

May 2017

# Overview of Proposition 98 and K-12 Conference Issues

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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

Presented to:  
Budget Conference Committee  
Hon. Holly Mitchell, Chair



## All Plans Increase Proposition 98 Funding

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May 2017  
Page 1



### **Governor's Plan**

- The Governor's plan provides total Proposition 98 funding of \$69.1 billion in 2015-16, \$71.4 billion in 2016-17, and \$74.6 billion in 2017-18. Under the plan, funding grows \$3.2 billion (4.5 percent) from 2016-17 to 2017-18.



### **Assembly's Plan**

- The Assembly's plan provides the same total funding each year as the Governor's plan.



### **Senate's Plan**

- The Senate's plan provides total Proposition 98 funding of \$69.1 billion in 2015-16 (the same as the other plans), \$71.5 billion in 2016-17 (\$87 million more than the other plans), and \$74.1 billion in 2017-18 (\$524 million less than the other plans).
- The Senate's plan is based on LAO revenue estimates.
- Higher LAO General Fund revenue in 2016-17 results in a higher 2016-17 minimum guarantee, whereas slower LAO revenue growth between 2016-17 and 2017-18 results in a lower 2017-18 minimum guarantee. The Senate plan funds at the minimum guarantee in both years.
- LAO property tax estimates are \$265 million above the administration over the 2015-16 through 2017-18 period. Higher property tax revenue reduces Proposition 98 General Fund obligation.



## Proposition 98 Funding by Source

May 2017  
Page 2

*(In Millions)*

|                          | Governor        | Senate          | Assembly        | Difference<br>(Senate-Assembly) |
|--------------------------|-----------------|-----------------|-----------------|---------------------------------|
| <b>2015-16</b>           |                 |                 |                 |                                 |
| General Fund             | \$49,424        | \$49,425        | \$49,424        | \$1                             |
| Local property tax       | 19,679          | 19,678          | 19,679          | -1                              |
| <b>Totals</b>            | <b>\$69,103</b> | <b>\$69,103</b> | <b>\$69,103</b> | <b>—</b>                        |
| <b>2016-17</b>           |                 |                 |                 |                                 |
| General Fund             | \$50,602        | \$50,593        | \$50,602        | -\$9                            |
| Local property tax       | 20,787          | 20,883          | 20,787          | 96                              |
| <b>Totals</b>            | <b>\$71,390</b> | <b>\$71,477</b> | <b>\$71,390</b> | <b>\$87</b>                     |
| <b>2017-18</b>           |                 |                 |                 |                                 |
| General Fund             | \$52,852        | \$52,159        | \$52,852        | -\$692                          |
| Local property tax       | 21,749          | 21,918          | 21,749          | 169                             |
| <b>Totals</b>            | <b>\$74,601</b> | <b>\$74,077</b> | <b>\$74,601</b> | <b>-\$524</b>                   |
| <b>Settle-Up Payment</b> | <b>\$603</b>    | <b>\$516</b>    | <b>\$603</b>    | <b>-\$87</b>                    |

## Major Commonalities and Differences Among the Plans

May 2017  
Page 3



### Plans Have a Few Key Commonalities

- All three plans fund \$433 million above the minimum guarantee in 2015-16.
- All three plans rescind the Governor's January budget proposals to (1) score \$324 million in spending toward 2016-17 instead of 2015-16 and (2) defer an \$859 million payment from June to July 2017.
- All three plans notwithstanding the Test 3 supplemental appropriation from 2016-17 through 2020-21. (The supplemental appropriation provides funding on top of the Proposition 98 minimum guarantee when Test 3 is operative.)
- All three plans include additional ongoing and one-time increases.



### Plans Address Future Uncertainty in Different Ways

- The Governor's plan dedicates \$1.2 billion in 2017-18 funds to one-time activities. It delays release of this funding until May 2019 and has contingency language automatically reducing this funding dollar-for-dollar if the 2017-18 minimum guarantee subsequently falls below the administration's projections.
- The Senate's plan dedicates \$947 million to one-time activities. It allocates all funds in 2017-18 and rejects any automatic reduction. The Senate, however, funds at a lower estimate of the 2017-18 guarantee.
- The Assembly's plan dedicates \$1.1 billion to one-time activities. It allocates all funds in 2017-18 and rejects any automatic reduction.

## Largest Ongoing Component of All Plans Is LCFF Funding

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May 2017  
Page 4



### Governor's LCFF Funding

- The Governor's plan includes a \$1.4 billion augmentation for the Local Control Funding Formula (LCFF) for school districts and charter schools, bringing total LCFF funding in 2017-18 to \$57.2 billion.
- The augmentation would close 44 percent of the remaining gap to the LCFF target funding level, with the target level 97 percent funded.



### Houses' LCFF Funding

- The Senate's plan provides a \$1.2 billion augmentation—\$235 million less than the Governor and \$190 million less than the Assembly.
- The Assembly's plan provides a \$1.3 billion augmentation—\$45 million less than the Governor.

## Largest One-Time Component of All Plans Is Discretionary Funding

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May 2017  
Page 5



### Governor's Plan

- The Governor's plan includes \$1 billion in one-time K-12 discretionary grants, allocated on a per-student basis.
- Funds would be released in May 2019 and automatically reduced if the 2017-18 minimum guarantee drops.



### Houses' Plans

- The Senate provides \$770 million—\$242 million less than the Governor and \$85 million less than the Assembly.
- The Assembly provides \$855 million—\$157 million less than the Governor.
- Under both houses' plans, funds would be released immediately and would receive no automatic reduction.

## Effect of One-Time Funding on K-12 Mandates Backlog

May 2017  
Page 6



### All Three Plans Only Slightly Reduce K-12 Mandates Backlog

- Under all three plans, discretionary funds would offset outstanding mandate claims for local educational agencies (LEAs) with such claims.
- As less than half of LEAs have outstanding claims, and the funds would be distributed on a per-student basis, the reduction in the mandates backlog would be small.
- Under all three plans, only about 30 percent of the funding provided would go toward reducing the backlog.

| <b>Estimate of K-12 Mandates Backlog</b> |                 |                |                 |   |
|--|-----------------|----------------|-----------------|---|
| <i>(In Millions)</i>                     |                 |                |                 |   |
|  | <b>Governor</b> | <b>Senate</b>  | <b>Assembly</b> | <b>Difference<br/>(Senate-Assembly)</b> |
| <b>2016-17 Backlog</b>                   | <b>\$1,067</b>  | <b>\$1,067</b> | <b>\$1,067</b>  | —                                       |
| <b>Proposed Funding</b>                  | <b>\$1,012</b>  | <b>\$770</b>   | <b>\$855</b>    | <b>-\$85</b>                            |
| Payments toward backlog                  | 298             | 242            | 263             | -20                                     |
| Remaining funds                          | 715             | 528            | 592             | -65                                     |
| <b>2017-18 Backlog</b>                   | <b>\$769</b>    | <b>\$824</b>   | <b>\$804</b>    | <b>\$20</b>                             |

## K-12 Education Conference Issues

May 2017  
Page 7

*(In Millions)*

*Reflects One-Time Proposition 98 Spending, Unless Otherwise Specified*

|   | <b>Governor</b> | <b>Senate</b> | <b>Assembly</b> | <b>Difference<br/>(Senate-Assembly)</b> |
|---|-----------------|---------------|-----------------|---|
| Increase LCFF funding for schools (ongoing)                         | \$1,387         | \$1,152       | \$1,342         | -\$190                                  |
| Provide discretionary funding                                       | 1,012           | 770           | 855             | -85                                     |
| Pay some 2016-17 LCFF costs with settle-up funds                    | 514             | 427           | 514             | -87                                     |
| Augment funding for after school programs <sup>a</sup>              | —               | 34            | 70              | -37                                     |
| Provide training for new curriculum frameworks                      | —               | 16            | —               | 16                                      |
| Support CTE Pathways Program (ongoing) <sup>b</sup>                 | —               | 15            | 15              | —                                       |
| Support CREEC   | —               | 4             | —               | 4                                       |
| Provide COLA for Mandates Block Grant (ongoing)                     | —               | 4             | —               | 4                                       |
| Provide grants to students in teacher training programs             | —               | —             | 25              | -25                                     |
| Fund teacher residency grants                                       | —               | —             | 25              | -25                                     |
| Support classified staff seeking teaching credentials               | —               | —             | 25              | -25                                     |
| Provide professional development to bilingual teachers              | —               | —             | 25              | -25                                     |
| Provide funding for COEs to help districts refine their LCAPs       | —               | —             | 20              | -20                                     |
| Provide funding to districts serving refugee students               | —               | —             | 10              | -10                                     |
| Fund history/social science K-12 curriculum pilot program           | —               | —             | 5               | -5                                      |
| Fund program to develop and use labor-related curriculum            | —               | —             | 3               | -3                                      |
| Create mobile application for School Dashboard website <sup>c</sup> | —               | —             | —               | —                                       |

<sup>a</sup> Senate provides ongoing Proposition 98 funding. Assembly provides one-time Proposition 98 funding and adopts intent language to provide ongoing support from Proposition 64 (marijuana tax revenue) beginning in 2018-19.

<sup>b</sup> Both houses shift \$15 million from California Community Colleges (CCC) to the California Department of Education for these activities. Assembly provides an additional \$15 million for the CCC Strong Workforce program.

<sup>c</sup> Assembly provides \$50,000 for this purpose. Senate and Governor provide no funding.

LCFF = Local Control Funding Formula; CTE = Career Technical Education; CREEC = California Regional Environmental Education Community Network; COLA = cost-of-living adjustment; COE = county office of education; and LCAP = Local Control and Accountability Plan.