

# Reality Check: Projections, Proposals, & Opportunities



Legislative Analyst's Office

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[www.lao.ca.gov](http://www.lao.ca.gov)



# Key LAO Findings

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- Lower Revenues
- Larger Budget Problem
- Structural Shortfall After 2008-09
- Failure to Set Priorities

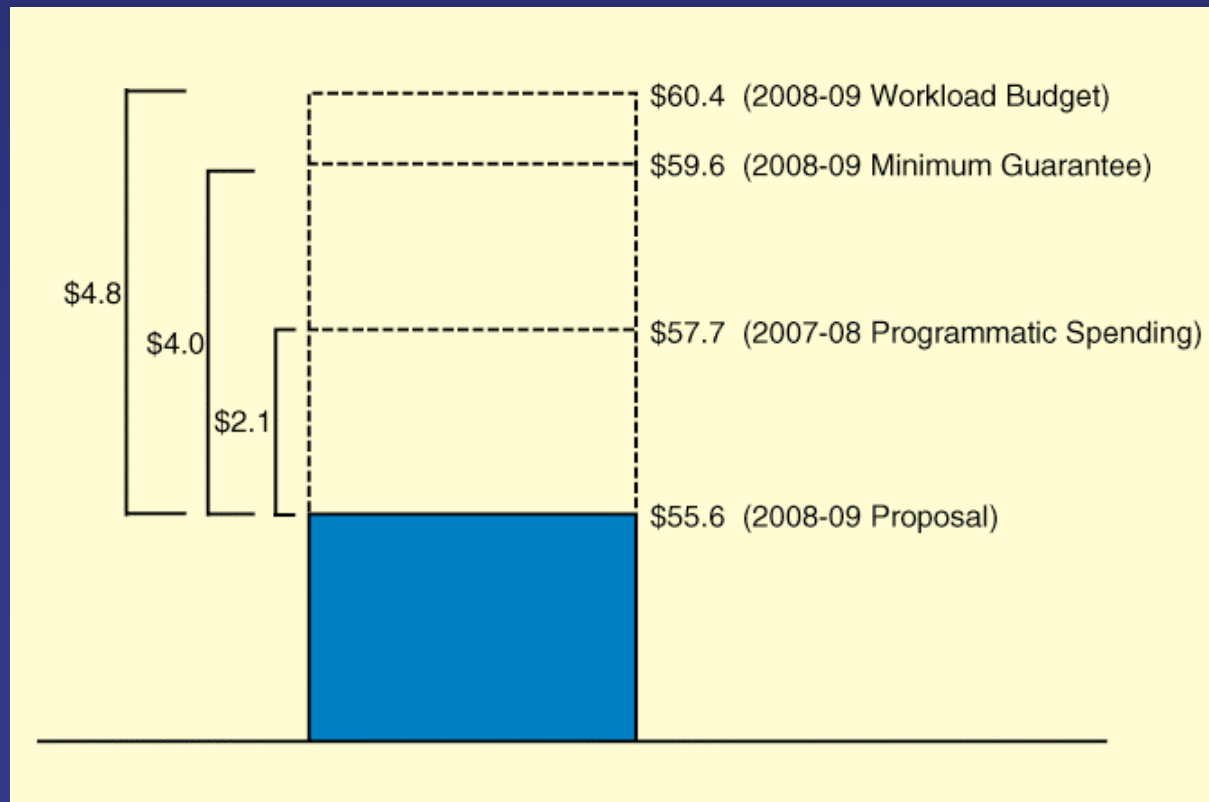
# Governor's Proposal for K-14 Education

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- **Suspends Proposition 98 requirement by \$4 billion.**
- **Does not provide COLA and reduces all programs from current-year spending levels.**
  - Most programs experience 6 to 7 percent cut.
  - Revenue limits cut by 3 percent.

