

June 2, 2015

Proposition 98: Overview of Conference Issues

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Budget Conference Committee
Hon. Mark Leno, Chair



Both Houses Adopted LAO Revenue Estimates, Higher Minimum Guarantees

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- Revenue.** In 2013-14, 2014-15, and 2015-16 combined, LAO General Fund tax revenue is \$3.2 billion above the administration. Over the same period, LAO property tax revenue is \$241 million above the administration.
- Minimum Guarantee Under Assembly Plan.** Relative to the administration, adopting LAO revenue estimates increases the 2013-14 minimum guarantee by \$5 million, the 2014-15 guarantee by \$172 million, and the 2015-16 guarantee by \$723 million—for a combined increase of \$900 million. Assembly funded at these higher levels in all three years.
- Minimum Guarantee Under Senate Plan.** Senate further increased the minimum guarantee by “rebenching” for the shift of most existing child care programs into Proposition 98 (\$664 million) and for their child care and preschool augmentations (\$330 million).



Both Houses Adopted LAO Revenue Estimates, Higher Minimum Guarantees

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Proposition 98 Spending by Segment				
<i>(In Millions)</i>				
	Governor	Senate	Assembly	Difference^a
2014-15				
K-12 education	\$58,321	\$58,473	\$58,457	\$16
Community colleges	7,238	7,257	7,274	-16
Preschool	664	664	664	—
Other agencies	80	80	80	—
2014-15 Totals	\$66,303	\$66,475	\$66,475	—
2015-16				
K-12 education	\$59,744	\$60,107	\$60,233	-\$125
Community colleges	7,914	7,994	7,995	-1
Preschool and child care	671	1,945	824	1,121
Other agencies	80	80	80	—
Totals	\$68,409	\$70,126	\$69,132	\$994

^a Reflects the difference between the Senate and Assembly actions.

Summary of Major Differences in Houses' Proposition 98 Spending Plans

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- Mandate Backlog.** Senate provided \$3 billion and Assembly provided \$3.8 billion to reduce the K-12 mandate backlog. Both houses allow districts to use these funds for any locally determined purpose, including professional development and the implementation of the state's academic standards.
- Teacher Training and Support.** Senate provided \$800 million (one time) for an educator effectiveness block grant that would fund locally determined activities related to professional development, teacher training, and support for struggling teachers. Assembly provided \$190 million (ongoing) to fund the Beginning Teacher Support and Assessment program and the Peer Assistance and Review program.
- Local Control Funding Formula (LCFF).** Senate provided \$6.5 billion for LCFF implementation—\$276 million higher than the Governor. Assembly provided \$6.3 billion for LCFF implementation—\$149 million higher than the Governor.
- Other Notable Differences.** The houses fund different amounts and take different approaches on internet grants. Senate provides an augmentation for school transportation. Assembly provides augmentations for after school programs and foster youth services.

Summary of K-12 Proposition 98 Conference Issues

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Differences in K-12 Proposition 98 Spending

(In Millions)

	Governor	Senate	Assembly	Difference ^a
2014-15				
Pay down mandate backlog	\$3,244	\$2,598	\$3,377	-\$779
Provide one-time funding for teacher support and training	—	800	—	800
Fund partial QEIA program for districts with no concentration funding	5	—	5	-5
2015-16				
Increase LCFF funding for schools	6,176	6,452	6,325	127
Restore two teacher categorical programs	—	—	190	-190
Fund Internet grants (one time)	100	75	100	-25
Fund school transportation	—	50	—	50
Increase funding for after school programs	—	—	50	-50
Increase funding for Foster Youth Services program	—	—	30	-30
Fund six assessment experts and consortia to help implement standards	—	—	7	-7

^a Reflects difference between Senate and Assembly actions.

QEIA = Quality Education Investment Act and LCFF = Local Control Funding Formula.

Factors to Consider When Making Proposition 98 Spending Decisions

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- ☑ ***Small Cushion Against Potential Downturn.*** Though both houses adopted the higher LAO revenue estimates, neither sets aside additional funds to minimize the adverse effect of an unexpected downturn. The Governor and both houses allocate only \$575 million in 2015-16 for one-time activities—less than 1 percent of Proposition 98 funding. If the guarantee were to decline by more than \$575 million, reductions to ongoing programs might be needed.
- ☑ ***Both Houses Make LCFF Top Priority for Ongoing Funds.*** Increases in the LCFF are the largest ongoing augmentation for both houses. The amounts proposed would eliminate roughly half of the “gap” between existing funding levels and the funding targets.
- ☑ ***Both Houses Reduce State’s Outstanding Obligations.*** Both houses would eliminate all remaining payment deferrals (\$992 million) and pay off the state’s obligation for the Emergency Repair Program (\$273 million). The Senate and Assembly plans would reduce the mandate backlog to roughly \$1.1 billion and \$500 million, respectively.
- ☑ ***Consider Trade-Offs of Setting Aside Funding for Teacher Support and Training.*** The best approach depends on the specific problem identified, the pervasiveness of the problem, the root cause of the problem, and the ability of existing state structures to address the problem. Whereas the Senate plan provides more flexibility for districts to decide how to use funds, the Assembly plan specifically targets teacher induction and support for struggling teachers.