

June 30, 2015

# 2015 Education Budget Report

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LEGISLATIVE ANALYST'S OFFICE

Presented to:  
California Education Round Table:  
Intersegmental Coordinating Committee





## General Fund Condition Under Budget as Passed by the Legislature

*(Dollars in Millions)*

	2014-15	2015-16	Percent Change
Prior-year fund balance	\$5,590	\$2,423	
Revenues and transfers	111,307	115,033	3.3%
Expenditures	114,473	115,370	0.8
Ending fund balance	\$2,423	\$2,086	
Encumbrances	971	971	
SFEU balance	1,453	1,116	
<b>Reserves</b>			
SFEU balance	\$1,453	\$1,116	
Pre-Proposition 2 BSA balance	1,606	1,606	
Proposition 2 BSA balance	—	1,854	
<b>Total Reserves</b>	<b>\$3,059</b>	<b>\$4,576</b>	

Source: Department of Finance.  
SFEU = Special Fund for Economic Uncertainties and BSA = Budget Stabilization Account.



## Tracking Changes in Estimates of Proposition 98 Minimum Guarantee

*(Dollars in Millions)*

	June 2014	June 2015	Increase From June 2014	
			Amount	Percent
2013-14	\$58,302	\$58,914	\$612	1.0%
2014-15	60,859	66,303	5,444	8.9
2015-16	—	68,409	7,550 <sup>a</sup>	12.4

<sup>a</sup> Reflects increase from June 2014 estimate of 2014-15 minimum guarantee.



## Proposition 98 Funding

*(Dollars in Millions)*

	2013-14 Revised	2014-15 Revised	2015-16 Budget Act	Change From 2014-15	
				Amount	Percent
<b>Preschool</b>	\$507	\$664	\$885 <sup>a</sup>	\$220 <sup>a</sup>	33%
<b>K-12 Education</b>					
General Fund	\$38,162	\$43,888	\$43,151	-\$737	-2%
Local property tax revenue	13,736	14,432	16,380	1,947	13
Subtotals	(\$51,898)	(\$58,321)	(\$59,530)	(\$1,210)	(2%)
<b>California Community Colleges</b>					
General Fund	\$4,248	\$4,975	\$5,301	\$325	7%
Local property tax revenue	2,182	2,263	2,613	350	15
Subtotals	(\$6,431)	(\$7,238)	(\$7,914)	(\$676)	(9%)
<b>Other Agencies</b>	\$78	\$80	\$80	—	—
<b>Totals</b>	<b>\$58,914</b>	<b>\$66,303</b>	<b>\$68,409</b>	<b>\$2,106</b>	<b>3%</b>
General Fund	\$42,996	\$49,608	\$49,416	-\$192	—
Local property tax revenue	15,918	16,695	18,993	2,298	14

<sup>a</sup> Includes \$145 million for existing wraparound care formerly funded with non-Proposition 98 General Fund. Excluding this accounting shift, growth is \$75 million (11 percent).



## Key Proposition 98 Information Underlying June Budget Package

*(Dollars in Millions)*

	2013-14	2014-15	2015-16
<b>Minimum Guarantee</b>			
General Fund	\$42,996	\$49,608	\$49,416
Local property tax	15,918	16,695	18,993
<b>Total Guarantee</b>	<b>\$58,914</b>	<b>\$66,303</b>	<b>\$68,409</b>
<b>Inputs</b>			
General Fund taxes <sup>a</sup>	\$101,476	\$112,068	\$116,619
K-12 average daily attendance	5,993,001	5,994,522	5,995,889
State civilian population	38,193,963	38,552,049	38,883,323
<b>Growth Factors</b>			
Per capita personal income	5.1%	-0.2%	3.8%
Per capita General Fund <sup>b</sup>	5.5	9.9	3.7
K-12 average daily attendance	0.5	—	—
State civilian population	0.9	0.9	0.9
Assessed property values	4.7	6.2	5.5
K-14 cost-of-living adjustment	1.6	0.9	1.0
<b>Outcomes</b>			
Proposition 98 operative "test"	2	1	3
Spike protection effect	—	-\$424 <sup>c</sup>	—
Test 3 supplemental payment	—	—	\$99
Maintenance factor:			
Amount created/paid (+/-)	—	-5,402	—
Amount outstanding	\$6,157	743	772
PSSSA Deposit?	—	—	No
<sup>a</sup> Reflects General Fund revenues that affect the calculation of the minimum guarantee. <sup>b</sup> Reflects per capita General Fund plus 0.5 perent (one of the Test 3 factors). <sup>c</sup> Due to a revenue spike in 2014-15, a portion of the increase in the 2014-15 minimum guarantee is backed out from the calculation of the minimum guarantee moving forward. PSSSA = Public School System Stabilization Account.			



