

LAOA
75
YEARS OF
SERVICE

Budget Outlook



Presented to:

**California County Superintendents
Educational Services Association**

February 19, 2016

Legislative Analyst's Office

State Budget

Governor's Budget Expenditures

(Dollars in Millions)

Fund Type	2014-15 Revised	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
				Amount	Percent
General Fund	\$112,974	\$116,064	\$122,609	\$6,544	5.6%
Special funds	41,702	47,636	45,032	-2,604	-5.5
Budget Totals	\$154,676	\$163,700	\$167,641	\$3,941	2.4%
Selected bond funds	\$5,145	\$7,847	\$3,086	-\$4,761	-60.7%
Federal funds	90,049	99,761	91,899	-7,861	-7.9

Reserves Grow Under Governor's Budget Plan

Administration's General Fund Summary

(In Millions)

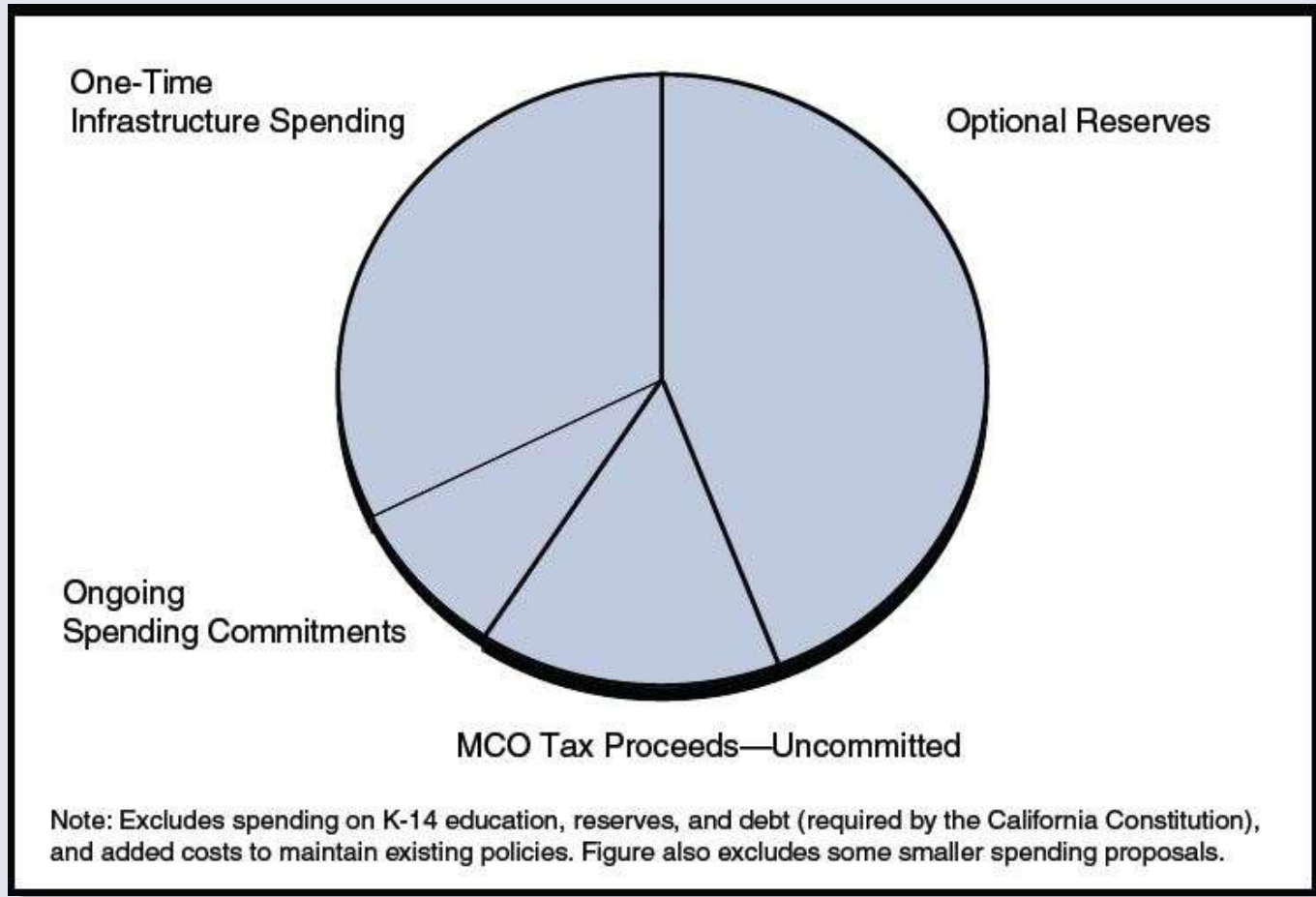
	2014-15 Revised	2015-16 Revised	2016-17 Proposed
Reserve Balances at the End of the Fiscal Year			
SFEU balance	\$2,733	\$4,206	\$2,230
BSA balance	1,606	4,455	8,011
Total Reserves	\$4,339	\$8,661	\$10,241

SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.

Constitutional Spending Requirements

- **Reserves**
- **Proposition 2 Debt Payments**
- **Proposition 98**

Discretionary Spending Proposals



Education Budget

Updating Estimate of 2014-15 Minimum Guarantee

(Dollars in Millions)

	2014-15		
	June 2015 Estimate	January 2016 Estimate	Change
Minimum Guarantee			
General Fund	\$49,608	\$49,554	-\$54
Local property tax	16,695	17,136	441
Totals	\$66,303	\$66,690	\$387
Operative Test	1	1	—
Key Factors			
General Fund tax revenue	\$112,068	\$111,975	-\$93
Maintenance factor payment	\$5,402	\$5,392	-\$10
K-12 average daily attendance	5,994,522	5,981,073	-13,449

Updating Estimate of 2015-16 Minimum Guarantee

(Dollars in Millions)

	2015-16		
	June 2015 Estimate	January 2016 Estimate	Change
Minimum Guarantee			
General Fund	\$49,416	\$49,992	\$575
Local property tax	18,993	19,183	191
Totals	\$68,409	\$69,175	\$766
Operative Test	3	2	—
Key Factors			
General Fund tax revenue	\$116,619	\$120,205	\$3,585
Maintenance factor payment	—	\$810	\$810
K-12 average daily attendance	5,995,889	5,976,227	-19,662

2016-17 K-12 Funding

(Dollars in Millions)

	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
			Amount	Percent
K-12 Education				
General Fund	\$44,536	\$45,442	\$906	2.0%
Local property tax	16,560	17,802	1,242	7.5
Subtotals	(\$61,096)	(\$63,244)	(\$2,148)	(3.5%)

Proposition 98 Property Tax Revenue Estimates

Reflects Governor's Budget (Dollars in Millions)

	2015-16 Revised	2016-17 Estimated	Change From 2015-16	
			Amount	Percent
Local Property Tax Components				
Tax on assessed value	\$16,616	\$17,544	\$929	5.6%
End of "triple flip"	1,257	1,676	419	33.3
RDA ongoing revenue shift	1,008	1,045	36	3.6
Other local revenue	998	1,039	41	4.1
Excess tax revenue	-695	-690	5	-0.7
Totals	\$19,183	\$20,613	\$1,430	7.5%

