

EDUCATION & WORKFORCE DEVELOPMENT

Friday, January 13, 2012

MEETING AGENDA

1. Welcome

2. How will Budget Cuts Affect Education in California?

Guest Speakers

- **Jean Ross, Executive Director, California Budget Project**
- **Christopher Cabaldon, Principal, Capital Impact, LLC**

3. Informational Items

- Legislative Analyst Office, 2012-2013 Budget: *Overview of the Governors Budget*
- 2012-13 Governors Budget Introduction
- 2012 Proposition Fact Sheets
- 2012 Policy Goals

4. Next Meeting: February 10, 2012



Los Angeles Area
Chamber of Commerce

Christopher Cabaldon
Principal
Capital Impact, LLC

Christopher Cabaldon works on transformative policy strategies at the local, regional, and statewide scales, with expertise across a wide range of topical areas in policy, governance, politics, economics, administration, and finance.

His professional career in education policy in California spans more than two decades. After coordinating legislative higher education policy development and analysis as Chief Consultant to the Assembly Higher Education Committee and then Chief of Staff to the Assembly Appropriations Committee chairwoman, Mr. Cabaldon served five years as Vice Chancellor of the California Community Colleges, with executive responsibility for policy, strategic initiatives, planning, technology, data systems, governmental advocacy and intersegmental relations, and public affairs.

Mr. Cabaldon is currently the executive director of the Linked Learning Alliance, director of the Blueprint for Community College Student Success project for the New America Foundation, and co-director of the California Legislative Staff Education Institute. In addition, Mr. Cabaldon has taught courses in public policy and public finance at CSU Sacramento, and serves on the Board of Advisors for the School of Education at UC Davis.

Since 1998, Mr. Cabaldon has been Mayor of West Sacramento, where his local and regional leadership on school facilities, effective governance, universal preschool, research-based reform, and workforce/education alignment have resulted in both scholarly recognition and improved student outcomes. One of the nation's leading mayors on education policy and best practices, he is Vice Chair for Education at the U.S. Conference of Mayors.

His work on transportation, land use, air quality and climate change, housing, and economic development at the local, regional, and statewide scales has won numerous awards, and has become the model for effective regional collaborative action. He chaired the metropolitan planning organization and the region's Partnership for Prosperity project, and serves on a variety of transportation and air quality agency boards. He has worked on state water and habitat issues for more than a decade on the state's Delta Protection Commission, as well as the Regional Water Quality Control Board.

Mr. Cabaldon served as a director for the League of California Cities, and was the founding co-chair of both the Asian Pacific and Gay/Lesbian caucuses. He served as president of Asian and Pacific Americans in Higher Education, founding chair of the Asian Pacific Youth Leadership Project, and president of the Asian Pacific Legislative Staff Caucus.

Mr. Cabaldon earned his B.S. in environmental economics from UC Berkeley and a Master of Public Policy & Administration degree from CSU Sacramento.



Los Angeles Area
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Jean Ross
Executive Director
California Budget Project

Jean Ross joined the California Budget Project (CBP) as its first executive director in 1995. The CBP is a nonprofit, nonpartisan organization established to promote a better understanding of state fiscal and economic policy issues and their impact on low- and- middle income Californians. Her prior professional experience includes serving as Principal Consultant to the Assembly Revenue and Taxation Committee; Senior Consultant to the Assembly Human Services Committee, where she staffed the California Legislature's Joint Select Committee on the Changing Family; and Assistant Research Director of the Service Employees International Union in Washington, DC, where she was responsible for coordinating the union's research on tax, budget, and employment policy issues.

Ms. Ross serves on the Board of the Washington, DC-based Institute on Taxation and Economic Policy; the Advisory Board of the Tax Policy Center, a joint project of the Urban Institute and Brookings Institution; the Advisory Committee of California's Franchise Tax Board; the Technical Advisory Committee of California's Economic Strategy Panel; and the Board of the California Tax Reform Association. Ms. Ross is a frequent speaker on fiscal and economic policy issues and has published numerous reports and articles. She has authored articles published by the Los Angeles Times, Sacramento Bee, State Tax Notes, San Francisco Chronicle, San Diego Union Tribune, UC Berkeley's Intergovernmental Studies Press, Cornell University Press, National Academy Press, and other publications.

