

# K THRU 12 EDUCATION

## **Protecting Core Education Programs**

The Budget recognizes that the education of California's children is a core function of government. It also recognizes that education has borne a disproportionate share of budget reductions in recent years. After reaching a high of \$56.6 billion in 2007-08, General Fund support and property tax revenues for schools and community colleges decreased to \$49.7 billion in 2010-11.

The Budget maintains Proposition 98 programmatic funding for schools at the same level in 2011-12 as the level in effect in 2010-11. The Budget also extends flexibility reforms adopted in 2009 that are helping school districts maintain core services in the face of limited funding.

These resources will be important to California's school districts, charter schools and county offices of education that provide instruction and a variety of programs and support services for students in Kindergarten through grade twelve (K-12). These programs are designed to prepare students with the skills necessary to pursue higher education, obtain employment, achieve career goals, and develop into productive citizens. California schools provide programs and services to more than six million students annually. Services include standards-based instruction, special education, English learner support, career preparatory programs, child care and development, remedial instruction, and adult education.

Total funding for K-12 education is projected to be \$63.8 billion in 2011-12. Of this amount, \$59.5 billion is state, federal and local property tax funding accounted for in the Budget. Absent policy changes, the Proposition 98 guarantee would have declined by \$2.3 billion to \$47.3 billion. The Budget seeks to stabilize funding for schools by maintaining Proposition 98 funding for K-12 education programs at last year’s level. To accommodate this adjustment, the Budget proposes to defer \$2.1 billion in K-12 and community college costs to 2012-13. Funding K-12 education consistent with the levels provided in the current year is predicated upon about \$2 billion in additional revenues for Proposition 98 that are subject to approval by a vote of the people.

## K-12 SCHOOL SPENDING AND ATTENDANCE

### PER-PUPIL SPENDING

Total per-pupil expenditures from all sources are projected to be \$11,154 in 2010-11 and \$10,703 in 2011-12, including funds provided for prior year settle-up obligations. K-12 Proposition 98 per-pupil expenditures in the Budget are \$7,344 in 2011-12, down slightly from \$7,358 per-pupil provided in 2010-11. (see Figure K12-01). Figure K12-02 displays the revenue sources for schools.

Figure K12-01  
K-12 Education Spending Per Pupil

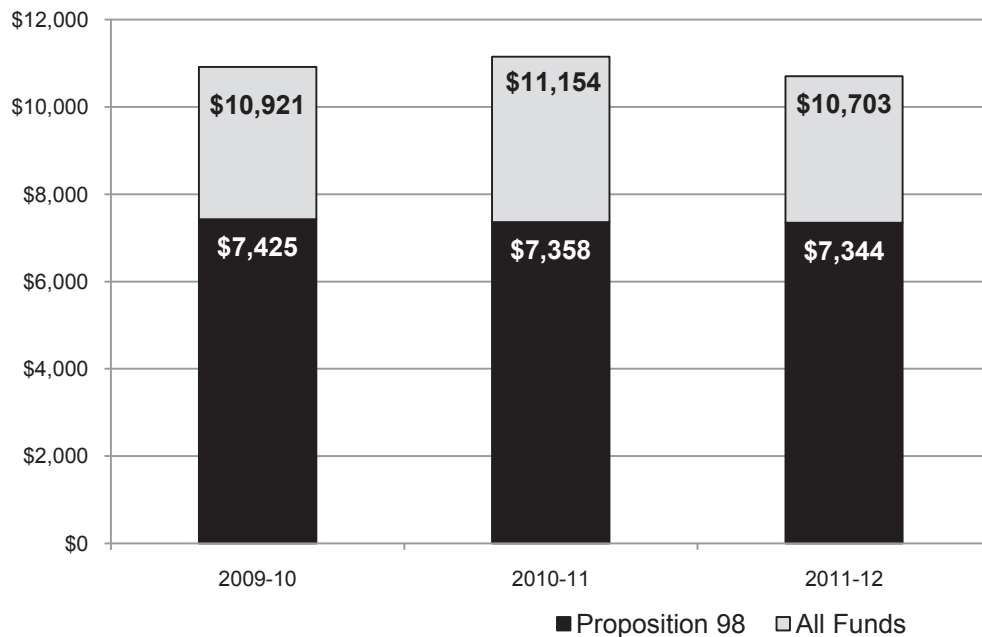


Figure K12-02  
**Sources of Revenue for California's K-12 Schools**  
 (As a Percent of Total)

