

Analysis of the Governor's Proposed 2013-2014 Budget

and its Effect on California's Diverse Majority





About the Greenlining Institute

The Greenlining Institute is a national policy, research, organizing, and leadership institute working for racial and economic justice. We ensure that grassroots leaders are participating in major policy debates by building diverse coalitions that work together to advance solutions to our nation's most pressing problems. Greenlining builds public awareness of issues facing communities of color, increases civic participation, and advocates for public and private policies that create opportunities for people and families to make the American Dream a reality.

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Design: Vandy Ritter Design, San Francisco

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EXECUTIVE SUMMARY

Gov. Brown's proposed 2013-14 budget includes \$138.6 billion in General Fund and special fund spending, up 4.5 percent from 2012-13. According to the Administration, the state's General Fund budgetary reserve will be \$1 billion by the end of 2013-14, if the governor's plan is implemented as proposed. However, while the governor's proposal provides increased or similar funding into California's safety net from 2012-13, 16.6 percent of Californians still live below the poverty line (up from 16.3 percent last year)¹, with American Indian and Alaska Native, African Americans, and Hispanic or Latino populations having the highest rates of poverty: 25.5 percent, 25 percent, and 23.4 percent respectively.²

With this in mind, we analyzed the governor's proposed 2013-14 budget with a racial equity frame. Our major findings include:

1. Staff positions for the Managed Risk Medical Insurance Board and Department of Health Care Services stayed the same or increased, respectively, compared to 2012-13 levels. These positions will likely ensure that children of color in the Healthy Families Program will receive adequate institutional support during their transition into Medi-Cal in 2013.
2. Extension of the Hospital Quality Assurance fee will continue to benefit communities of color enrolled in Medi-Cal managed care plans through supplemental payments to Medi-Cal providers and hospitals.
3. While the governor generally maintains the same level of funding for CalWORKs and childcare, cuts from previous years to these programs have had and will continue to adversely impact families of color. In fact, the governor proposes reduced General Fund support for CalWORKs by \$469 million in 2013-14,³ which also cuts funding that counties use to provide welfare-to-work services and childcare.⁴
4. The Medi-Cal expansion extends health insurance coverage to Californians within 101 to 138 percent of the Federal Poverty Level (FPL), and will usher in approximately \$2.1 to \$2.5 billion of federal dollars to the state, which will offset state spending. The Medi-Cal expansion is predicted to increase California enrollment by between 1.8 million to 2.7 million by 2019.⁵ Of these new Medi-Cal enrollees, communities of color represent approximately 66 percent of the newly eligible Medi-Cal population.⁶
5. There is significant uncertainty in how cost-sharing by counties due to the Medi-Cal expansion will impact health care services to low-income people who still rely on the county-funded safety net as their primary source of care.
6. The Local Control Funding Formula (LCFF) for education proposes a base grant for all districts. A supplemental grant is given to districts based on how many economically disadvantaged students are enrolled. Economically disadvantaged students are determined by whether a student is an English Language Learner and/or in the free/reduced price meal program (FRPM). The levels of funding are meant to increase equity by prioritizing funding for economically disadvantaged students; however, without further clarity on the variables included in the LCFF, it remains unclear whether the LCFF will move school funding to a more equitable distribution of funds—helping California's K-12 students of color.