2016-17 Proposition 98 Changes

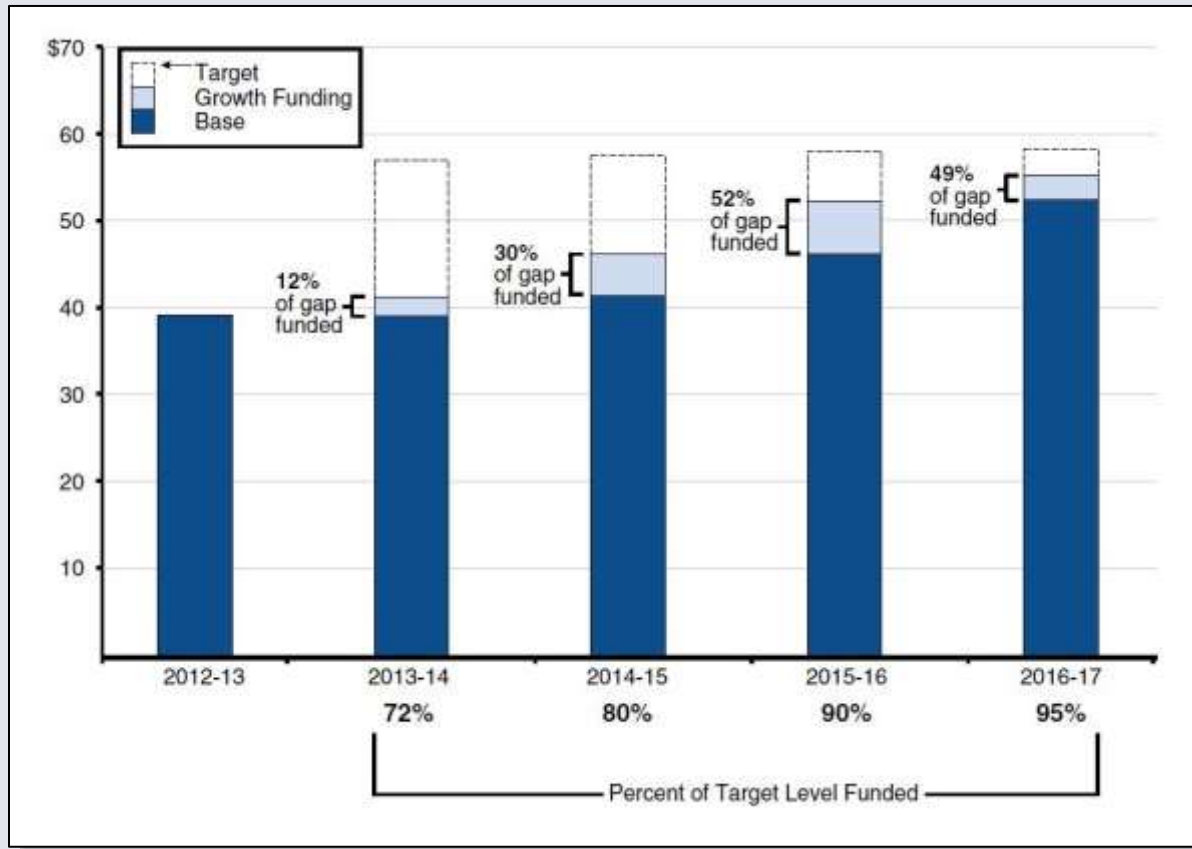
(In Millions)

K-12 Education	
Increase LCFF Funding	\$2,825
Fund CTE Incentive Grant for Secondary Schools (year two of three)	240 ^a
Provide 0.47 percent COLA for select categorical programs	23
Fund truancy and dropout prevention program	7
Fund High Speed Network	5 ^b
Support Exploratorium	4
Fund improvement of web-based tools for state accountability system	1
Shift funding for transitional kindergarten and preschool into new block grant	0
Remove prior-year augmentation for infants and toddlers with disabilities	-30
Total	\$3,073

^a Budget includes additional \$60 million from other Proposition 98 funds.
^b Budget includes additional \$3.5 million from other Proposition 98 funds.

Tracking Funding for Local Control Funding Formula

(In Billions)



Assessment of Overall Plan

- **General Fund Revenue Estimates Solid**
- **Property Tax Estimates Too Low**
- **Cushion Against Economic Downturn Small**

Preschool

Major Preschool Programs in California: Eligibility Criteria

	Center-Based Voucher Programs	California State Preschool	Transitional Kindergarten	Head Start
Eligibility				
Family income eligibility cap	70 percent of state median income	70 percent of state median income	None	100 percent of federal poverty level
Income cap for family of three (2015-16)	\$42,216	\$42,216	N/A	\$20,090
Work requirement	Yes	Yes for full-day program	No	No
Age eligibility criteria	Two through five-year olds	Three-and four-year olds	Four-year olds with birthdays between September 2 and December 2	Three-and four- year olds
Four-year olds served (2015-16 estimates)	5,400	138,400	83,000	46,400

