

Proposition 98: Overview of Conference Issues

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Budget Conference Committee
Hon. Nancy Skinner, Chair



Both Houses Adopted LAO Revenues, Higher Minimum Guarantees



Revenues Across Period. In 2013-14 and 2014-15 combined, LAO General Fund revenues are \$2.8 billion higher and LAO local property tax revenues are \$658 million higher than the administration.



Current-Year Revenues. In 2013-14, higher LAO revenues result in a \$313 million increase in the Proposition 98 minimum guarantee.



Budget-Year Revenues. In 2014-15, higher LAO revenues result in a \$2.2 billion increase in the Proposition 98 minimum guarantee.



Minimum Guarantee. Both houses funded at the higher minimum guarantee in both years.



Rebenching Minimum Guarantee. Senate further increased minimum guarantee \$747 million in 2014-15 by “rebenching” for shift of child care costs into Proposition 98. This has no General Fund implication for 2014-15 but affects spending trade-offs moving forward.

Split Between One-Time and Ongoing Commitments

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Available 2013-14 Funding Used for One-Time Purpose. Both houses used additional funding available in 2013-14 for reducing education mandates backlog.



Available 2014-15 Funding Split Between One-Time and Ongoing Purposes. Both houses spent \$2.2 billion above the Governor and had about the same balance of overall one-time and ongoing spending (about two-thirds for ongoing purposes and the remainder for one-time purposes).



Houses Use Larger Share of Funding for One-Time Expenditures. Though both houses spend more than the Governor in 2014-15, they dedicate a larger share of their spending for one-time purposes.

Split Between One-Time and Ongoing Commitments (Continued)

2014-15 Augmentations for One-Time and Ongoing Commitments (In Millions)							
	Governor		Senate		Assembly		Difference Between Houses
	Amount	Share of Total	Amount	Share of Total	Amount	Share of Total	
K-12 Education							
Ongoing	\$4,581	75%	\$4,945	68%	\$5,117	65%	-\$172
One-time	1,496	25	2,374	32	2,746	35	-372
Subtotals	(\$6,076)		(\$7,319)		(\$7,863)		(\$-543)
Community Colleges							
Ongoing	\$390	52%	\$575	53%	\$575	58%	—
One-time	362	48	505	47	423	42	\$83
Subtotals	(\$752)		(\$1,080)		(\$998)		(\$83)
Preschool and Child Care							
Ongoing	\$2	100%	\$602	88%	\$207	100%	\$395
One-time	—	—	85	12	—	—	85
Subtotals	(\$2)		(\$687)		(\$207)		(\$480)
Total							
Ongoing	\$4,973	73%	\$6,122	67%	\$5,899	65%	\$223
One-time	1,857	27	2,964	33	3,169	35	-205
Totals	\$6,831		\$9,087		\$9,068		\$19

Differences in Ongoing Program Commitments



Governor. Provided \$5 billion in ongoing programmatic increases in 2014-15—\$4.6 billion for schools and \$390 million for community colleges.



Senate. Provided \$6.1 billion in ongoing programmatic increases in 2014-15—\$1.1 billion higher than the Governor. Higher ongoing commitments targeted in three areas—preschool and child care (\$600 million), Local Control Funding Formula (LCFF) for schools (\$330 million), and community colleges (\$185 million).



Assembly. Provided \$5.9 billion in ongoing programmatic increases in 2014-15—\$925 million higher than the Governor. Provided more modest augmentations than Senate for preschool/child care (\$205 million) and LCFF (\$152 million). Provided same level as the Senate for community colleges. Additionally, provided \$384 million to fund Regional Occupational Centers and Programs (ROCP).

Summary of Major Differences in Houses’ Proposition 98 Spending Plans

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LCFF. Senate provided \$4.8 billion for LCFF implementation—\$330 million higher than the Governor. Assembly provided \$4.6 billion for LCFF implementation—\$152 million higher than the Governor.



Common Core Implementation. Senate provided \$523 million to schools for implementation of the Common Core State Standards (CCSS) and adopted the Governor’s proposal to use \$26.7 million for a needs assessment and grant program for school Internet connectivity infrastructure. Assembly provided \$1.3 billion for implementation of the CCSS and also provides \$26.7 million for school Internet connectivity infrastructure.



Child Care and Preschool. Senate provided \$700 million Proposition 98 augmentation for these programs. Assembly provided \$205 million augmentation.



Mandates. Senate provided \$448 million to reduce the school and community college mandate backlog (\$292 million in 2013-14, \$111 million in 2014-15, and \$46 million in prior-year Proposition 98 funds). Assembly provided \$292 million in 2013-14 for reducing the mandate backlog.