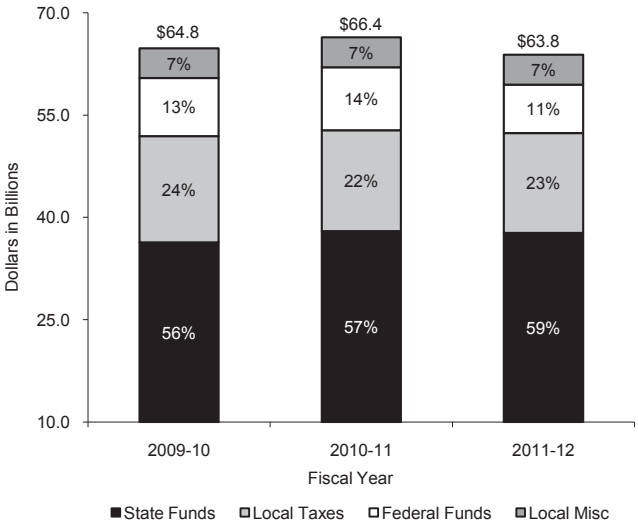
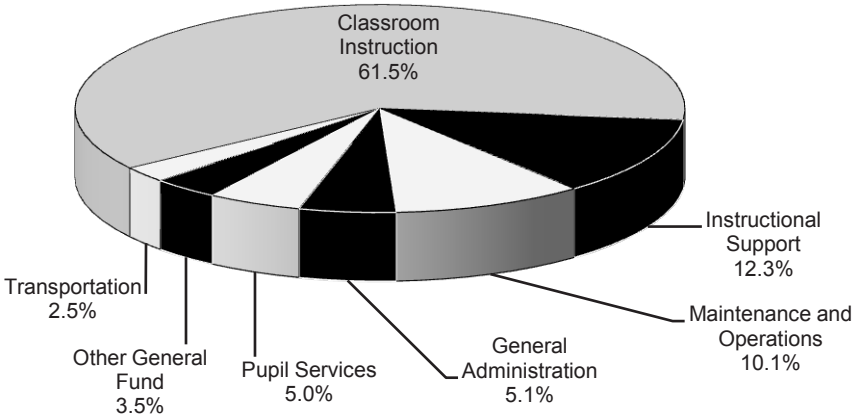


Figure K12-03  
**Where Schools Spend Their Money<sup>1</sup>**



Classroom Instruction includes general education, special education, teacher compensation, and special projects.  
 General Administration includes superintendent and board, district and other administration and centralized electronic data processing.  
 Instructional Support includes instructional, school site, and special projects administration.  
 Maintenance and Operations includes utilities, janitorial and groundskeeping staff, and routine repair and maintenance.  
 Pupil Services includes counselors, school psychologists, nurses, child welfare, and attendance staff.  
 Other General Fund includes spending for ancillary services, contracts with other agencies, and transfers to and from other district funds.

<sup>1</sup> Based on 2008-09 expenditure data reported by schools for their general purpose funding.

### **HOW SCHOOLS SPEND THEIR MONEY**

Figure K12-03 displays FY 2008-09 expenditures reported by schools from their general funds, the various categories of expenditure and the share of total funding for each category.