Major Preschool Programs in California: Standards

	Center-Based Voucher Programs	California State Preschool	Transitional Kindergarten	Head Start
Teacher Qualifications	Child Development Associate Credential (12 units in ECE).	Child Development Teacher Permit (24 units of ECE plus 16 general education units).	Bachelor's degree and Multiple Subject Teaching Credential and a Child Development Teacher Permit.	Half of teachers must have a bachelor's degree in ECE or a bachelor's degree with ECE experience. Rest of teachers must have associate's degree in ECE.
Staffing Ratios	1:12 teacher-child ratio or 1 teacher and 1 aide per 15-18 children.	1:24 teacher-child ratio and 1:8 adult-child ratio.	1:33 maximum teacher-child ratio.	1:20 teacher-child ratio and 1:10 adult to child ratio.
Developmental Standards	None.	Developmentally appropriate activities designed to facilitate transition to kindergarten.	Locally developed, modified kindergarten curriculum.	The Head Start Early Learning Outcomes Framework.

Major Preschool Programs in California: Funding

	Center-Based Voucher Programs	California State Preschool	Transitional Kindergarten	Head Start
Funding				
Method of payment	State provides funds to providers on behalf of families	State directly contracts with providers	State provides funds through LCFF	5-year federal grant directly to providers
Total funding for four-year olds (2015-16 estimates)	\$60 million	\$740 million	\$690 million	\$420 million
Annual funding per child (2015-16)	Average of \$10,600 for full-time program	\$4,200 (part day) and \$9,600 (full day)	Average of \$8,500	Average of \$9,100

Preschool: Governor's Proposal

- **Consolidate Three Funding Streams**
- **Prioritize Low-Income and At-Risk Children**
- **Allow Eligibility to Be Determined Locally**
- **Allow Discretion in Determining Services**
- **Address Other Details in Months Ahead**

Preschool: Assessment

➤ **Positives:**

- Consolidating funds.
- Focusing on low-income and at-risk children.

➤ **Shortcomings:**

- Allowing eligibility to be determined locally.
- Lack of plan to keep funds linked with children.

Preschool: LAO Recommendations

- **Consolidate All Preschool Funding**
- **Establish Eligibility Criteria**
- **Link Funding to Children**
- **Offer Full-Day Program to Working Families**
- **Require Developmentally Appropriate Activities**
- **Phase In**

Education Mandates

Funding for Education Mandates Backlog Since 2010-11

(In Millions)

Year Funding Provided	K-12 Education	Community Colleges	Totals
2010-11	\$187	\$23	\$210
2014-15	400	50	450
2015-16	3,205	632	3,837
Totals	\$3,792	\$705	\$4,497

Mandate Backlog: Governor's Proposal

- **Provides \$1.3 billion for K-12 backlog**
- **Distributes on per-student basis (\$214)**

Mandate Backlog: Assessment

- **Half of School Districts and One-Third of COEs Have No Outstanding Claims**
- **Large Variation in Remaining Claims**
- **Retiring Backlog on Per-Student Basis Unrealistic**

Distribution of LEAs' Outstanding Mandate Claims

Claims per Student

	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.

Mandate Backlog: LAO Recommendations

- **Create \$2.6 Billion Payment Plan**
- **Provide \$450 Per Student**
- **Provide COEs Extra \$20 Per Student for Countywide ADA**
- **Provide COEs Minimum Grant**
- **Write-off Remaining Claims Through 2015-16**