7. Revenue raised by Proposition 39, the California Clean Energy Jobs Act, is estimated to generate about \$1 billion annually. Gov. Brown plans to allocate all of this revenue to school and community college districts to meet the Proposition 98 minimum guarantee.⁷ The Proposition 39 revenue would increase the minimum by \$526 million, allowing him to make deferral payments and increase grants for economically disadvantaged school and community college districts, on a per-student basis. Providing every district with funding on a per-student basis does not focus on those school and community college energy projects likely to provide the greatest energy savings and job benefits for the communities that need them the most. A per-student approach also penalizes districts with high absence rates even for truancy due to health reasons, which disproportionately affects schools with higher rates of students of color, and more specifically black students.⁸
8. Equal increases of \$125.1 million from the General Fund are provided for core instructional cost for both the University of California (UC) and the California State University (CSU). The differences between both university systems (CSU and UC), such as the larger size of the CSU student population, along with demographic and financial differences between the two systems, make this seem like an inequitable distribution of funding, particularly for CSU students, who are disproportionately students of color.
9. The governor proposes to set a cap on the number of units a student can earn while receiving state subsidies. The 90-unit cap for community colleges might decrease students of color rates of transfer or graduation, because students of color are more likely to be underprepared to start college.
10. The governor proposes \$16.9 million to community colleges to increase availability of online courses. Meanwhile, as part of the General Fund for core instructional costs, UC and CSU receive \$10 million to increase the number of online courses available. Expanding the availability of online courses might have an inequitable effect on students at community colleges, especially since their median income is the lowest in California's higher education system.

INTRODUCTION

Gov. Brown's proposed 2013-14 budget includes \$138.6 billion in General Fund and special fund spending, up 4.5 percent from 2012-13. According to the Administration, the state's General Fund budgetary reserve will be \$1 billion by the end of 2013-14, if the governor's plan is implemented as proposed. Much of this improvement in the state's finances is due to prior budgetary restraint—including tough cuts to safety net spending over the past two years—and temporary new revenues provided by the passage of Proposition 30. While the state has continued its fiscal prudence through the 2013-14 budget, the proposal includes reinvestment in education and expanding health care coverage to a broader population of Californians.

The governor's proposed solutions will affect all Californians. However, communities of color remain especially vulnerable, as a disproportionately high percentage relies on state dollars. While the governor's proposed 2013-14 budget provides increased or similar funding into most aspects of California's safety net from 2012-13, 16.6 percent of Californians still live below the poverty line (up from 16.3 percent last year)⁹, with the American Indian and Alaska Native, African American, and Hispanic or Latino populations having the highest poverty rates: 25.5 percent, 25 percent, and 23.4 percent respectively.¹⁰

Understanding the potential effect the governor's proposed budget may have on California's diverse majority, coupled with the severe cuts in previous years to support services for California's most vulnerable, we sought to conduct further analysis of the governor's proposed budget from a racial equity frame. For this analysis we have examined the budget for: Health and Human Services, including the Affordable Care Act and Medi-Cal expansion allocations, Department of Health Care Services, and Department of Social Services, including CalWORKs and childcare; K-12 Education, including the local control funding formula and Prop 39 allocations; and Higher Education. While these major programs include the most likely large-scale impacts on California's diverse majority, it is a near certainty that there will be other impacts not discussed in this document.

DIVERSITY



The State of California's Racial and Ethnic Diversity:

- California is the most populous state in the nation. If California were a nation itself, it would rank 34th in the world in terms of population size.¹¹
- California is a minority-majority state with no single racial or ethnic group making up a majority.¹² However:
 - California is home to America's fifth largest concentration of African Americans.¹³
 - California's Asian population is approximately one-third of the nation's estimated 15 million Asian Americans.¹⁴
 - California has the highest total number of Latinos and Native Americans of any state.¹⁵
- While the population of "minorities" accounts for 100.7 million of 300 million U.S. residents, 20 percent of the national total live in California.¹⁶
- Nearly 43 percent of California residents speak a language other than English at home, a proportion far higher than any other state;¹⁷ 19.4 percent of Californians speak English less than "very well."¹⁸
- As of 2004, approximately 24 percent of all undocumented immigrants in the nation live in California.¹⁹ Undocumented immigrants represent nearly 6.9 percent of California's population.²⁰

HEALTH AND HUMAN SERVICES AGENCY

Summary

The Governor's 2013-14 Proposed Budget allocates approximately \$28.4 billion towards the Health and Human Services (HHS) Agency from the state General Fund, with a total budget of approximately \$45.2 billion.²¹ This represents a slight overall increase in HHS funding compared to the 2012-13 budget. HHS expenditures are projected to total 31 percent of the state's total expenditures, which is the largest percentage of the total budget by any state agency.²²

Although funding for HHS increased slightly in the proposed 2013-14 budget, without further details from the governor regarding certain provisions, it is unclear whether this increase in funding will cumulatively benefit or harm the health of communities of color.

