

## K THRU 12 EDUCATION

The May Revision includes total funding of \$66 billion (\$38.7 billion General Fund and \$27.3 billion other funds) for all K-12 Education programs.

In addition to the changes discussed in this chapter, the May Revision includes proposals to reduce state operations and achieve statewide efficiencies. Please see the Reducing State Government chapter for the details of the Governor's proposal.

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### PROPOSITION 98

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income and school attendance growth or decline. The sections that follow provide an overview of K-12 funding adjustments, while the Higher Education section contains the Proposition 98 adjustments for the Community Colleges.

For 2011-12, the Proposition 98 Guarantee is \$52.4 billion, of which \$38.3 billion is General Fund. Increased property tax and General Fund revenue estimates result in a Guarantee that is \$3 billion higher than the \$49.4 billion level approved by the Legislature in March. This is also the highest the Guarantee has been since 2007-08, and will begin to restore the disproportionate budget reductions K-12 schools and community colleges have borne since that time.

The increase over the March Budget Conference Committee level reflects an increase in General Fund revenues projected for 2011-12, revenue policy changes included in the May Revision and the effect of rebenching Proposition 98 for revenue and program shifts.

Chapter 11, Statutes of 2010, Eighth Extraordinary Session, eliminated the sales tax and increased the excise tax on motor vehicle fuel in 2010-11, reducing the amount of revenue that is counted as General Fund within the State Appropriation Limit (SAL) for the purposes of the Proposition 98 calculation. The tax swap statute also included "hold harmless" language to ensure that level of Proposition 98 funding was not impacted by this change.

The Administration proposes to shift responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare agencies to school districts. This shift requires Proposition 98 funding for a program that was not previously accounted for under the Proposition 98 Guarantee.

According to the Proposition 98 constitutional formula, K-14 education is guaranteed the same percentage of SAL General Fund revenue that was provided in the base year of 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted or "rebenched" to continue to accurately reflect the base year distribution of state revenues to K-14 education. In 2011-12, there are two rebenching impacts: an increase of \$629.6 million to ensure that the Guarantee does not decrease with the shift in motor vehicle fuel revenues and an increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care as noted above.

For 2010-11, the Proposition 98 Guarantee is suspended at \$49.7 billion.

The Administration proposes to fund slightly above the suspended level at \$49.8 billion, to fully fund natural workload changes from the Budget Act of 2010 level, primarily related to changes in revenue limit funding, which are general purpose revenues provided to schools. The General Fund share of the Proposition 98 Guarantee for 2010-11 is \$35.7 billion.

For 2009-10, the Proposition 98 Guarantee is \$51.5 billion; however, the funded level is \$49.9 billion with a General Fund share of \$35.3 million. The difference is a settle-up obligation owed to schools in future years. A settle-up payment of \$300 million was provided in the Budget Act of 2010.

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## TESTING, DATA COLLECTION, AND ACCOUNTABILITY

California's schools are currently subject to a myriad of complex testing, data collection, and accountability requirements. Federal law requires states to test students' achievement of the state's academic content standards in each of grades 3 through 8 and once in the range of grades 10 through 12 in English language arts (ELA) and math. States must also test students once in the range of grades 3 through 5, grades 6 through 9, and grades 10 through 12 in science. The state exceeds these minimum federal requirements and assesses students in grades 2 through 11 in ELA, math, science, history and social sciences. In addition to these core achievement tests, the state requires all high school students to take a high school exit exam (the CAHSEE) and achieve a passing score to receive a public high school diploma.

California's testing feeds into two accountability systems: the state Academic Performance Index (API) and the federal Adequate Yearly Progress (AYP). The state system is a composite of student academic achievement at various performance levels for all of the subjects tested, which is aggregated into a growth measurement known as the API. The federal system, which was developed after the state system, measures a school's progress towards a single standard that all students be proficient in ELA and math by 2013-14. Under the federal system, schools that receive federal funds and fail to meet AYP targets for three consecutive years are identified for federal Program Improvement and must provide required services and interventions, such as offering parents free tutoring and the choice to transfer to another school. Additionally, schools that fail to meet AYP targets for five consecutive years are indentified for Corrective Action and must implement other federally-required actions such as implementing new curriculum or extending the school year or day. Lastly, schools and districts that miss AYP targets for seven years must restructure their organization.

