

# Various Proposition 98 Options

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LEGISLATIVE ANALYST'S OFFICE

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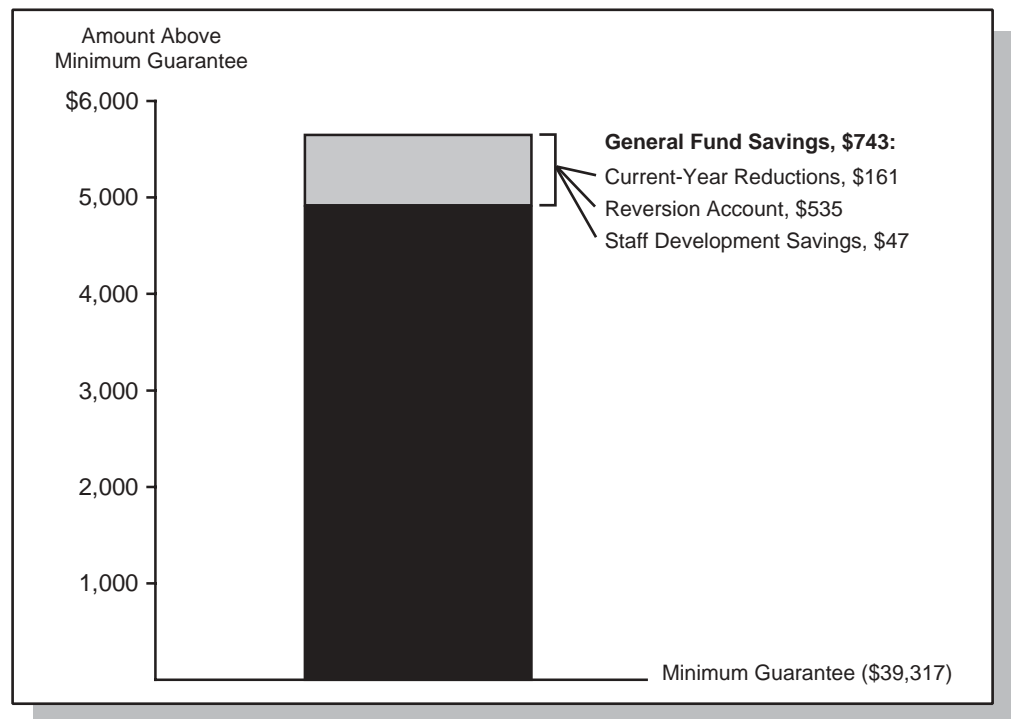




## Proposition 98 Options—Current Year

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**2001-02**  
**(In Millions)**





## Viable LAO Options for Current-Year General Fund Savings (Proposition 98)

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**2001-02**  
**(In Millions)**

<b>Program</b>	<b>Amount</b>
Governor's performance awards	\$144.3
Support for secondary schools reading	8.0
Charter school facility grants	5.0
Reading Award Program	4.0
<b>Total</b>	<b>\$161.3</b>



## Reversion Account Option

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- \$535 million is available now for expenditure from the Proposition 98 reversion account.
- Governor's budget proposes to spend these monies in 2002-03.
- Legislature could instead fund existing 2001-02 General Fund appropriations with the reversion funds, thereby freeing up \$535 million.
- Legislature then would have two basic choices:
  - Use the freed-up \$535 million to help meet a potentially higher Proposition 98 guarantee in 2002-03.
  - Use the freed-up funds to help meet other General Fund needs.



## Potential Current-Year Savings— Staff Development

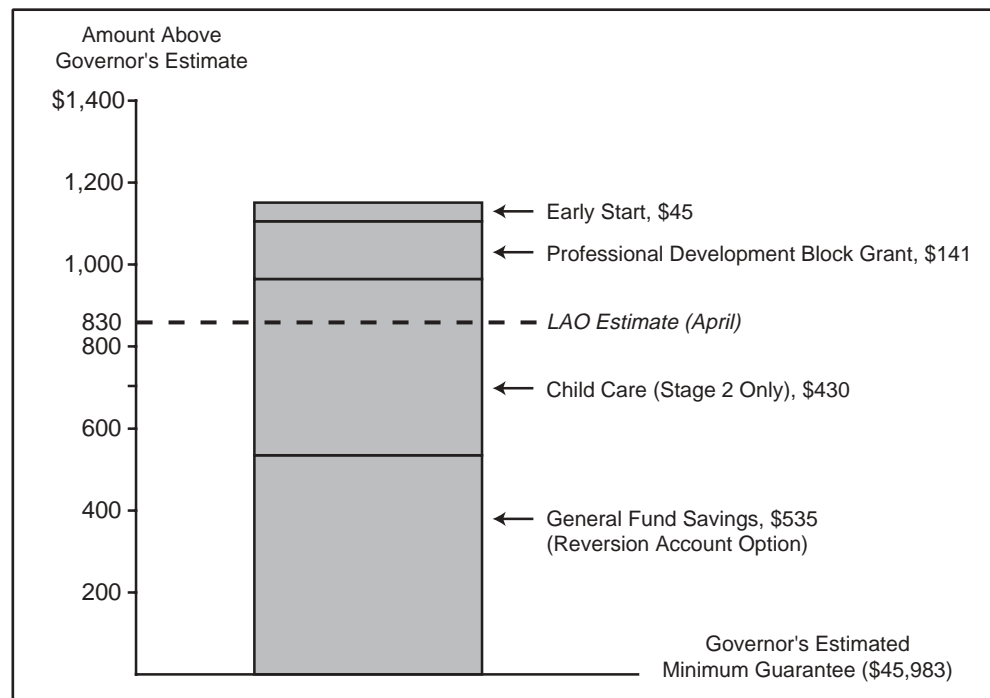
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- The following expenditures could be deferred due to delays in new program start-ups:
  - \$31.7 million for Math and Reading Professional Development.
  - \$15 million for Principal Training Program.
- The above savings would add to the available balance in the reversion account and would boost the potential General Fund savings of the “reversion account option” to \$582 million.



