

June 4, 2013

# Overview of Proposition 98 Packages

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:  
Conference Committee on the Budget



## Both Houses Adopted LAO Revenues, Are Funding Higher Proposition 98 Guarantees

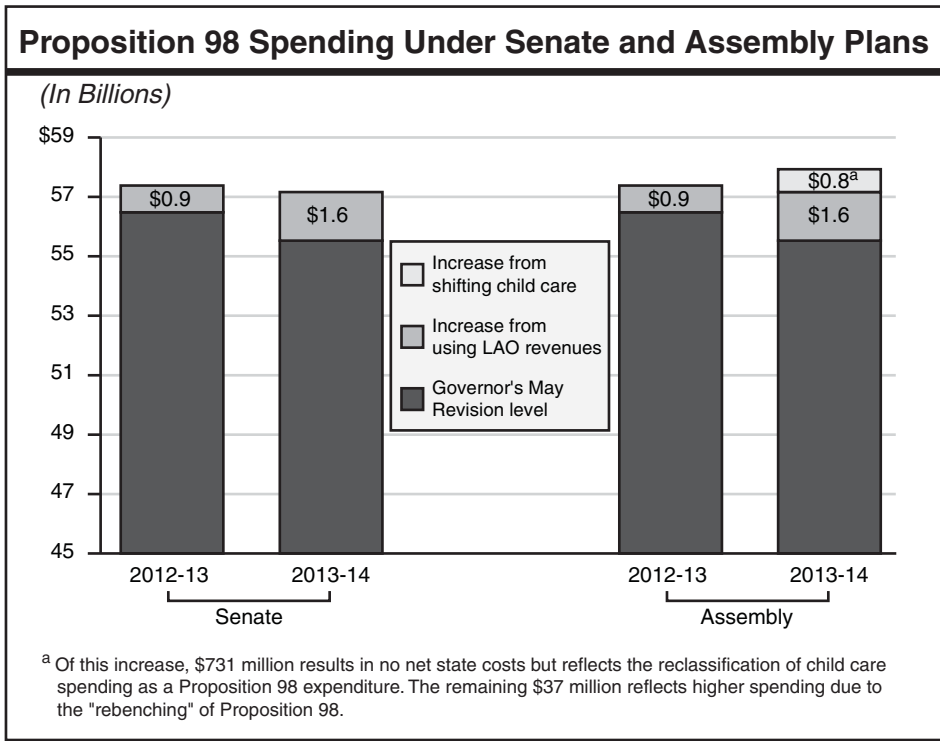
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- Revenues Across Period.** Across the 2011-12 through 2013-14 period, LAO revenues are \$3.2 billion higher than the administration. As a result, the Proposition 98 minimum guarantees for 2012-13 and 2013-14 are a combined \$2.5 billion higher than the Governor's May Revision levels.
- Current-Year Revenues.** In 2012-13, higher LAO revenues result in a \$899 million increase in the Proposition 98 minimum guarantee.
- Budget-Year Revenues.** In 2013-14, higher LAO revenues result in a \$1.6 billion increase in Proposition 98 minimum guarantee.
- Rebenching.** Assembly also increased minimum guarantee by "rebenching" for shift of child care costs into Proposition 98. This rebenching results in a \$768 million increase in the 2013-14 minimum guarantee.

# Houses' Proposition 98 Spending Levels

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## Houses' Packages Contain Different Set-Aside Amounts

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<b>Differences in Deferral Payment Plans</b>				
<i>(In Millions)</i>				
	Governor	Assembly	Senate	LAO Recommendation
<b>2012-13</b>				
Deferrals paid in <i>2012-13 Budget Act</i>	\$2,225	\$2,225	\$2,225	\$2,225
Additional payments not linked to revenues	1,783	1,481	1,783	1,503
Payments set aside contingent on higher revenues	—	700	619	899
<b>Totals</b>	<b>\$4,007</b>	<b>\$4,406</b>	<b>\$4,626</b>	<b>\$4,626</b>
<b>2013-14</b>				
Deferral payments not linked to revenues	\$920	—	\$920	\$345
Payments set aside contingent on higher revenues	—	\$521	1,059	1,634
<b>Totals</b>	<b>\$920</b>	<b>\$521</b>	<b>\$1,979</b>	<b>\$1,979</b>

## Differences in Ongoing Program Commitments

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- Governor.** Provided \$2.8 billion in ongoing programmatic increases in 2013-14.
- Assembly.** Provided \$4.9 billion in ongoing programmatic increases in 2013-14—\$2.1 billion higher than the Governor. Provided larger augmentations for Local Control Funding Formula (LCFF) (\$1.8 billion), community colleges (\$238 million), and preschool/child care slots (\$250 million), offset with savings of \$161 million for mandates and special education.
- Senate.** Provided \$3.4 billion in ongoing programmatic increases in 2013-14—\$569 million higher than the Governor. Provided larger augmentations mostly for revenue limit and categorical programs (\$471 million), community colleges (\$62 million), and preschool slots (\$30 million).

