

WHAT WOULD PROPOSITION 49, THE AFTER SCHOOL EDUCATION AND SAFETY PROGRAM ACT, MEAN FOR CALIFORNIA?

Proposition 49, the After School Education and Safety Program Act of 2002, which will appear on the November ballot, would guarantee and increase funding for after school programs. This measure, along with Proposition 51, an initiative to dedicate a portion of sales tax revenues to transportation projects that has also qualified for the November ballot, would earmark moneys from the state's General Fund to new and/or expanded programs without raising additional revenues. Actor Arnold Schwarzenegger is a major financial backer of the initiative.

Proposition 49 represents the first attempt by advocates of a particular program to earmark funds within the Proposition 98 guarantee.¹ Currently, Proposition 98 determines the total annual amount of funds available for education programs, but the allocation of those funds to specific programs is decided during the annual budget process. Thus, the Legislature has the flexibility to adjust funding levels for different programs to reflect changes in priorities. Beginning in 2004-05, Proposition 49 would provide a continuous allocation of up to \$550 million per year within the Proposition 98 guarantee for the After School Education and Safety Program (ASESP) that could not be adjusted without a subsequent ballot measure.

The following analysis focuses on the fiscal policy issues raised by Proposition 49. The California Budget Project (CBP) neither supports nor opposes this measure. However, the CBP highlights the impact of proposed and pending ballot measures on the budget and budget process, so that voters can make informed policy choices.

WHAT DOES PROPOSITION 49 DO?

Proposition 49 changes an existing program, the Before and After School Learning and Safe Neighborhoods Partnerships Program (BASLSNPP), and makes state funding available to all public schools for after school programs. In the event that the measure does not provide sufficient funding to expand the program to all schools, schools serving predominantly low-income students would have funding priority. The BASLSNPP provides incentive funds for elementary, middle, and junior high schools to establish programs that provide tutoring and enrichment activities to pupils in kindergarten and grades one through nine outside of the regular school day. Eligible programs must include an educational and literacy component, which can provide homework assistance and/or tutoring, and an educational enrichment component, which can provide recreational activities and activities designed to prevent students from engaging in risky behaviors.

Proposition 49 renames the BASLSNPP as the After School Education and Safety Program (ASESP) and expands the identified program activities to include computer training, fine arts, and physical fitness. Applicants for state funds for before and after school programs may be a local educational agency (LEA), or a city, county, or nonprofit organization in partnership with a LEA.² Current law requires programs to go through a collaborative planning process with participation from parents, youth, school representatives, governmental agencies, community organizations, and the private sector. Proposition 49 includes law enforcement agencies in this process.

Under current law, programs must be operated either on a school site or at a community park or recreational area that is adjacent to a school site. Proposition 49 allows schools to operate programs at sites that are neither on nor adjacent to school sites, as long as the sites meet the statutory and regulatory requirements applicable to similar programs on the school sites. Participating schools would be required to provide safe transportation to program sites.

WHAT WILL DETERMINE THE ANNUAL LEVEL OF STATE FUNDING FOR THE ASESP?

Currently, the Legislature funds the BASLSNPP through the state budget. AB 425, the proposed budget bill currently before the Legislature, includes \$121.6 million in state funds for BASLSNPP in 2002-03. This level of funding, in addition to \$40.9 million in federal 21st Century Community Learning Centers funds, would allow BASLSNP programs to serve an estimated 176,000 children.³ State funding for BASLSNPP counts toward the Proposition 98 school funding guarantee.

Under Proposition 49, beginning July 1, 2004, annual funding for the ASESP will be an amount up to \$550 million that is the *greater* of:

- The amount appropriated in the prior year; or
- The amount appropriated in 2003-04 plus the amount by which current year General Fund non-Proposition 98 appropriations exceed a defined base. The base is defined as the highest non-Proposition 98 appropriations level between 2000-01 and 2003-04 plus \$1.5 billion.

