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California State Senate

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ON

BUDGET AND FISCAL REVIEW

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GLENDA HIGGINS
MARY TEABO

(916) 651-4103
FAX (916) 323-8386

Agenda

February 16, 2012
9 a.m. - Room 4203

Governor's Major K-12 School Finance Proposals

PLEASE NOTE: Only those items contained in the agenda for today's hearing will be discussed. Please see the Senate File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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Senate Budget and Fiscal Review
Budget Overview Hearing
February 16, 2012
9 a.m.
State Capitol, Room 4203

Governor's 2012-13 Budget –
Major K-12 Education Finance Proposals

Part A. Governor's Weighted Pupil Formula and Flexibility Proposals

1. **Department of Finance** – Nick Schweitzer, Program Budget Manager, Education Systems Unit
2. **Legislative Analyst's Office** – Rachel Ehlers, Education Analyst
3. **Research Panel** – Public Policy Institute of California: David Leshner, Director of Governmental Affairs; Heather Rose, Adjunct Policy Fellow; Margaret Weston, Policy Associate
4. **Superintendent of Public Instruction**, Tom Torlakson
5. **Local Superintendent's Panel:**
 - Superintendent John Deasy, Los Angeles Unified School District
 - Superintendent Jonathan Raymond, Sacramento City Unified School District
 - Superintendent Kent Bechler, Corona – Norco Unified School District
 - Superintendent Tom Armelino, Shasta County Office of Education
6. **Public Testimony**

Part B. Governor's Education Mandate Proposals

1. **Department of Finance** – Nick Schweitzer, Program Budget Manager, Education Systems Unit
2. **Legislative Analyst's Office** – Paul Golaszewski, Education Analyst
3. **California Department of Education** – Erin Gabel, Director of Governmental Affairs Division
4. **State Controller's Office** – David O'Toole, Policy Director; Jill Kanemasu, Assistant Chief, Division of Accounting and Reporting; Jim Spano, Bureau Chief, Division of Audits
5. **Commission on State Mandates** – Nancy Patton, Acting Executive Director
6. **Public Testimony**

UPDATE

Governor's Weighted Pupil Formula Proposal Per February 13, 2012 Revisions

Consolidation of Most Education Programs into Single Funding Stream Beginning in 2012-13. The Governor's proposal consolidates revenue limit apportionments and approximately 40 state categorical programs into a weighted pupil formula – beginning in 2012-13 – for school districts and charter schools. The newly proposed formula would provide a basic per pupil allocation with additional supplements – based upon pupil weights – for economically disadvantaged pupils and English learner pupils. The Governor's proposal would ultimately involve consolidation of most existing K-12 education funding programs worth approximately **\$39 billion** in 2012-13, which reflects approximately **\$32 billion** in revenue limit apportionments and **\$7 billion** in categorical funding.

Slower Phase-In of New Formula. The weighted pupil formula would be phased in over a six year period – instead of a five year period as originally proposed – beginning in 2012-13. In order to phase in the new formula, the Administration proposes to provide 95 percent funding according to current funding formulas and 5 percent funding according to the new weighted pupil formula in 2012-13. The percent of new formula implemented would increase to 15 percent in 2013-14, 40 percent in 2014-15, 60 percent in 2015-16, 80 percent in 2016-17, and 100 percent in 2017-18. The Governor's original proposal grew by twenty percent each year for five years.

New Hold Harmless Provisions Including School Transportation Amounts. The Governor does not propose to hold K-12 local educational agencies (LEAs) harmless from any loss of funding amounts resulting from phase-in of the weighted student formula once fully implemented. However, the Governor's latest revisions propose to hold school districts harmless from any loss of per pupil funding in 2012-13, i.e., assure the same per pupil funding levels for school districts and charter schools as provided in 2011-12. In order to accomplish this, the Governor's latest revisions redirect approximately **\$600 million** from deferral buy-down – as originally proposed January 10 – to programmatic funding in 2012-13. As a part of this proposal, the Governor proposes to restore funding in an amount equal to the Home-to-School Transportation program in 2012-13 and allow these funds to be used flexibly for any educational purpose.