1. Staff positions for the Managed Risk Medical Insurance Board and Department of Health Care Services stayed the same or increased, respectively, when compared to 2012-13 levels. These positions will likely ensure that children of color enrolled in the Healthy Families Program will receive adequate institutional support during their transition into Medi-Cal in 2013.
2. Extension of the Hospital Quality Assurance fee will continue to benefit communities of color enrolled in Medi-Cal managed care plans through supplemental payments to Medi-Cal providers and hospitals.
3. The governor proposes reduced General Fund support for CalWORKs by \$469 million in 2013-14,²³ which also cuts funding that counties use to provide welfare-to-work services and childcare.²⁴ This generally maintains the same level of funding for CalWORKs and childcare, however, cuts from previous years to these programs have had and will continue to adversely impact families of color.
4. The Medi-Cal expansion extends health insurance coverage to Californians within 101 to 138 percent of the Federal Poverty Level (FPL), and will usher in approximately \$2.1 to \$2.5 billion of federal dollars to the state, which will offset state spending.
5. There is significant uncertainty in how cost-sharing by counties due to Medi-Cal expansion will impact health care services to low-income people of color who still rely on the county-funded safety net as their primary source of care.

DEPARTMENT OF HEALTH CARE SERVICES

Department of Health Care Services and the Managed Risk Medical Insurance Board

Department of Health Care Services

The proposed 2013-14 budget increases General Fund allocations slightly for the Department of Health Care Services (DHCS) to approximately \$159.4 million, an increase of 2.7 percent.^{25,26} Medi-Cal continues to be the largest total expenditure for DHCS at approximately \$60.9 billion²⁷ in the proposed budget, a minimal increase from 2012-13.²⁸

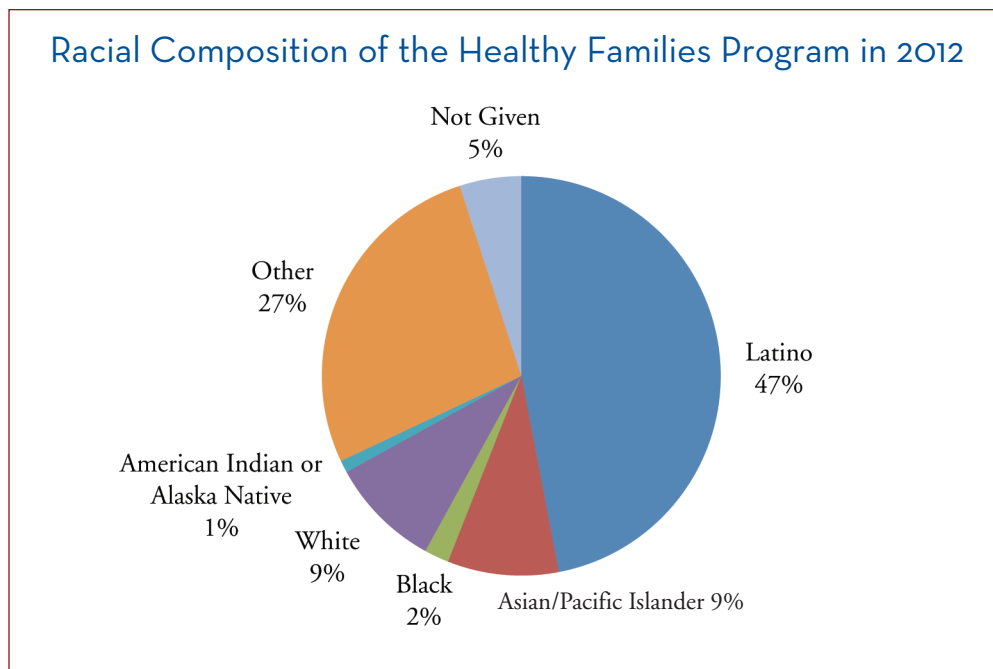
Managed Risk Medical Insurance Board (MRMIB)