Career Technical Education (CTE). Senate accelerated funding for high school LCFF add-on designated for CTE (\$150 million) and provided one-time funding for Career Pathways Trust (\$300 million). Assembly provided \$384 million for ROCP.

Factors to Consider When Making Proposition 98 Spending Decisions



Neither House's Package Sets Aside Any Proposition 98 Funds in Case of Downturn in Revenues. Setting aside some funds and appropriating them later in the fiscal year only if certain revenue conditions have been met would minimize risk and potential disruption to schools.

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Both Houses' Packages Designate Some of Higher Revenues for One-Time Purposes. Senate provided additional one-time funding for Common Core implementation, Career Pathways Trust, mandates, preschool/child care professional development, and California Community College (CCC) deferred maintenance. Assembly provided additional funding for Common Core implementation, mandates, and CCC deferred maintenance.



Both Houses' Packages Make Further Progress in Paying Down Wall of Debt. Further progress, however, could be made if more funding was used for outstanding Proposition 98 obligations. In both houses' plans, more than \$4 billion in unfunded mandate claims would remain outstanding.



Both Houses Target Ongoing Programmatic Increases in Same Areas. LCFE augmentation builds on actions taken last year to phase in new school funding system. Preschool and child care augmentations partly a response to cuts made during recession. Community college augmentations partly a response to concerns with student access, support, and success.



Rebanching for Child Care Affects Spending Trade-offs. Shifting child care into Proposition 98 has no fiscal effects in budget year, but it can have significant effects on spending decisions in future years. Future increases in Proposition 98 could be used for expanding child care programs, but these increases would come at the expense of providing greater increases for schools and community colleges.

Comparing Proposition 98 Spending Levels by Segment

2014-15 Proposition 98 Spending by Segment				
<i>(In Millions)</i>				
	Governor	Senate	Assembly	Difference
K-12 Education	\$53,626	\$54,869	\$55,412	-\$543
California Community Colleges	6,646	6,975	6,892	83
Preschool and Child Care	509	1,922	714	1,208
Other agencies	77	77	77	—
Totals	\$60,859	\$63,844	\$63,097	\$747

Proposition 98 Package—Current and Budget Years

Major Differences in Proposition 98 Spending

(In Millions)

	Governor	Senate	Assembly	Difference
2013-14 Spending Level	\$58,302	\$58,615	\$58,615	—
Reduce K-12 mandate backlog (one-time)	—	260	260	—
Reduce CCC mandate backlog (one-time)	—	32	32	—
2014-15 Spending Level	60,859	63,844	63,097	\$747
Increase LCFF funding for schools	4,472	4,802	4,624	178
Fund second year of Common Core Implementation Block Grant	—	550	1,250	-700
Re-establish Regional Occupational Centers and Programs	—	—	384	-384
Fund additional CTE Pathways Trust grants (one-time)	—	300	—	300
Reduce K-12 mandate backlog (one-time)	—	28	—	28
Use ongoing funds for Adults in Correctional Facilities	—	15	—	15
Undo Special Education fund swap	—	13	—	13
Use ongoing funds for CSIS	—	6	—	6
Shift child care into Proposition 98	—	728	—	728
Increase preschool and child care rates and slots	—	600	205	395
Fund child care and preschool professional development (one-time)	—	85	—	85
Fund CCC deferred maintenance (one-time)	148	199	199	—
Augment other CCC categorical programs	—	112	112	—
Provide CTE funding for CCCs (one-time)	50	60	60	—
Provide CCC apportionment cost-of-living adjustment	47	95	95	—
Increase CCC full-time faculty funding	—	25	25	—
Reduce CCC mandate backlog (one-time)	—	83	—	83

LCFF = Local Control Funding Formula; CTE = career technical education; and CSIS = California School Information Services.

Proposition 98 Package— Redesignating Prior-Year Unspent Funds

Differences in Use of One-Time Proposition 98 Funds				
<i>(In Millions)</i>				
	Governor	Senate	Assembly	Difference
Fund Emergency Repair Program	\$94	\$94	\$94	—
Provide K-12 High Speed Network grants	27	—	27	-\$27
Pay for Adults in Correctional Facilities program	15	—	15	-15
Use one-time funds for ongoing Special Education costs	13	—	13	-13
Pay for ongoing California School Information Services costs	6	—	6	-6
Use unspent preschool funds for child care and preschool professional development	—	15	—	15
Reduce K-12 mandate backlog	—	46	—	46