## 2014-15 Proposition 98 Changes<sup>a</sup>

*(In Millions)*

<b>Technical Adjustments</b>	\$455
<b>K-12 Education</b>	
Pay down mandate backlog	\$2,748
Eliminate deferrals	897
Fund teacher training and support block grant	490
Fund career technical education (CTE) grants	150
Provide students better learning and behavioral supports	10
Fund internet technology management, training, and technical assistance	10
Finish developing evaluation rubrics <sup>b</sup>	—
Subtotal	(\$4,306)
<b>California Community Colleges</b>	
Pay down mandate backlog	\$393
Eliminate deferrals	94
Provide funding for basic skills initiatives	70
Provide CCC CTE funding	48
Fund physical plant and instructional equipment	48
Fund CCC Innovation Awards	23
Support implementation of baccalaureate degree pilot program	6
Subtotal	(\$683)
<b>Total 2014-15 Changes</b>	<b>\$5,444</b>

<sup>a</sup> All actions shown, except for technical adjustments, reflect one-time spending.  
<sup>b</sup> Provides \$350,000 for the State Board of Education.



## 2015-16 Proposition 98 Changes

(In Millions)

<b>Technical Adjustments</b>	-\$6,219 <sup>a</sup>
<b>K-12 Education</b>	
Fund LCFF increase for school districts	5,994
Fund career technical education grants (one time)	250
Increase preschool funding	214 <sup>b</sup>
Fund various special education activities	50
Fund Internet infrastructure grants (one time)	50
Provide 1.02 percent COLA for select categorical programs	46
Pay down mandate backlog (one time)	31
Increase funding for the Charter School Facility Grant Program	20
Increase funding for Foster Youth Services	10
Other	-3
Subtotal	(\$6,663)
<b>California Community Colleges</b>	
Fund adult education consortia	\$500
Increase apportionment funding (above growth and COLA)	267
Fund 3 percent enrollment growth	157
Pay down mandate backlog (one time)	117
Augment Student Success and Support Program	100
Fund physical plant and instructional equipment (one time)	100
Fund implementation of local student equity plans	85
Hire additional full-time faculty	62
Provide 1.02 percent COLA for apportionments	61
Fund certain CCC noncredit courses at credit rate	50
Provide funds to restore enrollment earned back by districts	42
Increase Cal Grant B awards for full-time CCC students	39
Augment Extended Opportunity Programs and Services	34
Fund new apprenticeships in high-demand occupations	15
Increase funding for established apprenticeships	14
Fund dissemination of effective institutional practices	12
Expand technical assistance to improve district operations and outcomes	3
Fund administration of higher Cal Grant B awards (one time)	3
Provide 1.02 percent COLA for select categorical programs	2
Subtotal	(\$1,663)
<b>Total 2015-16 Changes</b>	<b>\$2,106</b>
<sup>a</sup> Backs out prior-year one-time funding, including one-time funds for retiring deferrals, paying down the K-14 mandate backlog, and supporting various other one-time activities.	
<sup>b</sup> Includes \$145 million for existing wraparound care, formerly funded with non-Proposition 98 General Fund. LCFF = Local Control Funding Formula and COLA = cost-of-living adjustment.	