In 2004-05, Proposition 49 requires that the state fully fund the Proposition 98 funding guarantee before increasing the ASESP funding level over the prior year. The Legislative Analyst's Office (LAO) estimates that the ASESP will be funded at the maximum level of \$550 million beginning in 2004-05.⁴ Proposition 49 includes a provision that requires the state to fully fund the Proposition 98 guarantee before any increase ASESP funding over the prior year level, which means that in order to provide \$550 million for the ASESP in 2004-05, the state will have to "over-fund" the Proposition 98 guarantee.

From that year forward, the \$550 million to fund the ASESP would be built into the Proposition 98 base and could not be reduced. Funding for the ASESP can only be reduced if Proposition 98 is suspended, and then could only be reduced by the same percentage that the guarantee is reduced. The Legislature may appropriate funds for the ASESP in excess of the minimum guaranteed by the initiative, but may not reduce the funding level required by the initiative. Proposition 49 also allows the California Department of Education (CDE) to spend up to 1.5 percent of the annual ASESP appropriation for evaluation, technical support, and program administration.

HOW WILL THE ASESP FUND BEFORE AND AFTER SCHOOL PROGRAMS?

Proposition 49 reduces the maximum grant for after school programs from \$75,000 for elementary schools and \$100,000 for middle and junior high schools to \$50,000 and \$75,000, respectively. Some supporters of the BASLSNPP argue that the reduction will make it more difficult to serve all of the students who would likely participate, as many schools are unable to meet the demand for after school programs under the current grant cap. The CDE does not track the statewide number of students on waiting lists for BASLSNP programs, but a report estimated that 42,200 children were on waiting lists for existing programs in 2001.⁵ Reducing the maximum grant level would make it even more difficult for some schools to serve all the students who wish to participate in the ASESP. The lower grant level would require the state to provide additional funds to supplement the ASESP grants and/or require schools to generate moneys either through the use of their general purpose funds or contributions from local business, philanthropy, government, or community organizations.

Table 1: Proposition 49 Funds More After School Programs At A Lower Rate

	Current Law	Proposition 49
Funding Priority	<ol style="list-style-type: none"> 1. Current grant recipients. 2. Priority for new grants is given to elementary, middle, and junior high schools with at least 50 percent of pupils eligible for the free and reduced priced lunch program (high poverty). 	<ol style="list-style-type: none"> 1. Current grant recipients at 2003-03 level. 2. All elementary, middle, and junior high schools are eligible to receive "After School Education and Safety Universal Grants" for after school programs. 3. If funds are insufficient to provide Universal Grants to all applicants, priority is given to high poverty elementary, middle, and junior high schools and programs meeting specified quality standards (high quality). 4. After all schools receive Universal Grants, new before school programs will be funded with any remaining funds.
Summer and Intersession Funding	The lesser of: <ul style="list-style-type: none"> • \$5 per pupil per day (after school) or \$3.33 per pupil per day (before school), • 30 percent of the total grant awarded to the school for the regular year. 	No change.
After School Programs		
Per pupil per day	<u>Elementary</u> : \$5 per day <u>Middle and Junior High</u> : \$5 per day or \$5 for every three hours attendance, up to \$25 per week.	No change.
Maximum Annual Funding	<u>Elementary</u> : \$75,000 <u>Middle and Junior High</u> : \$100,000	<u>Elementary</u> : \$50,000 <u>Middle and Junior High</u> : \$75,000
Supplemental Funding	Maximum grants may be increased for current grant recipients by up to 25 percent, to serve pupils on waiting lists through a specific appropriation in the annual Budget Act.	Funds remaining after providing all applicants with Universal Grants will be used to supplement grants and to fund new before school programs for all schools, with high poverty schools and high quality programs receiving funding priority. Funding will be provided to a maximum of \$75,000 for elementary schools and \$100,000 for middle and junior high schools for after school programs, and \$25,000 and \$33,000, respectively, for before school programs.
Adjustment for Large Schools	Up to 100 percent of the maximum.	No large school adjustment for the Universal Grants, but supplemental funds may be used to adjust grants for large schools up to 100 percent of the maximum grant level. However, this would only occur if funds remain after adjustments for high poverty schools and high quality programs.
Local Match	At least 50 percent cash or in-kind matching funds, not including use of facilities.	No change.