### **ATTENDANCE**

After declining for four out of five years during the period of 2005-06 to 2009-10, attendance growth in public schools is projected to increase for the 2010-11 and 2011-12 fiscal years. For 2010-11, K-12 average daily attendance (ADA) is estimated to be 5,951,826, an increase of 18,065 from the 2009-10 fiscal year. For 2011-12, the Administration estimates K-12 ADA will increase by an additional 12,974, to 5,964,800.

### **Proposition 98 Guarantee**

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.

Proposition 98 originally mandated funding at the greater of two calculations or Tests (Test 1 or Test 2). In 1990, Proposition 111 (SCA 1) was adopted to allow for a third funding test in low revenue years. As a result, three calculations or tests determine funding for school districts and community colleges (K-14). The calculation or test that is used depends on how the economy and General Fund revenues grow from year to year.

In fiscal year 2011-12, it is estimated that the state will be in a Test 1 year. For fiscal year 2010-11, Proposition 98 funding is suspended to a level of \$49.7 billion, of which the General Fund share is \$36.2 billion, with local property taxes covering the balance. Proposition 98 funding in 2011-12 is proposed to be \$49.3 billion. The General Fund share in 2011-12 is \$36.0 billion, slightly lower than the \$36.2 billion in Proposition 98 General Fund appropriations included in the Budget Act of 2010.

The totals above include funding for K-12, community colleges and other state agencies that serve students.

**PROPOSITION 98 TEST CALCULATIONS**

Test 1 — Percent of General Fund Revenues: Test 1 is based on a percentage or share of General Fund tax revenues. Historically, school districts and community colleges (K-14) received approximately 40 percent in the 1986-87 fiscal year. As a result of the recent shifts in property taxes from K-14 schools to cities, counties, and special districts, the current rate is approximately 41.22 percent.

Test 2—Adjustments Based on Statewide Income: Test 2 is operative in years with normal to strong General Fund revenue growth. This calculation requires that school districts and community colleges receive at least the same amount of combined state aid and local tax dollars as they received in the prior year, adjusted for enrollment growth and growth in per capita personal income.

Test 3—Adjustment Based on Available Revenues: Test 3 is used in low revenue years when General Fund revenues decline or grow slowly. During such years, the funding guarantee is adjusted according to available resources. A “low revenue year” is defined as one in which General Fund revenue growth per capita lags behind per capita personal income growth more than one-half percentage point. Test 3 was designed so that education is treated no worse in low revenue years than other segments of the state budget.

In years following a Test 3 funding level, the state is required to provide funding to restore what was not allocated the previous year. This is often referred to as a maintenance factor.

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## **K-12 BUDGET ADJUSTMENTS**

Major workload adjustments for 2011-12 include the following:

- **Cost-of-Living Adjustment Increases**—The Budget does not provide a cost-of-living-adjustment (COLA) for any K-14 program in 2011-12. The projected COLA for 2011-12 is 1.67 percent, which would have provided an increase of \$964.5 million overall, to the extent Proposition 98 resources were sufficient to provide that adjustment. Although no COLA is provided, a deficit factor will be established in 2011-12 for school district and county office of education revenue limit apportionments to reflect the lack of a COLA, ensuring that funding in future years is used to restore this adjustment.
- **Property Tax**—A decrease of \$47.9 million for school district and county office of education revenue limits in 2010-11 as a result of higher offsetting property tax revenues. An increase of \$155.7 million for school district and county office of education revenue limits in 2011-12 as a result of reduced offsetting local property tax revenues.
- **Average Daily Attendance**—An increase of \$81.4 million in 2010-11 for school district and county office of education revenue limits as a result of an increase in projected ADA. An increase of \$357.5 million in 2011-12 for school district and county office of education revenue limits as a result of continued projected growth in ADA for 2011-12.
- **Unemployment Insurance**—An increase of \$351.8 million in 2011-12 to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.
- **Charter Schools**—An increase of \$16.1 million Proposition 98 General Fund for Charter School categoricals due to ADA growth.
- **Special Education**—An increase of \$7.4 million Proposition 98 General Fund for Special Education growth.
- **K-14 Mandates Funding**—Ongoing funding of \$89.9 million is provided for K-14 mandates to provide level funding, relative to 2010-11, for reimbursement of state-mandated local costs. Current law suspends for three years those programs that were suspended during the 2010-11 fiscal year. The Administration intends to continue to participate in the working group on mandate reform established pursuant to Chapter 724, Statutes of 2010.