## Budget Pays Down \$3.8 Billion of K-14 Mandate Backlog

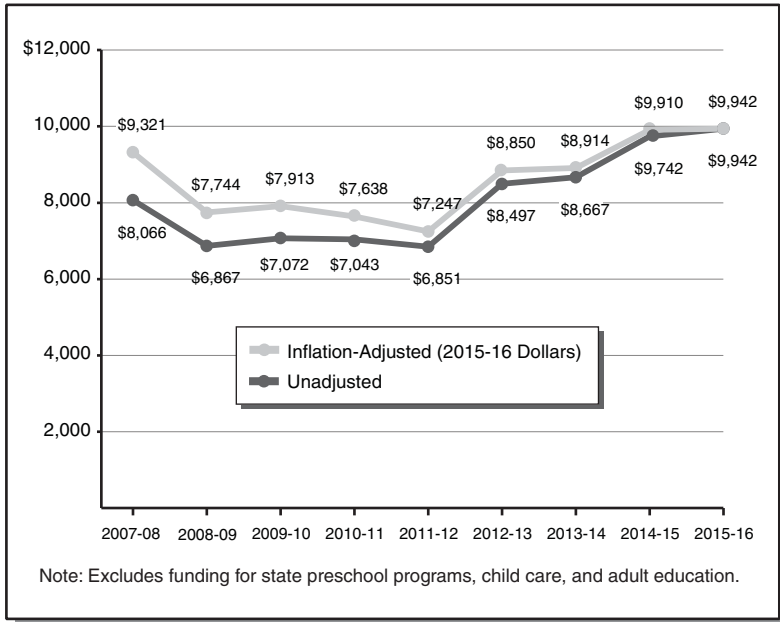
*(In Millions)*

	K-12 Education	California Community Colleges	Totals
<b>Pay down scored to:</b>			
2013-14	\$319	\$94	\$413
2014-15	2,748	393	3,142
2015-16	31	117	148
Settle-up payment	82	28	110
Prior-year reappropriation	24	—	24
<b>Totals</b>	<b>\$3,205</b>	<b>\$632</b>	<b>\$3,837</b>