Proposition 49 significantly changes how funds are prioritized among schools. Under current law, high poverty schools have second priority for funding after already funded schools, and there is no priority given to either before or after school programs. Proposition 49 only prioritizes high poverty schools if either there is not enough funding for all schools or if there are funds remaining to supplement Universal Grants. The measure only funds new before school programs if all after school programs are funded, thereby establishing a priority for these programs that does not exist in current law. Proposition 49 makes no changes in any of the other funding provisions for before school programs from current law.

WHAT OTHER BEFORE AND AFTER SCHOOL PROGRAMS SERVE CALIFORNIA STUDENTS?

Several programs currently provide recreational and educational enrichment activities to California students outside of the regular school day. These can be divided into entitlement programs, in which the state provides funding for all students who are either mandated or choose to participate, and programs that are funded competitively and serve students who volunteer to participate.

Entitlement Programs

These are programs that the state is committed to fund at the level necessary to serve all students who are required to participate because of low academic performance or who choose to participate to supplement their regular school instruction. The 2001-02 Budget funded:⁶

- *The Pupil Promotion, Retention, and Low STAR Scores Program for Grades 2-6*, which provides support and learning activities mandated for students who are retained, in danger of being retained, or who have low Standardized Testing And Reporting (STAR) scores (\$86.2 million).
- *The Elementary School Intensive Reading Program for Grades K-4*, which provides remedial reading instruction for students having difficulty reading (\$86.2 million).
- *The Core Supplemental Instructional Program for Grades K-12*, which provides optional enrichment classes for subjects offered during the regular school year (\$148.1 million).
- *The Remedial Supplemental Instructional Program for Grades 7-12 (includes Pupil Promotion and Retention for Grades 7-9)*, which provides supplemental instruction mandated for students who are not making progress toward passing the High School Exit Exam and provides intensive supplemental instruction mandated for students who have been retained or are in danger of being retained (\$144.5 million).
- *The Intensive Algebra Instruction Academies for Grades 7-8*, which provides opportunities for students to practice pre-algebra and algebra skills. This program requires trained staff and is contingent on staff meeting the program training requirements (\$21.5 million).

Competitively Funded Programs

These programs serve students who are not mandated to participate. The state is not obligated to provide funds for all students who wish to participate in these programs. Instead, the annual level of funding is determined through the budget process and schools apply for funding.

- *The School-Age Community Child Care Programs (Latchkey) for Grades K-9*. The 2001-02 Budget Act included \$28 million for the Latchkey program, which provides a safe environment with age and developmentally appropriate activities. Most programs offer homework support.
- *21st Century Community Learning Centers for pre-school to adult*. In 2001-02, California received \$130 million in federal funds for the program. This is a federal program providing a safe environment, literacy support, and youth development in community-based centers. This program does not require a local funding match, which makes it especially important to many rural districts that lack other local support for after school programs.

HOW DO PROPOSITION 49 AND PROPOSITION 98 INTERACT?

Proposition 98, enacted by the voters in 1988, established a minimum funding level for public K-14 education (K-12 and community colleges). The guarantee is generally calculated by adjusting the prior year funding level by inflation and changes in enrollment. Funding for the guarantee comes from the state General Fund and local property tax revenues. While Proposition 98 determines the total amount

of funds available for K-14 education, it does not appropriate funds to specific programs. The Legislature does this through the annual budget process, which allows the state to respond to changing education needs and priorities.