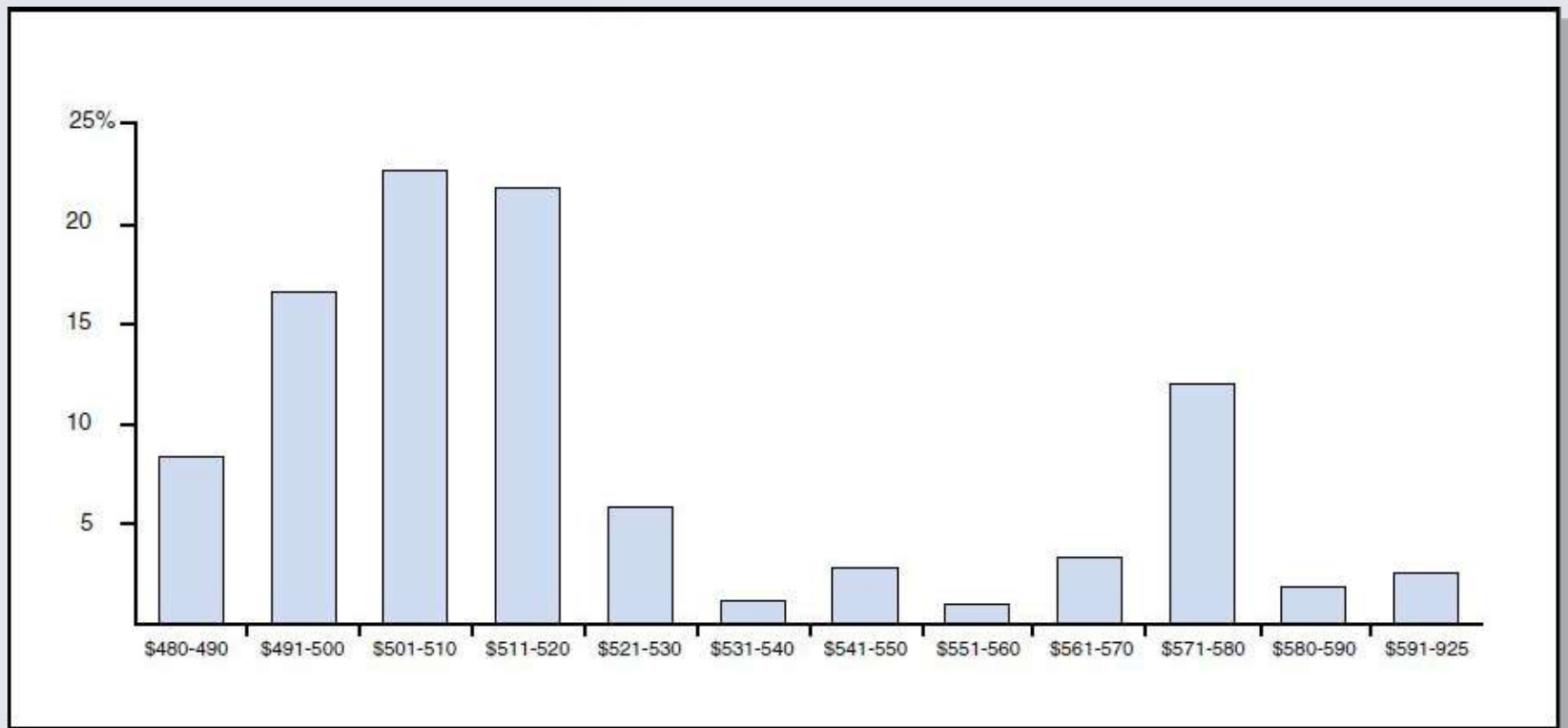
Special Education

Special Education: Governor's Proposals

- **Remove Last Year's \$30 Million Augmentation for Infant and Toddler Programs**
- **Provide \$30 Million (One Time) for Schoolwide Systems of Support**

Special Education Per-Student Funding Rates Vary

Share of Statewide Attendance, 2013-14



Special Education: Recommendations

- **Provide \$140 Million for Equalization**
- **Undertake Comprehensive Study of Infant and Toddler Programs**
- **Reject \$30 Million Augmentation for Schoolwide Systems of Support**

Local Control Funding Formula for County Offices of Education

21 COEs at Their LCFF Target Funding Levels

Based on LAO Estimates, 2015-16

Funding Level	County Offices of Education (COEs)	
At LCFF Target (21 COEs)	Alameda Alpine Colusa El Dorado Humboldt Kern Kings Madera Modoc Nevada Orange	San Benito San Francisco Shasta Sierra Siskiyou Trinity Tulare Tuolumne Yolo Yuba