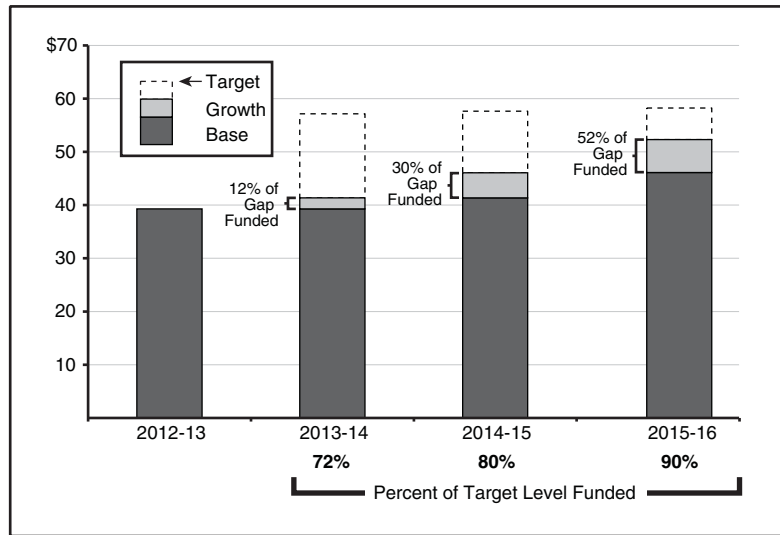


## K-12 Proposition 98 Funding Per Pupil





## Tracking Implementation of the Local Control Funding Formula





## Package of Special Education Actions

### 2015-16 (Dollars in Millions)

Program Area	Action	Amount
<b>Proposition 98 Funds</b>		
Infant and toddler services	Increase funding for districts to serve children with disabilities ages birth to three (brings total funding to \$119 million).	\$30.0
Preschool slots	Fund 2,500 additional part-day State Preschool slots, with priority given to students with disabilities.	12.1
Learning and behavioral supports	Provide funding for one or two county offices of education to develop statewide resources, provide trainings, and allocate subgrants to improve how districts meet students' learning and behavioral needs.	10.0 <sup>a</sup>
Preschool, training, parent information, and rate increase	Specify that State Preschool contractors must provide staff training and parent education on how to identify and meet students' special needs. Increase part-day reimbursement rate by 1 percent to cover associated costs.	6.0
State Special Schools	Provide one-time increase for instructional activities at the state's schools for deaf and blind students. <sup>b</sup>	3.0 <sup>a</sup>
Fund swap	Redirect federal funds from local assistance to state-level activities, then backfill with Proposition 98 funds.	2.0
Subtotal		(\$63.1)
<b>Federal Funds<sup>c</sup></b>		
Office of Administrative Hearings	Increase funding for state-level hearings regarding special education disputes (brings total funding to \$12.8 million).	\$1.9 <sup>a</sup>
Alternative dispute resolution	Increase funding for local grants to help districts and families resolve disputes without a trial (brings total funding to \$1.95 million).	1.7
State-level improvement activities	Fund CDE to develop resources and provide technical assistance to districts implementing the new federally required statewide plan for improving services for students with disabilities.	0.5
Subtotal		(\$4.0)
<b>Total</b>		<b>\$67.1</b>

<sup>a</sup> One-time allocation.  
<sup>b</sup> The budget also requires that these schools spend at least \$4.8 million from their non-Proposition 98 funds in 2015-16 to address critical facility maintenance needs.  
<sup>c</sup> New state-level activities funded in part by an increase in the state's federal grant and in part by redirecting \$2 million from local assistance.  
 CDE=California Department of Education



## Community College Programs Funded by Proposition 98

(Dollars in Millions)

	2013-14	2014-15	2015-16	Change From 2014-15	
				Amount	Percent
Apportionments					
General Fund	\$3,049	\$3,113	\$3,417	\$305	10%
Local property tax	2,182	2,263	2,613	350	15
Subtotals	(\$5,231)	(\$5,375)	(\$6,030)	(\$655)	(12%)
<b>Categorical Programs and Other Appropriations</b>					
Adult Education Block Grant	\$25 <sup>a</sup>	\$0 <sup>a</sup>	\$500	\$500	NA
Student Success and Support Program	99	199	299	100	50%
Student equity plan implementation	0	70	155	85	121
Extended Opportunity Programs and Services	89	89	123	35	39
Mandate backlog payment (one time)	94	443	117	-325	-74
Disabled Students Program	84	114	115	1	1
Physical plant and instructional support (one time)	30	196	100	-96	-49
Financial aid administration	68	69	74	4	6
Lease revenue bond payments	64	65	56	-9	-14
Cal Grant B supplemental grants	0	0	39	39	NA
Proposition 39 (grant and loan programs)	50	39	39	-0	-1
CalWORKs student services	35	35	35	0	1
Mandate block grant	33	32	32	-1	-2
Apprenticeship (community colleges)	7	7	31	24	338
Part-time faculty compensation	25	25	25	0	0
Economic and Workforce Development	23	73	23	-50	-69
Apprenticeship (school districts)	16	16	20	5	31
Student Success for Basic Skills Students	20	20	20	0	0
Telecommunications and technology services	16	22	20	-2	-9
Institutional effectiveness initiative	0	3	18	15	600
Nursing grants	13	13	13	0	0
Online course initiative	17	10	10	0	0
Foster Parent Education Program	5	5	5	0	0
Fund for Student Success	4	4	4	0	0
Part-time faculty office hours	4	4	4	0	0
Campus child care support	3	3	3	0	1
Other (ongoing)	4	4	4	0	0
Deferral pay down	326	158	0	-158	-100
Basic skills transformation grants (one time)	0	60	0	-60	-100
Career Technical Education Pathways Initiative (one time)	48	48 <sup>b</sup>	0 <sup>b</sup>	-48	-100
Other (one time)	0	39	0	-39	-100
Subtotals	(\$1,200)	(\$1,863)	(\$1,883)	(\$20)	(1%)
<b>Totals</b>	<b>\$6,431</b>	<b>\$7,238</b>	<b>\$7,914</b>	<b>\$676</b>	<b>9%</b>

<sup>a</sup> 2013-14 amount was for planning grants, available for expenditure over 2013-14 and 2014-15 fiscal years.