# Three Perspectives on the Governor's Proposition 98 Reductions

(In Billions)

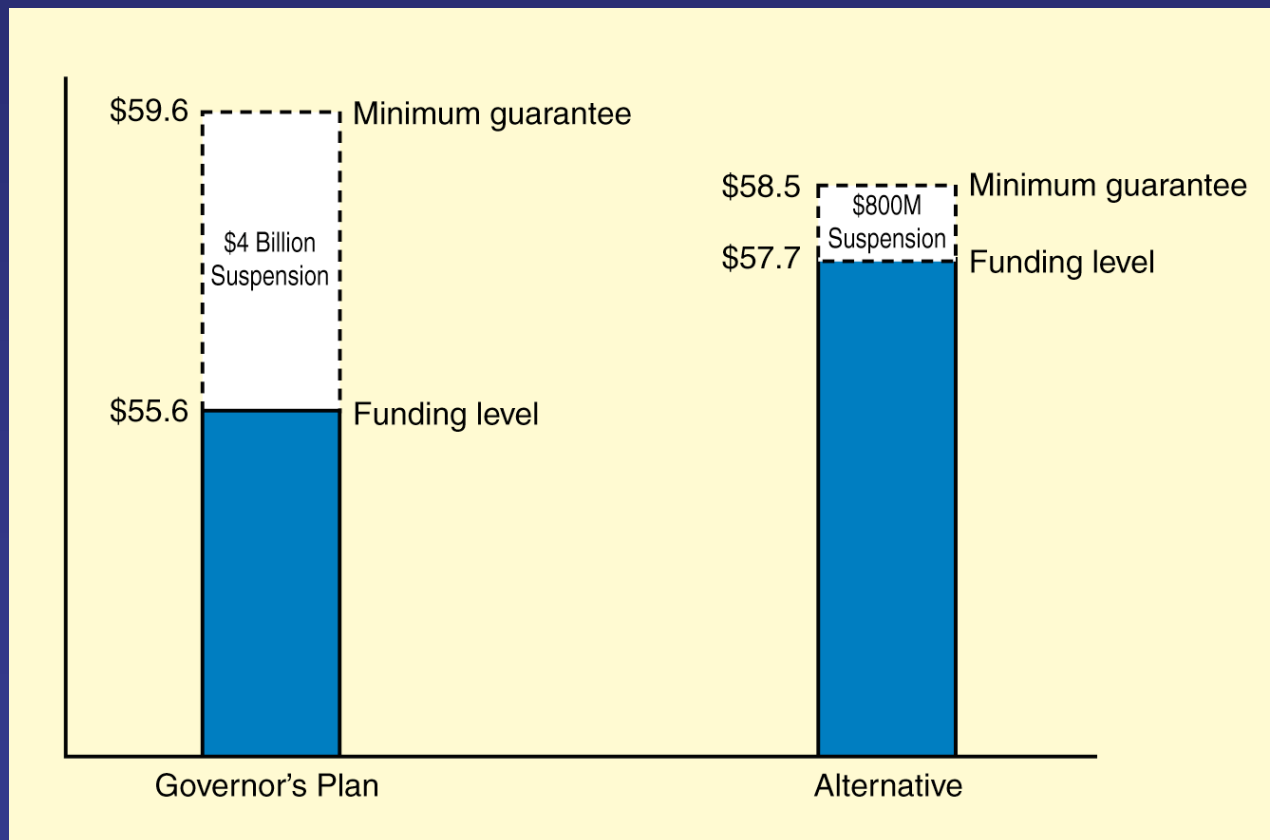


# LAO Alternative—\$57.7 Billion in Ongoing Proposition 98 Funding

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- Restores ongoing funding for ongoing programs supported with one-time monies.
- Makes growth-related adjustments.
- Does not provide COLAs.
- Fully funds ongoing costs of mandates.
- Makes targeted program reductions.

# Alternative's Funding Level Substantially Higher Than Governor's Level



# Problems With Current K-12 Funding System

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- **Overly complicated**
- **Focused on compliance—high cost, low value**
- **Not focused on outcomes**
- **Discourages innovation, collaboration, and flexibility to solve local problems**

# Reform Principles

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- Fewer funding streams is better
- Focus on overarching objectives
- Balance local control with accountability and feedback
- Hold districts harmless this year and equalize/transition to new funding formula over time



# Reform Package Consolidates Categorical Programs into 4 Block Grants

43

(In Billions)