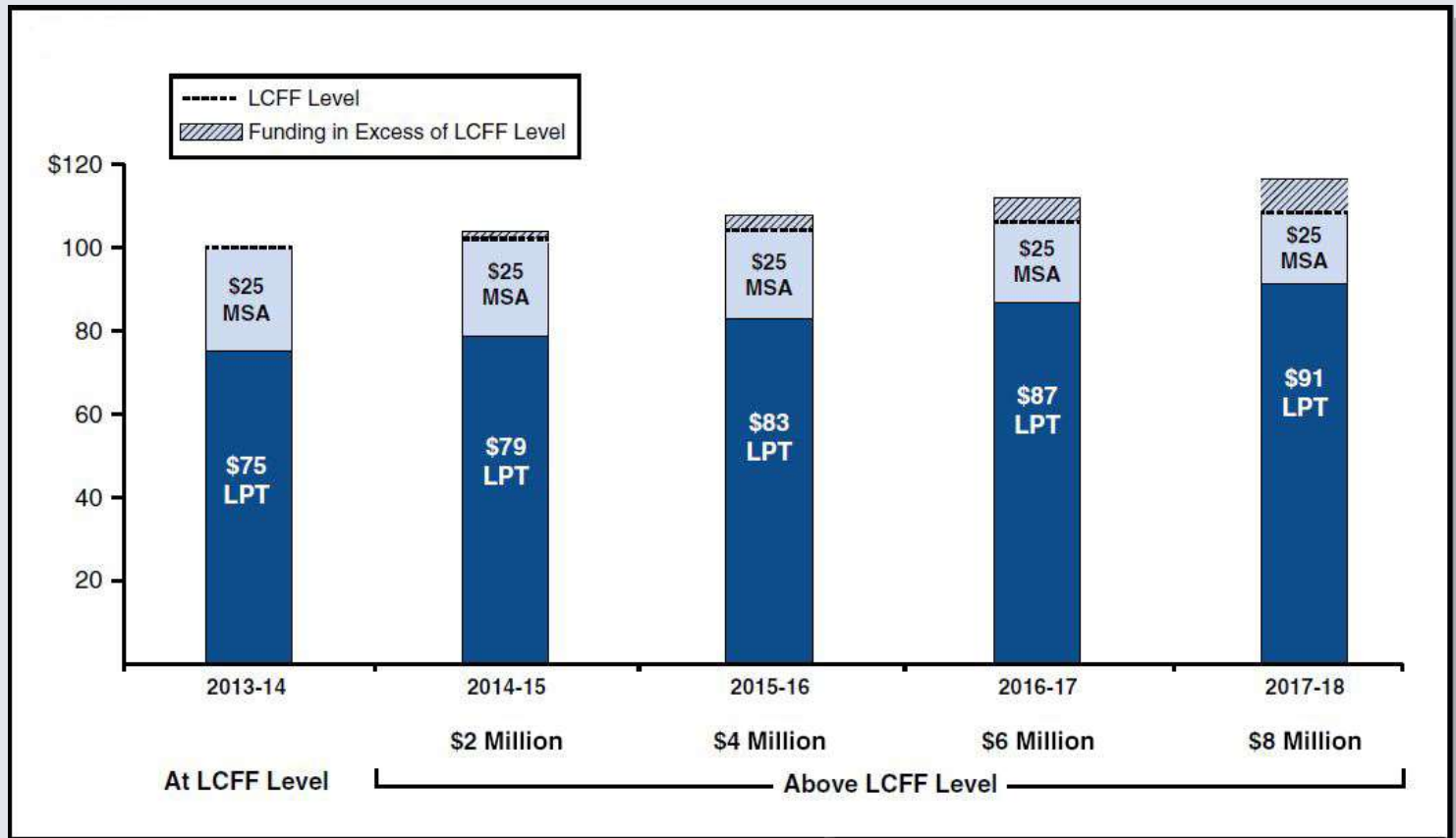
Almost Two-Thirds of COEs Funded Above LCFF Target

Based on LAO Estimates, 2015-16

Funding Level	County Offices of Education (COEs)	
101 Percent to 150 Percent Above LCFF Target (22 COEs)	Amador Butte Calaveras Contra Costa Fresno Imperial Lake Lassen Los Angeles Merced Monterey	Mariposa Placer Sacramento San Bernardino San Joaquin Santa Cruz San Luis Obispo Solano Sonoma Tehama Ventura
151 Percent to 260 Percent Above LCFF Target (15 COEs)	Del Norte Glenn Inyo Marin Mendocino Mono Napa Plumas	Riverside San Diego Santa Barbara Santa Clara San Mateo Stanislaus Sutter