Schools are required to report testing and accountability data to the state and federal governments. The California Longitudinal Pupil Achievement Data System (CALPADS) was going to be completed next year to collect this data which includes, among other things:

- Student-level enrollment, demographic and program participation data.
- Student-level data on exit, transfer in, transfer out, and drop out.
- Yearly assessment records for individual students.
- A teacher identifier system with the ability to match teachers to students.

- Student-level transcript information.
- Information on student transition to postsecondary institutions

A number of problems have been identified with California's state testing, data collection and accountability regime. Testing takes huge amounts of time from classroom instruction. Data collection requirements are cumbersome and do not provide timely—and therefore usable—information back to schools. Teachers are forced to curb their own creativity and engagement with students as they focus on teaching to the test. State and federal administrators continue to centralize teaching authority far from the classroom.

The Administration proposes to deal with these issues by carefully reforming testing and accountability requirements to achieve genuine accountability and maximum local autonomy. It will engage teachers, scholars, school administrators and parents to develop proposals to: (1) reduce the amount of time devoted to state testing in schools; (2) eliminate data collections that do not provide useful information to school administrators, teachers and parents; and (3) restore power to school administrators, teachers and parents. The goal is to improve the learning environment in every classroom, thereby encouraging the demanding pursuit of excellence. The May Revision proposes to suspend funding for CALPADS in 2011-12 pending this continued review of data collection requirements.

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### **PROPOSITION 98 K-12**

#### **RECENTLY ADOPTED SOLUTIONS**

The Legislature approved the following major solutions in March. They were either signed into law by the Governor or are in pending legislation.

- Defer \$2.1 billion in K-12—This additional deferral, enacted in law, was necessary to maintain funding for K-12 education programs at the 2010-11 funding level in the face of declining revenues. The May Revision proposes to eliminate this deferral and begin repaying the \$8.2 billion in debts to schools.

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## OTHER POLICY PROPOSALS AND MAJOR WORKLOAD ADJUSTMENTS

The May Revision includes the following significant Proposition 98 General Fund policy proposals and workload adjustments necessary to support the operations of K-12 programs:

- **K-12 Revenue Limit Apportionment Adjustment**—An increase of almost \$2.5 billion to restore revenue limit apportionment funding that had been deferred in the March Budget legislation. This augmentation completely eliminates the most recent enacted deferral of \$2.1 billion, and would provide an additional \$434 million to reduce other existing deferrals.
- **Shift In Mental Health Services from Counties to Schools**—The May Revision proposes to rebench the Proposition 98 guarantee and provide an increase of \$221.8 million Proposition 98 General Fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health agencies and county welfare agencies to school districts. The May Revision also reflects the permanent repeal of the AB 3632 mandate and removes mental health services from the realignment proposal for counties.

The May Revision continues to provide \$98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. However, as noted above, the program will not be realigned to county mental health agencies. Schools districts can contract with counties to provide services using Proposition 63 funds but schools would be responsible for any costs exceeding this amount. In total, the May Revision proposes \$389.4 million from all fund sources, including \$69 million in federal funds currently budgeted, for mental health services.

The existing approach to delivering mental health services which reimburses county mental health agencies for claims has lacked accountability for program funding and service delivery. Shifting the responsibility for providing mental health services back to school districts would lead to greater cost containment and also create a stronger connection between the services provided and student educational outcomes.

- **Child Care and Development**—A decrease of \$97.2 million to child care and development programs, reflecting the following: (1) a net decrease of \$123.5 million due to revised estimates of caseload costs for CalWORKs Stage 2 and Stage 3 child care, primarily due to the implementation of the Stage 3 reduction included in the 2010 Budget Act; (2) a decrease of \$6.9 million to reflect a revised estimate of

growth; (3) an increase of \$40.6 million to adjust the savings generated by child care reductions adopted by the Legislature in March based on new caseload estimates; and (4) an increase of \$7.4 million in federal funds which will offset a like amount of General Fund.

