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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

LAO 
75
YEARS OF
SERVICE

Education Mandates

Presented to:
Senate Budget and Fiscal Review Subcommittee
No. 1 on Education
Hon. Marty Block, Chair





Overview of Education Mandates



Constitutional Requirement to Reimburse Local Governments for Mandated Activities

- Proposition 4, passed by voters in 1979, requires the state to reimburse local governments for mandated activities.
- Currently 58 active education mandates (43 K-12 mandates and 15 community college mandates).



Two Primary Methods of Reimbursing School Districts

- Local education agencies (LEAs) may submit reimbursement claims for costs incurred when performing mandated activities.
- In lieu of submitting claims, LEAs may participate in mandate block grants. The K-12 and the California Community College (CCC) block grants provide upfront, per-student funding to cover the cost of state-mandated activities. The state established these block grants in 2012-13.



State Owes \$1.9 Billion in Outstanding Education Mandate Claims

- State deferred mandate payments from 2003-04 through 2009-10, creating a large backlog of unpaid claims.
- Since 2010-11, the state has provided \$4.5 billion to reduce the backlog (\$3.8 billion for schools and \$700 million for community colleges).
- Following the payments made in 2015-16, we estimate the outstanding backlog is \$1.9 billion (\$1.6 billion for schools and \$300 million for community colleges).



Governor's Mandate Proposals

- Provides \$1.4 Billion in One-Time Funding for Paying Down Mandate Backlog**
 - \$1.3 billion for K-12 agencies (school districts, county offices of education [COE], and charter schools) and \$76 million for community colleges.

- Distributes Backlog Payments on a Per-Student Basis**
 - Schools receive \$214 per unit of average daily attendance. Community colleges receive \$72 per full-time equivalent student.

- Does Not Make Any Changes to Mandate Block Grants**
 - Maintains per-student funding at current-year levels.
 - Does not add or subtract any mandates to the block grants.



LAO Assessment



Many LEAs Have No Outstanding Claims

- 50 percent of school districts, 31 percent of COEs, and 86 percent of community college districts have no outstanding mandate backlog claims.

Distribution of LEAs' Outstanding Claims				
<i>Claims Per Student</i>				
	Share With Claims	Minimum Claim	Median Claim	Maximum Claim
School districts	50%	— ^a	\$400	\$8,673
County offices of education	69	\$148	2,649	29,719
Community college districts	14	183	1,514	5,001

^a Actual value of claim is \$0.39 per student.
 Note: Local education agencies (LEAs) with no outstanding balances have been omitted.



Per-Student Claims Vary Dramatically Among LEAs With Outstanding Claims

- Per-student claims do not strongly relate to the size of LEAs.
- COEs tend to have higher claims than school districts.
- The state has deemed charter schools ineligible to submit reimbursement claims for mandated activities. Charter schools therefore do not have any outstanding claims.
- Four community college districts that have less than 7 percent of statewide community college students account for more than 90 percent of the remaining backlog claims.

Community Colleges With Remaining Mandate Backlog Claims

Estimated Backlog at End of 2015-16

Community College District	FTE Students	Remaining Claims	Percent of Remaining Backlog
North Orange	29,825	\$149,056,058	52%
El Camino	18,462	41,191,858	14
Victor Valley	9,293	37,521,227	13
Long Beach	19,676	28,287,718	10
Foothill-Deanza	27,115	13,010,492	5
Redwoods	3,760	5,952,136	2
West Kern	2,478	4,175,026	1
San Mateo	18,418	3,377,897	1
Palo Verde	1,362	1,061,374	—
Gavilan Joint	4,647	831,693	—
Totals	135,036	\$284,465,480	100%

FTE = full-time equivalent.



Eliminating Remaining Backlog Solely on Per-Student Basis Is Unrealistic

- To fully pay off the backlog, the state would need to pay all LEAs a per-student rate equivalent to the maximum claim per student (\$29,719).
- This approach would cost approximately \$180 billion.



LAO Recommendations



Create a Strategic Plan to Retire Mandate Backlog

- Provide \$2.6 billion over the next two or three years to retire K-12 backlog.
- As a condition of receiving funding, LEAs would be required to write off all outstanding mandate claims through 2015-16.
- For those LEAs choosing not to participate, the state would continue to monitor their outstanding mandate claims, but make no payments at this time.



Differentiate Payments by Type of LEA

- Provide school districts with \$450 per student, equivalent to the median value of outstanding K-12 claims.
- Provide COEs with \$450 per student, plus \$20 per countywide attendance. Ensure all COEs receive at least \$1 million.



Do Not Provide Funding to Charter Schools or Community Colleges

- Charter schools do not have a backlog and were paid the same per-student rate as school districts in prior backlog payments, despite having to perform fewer mandated activities.
- The vast majority of community colleges have no outstanding mandate claims, making per-student backlog payments highly inefficient.



Revisit Backlog When Vast Majority of LEAs Once Again Have Outstanding Claims

- Backlog will begin to grow in the coming years as new mandates are identified.



Provide a 0.47 Percent Cost-of-Living Adjustment (COLA) for the Mandate Block Grants

- Consistent with other programs, a COLA would maintain the purchasing power of the K-12 and CCC block grants.
- We estimate this would cost the state \$1.2 million in 2016-17 (\$1 million for the K-12 block grant and \$150,000 for the community colleges block grant).