

# The Budget Picture for California Education



**Legislative Analyst's Office**

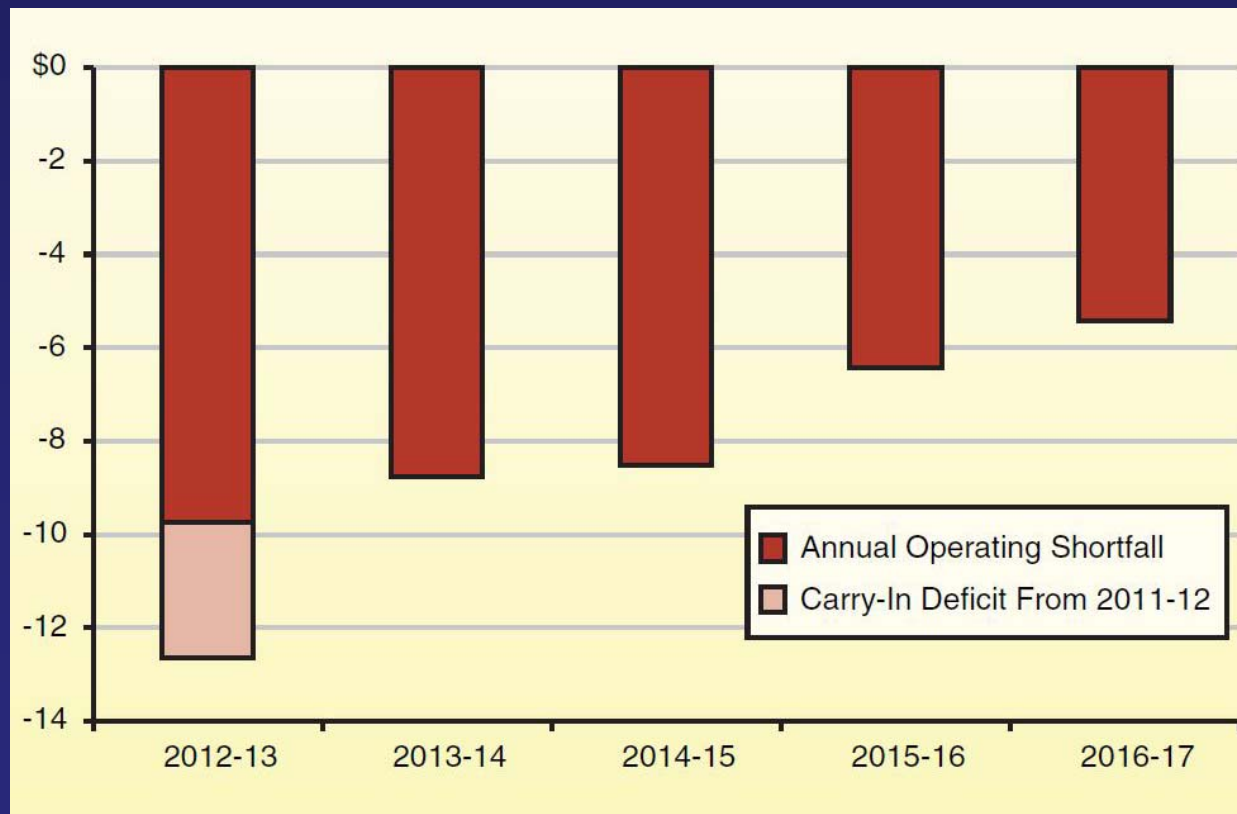
EdSource 2013 Symposium

May 4, 2013