## Major Differences in Houses' Proposition 98 Spending Plans

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- LCFF.** Assembly provided additional \$3.6 billion for LCFF in 2013-14. Senate provided \$2.3 billion for base revenue limit and categorical restorations in 2013-14 (begins implementing LCFF in 2014-15).
- Common Core Implementation.** Assembly provided \$1.5 billion on a one-time basis for Common Core implementation. Senate provided \$1 billion on a one-time basis.
- California Community College (CCC) Categorical Funding.** Assembly provided \$289 million in categorical program augmentations. Senate provided \$112 million in augmentations.
- Career Technical Education (CTE).** Assembly provided no additional funds. Senate provided \$250 million on a one-time basis for a new CTE revolving loan program.
- Mandates.** Assembly provided no additional funds. Senate adopted Governor's proposal to augment Mandate Block Grant by \$100 million.
- Child Care.** Assembly provided Proposition 98 General Fund to increase child care slots by \$100 million and restore Stage 3 child care funding by \$50 million. Senate provided \$50 million non-Proposition 98 General Fund to restore Stage 3 child care funding.
- Preschool.** Assembly provided \$100 million for additional preschool slots. Senate provides \$30 million.
- Special Education.** Assembly rejected Governor's May proposal to provide \$60 million to backfill for federal special education sequestration cut. Senate provided \$37 million to backfill for federal sequestration cut and \$30 million to equalize special education funding rates.

## Major Policy Issues Still to Be Addressed

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### Two Issues for Which Houses Close on Dollars but Still Have Policy Work to Finish:

- Adult Education.** Both houses approved planning grants for a new Adult Education Partnership program but some transitional issues remain unresolved (including what to do with school districts' existing adult education and apprenticeship programs).
- Proposition 39.** Both houses approved a total of \$464 million Proposition 98 funds for K-14 energy projects, but some important decisions remain unresolved (including how to allocate the funds to schools and colleges).

### One Issue Has Considerable Policy Work Undone, Recommend Postponing:

- LCFF for County Offices of Education (COEs).** Both houses approved the same LCFF augmentation for COEs. The Senate, however, reinstated the Regional Occupational Centers and Programs (ROCPs) as a restricted program (rather than including it in the LCFF). This has the result of significantly increasing the cost of implementing the LCFF for COEs. Both houses also reinstated Foster Youth Services as a restricted program. This could have an effect on COE funding and responsibilities under the LCFF.
- Major Concerns With LCFF for COEs.** We have serious concerns with the LCFF for COEs, including the significant lack of clarity on the responsibilities of COEs, the very high funding rates proposed for alternative education, and the total cost of implementing the new formula, particularly if existing ROCP and other categorical funds are excluded from the formula.
- LAO Recommendation.** Recommend postponing action on the COE LCFF one year. In 2013-14, recommend increasing alternative education funding rates 6 percent, consistent with the proposed increase in general education funding rates.

## Current-Year Proposition 98 Package

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<b>Differences in 2012-13 Proposition 98 Spending</b>					
<i>(In Millions)</i>					
	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>LAO Recommendation</b>	
<b>2012-13 Budget Act</b>	<b>\$53,549</b>	<b>\$53,549</b>	<b>\$53,549</b>	<b>\$53,549</b>	—
Make K-14 deferral payments <sup>a</sup>	1,783	2,181	2,401	2,401	Alternative
Implement Common Core initiative	1,000	1,500	1,000	1,000	Senate
Fund CTE revolving loan	—	—	250	—	Policy call
Provide one-time CCC augmentations	—	—	30	—	Policy call
Available for spending priorities	—	—	—	280	Policy call
Other adjustments	149	149	149	149	—
<b>Revised 2012-13 Spending</b>	<b>56,480</b>	<b>57,379</b>	<b>57,379</b>	<b>57,379</b>	

<sup>a</sup> Includes scheduled deferral paydowns as well as deferral paydowns that would occur if higher revenues materialize.  
CTE = career technical education.



## Budget-Year Proposition 98 Package

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<b>Differences in 2013-14 Proposition 98 Spending</b>					
<i>(In Millions)</i>					
	<b>Governor</b>	<b>Assembly</b>	<b>Senate</b>	<b>LAO Recommendation</b>	
<b>Revised 2012-13 Spending</b>	<b>\$56,480</b>	<b>\$57,379</b>	<b>\$57,379</b>	<b>\$57,379</b>	—
Various adjustments <sup>a</sup>	-4,805	-5,667	-5,698	-5,704	—
Make K-14 deferral payments <sup>b</sup>	920	521	1,979	1,979	Alternative
Fund Proposition 39 energy projects	464	464	464	464	Compromise
Implement LCFF for school districts	1,838	3,585	2,309	2,468	Compromise
Implement LCFF for COEs	32	32	32	16	Alternative
Fund LCFF accountability/administration	—	10	—	—	Compromise
Augment mandate block grant	100	—	100	—	Assembly
Backfill special education sequestration cut	61	—	37	—	Assembly
Equalize special education rates	—	—	30	30	Senate
Fund preschool slots	—	100	30	30	Senate
Recreate Early Mental Health Initiative	—	15	—	—	Senate
Augment Foster Youth Services	—	4	—	—	Alternative
Augment school district Apprenticeship program	—	4	—	—	Compromise
Fund child care within Proposition 98	—	731	—	—	— <sup>c</sup>
Increase child care slots	—	100	—	—	Senate
Fund CCC enrollment growth	89	88	89	89	Senate
Increase CCC categorical funding	50	289	112	112	Compromise
Fund adult education planning grant	30	7	30	30	Compromise
<b>2013-14 Proposition 98 Spending Level</b>	<b>55,259</b>	<b>57,661</b>	<b>56,893</b>	<b>56,893</b>	

<sup>a</sup> Includes backfill of one-time actions; revenue limit adjustments; and cost-of-living adjustments for special education, child nutrition, American Indian programs, and community colleges.

<sup>b</sup> Includes scheduled deferral paydowns as well as deferral paydowns that would occur if higher revenues materialize.

<sup>c</sup> No recommendation regarding rebenching of Proposition 98. Excludes child care funding for scoring purposes only.

LCFF = Local Control Funding Formula and COE = county offices of education.