Ms. Ross graduated from the University of California, Santa Cruz and has a master's degree in city and regional planning with a concentration in regional economics from the University of California, Berkeley. Ms. Ross was selected as a Senior Fellow of the University of California, Los Angeles' School of Public Policy and Social Research in 2000-01.

2012-13 BUDGET

Legislative Analyst's Office

Executive Summary

For full document go to: http://www.lao.ca.gov/reports/2012/bud/budget_overview/budget-overview-011112.pdf

GOVERNOR'S PROPOSAL

Proposed Tax Initiative Is Cornerstone of Governor's Budget Proposal. The administration estimates that the Legislature and the Governor must address a budget problem of \$9.2 billion between now and the start of the 2012-13 fiscal year. The cornerstone of the Governor's 2012-13 budget plan is its assumption that voters will approve a temporary increase in income and sales taxes through an initiative that the Governor has proposed be on the November 2012 ballot. The administration estimates the initiative would increase state revenues by \$6.9 billion by the end of 2012-13, and generate billions of dollars per year until its taxes expire at the end of 2016. The taxes would be deposited to the General Fund to pay for the state's Proposition 98 school funding obligations, as increased by the initiative, and to help balance the budget by paying for other state programs. The Governor also proposes significant reductions to social services and child care programs and additional state borrowing.

Administration Estimates Plan Would Return State Budget to Balance. The administration estimates the Governor's plan would leave the state with a \$1.1 billion reserve at the end of 2012-13 and balanced annual budgets for the next few years. The Governor also proposes that the state take steps to reduce outstanding state budgetary obligations (which he calls a "wall of debt") during the next several years.

Proposed Trigger Cuts if Voters Reject Governor's Tax Initiative. The Governor's proposal requests that the Legislature approve \$5.4 billion of "trigger cuts" to take effect on January 1, 2013, if voters do not approve the Governor's tax initiative. Proposition 98 funding for schools and community colleges would bear the brunt of these trigger cuts: \$4.8 billion (90 percent) of the total.

LAO COMMENTS

Governor's Plan Would Continue State's Efforts to Restore Budgetary Balance. In 2011, the Legislature and the Governor took significant steps—through ongoing budgetary actions—to begin to restore the state budget to balance. To finish this job, the Legislature still faces a very difficult task for 2012, as the Governor's proposal shows. The Governor's plan envisions multiyear tax increases and significant reductions in social services and subsidized child care programs. As an alternative, if his tax plan is rejected he proposes much larger cuts, aimed largely at schools. If the state chooses either of the Governor's two paths, the state budget would be moved much closer to balance over the next several years.

Revenue Estimates Bigger Question Mark Than Usual. Our revenue estimates—including estimates of state revenue gains from the Governor's proposed initiative—currently are lower than the administration's. Already, California's budget is dependent on volatile income tax payments by the state's wealthiest individuals, and the Governor proposes that these Californians pay more for the next few years. As has become evident in recent years, differing fortunes for these upper-income taxpayers can create or eliminate billions of dollars of projected state revenues. If our current revenue estimates are closer to the target than the Administration's, the Legislature will have to pursue billions of dollars more in budget-balancing solutions.

Restructuring Proposals in Education Merit Serious Consideration. The Governor's plan contains major restructuring of the school finance system, community college categorical funding, and education mandates. We think the Governor's restructuring proposals in all these areas would overcome most widely recognized shortcomings of these current systems and institute lasting improvements.

Social Services and Child Care Proposals Have Merit, But Involve Drawbacks. The Governor proposes to reduce General Fund support for California Work Opportunity and Responsibility to Kids (CalWORKs) and subsidized child care—the state's primary sources of cash assistance and work support for low-income families—by a total of about \$1.4 billion. His proposal would focus reforms in the CalWORKs program on achieving the goal of emphasizing work. The Legislature may wish to consider whether the proposed reductions to families most in need of support to achieve self-sufficiency are too severe, as well as the Governor's proposal to restrict eligibility criteria and time lines for subsidized child care. Focusing these programs on a different set of objectives and priorities than the Governor would not necessarily eliminate opportunities for budgetary savings, but the savings potential under such alternatives could be less.