# State Fiscal Outlook

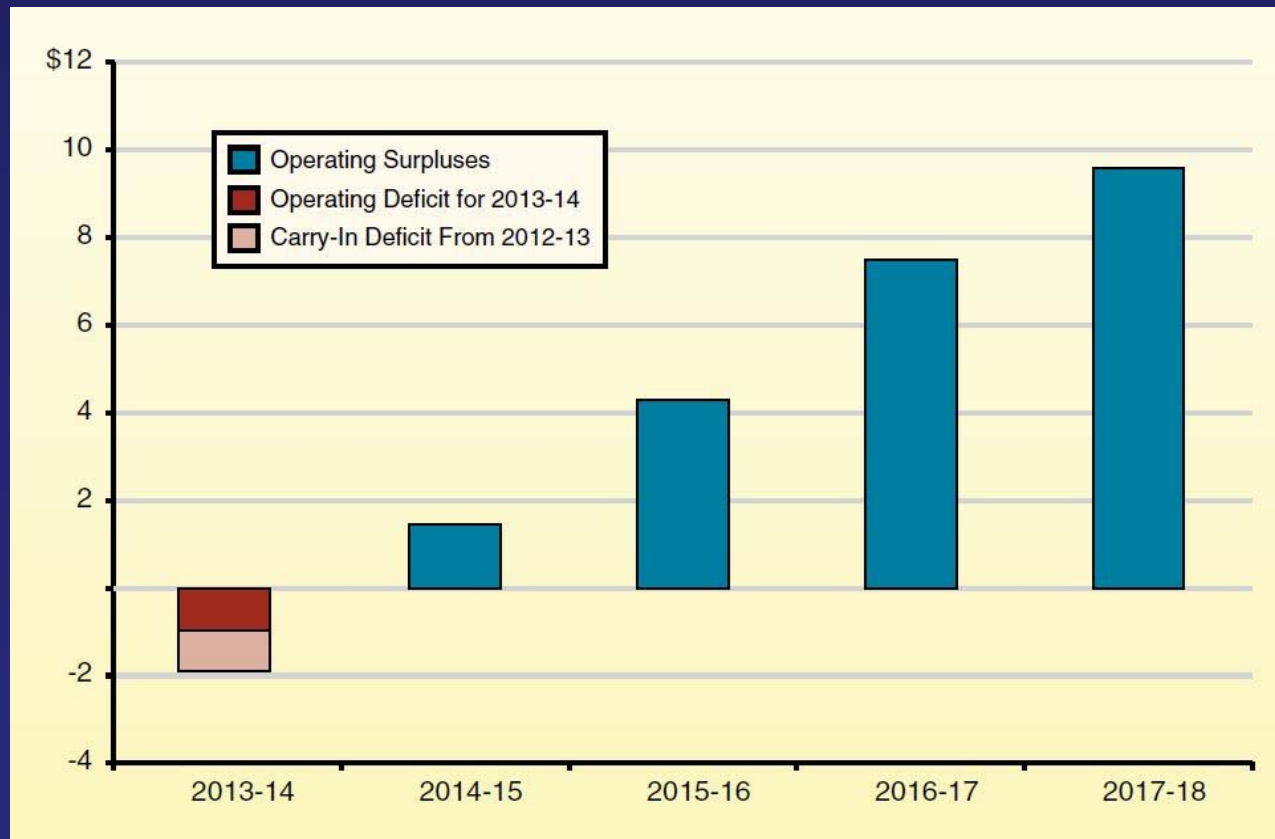
# Out-Year Forecasts Had Been Grim

General Fund (In Billions)



# Outlook Now Much Improved

General Fund (In Billions)