<sup>b</sup> 2014-15 amount is for 2015-16 program costs. State also provided \$48 million non-Proposition 98 General Fund in 2014-15 for expenditure in 2014-15.



## Higher Education General Fund Support

*(Dollars in Millions)*

	2013-14 Actual	2014-15 Revised	2015-16 Budget Bill	Change From 2014-15	
				Amount	Percent
University of California <sup>a</sup>	\$2,844	\$2,991	\$3,232	\$241	8%
California State University <sup>a,b</sup>	2,769	3,026	3,281	255	8
California Community Colleges <sup>a,c</sup>	4,636	5,408	5,742	334	6
Hastings College of Law <sup>a</sup>	10	11	12	1	13
California Student Aid Commission <sup>d</sup>	1,699	1,937	2,135	198	10
California Institute of Regenerative Medicine <sup>a</sup>	95	275	369	93	34
Awards for Innovation in Higher Education	—	50	—	-50	-100
<b>Totals</b>	<b>\$12,053</b>	<b>\$13,698</b>	<b>\$14,771</b>	<b>\$1,073</b>	<b>8%</b>

<sup>a</sup> Includes general obligation debt service.  
<sup>b</sup> Includes health benefit costs for retirees.  
<sup>c</sup> Includes state contributions to the California State Teachers' Retirement System, Quality Education Investment Act funds, and funding for CCC Chancellor's Office.  
<sup>d</sup> Includes Temporary Assistance for Needy Families, Student Loan Operating Fund, and Student Loan Authority Fund support that directly offset General Fund costs.



## Declarations, Reports, and Requirements Related to UC and CSU<sup>a</sup>

University of California	
Findings and declarations	<ul style="list-style-type: none"> <li>(1) The UC Regents have endorsed a long-term funding framework that calls for flat tuition in 2015-16 and 2016-17 and actions to reduce the cost structure of the university.</li> <li>(2) The long-term framework is to create capacity to serve more resident students.</li> <li>(3) Funding besides state funding (such as financial aid currently provided to nonresident students) is available to serve more resident students.</li> <li>(4) The Legislature intends for funds from nonresident enrollment growth and nonresident tuition increases be used to increase resident enrollment.</li> <li>(5) The appropriation in the 2015-16 budget for unfunded liabilities of the University of California Retirement Plan (UCRP) does not constitute an ongoing obligation on behalf of the state.</li> </ul>
Reporting requirements	<ul style="list-style-type: none"> <li>(1) Report by November 30, 2015 a sustainability plan with enrollment projections, performance targets, and changes needed to ensure expenditures do not exceed available resources, using General Fund and tuition revenue assumptions provided by the Department of Finance.</li> <li>(2) Report by December 1, 2015 on the status of operational changes undertaken as a result of the Select Advisory Committee on the Cost Structure of the University.</li> <li>(3) Supplemental report by December 10, 2015 on university fund sources legally allowable to support educational costs, the factors used to determine which funds support educational activities, and the sources of funds used to calculate educational costs.</li> <li>(4) Report by April 1, 2016 on funds used for targeted support services to increase graduation rates of low-income and underrepresented students.</li> <li>(5) Upon receipt of funding appropriated for the UCRP unfunded liability, UC must submit a report demonstrating the funds have been used to supplement and not supplant funding otherwise available for UCRP.</li> </ul>
Required actions	<ul style="list-style-type: none"> <li>(1) The UC Regents are required to consider state employee compensation when considering compensation for its "Senior Management Group." At a minimum, the UC Regents are required to consider comparable positions designated as "state officers" (such as the Superintendent of Public Instruction and a Member of the Legislature) and certain state agency directors (such as the Secretary of Transportation).</li> <li>(2) The UC Regents are required to post information online for each subcategory within its "Managers and Senior Professionals" personnel category as well as disaggregate all personnel categories by fund source.</li> </ul>
California State University	
Reporting requirements	<ul style="list-style-type: none"> <li>(1) Report by November 30, 2015 a sustainability plan with enrollment projections, performance targets, and changes needed to ensure expenditures do not exceed available resources, using General Fund and tuition revenue assumptions provided by the Department of Finance.</li> <li>(2) Report by April 1, 2016 on factors impacting graduation rates for all students and for low-income and underrepresented students separately.</li> </ul>
<p><sup>a</sup> Unless otherwise specified, authorized by the <i>2015-16 Budget Act</i>.</p>	