Funding for four of five MRMIB programs remain approximately the same as 2012-13 levels, with the exception of the Healthy Families Program (HFP). The HFP dropped from an estimated \$887.6 million in 2012-13 to a proposed \$89.4 million for 2013-14, an 89.9 percent decrease in HFP expenditures.^{29,30} The transition of the HFP from the MRMIB to the Department of Health Care Services is expected, and pursuant to the enacted 2012-13 budget.³¹

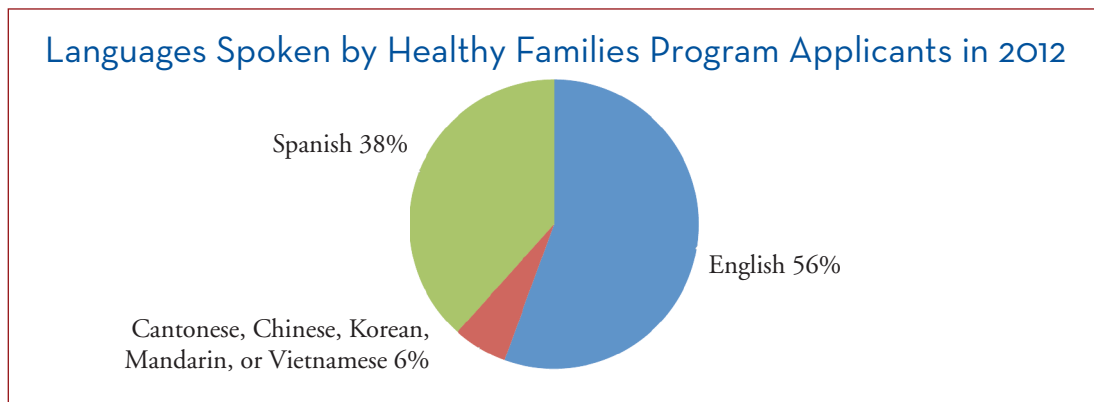
- The governor’s budget estimates that the transition of programs including Healthy Families, Pre-Existing Condition Insurance, and Major Medical Insurance Programs will result in \$122.2 million in savings for the General Fund.³² DHCS estimates that the transition of HFP to Medi-Cal will result in General Fund savings of \$278 million.³³
- The HFP specific transition from MRMIB to DHCS is expected to lower costs by \$73 million per year through lower administrative overhead, simplifying eligibility determination, and paying providers the lower Medi-Cal managed care reimbursement rate.³⁴
- Allocations from the General Fund decreased by \$143.9 million, primarily due to the transition of kids from HFP to Medi-Cal.³⁵

Healthy Families Program

HFP provides subsidized health insurance for children up to 19 years of age who fall between 101 to 250 percent of the Federal Poverty Level (FPL), ensuring health care coverage for low-income families who were previously ineligible for Medi-Cal. As referenced in the figure below, at least 58 percent of HFP participants are from communities of color,³⁶ with the Latino population comprising almost half of the program’s caseload³⁷ that will be transitioned into Medi-Cal this year.



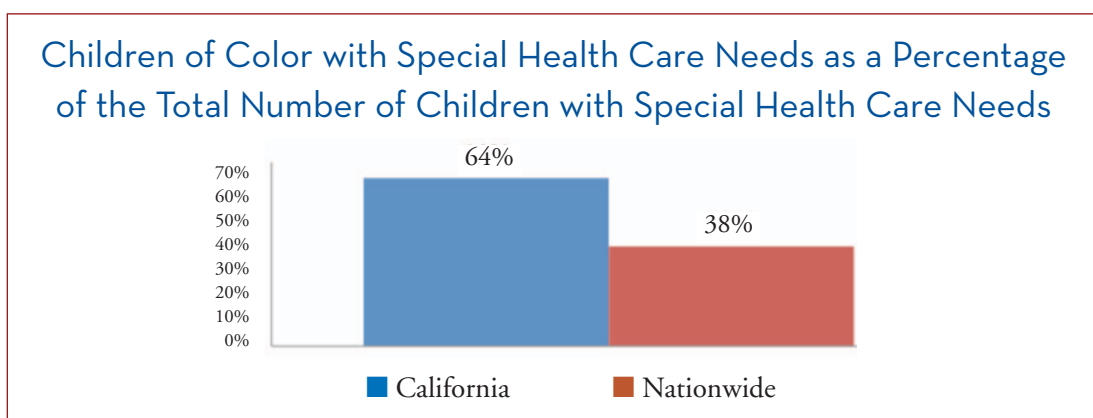
In addition, many HFP applicants spoke languages other than English, with 44 percent of 2012 participants speaking another language^{38,39}:



