
Presentation on Governor's May Revise Report and Budget Update

May 28, 2013

Overview:

Budget proposal is a mixture of good news and bad news.

- **Proposes increased current-year funding against reduced future-year economic expectations**

The Good news: the Governor recognized increased revenues to be received by the state in 2012-13 of \$4.5 billion above the level anticipated in January

- **A much needed one-time augmentation of \$170 per average daily attendance (ADA), a total of \$1 billion, for the purpose of implementation of the Common Core standards.**

The Bad News: On the heels of a very positive revision for 2012-13 revenues, the Governor projects a downward adjustment to state revenues for 2013-14

- **This may have a chilling effect on the state's ability to meet its Local Control Funding Formula (LCFF) funding goals for 2020.**

Overview Continued :

The “New” news: In January, the Governor's proposal was the most meaningful move towards local control that public education has seen in 40 years.

- his May Revision, he has reversed course by adding local expenditure parameters that appear to be the most restrictive ever seen

They include:

- Increased maintenance of effort (MOE) requirements
- Increased external audit scrutiny
- Increased County Office and FCMAT Team oversight
- Increased accounting constraints

The May Revise

Proposition 98: Ongoing programmatic spending under the May Revision stays relatively unchanged. Current-year increases are proposed to be used for one-time purposes—to increase the deferral buyback and fund future costs for Common Core standards implementation.

Revenue Limits: May Revision continues to propose the complete elimination of revenue limits as the statutory basis for determining funding levels for school districts. Still working out implementation of the base level funding and implementation through 2020.

Local Control Funding Formula: The Governor's May Revision leaves his LCFF, as proposed in January, mostly unchanged. The formula would replace revenue limits and most categorical program funding with base grants per pupil, plus supplemental funding provided via percentage "weights" for students who are English learners, from low-income families.

The May Revise

Local Control Funding Formula Accountability System: (Major Change from January)

The proposed accountability system provides LEAs with some discretion regarding the content of a local control accountability plan but comes with strict expenditure requirements. Specifically, the LCFF accountability system would require that LEAs spend supplemental and concentration grant funds only on those students generating the funds. This would appear to take nearly all new money off the negotiation table. An annual independent audit will be required to ensure that LEAs comply with expenditure and proportionality requirements.

Deferrals: The May Revision includes \$1.6 billion in one-time Proposition 98 funding applied in the current year (2012-13) for a total of \$3.4 billion to buy back deferrals, which results in the reduction of the "Wall of Debt" earlier than anticipated.

The May Revise

Common Core State Standards: In the May Revision, the Governor proposes an increase of \$1 billion in one-time Proposition 98 General Fund dollars in 2012-13 to support LEAs' implementation of the CCSS.

Adult Education: The Governor's May Revision proposes maintaining the status quo for existing K-12 and community college adult education programs for two years.

Proposition 39 Funding: In January 2013, the Governor's Budget allocated \$400.5 million Proposition 98 General Fund to LEAs on a per-ADA basis to support energy efficiency projects consistent with the requirements of Proposition 39. The May Revision proposes a minimum grant level of \$15,000 for exceptionally small LEAs of less than 200 ADA, and other LEAs will receive the greater of \$50,000 or their per-ADA distribution.

The May Revise

Technology-Based Instruction: While restating his commitment to expand the use of technology-based instruction, the Governor's May Revision proposes to "delay" his proposal to expand online learning programs until 2014-15.

Special Education: In anticipation that an agreement will not be reached by Congress to mitigate federal sequestration, the Governor's May Revision provides a \$60.7 million augmentation to special education, including Early Start (Part C) programs and ROC/P handicapped to backfill the potential loss of funds.

Federal Sequestration: The Governor's May Revision notes that the funding implications of federal sequestration on the state are still unknown. Given that uncertainty, the Governor sets aside some funds for what he characterizes as "critical areas" related to children with disabilities.

Questions?
