Dollars, Democracy, and Education: The State Budget Process and K-12 School Funding

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Goals of the Presentation

- Explain why the **state budget** matters for schools
- Increase understanding of the **state budget process**
- Review the **key players** in the budget process, along with the **timeline**
- Provide information to improve **engagement** in the state budget process
What comes to mind when you think of the state budget?
Budgets are statements of our values and priorities.
What kind of California do we want to live in?
Why Does the State Budget Matter for Schools?
Quiz Question #1

- How much would you say you know about the state budget?
  - A lot
  - Some
  - Very little
  - Nothing
The state budget = state funds + federal funds.
State Funds Account for Nearly Two-Thirds of California’s State Budget
Total Proposed 2019-20 Expenditures = $314.5 Billion

Federal Funds 33.5%
State General Fund 45.8%
State Bond Funds 1.7%
State Special Funds 18.9%

Note: Figures do not sum to 100 due to rounding.
Source: Department of Finance
Quiz Questions #2 and #3

- What are the top three sources of revenue for the state General Fund?

- Which of the following represents the largest share of state General Fund spending?
  - Health and human services
  - State corrections (prisons)
  - K-12 public education
  - Higher education
The Personal Income Tax Is Projected to Account for Over Two-Thirds of California’s General Fund Revenues
Projected 2019-20 General Fund Revenues = $144.4 Billion

- Personal Income Tax: 69.6%
- Sales and Use Tax: 19.0%
- Corporate Income Tax: 9.1%
- Other: 2.3%*

* Includes Highway Users Taxes, Insurance Tax, Alcoholic Beverage Taxes and Fees, Cigarette Tax, Motor Vehicle Fees, and other sources of revenue.
Note: Reflects total projected General Fund revenues before a $1.8 billion transfer to the state’s rainy day fund as required by Proposition 2 (2014).
Source: Department of Finance
K-12 Education Accounts for the Largest Share of California’s General Fund Expenditures
Proposed 2019-20 General Fund Expenditures = $144.2 Billion

- K-12 Education: 40.7%
- Health and Human Services: 28.0%
- Higher Education: 11.9%
- Other*: 10.7%
- State Corrections: 8.7%

* Includes General Government; Legislative, Judicial, and Executive; Natural Resources; and other state budget categories that account for relatively small shares of General Fund expenditures.
Source: Department of Finance
Quiz Questions #4 and #5

- Where does the majority of K-12 education funding come from?
- Where do Local Control Funding Formula (LCFF) dollars come from?
The Majority of K-12 Education Funding Comes From the State

Note: Excludes capital project funds, debt service funds, and other financing sources not accounted for in school districts’ and county offices of education’s general funds.
Source: EdData
Base Grants Are the Largest Share of the Local Control Funding Formula (LCFF)

* Dollars provided to K-12 districts each year since 2012-13. Most of these funds are associated with programs such as home-to-school transportation that districts no longer need to operate.

Note: Base Grants include funding for Necessary Small Schools Allowances. Figures do not sum to 100 due to rounding.

Source: California Department of Education
Understanding the State Budget Process: A Key Pathway to Shaping State Education Policies
The budget process is different from the policy bill process.
Key Pathways for Shaping Public Policies at the State Level

- The most common way for Californians to shape state policies is to move a proposal through the Legislature and win the governor’s support. A proposal can move through the Legislature by means of:
  - the policy bill process;
  - the budget process; or
  - these two processes combined.

- Other pathways for shaping public policies include voting; lobbying the regulatory (rule-making) process that occurs within the executive branch; and qualifying a statewide ballot initiative to amend state law or the state Constitution.
Key Ways to Shape Public Policies at the State Level in California

- Vote
- Qualify an Initiative for the Statewide Ballot
- Get Involved in the Policy Bill Process
- Get Involved in the Budget Process
- Get Involved in the Regulatory Process
California’s state budget is actually a budget “package.”
The budget package consists of one or more budget bills plus budget-related trailer bills.