## Higher Education Annual Tuition and Fees

### *(Mandatory Charges for Full-Time Resident Students)*

	2013-14	2014-15	2015-16
<b>University of California</b>			
Systemwide Tuition and Fees			
Undergraduate	\$12,192	\$12,192	\$12,240 <sup>a</sup>
Graduate—Academic	12,192	12,192	12,240 <sup>a</sup>
Graduate—Professional <sup>b</sup>	16,192 to 50,740	16,192 to 50,740	16,440 to 52,668 <sup>a</sup>
Average Campus Fee <sup>c</sup>	1,030	1,125	1,125
<b>California State University</b>			
Systemwide Tuition and Fees			
Undergraduate	5,472	5,472	5,472
Teacher credential	6,348	6,348	6,348
Graduate—Masters <sup>d</sup>	6,738	6,738	6,738
Graduate—Doctoral <sup>e</sup>	11,118 to 16,148	11,118 to 16,148	11,118 to 16,148
Average Campus Fee	1,223	1,223	1,223
<b>California Community Colleges</b>	1,380	1,380	1,380
<b>Hastings College of the Law<sup>f</sup></b>	44,186	44,186	44,186

<sup>a</sup> Reflects 5 percent increase in Student Services Fee and Professional Degree Fees announced by UC at May Revision.

<sup>b</sup> Reflects range for students in business, law, medicine, nursing, and other professional programs.

<sup>c</sup> Reflects average for undergraduates. Campus fees for graduate and professional students are lower.

<sup>d</sup> Graduate fees also apply to postbaccalaureate programs other than teacher credential programs.

<sup>e</sup> Includes professional doctorates in education, nursing, and physical therapy.

<sup>f</sup> Reflects tuition for juris doctor (JD) program only. Non-JD programs do not use residency classifications.



## Summary of Middle Class Scholarships: Awards and Policy Changes

Recipients and Costs by Segment <sup>a</sup>			
Segment	Recipients	Cost	Average Cost Per Recipient
California State University	69,332	\$40,384,277	\$582
University of California	16,688	17,428,435	1,044
<b>Totals</b>	<b>86,020</b>	<b>\$57,812,712</b>	<b>\$672</b>

Eligibility Changes <sup>b</sup>	
Start Year	New Rule
2015-16	Excludes students whose household assets exceed \$150,000. The asset ceiling does not include primary residences and funds in retirement accounts.
2016-17	Moving forward, requires income and asset ceilings to be adjusted for inflation.
2016-17	Moving forward, prohibits recipients from receiving assistance for more than the equivalent of four years (or, in some cases, five years) of full-time attendance. Exceptions are made for students in five-year teacher preparation programs and some engineering programs, among others.

Funding Changes <sup>b</sup> (In Millions)		
Budget Year	Original Appropriation <sup>c</sup>	New Appropriation
2014-15	\$107	\$62 <sup>d</sup>
2015-16	\$152	\$82
2016-17	228	116
2017-18	305	159

<sup>a</sup> For the 2014-15 academic year, as of June 3, 2015. In 2014-15, the maximum award amount is 14 percent of tuition at CSU (\$766) and UC (\$1,707). Students with household income less than or equal to \$100,000 receive the maximum award. Students with household income of \$100,000 to \$150,000 receive an award that is graduated downward for each \$1,000 increase in income.

<sup>b</sup> As enacted by Chapter 22, Statutes of 2015, SB 81 (Committee on Budget and Fiscal Review).

<sup>c</sup> As authorized under the implementing legislation—Chapter 50, Statutes of 2013, AB 94 (Committee on Budget).

<sup>d</sup> Reflects estimated expenditures as of May 2015.