	2007-08 Amounts
Base grant	\$34.8
Special education block grant	3.2
Opportunity to learn block grant	3.1
Instructional improvement block grant	1.2
<b>Total</b>	<b>\$42.3</b>

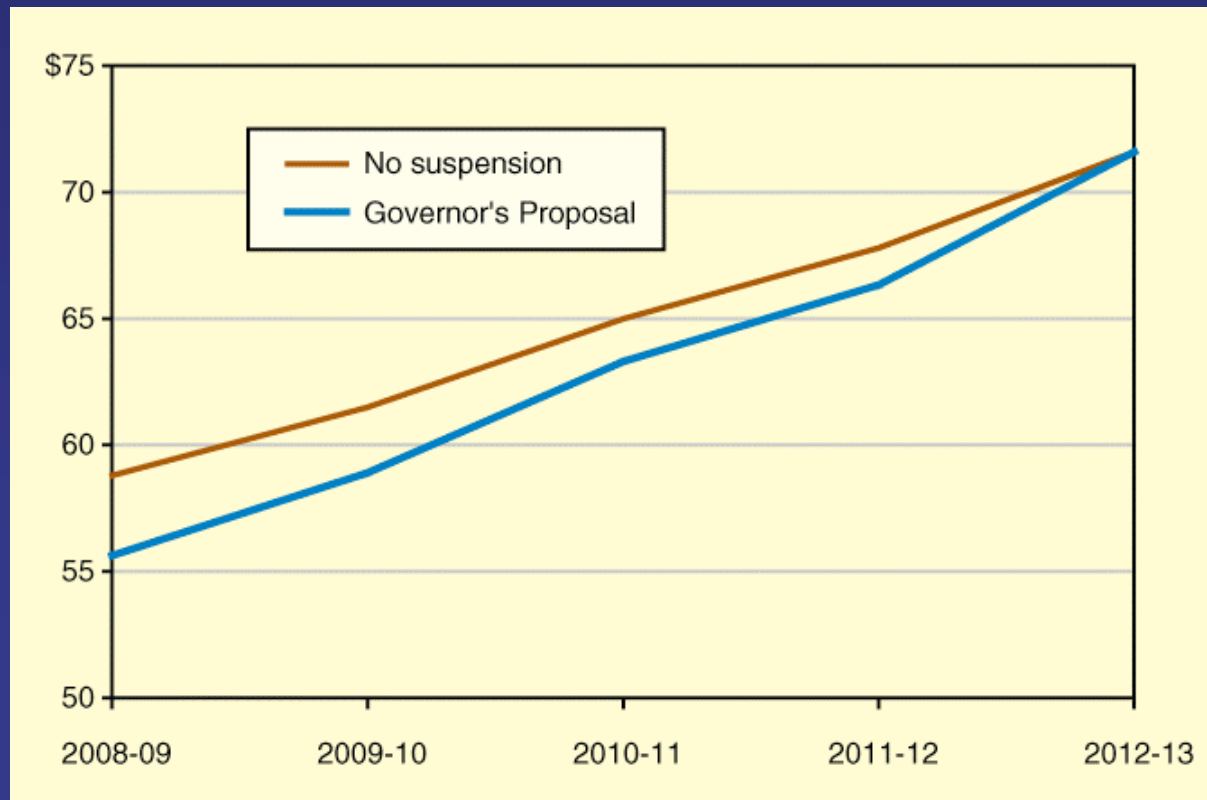
# Benefits of Categorical Reform

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- **Flexibility to Meet Local Priorities**
- **Ability to Find Local Solutions to Problems**
- **Increased Focus on Outcomes**

# Short-Term Proposition 98 Forecast Depends on 2008-09 Spending Level

(In Billions)



# New Discretionary Funds Still Expected in Out-Years

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- Lower COLAs and essentially no growth in number of K-12 students projected for out years.
- Results in low “baseline” costs and new discretionary funds.
- Between 2009-10 and 2012-13, total of around \$8 billion in new discretionary funds.

# Be Strategic About Investing New Monies

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- **Identify long-term priorities**
- **Measure and monitor progress**
- **Use results to foster ongoing improvements**
- **Align annual budget decisions with priorities**
- **Cultivate long-term commitment to keep “on track”**
- **Give school districts time to plan/implement reform**