## Some Ways of Fulfilling a Higher Proposition 98 Guarantee—Budget Year

**2002-03**  
**(In Millions)**





## Meeting a Higher Guarantee— Basic Approaches

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- The Legislature can address the additional obligation posed by a higher guarantee by any combination of the following basic approaches:
- “Suspending” the guarantee.
  - Increasing taxes and fees.
  - Further reductions in non-Proposition 98 General Fund spending.
  - Funding source shifts.
  - Program shifts.



## Suspending the Guarantee

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- Proposition 98 itself provides a means by which the Legislature can appropriate less than otherwise would be required for a given fiscal year.
- This means is called “suspension”—and requires passage of a bill, other than the budget bill, by two-thirds vote.
- The amount of General Fund saved by suspension does not need to be “paid back.”
- Instead the minimum funding guarantee in subsequent years must return to its “natural” level—in other words, the level that would exist if suspension had never occurred.
- This means that savings from suspension are essentially one-time.





## Potential Savings From Professional Development Block Grant

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- In the *Analysis* we recommended consolidating various professional development items into a block grant.
- Part of this proposal would redirect \$141 million budgeted for the University of California and the California State University to school districts.
- This redirection makes sense on policy grounds, but has the added benefit of counting \$141 million towards the Proposition 98 guarantee.



## Child Care Option

(In Millions)

### Governor's 2002-03 Budget

	Federal		General Fund		Totals
	TANF <sup>a</sup>	CCDF <sup>b</sup>	Non-Proposition 98	Proposition 98	
<b>Child Care Funding</b>					
CalWORKs Child Care					
Stage 1	\$353.2	—	\$119.2	—	\$472.4
Stage 2	351.7	43.5	—	211.8	607.0
Reserve	164.7	—	—	—	164.7
Stage 3	—	47.2	—	33.4	80.6
Non-CalWORKs Child Care	—	459.8	—	1,377.2	1,837.0
<b>Total</b>	<b>\$869.6</b>	<b>\$550.5</b>	<b>\$119.2</b>	<b>\$1,622.4</b>	<b>\$3,161.7</b>
<b>CalWORKs (Non-Child Care)</b>	<b>\$3,250.9</b>	<b>—</b>	<b>\$2,061.7</b>	<b>—</b>	<b>\$5,312.6</b>

### Option: Increase Proposition 98 Child Care Spending

	Federal		General Fund		Totals
	TANF <sup>a</sup>	CCDF <sup>b</sup>	Non-Proposition 98	Proposition 98	
<b>Child Care Funding</b>					
CalWORKs Child Care					
Stage 1	\$99.6	—	\$119.2	\$253.6	\$472.4
Stage 2	—	\$43.5	—	563.5	607.0
Reserve	—	—	—	\$164.7	164.7
Stage 3	—	47.2	—	33.4	80.6
Non-CalWORKs Child Care	—	459.8	—	1,377.2	1,837.0
<b>Total</b>	<b>\$99.6</b>	<b>\$550.5</b>	<b>\$119.2</b>	<b>\$2,392.4</b>	<b>\$3,161.7</b>
Change from Governor	-\$770.0	—	—	\$770.0	—
<b>CalWORKs (Non-Child Care)</b>	<b>\$4,020.9</b>	<b>—</b>	<b>\$1,291.7</b>	<b>—</b>	<b>\$5,312.6</b>
Change from Governor	\$770.0	—	-\$770.0	—	—

a Temporary Assistance for Needy Families.

b Child Care and Development Fund.



## Early Start

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- The Early Start program, jointly administered by the Department of Development Services and the State Department of Education, provides early intervention services to children under age three who have disabilities, or are at risk of disabilities.
- The services are provided to enhance cognitive development, and to minimize potential for developmental delays.
- The program serves the same educational purposes as the programs in the Child Care and Development Act. Thus, we believe legislation authorizing program expenditures to be counted towards Proposition 98 (\$45 million in 2002-03) would be consistent with the requirements of the proposition.