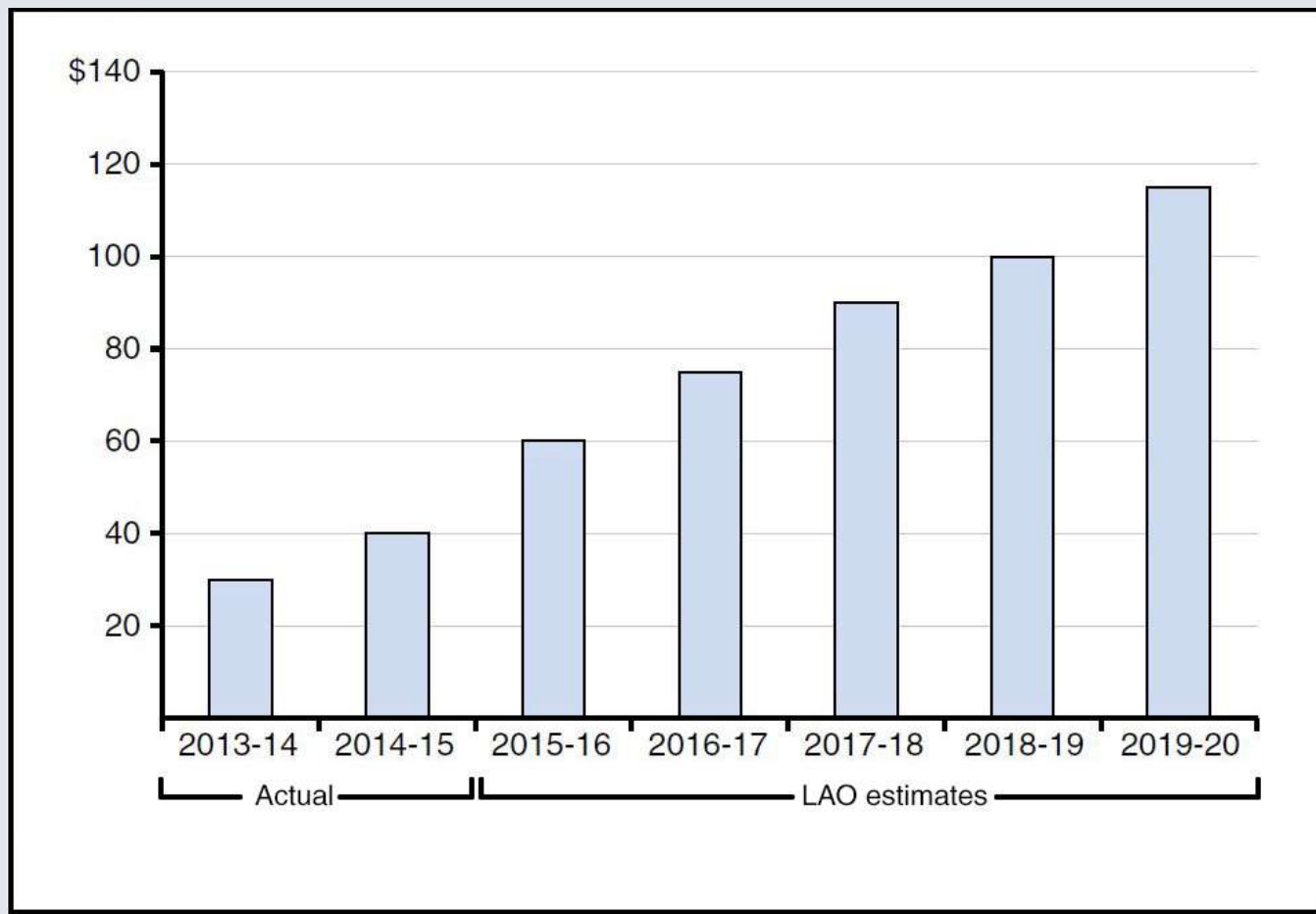
Illustration of How COE Minimum State Aid Is Working at Cross-Purposes With LCFF

(In Millions)



COE Minimum State Aid Obligations Are Growing

(In Millions)



Other Issues

Other Issues

- **Proposition 30 Tax Extension**
- **CalSTRS and CalPERS Cost Increases**
- **State School Deposit/Local Reserve Caps**

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