

January 16, 2002

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

This letter contains our review of the fiscal effect of proposed initiative file number SA2001RF0050, Amendment No. 1-NS, called the "After School Education and Safety Program Act of 2002," as required by Elections Code Section 9005.

Background

Current law includes legislative intent that at least \$85 million be appropriated for the Before and After School Learning and Safe Neighborhoods Partnership Program each year. The most recent appropriation for the program was \$117.5 million in the *2001-02 Budget Act*. This program provides competitive grants for schools to offer educational enrichment and either tutoring or homework assistance before and/or after "regular" school hours to pupils in kindergarten and grades 1 through 9. The program requires a local match and gives priority to serving pupils from schools with at least 50 percent of pupils on free or reduced-price meals. Under existing law, after school grants generally do not exceed \$75,000 for elementary schools and \$100,000 for middle and junior high schools and before school grants generally do not exceed \$25,000 for elementary schools and \$33,000 for middle and junior high schools for each regular school year. However, large schools can receive upward funding adjustments to these grant amounts. In addition, participating schools are eligible to receive a supplemental grant to operate a program during summer, intersession, or vacation periods.

Proposal

This measure makes various programmatic and funding changes to the Before and After School Learning and Safe Neighborhoods Partnership Program.

Program Requirements

With regard to programmatic changes, the measure:

- ***Renames Existing Program.*** The measure renames the Before and After School Learning and Safe Neighborhoods Partnership Program to the After School Education and Safety Program. Under this measure, new before school programs would be funded at a lower priority.
- ***Provides Flexibility to Conduct Programs Off School Sites.*** Existing law permits a school to conduct a before or after school program at a community park or recreational area adjacent to the school site. This measure eliminates the requirement that the offsite location be adjacent to the school and allows a program to occur at any nonschool site approved by the State Department of Education (SDE). However, SDE could not approve an offsite program unless safe transportation is provided to participating pupils. The measure also requires that the educational components of offsite programs be aligned with participating pupils' regular school programs.
- ***Allows Additional Program Areas.*** Under existing law, participating schools are required to provide educational enrichment and either tutoring or homework assistance. The measure specifies that schools may offer computer training, fine arts, or physical fitness activities in meeting these requirements.
- ***Expands Collaborative Planning Process.*** Existing law requires that every before and after school program be planned in collaboration with parents, youth, and representatives of participating school sites, governmental agencies, community organizations, and the private sector. This measure expands the planning process to include local law enforcement agencies.
- ***Requires Annual Notification to All Schools.*** The measure directs SDE to annually notify all schools of the availability of after school grants.

Funding Provisions

The measure also makes several funding changes to the existing before and after school program.

Increased After School Funding. Beginning in 2004-05, the measure authorizes a continuous appropriation from the General Fund for the After School Education and Safety Program. The annual amount of this appropriation would be the greater of the following two amounts, but not to exceed \$550 million:

- The amount provided to the program in the preceding fiscal year.
- The amount provided to the program in 2003-04, adjusted for specified annual changes in General Fund spending that do not count towards the state's constitutional funding guarantee for K-14 education. (This second condition requires that General Fund spending on non-Proposition 98

programs increase by at least \$1.5 billion above the highest General Fund [non-Proposition 98] spending amount between 2000-01 and 2003-04.)

The measure specifies that the statutes authorizing the above continuous appropriation may not be amended by the Legislature.

Funds for Training, Evaluation, and State Administration. Beginning in 2004-05, this measure allows SDE to spend 1.5 percent of the funds for the After School Education and Safety Program on program evaluations, training and support for program implementation and development, and awarding and monitoring program grants.

Program Funding Linked to Possible Proposition 98 Spending Reductions. Under the provisions commonly known as Proposition 98, the State Constitution requires appropriation of a minimum annual amount for public K-12 schools and community colleges (K-14 education) from the General Fund and local property tax revenues. Generally, this annual amount is based on the prior-year appropriations adjusted for growth in the number of students attending public schools and growth in the lesser of (1) California per capita personal income or (2) per capita General Fund revenue plus 0.5 percent.

The measure specifies a combination of circumstances under which the continuous appropriation for the program would be reduced. In any fiscal year after 2003-04 if (1) the Legislature reduces support for Proposition 98 programs relative to the preceding fiscal year and (2) this reduction is permitted due to weak or negative growth in per capita General Fund revenue, funding for the After School Education and Safety Program would be reduced by a percentage equal to the reduction in Proposition 98 programs. The specified combination of circumstances has not happened since enactment of Proposition 98 in 1988 and is unlikely in the future.

New Funding Priorities. Beginning in fiscal year 2004-05, the measure establishes new funding priorities. First, schools that received a before or after school grant in 2003-04 would continue to receive an equivalent grant amount in 2004-05 and each subsequent year. The second priority under the proposal is to make every elementary, middle, and junior high school eligible to receive an after school grant to operate after school programs during the regular school year. However, if available funding were insufficient to provide after school funding to all schools, priority for the new grants would be given to schools with at least 50 percent of its pupils on free or reduced-price meals. Additional funds available after awarding grants in accordance to the above priorities would be distributed for both before and after school programs pursuant to current priorities and funding rules.

Funding Rules for New After School Grants. Under the measure, schools receiving a new after school grant would be reimbursed up to \$5 per pupil day. This funding rate is

equivalent to the current reimbursement for the after school component of the Before and After School Learning and Safe Neighborhoods Partnership Program. However, the measure caps the new after school grants at lower amounts—\$50,000 for elementary schools and \$75,000 for middle and junior high schools—for each regular school year. In addition, these grant amounts would not be adjusted upward for large schools. As with existing law, schools receiving an after school grant would need matching funds from the school district, governmental agencies, community organizations, or the private sector of at least 50 percent of the amount received from the state.

Fiscal Impact

Based on the measure's funding formula and our General Fund projections for future fiscal years, we estimate that the measure would result in a continuous appropriation of \$550 million annually in Proposition 98 funds beginning in 2004-05 for the After School Education and Safety Program. This is over \$400 million above the program's funding level approved in the *2001-02 Budget Act*. The actual level of future funding for this program absent this measure would depend on future legislative action.

According to the measure, any annual increase in the continuous appropriation would be contingent on the state first meeting the minimum funding requirement for Proposition 98 in the relevant fiscal year with other appropriations for K-14 education. In effect, this provision forces the state to "over-appropriate" Proposition 98's minimum requirement, causing a permanent increase in the annual level of state appropriations for K-14 education. Under the measure, SDE would be allowed to spend up to 1.5 percent of the \$550 million appropriation (about \$8.3 million) for program evaluation, training and support, and grant awarding.

Summary of Fiscal Effects. This measure would have the following major fiscal effect:

- Additional annual state costs for after school programs that could exceed \$400 million annually, beginning in 2004-05.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance