

Overview of Proposition 98 and K-12 Issues

PRESENTED TO:

Budget Conference Committee
Hon. Holly J. Mitchell, Chair



LEGISLATIVE ANALYST'S OFFICE



Overview of Proposition 98 Funding

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All Three Plans Provide the Same Level of Proposition 98 Funding

- The Governor proposes to fund \$117 million above the estimate of the Proposition 98 minimum guarantee in 2017-18 and at the estimate of the minimum guarantee in 2018-19 and 2019-20.
- The Senate and Assembly plans assume less General Fund revenue than the Governor and have correspondingly lower estimates of the minimum guarantee in 2019-20. (These lower revenue estimates are primarily because the houses assume their budget packages do not include the Governor’s federal tax conformity proposal.)
- Despite their lower revenue assumptions, both houses provide the same level of Proposition 98 funding as the Governor each year of the period.

Proposition 98 Funding Under All Three Plans

(Dollars in Millions)

	2017-18	2018-19	2019-20	Change From 2018-19	
				Amount	Percent
Total Funding	\$75,576	\$78,146	\$81,069	\$2,923	3.7%
Fund source:					
General Fund	\$52,951	\$54,445	\$55,904	\$1,459	2.7%
Local property tax	22,625	23,701	25,166	1,464	6.2



Key Aspects of Proposition 98 Plans

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- ***Size of Proposition 98 Reserve Deposit Varies Across the Plans.*** The Governor makes a \$389 million deposit into the Proposition 98 reserve. By comparison, the Senate makes a deposit of \$90 million and the Assembly makes no deposit. The differences are linked primarily to their General Fund revenue packages.
- ***Proposition 98 Operating Balance Also Varies Across the Plans.*** The Senate has the largest Proposition 98 operating surplus—spending about \$160 million less on ongoing Proposition 98 programs than it has available in ongoing Proposition 98 resources. By comparison, the Governor has an operating surplus of about \$140 million and the Assembly has an operating deficit of about \$200 million.
- ***Proposition 98 Budget Cushion Under All Three Plans Is Very Small.*** Over the past six years, the state has set aside an average of \$700 million per year in ongoing Proposition 98 funds for one-time activities. This approach provides a cushion that protects ongoing programs if funding drops in the future. Although the Senate plan has the largest cushion (\$160 million), it remains small compared to previous years. We encourage conference committee to build a larger cushion by making a larger Proposition 98 reserve deposit and/or allocating more Proposition 98 funding for one-time activities.
- ***Assembly Plan Retains the Proposition 98 True-Up Account.*** The 2018-19 budget package created a Proposition 98 true-up account to adjust school funding automatically when estimates of the minimum guarantee change after the fiscal year is over. The Governor and Senate eliminate the true-up account, whereas the Assembly retains it. We recommend retaining the account, as it provides benefits to both schools and the state by smoothing out funding adjustments.



K-12 Education: Key Commonalities and Differences

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- **All Plans Provide Augmentations for the Local Control Funding Formula (LCFF).** The Governor and Senate provide a \$2 billion augmentation for LCFF. This increase covers the 3.26 percent statutory cost-of-living adjustment (COLA), bringing total LCFF funding in 2019-20 to \$62.7 billion. The Assembly provides \$370 million more than the Governor and Senate—effectively funding a 3.88 percent COLA. Compared to categorical programs, LCFF funding provides schools greater flexibility in pursuing educational goals.
- **Houses Take Different Approaches to Special Education Than Governor.** The Governor provides \$696 million for a new program targeting funding to school districts with relatively large numbers of low-income students, English learners, and students with disabilities. Both houses reject the Governor’s proposal. Both houses instead provide \$333 million to equalize existing special education funding rates. Both houses also provide new ongoing funding for preschool-age children with disabilities (the Senate \$200 million, the Assembly \$260 million). We recommend conference committee maintain the houses’ actions to prioritize additional funding for equalization and preschool special education.
- **Houses Differ in Other Key K-12 Priorities.** The Senate provides \$242 million (one time) to support activities intended to increase college preparation and college attendance rates among low-income students, English Learners, and foster youth. By comparison, the Assembly shifts \$150 million (ongoing) from the K-12 Strong Workforce Program (administered by the community colleges) to the Career Technical Education Incentive Grant program (administered by the California Department of Education).



K-12 Education: Detailed Budget Comparison

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<i>Proposition 98 General Fund (In Millions)</i>				
	Governor	Senate	Assembly	Difference^a
New Ongoing Spending				
Local Control Funding Formula ^b	\$1,959	\$1,959	\$2,331	-\$372
CTE Incentive Grant Program	—	—	— ^c	— ^c
After school programs	—	100	— ^d	100
Special education funding for preschool-aged children	—	200	260	-60
School breakfast programs	—	15	—	15
Special education concentration grants	696	—	—	—
Special education equalization	—	333	333	—
COLA for select categorical programs	180	180	180	—
Other ^e	—	—	—	—
Totals	\$2,835	\$2,788	\$3,104	-\$316

^a Compares Senate to Assembly.
^b Governor uses \$251 million in one-time funds to support ongoing costs, whereas the Assembly uses \$198 million.
^c Assembly shifts \$150 million from the K-12 Strong Workforce Program (administered by the California Community Colleges Chancellor's Office) to the CTE Incentive Grant Program (administered by the California Department of Education).
^d The Assembly provides \$80 million from Proposition 64 marijuana tax revenue for this purpose.
^e All plans contain \$300,000 to add Cal Grant reporting requirements to the K-12 mandates block grant and \$154,000 for the San Joaquin County Office of Education to maintain the School Accountability Report Card and School Dashboard databases.

CTE = career technical education and COLA = cost-of-living adjustment.



K-12 Education: Detailed Budget Comparison

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<i>Proposition 98 General Fund (In Millions)</i>				
	Governor	Senate	Assembly	Difference^a
One-Time Spending^b				
College Readiness Block Grant	—	\$242	—	\$242
Some 2019-20 LCFF costs supported with one-time funds ^c	\$251	—	\$198	-198
Grants for schools serving low-performing students	—	—	50	-50
Technical assistance for charter school authorizers	—	18	—	18
Professional development on LGBTQ issues	—	7	—	7
Health curriculum framework	—	4	—	4
Breakfast After the Bell program	—	—	3	-3
San Diego Unified homeless youth education	—	1	—	1
Glendale Unified youth mentoring program	—	1	—	1
Some 2018-19 LCFF costs counted as settle-up	368	368	368	—
San Francisco Unified property tax correction	149	149	149	—
Classified School Employees Summer Assistance Program	36	36	36	—
Three one-time initiatives (shift into Proposition 98)	8	8	8	—
Grants to Oakland Unified and Inglewood Unified	4	4	4	—
Standardized school district accounting system replacement	3	3	3	—
Basic aid districts backfilled for wildfire property tax losses	2	2	2	—
Southern California Regional Occupational Center	2	2	2	—
Other ^d	1	1	1	—
Totals	\$825	\$845	\$825	\$20

^a Compares Senate to Assembly.

^b Includes settle-up and reappropriated funds. The Governor and Assembly also use \$5 million in ongoing funds for one-time purposes, whereas the Senate uses \$65 million.

^c Reflects ongoing cost covered with one-time funds.

^d All plans contain \$747,000 for disaster-related reimbursement for child nutrition programs and \$24,000 to translate the School Accountability Report Card and School Dashboard into Vietnamese, Mandarin, and Filipino.

LCFF = Local Control Funding Formula and LGBTQ = Lesbian, Gay, Bisexual, Transgender, and Queer.



California Community Colleges (CCC): Key Commonalities and Differences

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- ***Houses Make Different Modifications to Community College Funding Formula.***
 - The Governor and Senate postpone for one year the scheduled increase in the share of funding linked to student outcomes. The Assembly proposes to permanently keep student outcomes funding at 2018-19 rates, adjusted by COLA.
 - The Governor and the Assembly cap a district’s annual growth in student outcomes funding at 10 percent. The Senate (1) calculates student outcomes funding using a three-year rolling average and (2) links outcomes-based funding to the highest award a student earns. We think the Senate actions would reduce volatility in outcomes-based funding while continuing to provide strong incentives for districts to make genuine improvements in student outcomes.
- ***Both Houses Provide More Ongoing Funding for Faculty.*** Both houses provide funding for colleges to employ more full-time faculty (the Senate \$31 million, the Assembly \$40 million). They also augment funding for part-time faculty office hours (with the Senate providing \$397,000 for a COLA and the Assembly providing \$17 million).
- ***Houses Take Different Approaches to Student Support Programs.***
 - The houses provide similar levels of funding for veterans resource centers and student food and housing insecurity but allocate those funds differently.
 - The Assembly provides a total increase of \$22 million for several student support programs, including legal services and dreamer resource centers, whereas the Senate provides a total increase of \$363,000 for support programs.



CCC: Detailed Budget Comparison

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Proposition 98 General Fund (In Millions)

	Governor	Senate	Assembly	Difference
New Ongoing Spending				
Part-time faculty office hours	—	— ^a	\$17	-\$17
Online community college	—	—	-15	15
K-12 Strong Workforce technical assistance	—	—	-14	14
Legal services for immigrant students and employees	\$10	—	10	-10
Veterans resource centers	—	—	10	-10
Full-time faculty	—	\$31	40	-9
Student housing insecurity	—	9	—	9
Fund for Student Success	—	— ^b	5	-5
CCC Strong Workforce	-1	—	-2	2
HBCU Transfer Program	—	— ^c	—	— ^c
Apportionments	255	255	255	—
College Promise	43	43	43	—
COLA for select student support programs	30	30	30	—
Enrollment growth (0.55 percent)	25	25	25	—
Student Success Completion Grant caseload	18	18	18	—
Mandates block grant	—	1	1	—
Foster care education program	— ^d	— ^d	— ^d	—
Totals	\$379	\$412	\$423	-\$11

^a Senate provides \$397,000 for this purpose.

^b Senate provides \$282,000 for this purpose.

^c Senate provides \$81,000 for the purpose.

^d All plans include \$400,000 for this purpose.

HBCU = historically black colleges and universities and COLA = cost-of-living adjustment.



CCC: Detailed Budget Comparison

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<i>Proposition 98 General Fund (In Millions)</i>				
	Governor	Senate	Assembly	Difference ^a
One-Time Spending^b				
Student housing insecurity	—	—	\$10	-\$10
Veterans resource centers	—	\$15	7	8
Workforce development projects	—	—	6	-6
Student food insecurity	—	15	20	-5
Re-entry programs for formerly incarcerated students	—	5	—	5
Dreamer resource centers	—	—	5	-5
Deferred maintenance	\$40	42	39	4
CCC Strong Workforce	1	—	2	-2
Palo Verde College child development center	—	—	2	-2
Community college teacher credentialing pilot	—	2	—	2
Mendocino College construction trades start up	—	1	—	1
Totals	\$41	\$80	\$91	-\$11

^a Compares Senate to Assembly.
^b Includes settle-up and reappropriated funds.