Proposition 49 represents the first attempt to establish a guaranteed level of funding for a specific program under the Proposition 98 guarantee. Under current law, the BASLSNPP funding level is determined by the Legislature during the annual budget process, and the program must compete with other programs funded within the Proposition 98 guarantee. While it is the intent of the Legislature to fund BASLSNPP at a minimum of \$85 million per year, it currently has the option of funding at a higher or lower level depending upon the state's fiscal situation and other factors.⁷

Proposition 49 eliminates the ability of the Legislature to reduce ASESF funding, even if demand for the program decreases or more effective programs were identified. By requiring a continuous appropriation for the ASESF, the measure could make other before and after school programs vulnerable in the competition for remaining Proposition 98 resources as advocates for other education programs could argue that the \$550 million for the ASESF is sufficient for extended day programs. This would be especially true in tight budget years. This could threaten the funding for programs such as the Latch-key program, which has higher standards for instructional staff and lower pupil-to-staff ratios than the ASESF and so may be more effective at serving the most vulnerable children in the state.⁸

DOES PROPOSITION 49 PROVIDE SUFFICIENT PROTECTION FOR THE BUDGET IN BAD YEARS?

Proposition 49 would not increase ASESF funding above the prior year level unless non-Proposition 98 General Fund appropriations for the current year exceed such appropriations for the base year, as defined by the initiative, by more than \$1.5 billion. This provision is intended to minimize the impact of the measure on the General Fund. However, \$1.5 billion is insufficient to fund inflation and population growth for existing non-Proposition 98 programs, which means that ASESF funding would increase before these programs are fully funded.

Based on CBP calculations, approximately \$2.3 billion would be required to fully fund population growth and inflation for programs outside the Proposition 98 guarantee between 2000-01 and 2001-02. However, due to the projected \$23.6 billion budget shortfall, the budget bill pending before the Legislature actually reduces spending for programs outside the guarantee both in the 2001-02 and 2002-03 budget years. In 2004-05, when the higher level ASESF appropriation would begin, approximately \$3.5 billion would be needed to merely keep up with population growth and inflation for non-Proposition 98 programs.

However, additional spending for the ASESF would be triggered even if appropriations for programs outside the Proposition 98 guarantee were just slightly over \$1.5 billion above 2000-01 levels.⁹ This means that the ASESF funding would be increased, even if the amount available to other non-Proposition 98 programs has dropped by 13.5 percent or more in inflation- and population-adjusted terms relative to 2000-01 levels. A more conservative estimate based on 2002-03 spending levels, which are lower due to reductions made in response to the current deficit, finds that the ASESF funding would increase in 2004-05 even if the amount available to non-Proposition 98 programs dropped by 7.7 percent or more in inflation- and population-adjusted terms.

The ASESF funding increase required by Proposition 49 could only be reduced in the event that the Legislature reduces the Proposition 98 guarantee, as allowed by the Constitution, in years with weak or negative growth in General Fund revenues. Proposition 98 has never been suspended and suspension is unlikely in the future. The LAO projects that the state will face operating deficits, that is expenditures will exceed revenues by \$9 to \$12 billion, between 2003-04 and 2007-08.¹⁰ Thus, if this measure is

enacted, the state may be required to increase spending for after school programs in a year when policymakers must also fill a sizeable budget gap.

Proposition 49 could potentially force spending reductions in existing programs outside the Proposition 98 guarantee, including health care, local government, UC and CSU, environmental programs, and social services in order to bridge future budget gaps. The General Fund squeeze could also result in reduced support for existing child care programs that serve CalWORKs recipients and the working poor, since Proposition 49 does not prevent the diversion of funds from existing state child care programs to pay for the increase in funds for the ASESP. Although the Governor has dropped his proposed restructuring of state child care programs, the reforms would have done just that – the existing Latchkey program would be phased out to help fund an increase in the BASLSNPP.

CONCLUSION: SHOULD VOTERS SET STATE BUDGET PRIORITIES AT THE BALLOT BOX?

Proponents for Proposition 49 argue that increasing investments in before and after school programs will save the state money in the long run by reducing costs for corrections and remedial education. They point, for example, to research indicating a link between participation in these programs and increased standardized test scores. In addition to improved academic performance, proponents also present evidence of a correlation between program participation and reduced criminal activity and other risky behaviors. These findings, they maintain, point to a need for increased funding even in the face of budget shortfalls.