Trigger Cut Framework Needs to Be Considered Carefully. Though the Governor's tax initiative would improve the financial outlook of public education over the next several years, his trigger plan would create significant uncertainty for schools, community colleges, and universities in 2012-13. This uncertainty is likely to be particularly problematic for schools, as most will feel compelled to build their 2012-13 budgets assuming the trigger cuts will be implemented. This means schools in 2012-13 likely will implement most, if not all, of the reductions that many hope to avoid. Given this possibility, the Legislature needs to be very deliberate in structuring a workable trigger package. In particular, the Legislature will need to be careful in setting the size of the trigger reduction; determining the specific education reductions to impose; and designing tools to help schools, community colleges, and universities respond to the trigger cuts.

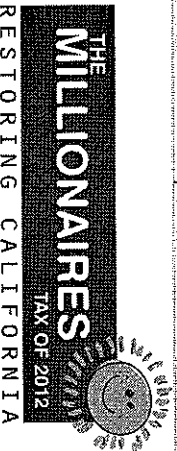
How much does each proposed initiative cost the "typical" California taxpayer?

MillionairesTaxCA.com

	Amount that would be raised & expiration	Tax change	Who benefits	Who backs this
Millionaire Tax of 2012	\$6 billion (no expiration)	Raises income tax by 3% on income between \$1-2 million; raises rate by 5% on income over \$2 million.	3/5 to K-14, CSU, and UC, remainder to local governments to restore services for children and seniors, public safety & infrastructure. All in a "lockbox" that bypasses the Legislature.	California Federation of Teachers (CFT), Courage Campaign, California Calls, UC Students' Assoc. & 25 other community groups
Gov. Brown	\$7 billion (expires 2016)	Temporarily increases state sales tax by a half-cent as well as marginal income tax rates on income above \$250,000. Adds to Constitution a tax shift to local governments to pay for incarceration & other "realigned" state services.	K-14, public safety, social services & corrections.	Gov. Brown, SEIU State Council
Our Children, Our Future	\$10 billion (expires 2024)	Raises personal income taxes on all Californians who earn more than \$7,316 per year.	K-12, early childhood programs.	Civil rights attorney Molly Munger
Think Long	\$10 billion (no expiration)	Extends statewide sales tax to services. Reduces personal income tax rates. Reduces the corporate tax rate. Raises taxes on out-of-state firms. Lowers taxes for top income earners, raises taxes on everyone else.	Pays down debt initially. In future, \$5 billion for K-14, \$1.5 billion to higher education, \$1.5 billion to county public safety, \$1 billion to cities.	Billionaire Nicolas Berggruen, Silicon Valley executives, former Gov. Arnold Schwarzenegger, former Secretary of State Condoleezza Rice, billionaire Eli Broad, former political leaders

* "Typical" taxpayer = median joint filer, \$65,000

Sources: Sacramento Bee and San Francisco Chronicle



Our Children, Our Future:

Local Schools and Early Education Investment Act

OUR CHILDREN, OUR FUTURE: LOCAL SCHOOLS AND EARLY EDUCATION INVESTMENT ACT

SECTION 1: Title.

This measure shall be known and may be cited as “Our Children, Our Future: Local Schools and Early Education Investment Act.”

SECTION 2: Findings and Declaration of Purpose.

1. California is shortchanging the future of our children and our state. Today, our state ranks 46th nationally in what we invest to educate each student. California also ranks dead last, 50th out of 50 states, with the largest class sizes in the nation.
2. Recent budget cuts are putting our schools even farther behind. Over the last 3 years, more than \$20 billion has been cut from California schools; essential programs and services that all children need to be successful have been eliminated or cut; and over 40,000 educators have been laid off.
3. We are also failing with our early childhood development programs, which many studies confirm are one of the best educational investments we can make. Our underfunded public preschool programs serve only 40 per cent of eligible 3 and 4 year olds. Only five per cent of very low income infants and toddlers, who need the support most, have access to early childhood programs.
4. We can and must do better. Children are our future. Investing in our schools and early childhood programs to prepare children to succeed is the best thing we can do for our children and the future of our economy and our state. Without a quality education, our children will not be able to compete in a global economy. Without a skilled workforce, our state will not be able to compete for jobs. We owe it to our children and to ourselves to improve our children’s education.
5. It is time to make a real difference: no more half-measures but real, transformative investment in the schools on which the future of our state and our families depends. This Act will enable schools to provide a well-rounded education that supports college and career readiness for every student, including a high quality curriculum of art, music, physical education, science, technology, engineering math and vocational and technical education courses; smaller class sizes; school libraries, school nurses, and counselors.
6. This Act requires that decisions about how best to use new funds to improve our schools must be made not in Sacramento, but locally, with respect for the voices of parents, teachers and community members. It requires local school boards to work with parents, teachers, and community members to decide what is most needed at each particular school.