While funding for Stage 3 was restored in the current year, the estimated costs reflect a significant decline in caseload. The Administration is proposing to retain \$56 million in the current-year appropriation for Stage 3, after accounting for increased current-year costs in Stage 2, and to set aside \$33.6 million in one-time funds to be appropriated for Stage 3 pending receipt of updated caseload data from the Department of Education.

- Eliminate Selected K-14 Mandates—A reduction of \$38.2 million to reflect the adoption of specific recommendations of the K-14 workgroup on mandate reform created by Chapter 724, Statutes of 2010. The Administration intends to pursue additional long-term reform options in collaboration with the Legislative Analyst's Office to streamline future funding of K-14 mandates through a block grant approach.
- Charter Schools—An increase of \$19.5 million for Charter School Categorical Block Grant and Economic Impact Aid caseload growth.
- New Charter Schools—An increase of \$8 million to provide charter schools that commenced operations between 2008-09 and 2011-12 with supplemental categorical funding, in lieu of categorical funding they are no longer able to apply for under current categorical flexibility provisions. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass through payment from the school district.
- Clean Technology and Renewable Energy Training—An increase of \$3.2 million to support the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program, which creates school-business partnerships that provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.
- County Offices of Education—An increase of \$14.6 in 2010-11 and \$13.9 million in 2011-12 for updates to unemployment insurance, PERS, average daily attendance growth, and deficit factor adjustments.
- Special Education—An increase of \$399,000 for Special Education caseload growth.

- Local Property Tax Adjustments—Decreases of \$551.8 million in 2010-11 related to school district and county office of education property tax revenues and \$690.3 million in school district and county office of education revenue limit and special education apportionments in 2011-12. In general, increases in local property tax revenues decrease the amount of state General Fund costs for revenue limit apportionments.

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## **NON – PROPOSITION 98 K-12**

### **OTHER POLICY PROPOSALS AND MAJOR WORKLOAD ADJUSTMENTS**

- Eliminate Funding for CALPADS—A reduction of \$2.9 million federal Title VI funds and 5.3 positions to Department of Education state operations to reflect the suspension of funding for all CALPADS development and implementation activities pending continued review of the system. In lieu of continuing CALPADS, any federally required data can be collected and reported through the California Basic Educational Data System, and any other systems utilized by the Department of Education outside of the CALPADS system.
- Eliminate Funding for CALTIDES—A reduction of \$560,000 Federal Trust Fund and 3 positions to the Department of Education state operations to reflect the State Department of Education’s termination of CALTIDES as previously proposed and to conform to the suspension of CALPADS. CALTIDES was intended to provide a statewide longitudinal teacher database that would serve as the central state repository of information regarding the teacher workforce.
- Eliminate Funding for CALTIDES—A reduction of \$84,000 Test Development and Administration Account, Teacher Credentials Fund and 1 position to the Commission on Teacher Credentialing state operations to reflect the State Department of Education’s termination of CALTIDES as previously proposed and to conform to the suspension of CALPADS.
- Child Nutrition Program Administration—An increase of \$2.5 million Federal Trust Fund for child nutrition programs, including \$500,000 on an ongoing basis for workload associated with an increase in the frequency of required compliance reviews of federal child nutrition programs and \$2 million on a one-time basis for projects that will support the efficiency and quality of child nutrition program administration.

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- Child Nutrition Summer Food Service Program—An increase of \$2 million Federal Trust Fund due to an anticipated increase in meals served through the Summer Food Service Program.
- Title I, Part A Basic Program—An increase of \$21.3 million federal Title I Set Aside carryover funds for allocation to all Title I local educational agencies (LEAs) using the state’s usual Title I, Part A Basic program distribution methodology. Distributing the one-time carryover to all Title I LEAs (representing approximately 6,000 Title I schools in the state) is consistent with federal law and guidance and would provide additional resources to schools and LEAs at a time of limited General Fund resources.