However, Proposition 49 raises a number of policy issues that apply to any initiative that earmarks spending for a new or expanded program without providing a commensurate new revenue source. This measure differs, for example, from Proposition 10, which established the framework for a new program and raised funds to pay for the program. Proposition 49, and others like it, such as Proposition 51 also on the November ballot, would divert funds that are currently used to pay for programs supported by the state's General Fund. Proposition 49:

- Significantly changes the way programs have traditionally been funded under the Proposition 98 guarantee by earmarking funds for a specific program. This sets a precedent for advocates of other programs funded under the guarantee to bypass the annual budget process by seeking to earmark Proposition 98 funds through another initiative.
- Does not take into account demographic factors that will impact the General Fund over the next decade and beyond, such as the substantial growth in college age youth, which is expected to place increased demands on higher education, and the rise in the number of elderly Californians, which will increase costs for programs such as IHSS and Medi-Cal funded nursing home care.
- Does not take into account changes in federal policies or funding that increase state costs. For example, state costs for Medi-Cal will increase by over \$200 million due to a decrease in the federal matching rate, and new federal regulations that limit Medi-Cal reimbursement for public hospitals will reduce funding for safety net hospitals by hundreds of millions of dollars per year. Several major federal funding streams must be reauthorized this year, including the Temporary Assistance for Needy Families (TANF) and Child Care and Development Block Grants. The President has proposed freezing funding for these two block grants, effectively reducing the annual purchasing power. The loss of purchasing power will require an increase in state spending.
- Cannot be changed without subsequent voter approval. If demand for after school care decreases due to a reduction in the number of children in need of care, there is no mechanism for reducing funding. In contrast, the enrollment factor used to determine the Proposition 98 guarantee increases or decreases depending on enrollment levels.

Setting state budget priorities through the initiative process encourages voters to consider spending for

one area, such as after school programs, in isolation from other state spending. While many voters may support spending for the ASESP, they might prefer to spend less than required by the measure if they knew that it could result in cuts to health, higher education, other after school enrichment programs, or increases in taxes. As it would take a subsequent ballot measure to reduce the ASESP funding level required by Proposition 49, voters must carefully consider the impacts of setting future priorities based on current conditions.

ENDNOTES

¹ Proposition 98 was enacted by the voters in 1988 and guarantees a minimum level of funding for K-14 education programs.

² LEAs include school districts, county offices of education, and charter schools.

³ AB 425 (Oropeza), and *Governor's 2002-03 Budget Summary* (January 2002), p. 141.

⁴ Legislative Analyst's Office, Letter to Attorney General Bill Lockyer, (January 16, 2002), p. 4.

⁵ Foundation Consortium, *Waiting Lists and Expressed Interest in Participation in Currently Funded After School Learning and Safe Neighborhoods Partnerships Programs* (January 18, 2001), downloaded from www.foundationconsortium.org/site/shortcut/library/ on June 20, 2002.

⁶ California Department of Education, *After School Extended Learning Programs: Comparison Chart*, downloaded from www.cde.ca.gov/afterschool on June 14, 2002.

⁷ California Education Code, Section 8483.5.

⁸ Child care and development staff for Latchkey programs, at a minimum, must have completed 6 units in early childhood education or child development, or an approved Home Economics and Related Occupations (HERO) or Regional Occupational Program (ROP) in Child Development Related Occupations. The ASESP requires that all staff supervising students, at a minimum, meet the state's requirements for an instructional aide, which require aides to demonstrate proficiency in reading, writing, and mathematics up to that required for a high school senior. Pupil-to-staff ratios for Latchkey and ASESP are 14-to-1 and 20-to-1 respectively.

⁹ The CBP assumes 2000-01 will be the base year as defined in Proposition 49.

¹⁰ Legislative Analyst's Office, *Updated Five-Year General Fund Projections* (July 9, 2002). Estimates assume adoption of AB 425 as amended June 29, 2002.

Delaine McCullough prepared this Brief. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP is committed to improving public policies that influence the economic and social well-being of Californians and their communities. General operating support for the California Budget Project is provided by grants from the James Irvine, Ford, Charles Stewart Mott, Friedman Family, David and Lucile Packard, and California Wellness Foundations, the Penney Family Fund, and individual donations and subscriptions. Visit the CBP web site at www.cbp.org.