Elements of the Weighted Student Formula. In lieu of existing revenue limit apportionments and funding for about 40 existing categorical programs, the new formula provides several basic components, as follows:

- ✓ **Base Funding Grants.** The Governor proposes an equal base funding grant to school districts and charter schools per pupil, as measured by average daily attendance (ADA). Per the Governor's latest revisions, the base amount is calculated to equal **\$4,920** per pupil in 2012-13.
- ✓ **Targeted Funding Supplements.**
 - **Pupil Weights.** School districts and charter schools would receive supplemental funding for educationally disadvantaged pupils based upon pupil weights. Specifically, the Governor would provide an **additional 37 percent** in base funding for low-income pupils – measured by pupils receiving free or reduced price lunch – or for English learner pupils. (These would be unduplicated pupil counts so that pupils who are low-income and English learners are not double counted.)

UPDATE

- **Concentration Factors:** School districts and charter schools with larger proportions of educationally disadvantaged pupils would receive supplemental “concentration” funding on top of pupil weights. More precisely, when targeted pupil concentrations for low-income pupils or English learner pupils reach more than 50 percent of enrollment, the targeted per pupil amount would increase by an additional 7.4 percent. An **additional 7.4 percent** would be provided reflecting graduated concentration growth levels, for example: 50 percent or more targeted pupil concentration equals 7.4 percent funding supplement; 60 percent or more equals 14.8 percent; 70 percent or more equals 22.2 percent; 80 percent or more equals 29.6 percent; and 90 percent or more equals 37.0 percent (maximum).
- ✓ **Incentive Funding Supplements.** The Governor proposes to provide an incentive funding supplement equal to **2.5 percent** of the base grant to school districts and charter schools which meet accountability requirements to be established by the State Board of Education. Unlike the other funding elements above which would begin in 2012-13, the Governor would begin incentive funding supplements in 2013-14, based on 2012-13 performance.

Programs Excluded from the Weighted Pupil Formula. The Governor proposes to exclude a total of 14 programs – accounting for roughly \$4.5 billion in state funding – from the weighted pupil formula. These programs include: special education, school nutrition, preschool (part-day), After School Education and Safety Services (Prop 49), student assessment, community day schools, charter school facility grants, K-12 Internet access, county office program oversight, county office fiscal oversight, Indian Education Centers, American Indian Early Education Programs, Foster Youth Services (county portion), and Necessary Small Schools. The last two programs were added to the exclusion list by the Governor’s latest revisions.

Full Flexibility for Programs in the Weighted Pupil Formula in 2012-13. Per the Administration, funding for all of the categorical programs included in the new funding formula (approximately 40 programs) would be subject to full and permanent flexibility beginning in 2012-13.

New Accountability Requirements Delayed Until 2013-14. The Governor’s new funding proposal would be accompanied by new accountability requirements for schools that would be the basis for evaluation and rewarding school performance under the new funding model. However, while both phase-in of the new weighted pupil formula and the expanded flexibility provisions for additional categorical programs would commence in 2012-13, the new accountability requirements would not be added until 2013-14 – one year after commencement of the Governor’s new formula. While there are few details yet, the Administration has indicated generally that the new measures will include the current quantitative, test-based accountability measures, along with locally developed assessments and qualitative measures of schools.

County Offices of Education Excluded from New Formula. The Governor’s weighted pupil formula would apply to K-12 school districts and charter schools, but does not include county offices of education. The Governor proposes to continue existing revenue limit funding and county-specific categorical programs for county offices of education. Other categorical funding available to county offices of education would gradually be phased-out per the Governor’s proposal, but districts would be free to contract with county offices for continued operation of these programs.