

## **LAO Report on Proposition 98**

Last week the Legislative Analyst's Office (LAO) released their analysis of the Proposition 98 portion of the 2015-16 Governor's Proposed Budget. The LAO believes that the Governor's overall approach to the Proposition 98 budget is reasonable and practical by dedicating most of the new ongoing funding to high state priorities and most one-time funding to paying off outstanding obligations.

The LAO recommends that the Legislature improve some of the Governor's specific Proposition 98 proposals and reject others. Following is a summary of the LAO major Proposition 98 recommendations.

### **Local Control Funding Formula (LCFF)**

- ✓ Dedicate the bulk of any additional ongoing school funding to LCFF, consistent with the past two years of implementation. Such action helps reach the target funding levels as quickly as possible.
- ✓ Adopt proposal to allow the Regional Occupational Centers/Programs and adult education maintenance of effort provisions to expire, consistent with statutory intent.
- ✓ Adopt proposal to shift Home-to-School Transportation funding from joint powers agencies to their member districts, as this would treat all districts receiving transportation funding similarly regardless of how they previously had provided their transportation services.

### **Interaction Between Property Tax Revenue, LCFF, and Minimum Guarantee**

Count all local property tax revenue up to a basic aid district's LCFF target toward LCFF (and the minimum guarantee) beginning in 2015-16. This change would recognize that for practical purposes these districts already are funded at—and in many cases funded high above—their LCFF targets. Approach would free up about \$400 million that the state could use for other Proposition 98 or non-Proposition 98 priorities.

### **County Offices of Education (COEs)**

Revise the COE minimum state aid statutory provision to stop providing additional funding to certain COEs on top of their overall LCFF funding allotments. Would decrease total COE LCFF costs by around \$40 million in 2014-15 and around \$60 million in 2015-16, freeing up those funds for other Proposition 98 priorities.

### **Internet Infrastructure for Online Testing**

- ✓ Reject funding Broadband Infrastructure Improvement Grants at schools where per-student costs would be extraordinarily high.
- ✓ Require HSN to use up to \$8.3 million of its reserves to fund its 2015-16 operations. Frees up \$8.3 million for other one-time Proposition 98 priorities.
- ✓ Require separate audit of K-12 High Speed Network (HSN) expenditures.
- ✓ Reevaluate HSN budget appropriation in 2016-17, after separate HSN audit is complete.

### **Education Mandates**

- ✓ Adopt Governor's proposal to pay \$1.5 billion toward the backlog of unpaid education mandate claims on a per-student basis.
- ✓ Require State Controller's Office to report on 2014-15 backlog payments by November 1, 2016 and report on 2015-16 backlog payments by November 1, 2017.
- ✓ Adopt Governor's proposal to add new whooping cough immunization records mandate to the K-12 mandates block grant. Increase K-12 block grant funding by \$4.5 million (\$2.8 million more than proposed by the Governor) to more accurately reflect the cost of performing the mandate.
- ✓ Decrease K-12 block grant funding by \$1.5 million due to the repeal of part of a mandate relating to hepatitis B immunization records. Direct the Department of Finance to seek a new decision

from the Commission on State Mandates regarding which activities still are required under the hepatitis B immunization mandate.

- ✓ Provide a 1.58 percent cost-of-living adjustment to the mandates block grants to better reflect the cost of performing mandated activities and ensure purchasing power is maintained. This would cost \$4 million (\$3.5 million for the K–12 block grant and \$513,000 for the community college block grant).

### **Workforce Education and Training**

View specific workforce proposals as part of a larger state workforce strategy. Make decisions that reduce fragmentation and inconsistencies while strengthening coordination, alignment, and accountability.

### **Adult Education**

- ✓ Consistent with Governor’s proposed funding level, provide \$500 million for adult education consortia (and include a one–year set aside for existing adult schools).
- ✓ Fold into or otherwise coordinate community college adult education funding and federal adult literacy funding with adult education consortia program.
- ✓ Require California Department of Education (CDE) and California Community Colleges (CCC) to provide Legislature with statewide funding allocation plan.
- ✓ Modify Governor’s proposal to provide more guidance on accountability for allocations within regions, future statewide allocations, and frequency of comprehensive regional planning.
- ✓ Wait for March 1 report from CDE and CCC to develop other adult education policies. Report required to include recommendations on student assessment, fee, and accountability policies for adult education.

### **Career Technical Education (CTE) Incentive Grants for Secondary Schools**

Reject Governor’s proposal to provide \$250 million annually for three years for a new secondary school CTE program. Instead of creating a new CTE categorical program, ensure accountability measures adequately incentivize schools to offer high–quality CTE programs. Request update on CTE–related accountability measures from Superintendent of Public Instruction during spring hearings.

### **Career Pathways Program**

Reject Governor’s proposal to provide \$48 million for extending the CTE Pathways Program for one additional year. Continuing to fund a program already set to expire conflicts with the state’s goal of integrating workforce efforts.

### **Apprenticeship Programs**

Fold \$52 million in apprenticeship funding into new adult education consortia program. Continuing to fund these programs separately conflicts with the state’s goal of integrating workforce efforts. Apprenticeship education is one of the five priority areas for the adult education consortia.

### **School Facilities**

- ✓ Replace the existing School Facilities Program with a new program that provides an annual per–student grant for facilities. Base the grant on the replacement value of existing school buildings and an estimate of the average useful life of those buildings.
- ✓ Adjust the grant for local resources such that school districts with lower property wealth receive a larger state grant. Also adjust the grant during the transition period to account for state debt service incurred on a district’s behalf.
- ✓ Provide one–time funds to address the existing backlog of facility projects.
- ✓ Require the local governing boards of school districts that receive state funds to adopt five–year facility plans containing key information such as a maintenance plan, enrollment projections, and a priority list of facility projects.

The LAO report is available using the following link:

<http://lao.ca.gov/reports/2015/budget/prop98/prop98-analysis-021815.pdf>

We will closely monitor all of these issues as the legislative budget subcommittees begin their review of the budget.