed trailer bill language, are available at www.dof.ca.gov.

CSBA is heartened to see additional revenues for education and especially welcomes the allocation of funds to school districts for Common Core State Standards implementation. We are deeply disappointed that the May Revision does not include additional funds in the Local Control Funding Formula base grant that would allow districts to begin restoring cuts that have been made to programs and staff over the past five years. We'll continue to advocate for this with the Legislature as the budget negotiations now move into high gear.

Proposition 98 Increases

The governor's proposed Proposition 98 expenditures are \$56.5 billion in 2012-13 and \$55.3 billion in 2013-14. The January budget proposed \$56.2 billion for 2013-14.

- The May Revision projects a \$1 billion increase for the two-year period 2012-13 to 2013-14. This includes an increase of \$2.8 billion in 2012-13 and a projected decrease of \$1.8 billion for 2013-14.
- The Department of Finance reports its projections for Proposition 98 in the subsequent years remain unchanged from the January projections.

Deferrals

The May Revision would accelerate deferral repayments to local educational agencies by \$1.6 billion in the current year, and would pay down deferrals by \$909.1 million in 2013-14.

This would bring the total remaining deferrals down to \$4.9 billion by the end of 2013-14. This repayment would improve cash flow to local educational agencies and reduce their need for cash-flow borrowing.

Common Core implementation: One-time allocation out of current-year funds

\$1 billion in current-year funds would go out on an ADA basis, estimated at \$170 per student. Districts would be obligated to hold public hearings and develop plans to spend the funds over two years. Holding to the governor's belief in subsidiarity—his term for investing government control at the local level whenever possible—the May Revision proposes that districts have discretion over how they use these funds within broad parameters of professional development, instructional materials and education technology.

Other adjustments

Cost-of-living adjustments: would be included for selected categorical programs. The Proposition 98 general fund would decrease by \$2.9 million in selected categorical programs based on a revised COLA of 1.565 percent for 2013-14.

Average Daily Attendance: would increase \$35.5 million in 2012-13 and \$87.6 million in 2013-14 for school districts, charter schools and county offices of education as a result of increases in projected ADA both years.

Local property tax adjustments: would decrease by \$509.8 million in Proposition 98 funding in 2013-14 for school districts, special education and county offices of education as a result of higher offsetting property tax revenues.

Local Control Funding Formula

No changes to the formula are proposed. The target base grant remains unchanged from the January proposal, as do the percentages for the supplemental and concentration grants.

First-year implementation funding would increase by \$240 million for a total of \$1.9 billion in 2013-14. Of this, \$236 million would go to districts and \$4 million to COEs.

The May Revision attempts to clarify LCFF's allocations of base, supplemental and concentration grants. As the governor noted during his press conference: at full implementation, 80 cents of each dollar provided under the formula would go to base funding, 16 cents to supplemental grants and 4 cents to concentration grants.

Supplemental and concentration grants—more accurate data

Three-year rolling average percentages of English learners, students from low-income families, and foster children would be used for purposes of calculating the supplemental and concentration grants dedicated to the special challenges those student populations pose.

COEs would be required to review districts' data, and the data would be subject to audit as part of each local education agency's annual financial and compliance audit.

English learners

LEAs would receive supplemental and concentration grant funding for each English learner for up to seven years—up from the five-year cap that governor initially proposed in January.

Joint powers authorities

Regional occupational centers and programs and home-to-school transportation joint powers authorities would receive continued direct funding for two additional years.

Accountability

The governor would strengthen accountability provisions while continuing his focus on a “shift of accountability from a system focused on state control of local spending to a system of local planning and goal setting to improve outcome for students.” He continues his proposal from January to require districts to produce and adopt a Local Control and Accountability Plan concurrent and aligned with their annual spending plan. The May Revision provides more specifics on accountability for spending and student achievement.

Districts are to begin submitting these plans in 2014-15. The plans must address how the district will use state funding to improve the conditions for student achievement: qualified teachers, sufficient instructional materials and school facilities in good repair (the Williams settlement requirements).

More clarity is provided in the May Revision around his requirements on spending supplemental and concentration grant funding:

- For the primary benefit of English learners and students redesignated fluent-English proficient, students from low-income families, and foster children, LEAs would be required to spend no less than the amount they spent on these students during the 2012-13 fiscal year, as determined by the LEA.
- Upon full implementation of LCFF, LEAs would be required to spend for the primary benefit of those children at least as much as they receive from the base, supplemental and concentration grants generated by them.
- LEAs would be required to demonstrate how they comply with those requirements and how they increase expenditures over time, in proportion to the additional funding they receive each year for LCFF implementation.

Proportionality in expenditures

Expenditures of supplemental and concentration funds would be required to be proportional to the number of students at each school site.

- Required annual independent audits would be used to verify these proportionality requirements along with all other expenditures requirements.
- When the annual audit determines a specific level of misuses of supplemental or concentration grant funds, local districts would be required the following year to use an identical amount of base grant funds to address specific investments for those students.

New accountability support and intervention provisions

The State Board of Education would set academic achievement targets, including achievement goals for each subgroup of students, and provide direction to county superintendents and the state superintendent of public instruction to provide support to school districts and to intervene as specified:

- County superintendents could provide technical assistance to any school district at any time.
- If a school district failed to meet achievement goals for each subgroup of students for two out of three years:

- The county superintendent could disapprove local plans that are not likely to improve student achievement.
- In some more limited cases, if a review by the Fiscal Crisis Management and Assistance Team deemed it necessary, a county superintendent could make changes to a district's plan or overturn decisions made by the district governing board.
- The superintendent of public instruction could intervene in place of the county superintendent in a district that was failing to meet academic achievement targets.

Greater focus and coordination of services for foster youth

The California Department of Education would report on the educational progress of foster youth as part of the state's accountability system. County superintendents would be required to develop plans to coordinate services for foster youth provided by various local agencies, such as county child welfare agencies. This coordination would assist in the maintenance of health and student records and in appropriate educational placements.

Proposition 39 energy projects

The May Revision proposes an increase of \$12.5 million from the \$400 million proposed in January for K-12 energy efficiency projects; in addition, it would provide a minimum grant level of \$15,000 for exceptionally small LEAs.

Other LEAs would receive the greater of \$50,000 or their per-ADA distribution; in addition, \$4 million and eight positions would be provided to the California Energy Commission to provide technical assistance to small LEAs and guidance on establishing baselines and tracking performance.

Technology based instruction proposals delayed

The May Revision would delay consideration of proposals related to changes in online technology-based instruction (called synchronous and asynchronous instruction) until the 2014-15 budget.

Adult education proposal restructured and delayed

The proposal would be delayed and restructured. For the next two years, the status quo would continue for existing K-12 and community college adult education programs.

- \$30 million would be available for planning and implementation grants to fund adult education schools jointly operated by regional consortia of community college districts and school districts.
- In 2015-16, \$500 million would be available for grants to consortia. Of this, at least \$350 million would go to existing adult education programs.

For more information

Check CSBA's online Legislative News page (www.csba.org/Advocacy/LegislativeNews/2013.aspx) for background on previous and continuing state budget developments