7. In order for all our schools to be transformed, so that all our children benefit, this Act makes sure that new funding gets to every local school – including charter schools, county schools and schools for children with special needs – and is allocated fairly and transparently. New funding will be allocated to every local school on a per-pupil basis, with funds required to be spent at local schools, not district headquarters.

8. This measure holds local school boards accountable for how they spend new taxpayer money. They are required to explain how expenditures will improve educational outcomes and how they propose to determine whether the expenditures were successful. They will be required to report back on what results were achieved so that parents, teachers, and the community will know whether their money is being used wisely.

9. This Act limits what schools can spend from these new funds on administrative costs to no more than 1 percent and ensures schools may not use these new funds to increase salaries and benefits.

10. This Act will help prepare disadvantaged young children to succeed in school and in life by raising standards for early childhood education programs and by expanding the number of children who can attend.

11. As Californians, we all should share in the cost of improving our schools and early education programs because we all share in the benefits that better schools and a well-educated workforce will bring to our economy and the quality of life in our state.

12. Our schools and early childhood programs have suffered from years of being shortchanged. Rather than allow further cutbacks, we need to increase funding to provide every child an opportunity to succeed. If we all join together to send more resources to all our children and classrooms, and we all participate in ensuring good decisions are made about how to use these funds effectively, we can once again make California schools great and grow our economy.

13. This measure raises the money needed to invest in our children through a sliding scale income tax increase that varies with taxpayers' ability to pay, with the highest income earners contributing the most.

14. Eighty-five percent of the money will go to all local public schools, including charter schools, county schools and schools for children with special needs. Fifteen percent of the money will be used to improve and expand public preschool and early childhood development programs. To avoid wide fluctuations in revenue and ensure continued investment in needed school and early education facilities, any revenues that exceed the rate of growth of California per capita personal income will be used to help service and pay down existing state education bond debt, insuring California's ability to issue new bonds, as needed, to build and modernize school and early education facilities.

15. All the new money raised by this initiative will be put in a separate trust fund that can *only* be spent for local schools, for early childhood care and education, and to help service and retire school bond debt, according to the provisions of this Act. The Legislature and Governor will not

be allowed to use this money for anything else, nor will they be able to change the per-pupil allocation system that ensures money flows fairly to every local school.

16. This initiative contains tough, effective accountability provisions that require oversight, audits and public disclosure. For the first time, we will have transparent school site budgets and know exactly how our money is being spent in every school. Anyone who knowingly violates the allocation or distribution provisions of this Act will be guilty of a felony.

17. The initiative also builds in an extra layer of accountability by ending the tax after twelve years unless it is re-approved by the voters. That gives our schools enough time to show that the new funds have actually improved educational outcomes, while protecting taxpayers by eliminating the tax if voters decide they don't want to keep it.

18. This will be new money. It cannot be used in place of current funding for K-12 education or early childhood programs. It must be used to increase spending as authorized by this Act to fulfill our obligation to the children of California.

SECTION 3. Purpose and Intent.

The people of the State of California declare that this Act is intended to do the following:

1. To strengthen and support the education of California's children by supplementing the amount of public funding provided for early care and education programs and K-12 public education.
2. To create more accountability, transparency, and community involvement in how public education funds are spent.
3. To insure that the revenues generated by this Act will be used for K-12 educational activities at the school site; to expand and strengthen early care and education for disadvantaged children; and, to the limited extent and under the limited circumstances specifically permitted by this Act, to encourage adequate future investment in educational facilities by reducing the burden of current state school bond debt.
4. To insure that the revenues generated by this Act cannot be used to supplant existing state funding for K-12 education or early care and education.
5. To insure that the Legislature cannot borrow or divert the revenues generated by this Act for any other purpose, nor dictate to local school communities how those funds shall be spent.