# Current-Year Revenues Higher Than Projections

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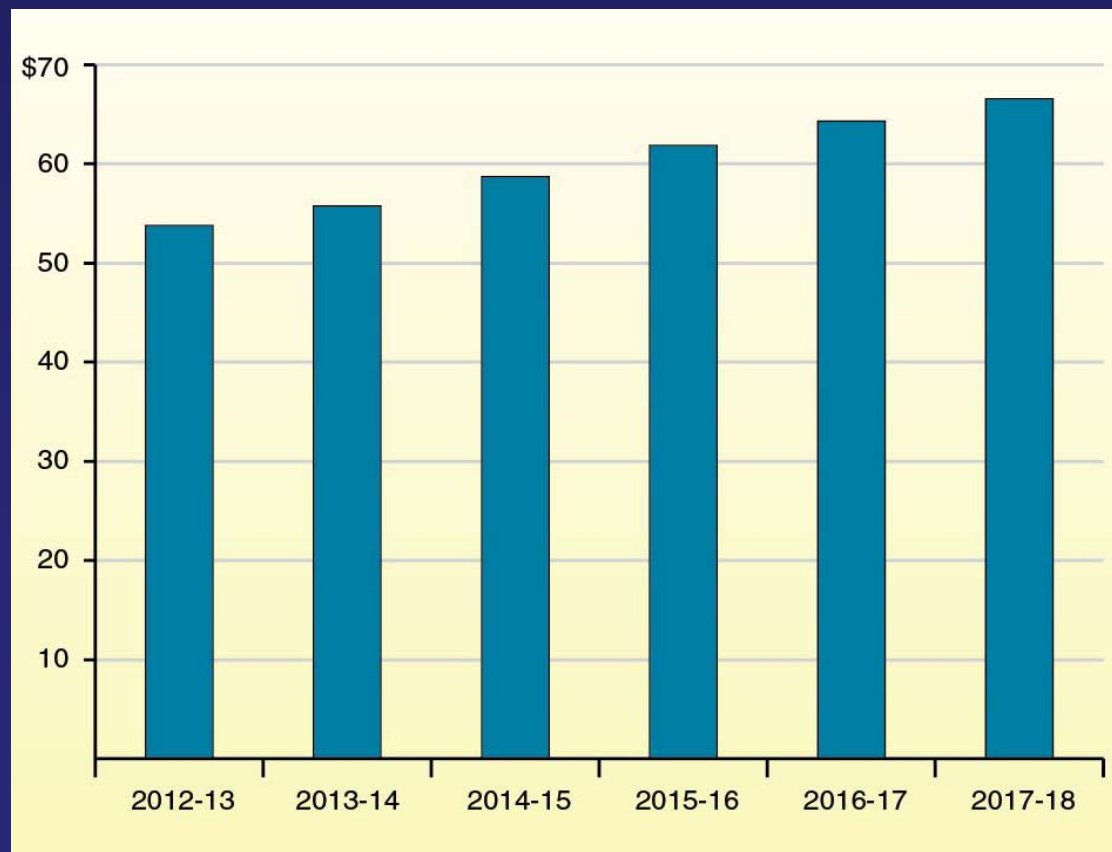
- **2012-13 Year-to-Date Collections**
  - Personal income taxes: +\$4.5 billion.
  - Sales and use taxes: -\$150 million.
  - Corporation taxes: +\$200 million.

# Education Budget

# Proposition 98 Funding Projected to Increase Notably

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(In Billions)



# Effect of Higher-Than-Expected Revenues on Guarantee

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- **Revenues Up \$5.5 Billion Across Three Years**
  - Up \$500 million in 2011-12.
  - Up \$4 billion in 2012-13.
  - Up \$1 billion in 2013-14.
- **Guarantee**
  - \$57.2 billion, up \$3.7 billion, in 2012-13.
  - \$57.1 billion, up \$600 million, in 2013-14.



# Competing Spending Priorities

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- **Paying Down One-Time Obligations**
- **Building Up Ongoing Base Support**