The significant Non-General Fund workload adjustments are as follows:

- School Facilities Program Funding Adjustments—The workload budget includes a \$316 million decrease in 2009-10 actual expenditures, a \$2.07 billion increase in 2010-11 estimated expenditures and a \$1.97 billion decrease in 2011-12 estimated expenditures for school facilities. These amounts are largely attributable to the anticipated allocation of remaining funds from the 1998, 2002, and 2004 bonds.
- Child Nutrition Program—An increase of \$36.1 million in 2011-12 to the State Department of Education (SDE) local assistance from federal funds to reflect growth of nutrition programs at schools and other participating agencies.
- Fresh Fruit and Vegetable Program—An increase of \$12.0 million in 2011-12 to the SDE local assistance from federal funds for the Fresh Fruit and Vegetable Program, which provides an additional free fresh fruit or vegetable snack to students during the school day.
- CALPADS/CALTIDES Comprehensive Review—Future funding decisions for the California Longitudinal Pupil Achievement Data System (CALPADS) and the California Longitudinal Teacher Integrated Data Education System (CALTIDES) are pending a review of the program’s objectives, usefulness, longer term implications and compatibility with growing federal requirements. An interagency working group convened by the Governor’s Office will conduct this review prior to any further funding of either CALPADS or CALTIDES.

The significant other General Fund policy issues are as follows:

- Extension of Flexibility for K-12 School Districts—The Budget proposes legislation to extend various flexibility options for school districts for two additional years. Specifically, the Budget extends the authority in the following areas:
  - Categorical flexibility—For the 2008-09 through 2012-13 fiscal years, local educational agencies were provided with broad flexibility to spend funds for approximately 40 K-12 categorical programs for any educational purpose. Under categorical flexibility, a district’s allocation for each program is based on its share of total program funding either in 2007-08 or 2008-09, with the earlier year being used for certain participation-driven programs. Community College categorical program flexibility will also be extended as part of this proposal.
  - Routine Maintenance Contributions—Local educational agencies were authorized to reduce the amount that districts must deposit into a restricted

routine maintenance account for the 2008-09 through 2012-13 fiscal years, from 3 percent of General Fund expenditures to 1 percent.

- Deferred Maintenance Program Matching Requirement—The requirement that districts set aside one-half of 1 percent of their revenue limit funding for deferred maintenance was suspended for the 2008-09 to 2012-13 fiscal years.
- Instructional Materials—Continues the use of standards-aligned instructional materials adopted prior to July 1, 2008, providing fiscal relief from purchasing new instructional materials.
- Class Size Reduction—Continues the existing reduction in penalties for not meeting the requirements of the Class Size Reduction program.
- School District Budget Reserves—Continues the authorization for districts to reduce their minimum budget reserve for economic uncertainty from 0.5 percent to 0.33 percent.

### **SCHOOL REVENUE LIMIT APPORTIONMENTS**

K-12 revenue limits provide the primary form of general purpose funding assistance to our public schools. These funds are discretionary and typically cover the cost of teacher and administrator salaries. Funding is distributed to schools based on ADA.

The average revenue limit per pupil in the current year is estimated to be \$5,997 per ADA. A school district's revenue limit is funded from two sources, local property taxes and State General Fund. Local property taxes are allocated first and, if insufficient to fully fund a school's revenue limit apportionment, state General Funds pay the difference.

When State General Fund is insufficient to fully fund revenue limits statewide, a deficit factor is created to reduce funding to all schools by the same percentage. The deficit factor keeps track of reductions to school revenue limits which will be restored when sufficient funding is available in the future.