There is no limit on the number of trailer bills that may be included.
California’s Constitution establishes the basic rules of the state budget process.
US Constitution
- Roughly 7,800 words
- Amended 27 times

California Constitution
- Roughly 75,000 words
- Amended 500+ times
Proposition 13 (1978) required a two-thirds vote for the Legislature to change state taxes “for the purpose of increasing revenues.”
Prop. 26 (2010) changed the rules so that now a two-thirds vote is needed to approve any tax increase.
The state Constitution contains complex formulas that establish state budget priorities.
Two Key Budget Formulas in the State Constitution

• Prop. 98 (1988):
  — Guarantees a minimum level of funding for K-12 schools and community colleges.

• Prop. 2 (2014):
  — Requires some state revenues to be set aside to pay down debts and save for a rainy day.
The State Budget Process: Key Players
The Governor has the lead role in crafting the budget.
The Legislature reviews and revises the Governor’s proposals, with help from the Legislative Analyst’s Office (LAO).
Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee

Gabriel Petek, Legislative Analyst

Phil Ting, Chair, Assembly Budget Committee
Members of the public have various opportunities to make their voices heard during the budget process.
Relationships matter: developing connections with key members and staff of the Legislature’s budget subcommittees and the Department of Finance.
Numbers matter: working with allies and in coalitions can increase influence in the budget process.
Education advocates have many potential allies.
Examples of Coalitions

• **The Education Coalition**
  – Members include: the Association of California School Administrators (ACSA), California Teachers Association (CTA), California Federation of Teachers (CFT), and the California School Employees Association (CSEA).

• **Californians Together**
  – Members include: California Association for Bilingual Education, Early Edge California, Families in Schools, and Unidos US.
The State Budget Process: Timeline
The state Constitution sets two budget-related deadlines: January 10 and June 15.
The budget process is cyclical.

Decisions are made throughout the year, both in public settings and behind the scenes.
The state budget process can be divided into three distinct periods.

- July to December
- January to Mid-May
- Mid-May to June
July to December
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<th>Governor’s Administration</th>
<th>Legislature</th>
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<td><strong>• Department of Finance (DOF) leads development of Governor’s proposed budget.</strong></td>
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<td>➢ Look for opportunities to engage with Administration officials.</td>
<td><strong>• Leaders develop their budget priorities.</strong></td>
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<td>➢ Seek to have your priorities considered.</td>
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<td><strong>• Budget committee staff look ahead to upcoming budget deliberations.</strong></td>
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<td>➢ Build relationships and suggest ideas for hearings.</td>
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January to Mid-May
Governor’s Administration

• **Proposed budget released by January 10.**
  - Weigh in on the Governor’s proposals.

• **DOF makes budget adjustments and prepares May Revision.**
  - Engage with budget officials, offering candid feedback on Governor’s initial proposals.

Legislature

• **Budget subcommittees hold hearings to review proposed budget.**
  - Testify at hearings and meet with key legislators and staff.
Mid-May to June
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<td>• May Revision released by May 14.</td>
<td>• Budget subcommittees convene hearings on May Revision proposals.</td>
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<td>➢ Look for opportunities to engage with Administration officials.</td>
<td>➢ Testify at hearings and meet with key legislators and staff.</td>
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<td>• Budget conference committee meets to iron out differences.</td>
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The “Big 3” negotiate the final outlines of budget package.
State Budget Resources

- **California Budget & Policy Center**: Analyses and commentary, presentations and events, and technical assistance (calbudgetcenter.org).

- **Department of Finance**: The Governor’s budget proposals and related documents (www.dof.ca.gov).

- **Legislative Analyst’s Office**: Budget and policy analyses, budget recommendations, and historical budget data (www.lao.ca.gov).
State Budget Resources (cont.)

• **Legislative Counsel:** Bills and bill analyses, a free bill-tracking service, the state codes, and the state Constitution (leginfo.legislature.ca.gov).

• **State Assembly and Senate:** Committee agendas and other publications, floor session and committee schedules, the annual legislative calendar, and live audio streaming of legislative proceedings (assembly.ca.gov and senate.ca.gov).

• **The California Channel:** Live and archived webcasts of legislative hearings and floor sessions (www.calchannel.com).
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