# Restructuring School Funding

# Problems With Existing System

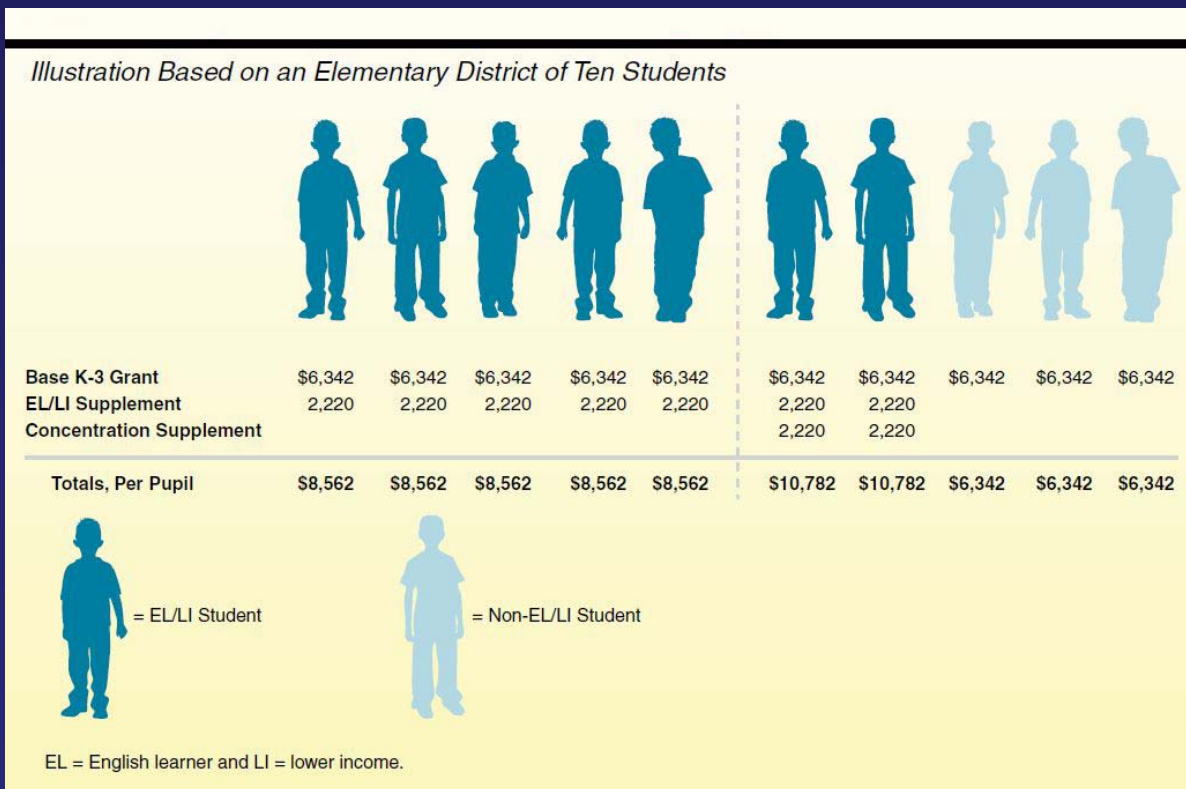
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- **Overly Complex**
- **Irrational**
- **Inefficient**
- **Highly Centralized**
- **Categorical Flexibility to Sunset in 2014-15**

# Governor's Proposal

Formula Component	Proposal
Target amount for base grant (per ADA)	<ul style="list-style-type: none"> <li>• K-3: \$6,342</li> <li>• 4-6: \$6,437</li> <li>• 7-8: \$6,628</li> <li>• 9-12: \$7,680</li> </ul>
Supplemental funding for specific student groups (per EL, LI, or foster youth)	<ul style="list-style-type: none"> <li>• 35 percent of base grant.</li> <li>• Provides EL students with supplemental funding for maximum of five years (unless students also are LI).</li> </ul>
Supplemental concentration funding	<ul style="list-style-type: none"> <li>• Each EL/LI student above 50 percent of enrollment generates an additional 35 percent of base grant.</li> </ul>

# Illustration of New Funding Formula



# Strengths of Governor's Proposal

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- **Is Simple and Transparent**
- **Links Funding to Costs**
- **Sets Reasonable Per-Pupil Funding Rates**
- **Places Emphasis on Students, Not Rules**
- **Shifts Emphasis From State to Districts**

# Refining the Governor's Proposal

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- **Include TIIG and HTS Transportation in Base Rates**
- **Reflect Grade-Span Cost Differences in Base Rates**
- **Ensure EL/LI Funds Used for Supplemental Services**
- **Increase Threshold for Concentration Funding**
- **Minimize Advantages for Basic Aid Districts**
- **Retain Facility Maintenance Requirements**

# Major Issues on Horizon

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- **Funding CalSTRS Liabilities**
- **Funding School Facilities**
- **Next Generation Standards, Assessments, and Accountability**
- **Turning Around Low-Performing Schools**