- Elimination of the Office of the Secretary of Education (OSE)—A decrease of \$1.9 million to OSE state operations and a shift of \$274,000 to the State Board of Education state operations as part of streamlining government operations. These adjustments result in an overall decrease of \$1.6 million General Fund in 2011-12, and \$400,000 in the current year.



## CHILD CARE

Subsidized Child Care includes a variety of programs that are designed to support low-income families so they may remain gainfully employed. These programs are primarily administered by the SDE through Proposition 98 funding and the annual federal Child Care and Development Fund (CCDF) grant. Additionally, State Preschool programs meet a child care need, but are also designed as an educational program to help ensure children develop the skills needed for success in school. All programs are means-tested and require that families receiving subsidies have a need for child care, which means all adults must be working or seeking employment, or in training that leads to employment. The part-day State Preschool program is an exception to the need-based requirement because it is primarily an education program. Most programs are capped, drawing eligible families from wait lists, while those specifically limited to CalWORKs families or former CalWORKs families are caseload-driven.

The major capped programs include General Child Care, State Preschool, Alternative Payment Program, and Migrant Child Care. CalWORKs caseload driven programs include: Stage 1, administered by the Department of Social Services (DSS) and funded by the General Fund and federal Temporary Assistance for Needy Families (TANF) grant funds through counties, is for families on cash assistance whose work activities have not stabilized; Stage 2, administered by the SDE, is for those CalWORKs families with stable work activities and for families who are transitioning off of aid, for up to two years; and Stage 3, also administered by the SDE, has been reserved for families who have successfully transitioned off of aid for more than 2 years and still have a child care need.

The state also supports before- and after-school programs that are not specifically means-tested; but rather are designed to provide safe, constructive alternatives for school-age children, including homework assistance and enrichment activities, while helping to meet a family's child care need.

Total funding for SDE child care programs in 2010-11, excluding after-school programs, is \$2.3 billion, consisting of \$1.5 billion from Proposition 98 sources and \$722.3 million from federal funds. Stage 1 child care totals \$485.8 million General Fund/TANF and is included in the Department of Social Services budget. Collectively, the SDE programs are estimated to serve 364,500 average monthly enrolled children while Stage 1 child care serves 51,200 children in the current year.

Total funding proposed for SDE child care programs in 2011-12, excluding after-school programs, is \$1.6 billion, consisting of \$1.1 billion from Proposition 98 sources and

\$535.6 million from federal funds. This reflects a \$716 million reduction to child care programs funded within Proposition 98. Stage 1 child care totals \$603.1 million General Fund/TANF and is included in the DSS budget. Collectively, the SDE programs are estimated to serve 327,000 average monthly enrolled children while Stage 1 child care serves 60,800 children in the budget year.

The significant General Fund workload adjustments for Child Care programs are as follows:

- Stage 2—An increase of \$241.5 million in 2011-12 that reflects a \$4.2 million caseload increase and restoration of one-time funds used to support services in 2010-11 [\$201 million of Proposition 98 one-time savings and \$36.3 million American Recovery and Reinvestment Act (ARRA)]. Total base workload cost for Stage 2 is \$435.2 million.
- Stage 3—A net increase of \$256.2 million for Stage 3 funding in 2011-12 that reflects a caseload reduction of \$42.4 million, restoration of one-time funds used in 2010-11 totaling \$42.6 million (\$23.7 million of prior year federal funds and \$18.9 million ARRA), and restoration of the \$256 million partial-year veto. Total base workload cost for Stage 3 is \$342.4 million.
- Use of One-Time Reserves—An increase of \$83.1 million in 2011-12 to restore General Child Care, State Preschool, Migrant Child Care, and Allowance for Handicapped programs that were required to utilize excess contract reserves to meet costs in 2010-11.

The significant Non-General Fund workload adjustments for Child Care and related programs are as follows:

- Child Care and Development Funds (CCDF)—A net decrease of \$18.5 million in 2011-12 reflecting removal of one-time carryover funds available in 2010-11 (\$24.4 million), an increase of \$3.2 million in carryover funds reserved for expenditures that promote quality improvement, and \$2.7 million in available base grant funds.
- One-time ARRA Funds—A decrease of \$110.1 million in 2010-11 reflecting the one-time nature of this fund source that was used to augment various child care programs for two years.

- Stage 3 Court Order—An increase of \$58 million in 2010-11 from unanticipated prior year federal CCDF carryover funding in 2010-11 to reflect additional costs driven by a court order to extend the date for Stage 3 funding termination from November 1 to December 31, 2010.
- Federal 21<sup>st</sup> Century Community Learning Centers—A net decrease of \$23.1 million in 2011-12 to primarily reflect a change in prior year federal carryover funds utilized for this federally funded afterschool program in 2010-11.
- Early Learning Advisory Council—An increase of \$948,000 for state operations in 2011-12 from federal funds for the second year of the three-year federal grant recently authorized for the support of state early learning advisory councils.

The significant General Fund policy adjustments for Child Care programs are as follows:

- Stage 3 Funding in 2010-11—\$52.6 million is set aside in 2010-11 from one-time Proposition 98 settle-up funding to continue services for Stage 3 families effective April 2011, at a service level consistent with the policy solutions proposed for 2011-12, as described below. These policy solutions affect age and income eligibility and reduce subsidy levels across the board for all direct service child care programs.
- Stage 2 Reduction for CalWORKS Reforms—A decrease of \$34.2 million in 2011-12 reflecting lower Stage 2 caseload projections to conform with the 48-month time limit that replaces long-term reforms as discussed in the Health and Human Services section.

The significant General Fund solutions are as follows:

- Child Care Reductions—A decrease of \$716 million in 2011-12 is proposed for all SDE direct service child care programs, except Preschool, by eliminating services for 11- and 12-year-olds, reducing eligibility to 60 percent of the State Median Income from 75 percent of the State Median Income, and reducing the level of subsidies across the board. A corresponding \$34 million General Fund decrease is made to Stage 1 in the DSS budget related to eliminating eligibility for 11 and 12-year old children for a total savings in child care programs of \$750 million.
- California's current subsidy policies are, collectively, the most generous of all large states. Most large states restrict eligibility to families at much lower incomes. These states also reimburse provider costs at amounts no higher than the 75<sup>th</sup> percentile of the private pay market (and often times less) and require families to contribute to the overall cost of care at much higher rates than California does.

The budget crisis requires California to make policy changes in child care programs to contain costs and to more closely align California policies to the policies in effect in other states.

- To implement the across-the-board subsidy reductions discussed above in a way that incorporates local priorities and administrative efficiency, the Budget provides greater flexibility at the local level to administer the remaining child care funding. In this regard, subsidized families would pay the difference between the subsidy and regular day care provider charges as a co-payment directly to the provider in lieu of the state's administrative agents (Alternative Payment agencies and Title 5 contractors) assessing and collecting current family fees. The administrative agents will have flexibility to determine which families that are waiting for services may access care in the capped direct services programs and to structure subsidy reductions and co-payments in ways that recognize family income differences, to the extent that child days of service and families served are not reduced.

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### **CALIFORNIA STATE LIBRARY**

- The Governor's Budget proposes to decrease General Fund assistance for local libraries by \$30.4 million in FY 2011-12, resulting in the elimination of General Fund for the following programs: Public Library Foundation, California Library Literacy and English Acquisition Services, and the California Library Services Act.
- With the exception of some limited local assistance for library development and civil liberties programs, the ability of the state to provide General Fund local assistance to the California State Library is hampered by the economic conditions of the state. Despite these reductions, the California State Library will continue to preserve California's history and cultural heritage, and will continue to share its collection of historic documents with the citizens of California.