Approximately 860,000 participants from HFP began transitioning into Medi-Cal beginning January 2013, a shift that accounts for approximately 4.7 percent of the caseload increase in Medi-Cal managed care plans in 2013-14.⁴⁰ Although the State will continue to utilize the federal match of 65 percent for the HFP caseload while they are in Medi-Cal,⁴¹ the nonfederal share of Medi-Cal payments for HFP is administered by DHCS from the state General Fund.⁴²

Impacts

- **Staffing for MRMIB remains constant across all programs, including 62 positions dedicated for the HFP, which will likely ensure continuity of coverage for children of color transitioning from HFP to Medi-Cal in DHCS.**
- **Staffing for DHCS will increase by 6.6 percent to 3,475.2 positions, and will increase by 27.5 percent to 355.7 for DHCS Administration positions.**^{44,45} It is unclear from the proposed budget how the governor will allocate these additional positions, but it is likely that the increase in DHCS staffing will support the transition of children of color moving from Medi-Cal to DHCS, in addition to other MRMIB programs.
- **HFP is currently underfunded by approximately \$100 million for 2012-13, and this deficit is expected to increase until the gross premium tax on Medi-Cal managed care plans is extended.**⁴⁶
- **Continuity of care during the four phases of the HFP transition is at risk for specialty and sub-specialty services,**⁴⁷ especially for participants in rural areas who are already at greater risk of losing access to **pediatric subspecialty care.**⁴⁸ Coordination of care and access to specialists for California's chronically ill children ranks among the worst six states in the nation⁴⁹:



Children of color with special health care needs represent some of the state's most vulnerable populations, and have the highest rates of health care needs and service utilization.⁵⁰ Without further details, it is uncertain how the increase in DHCS staff will impact HFP's children of color who have special health care needs, especially during the last two phases when the transition becomes more administratively complicated.

Managed Care Efficiencies

The governor's budget proposes that there will be \$135 million in savings through efficiencies to Medi-Cal Managed Care Plans.⁵¹ DHCS is "looking for new ways to improve the quality and efficiency of the health care delivery system and develop payment systems that promote quality, not quantity, of care and improve health outcomes."⁵²

Impacts

It is unclear whether these administrative changes to Medi-Cal Managed Care Plans will benefit or harm low-income communities of color without further details on how these efficiencies will be realized.

Hospital Quality Assurance Fee

The proposed budget includes an extension to the Hospital Quality Assurance Fee (QAF), which was scheduled to sunset on December 31, 2013. The proposed extension would result in a General Fund savings of \$310 million, and would require approval from the legislature in a separate bill from the budget.⁵³ The QAF, or SB 335, was signed into law in 2011 as a program that "imposes a [fee] on certain general acute care hospitals in order to make supplemental and grant payments and increased capitation payments to hospitals up to the aggregate upper payment limit for the period of July 1, 2011-December 31, 2013."⁵⁴

California currently receives \$1 in federal matching funds for every \$1 it spends in non-federal Medi-Cal expenditures to health care providers.⁵⁵ The monies are then paid to participating hospitals through supplemental Medi-Cal payments to offset the costs of health care coverage for children.⁵⁶

Impacts

- **Extension of the QAF will likely assist the state in encouraging providers to continue treating communities of color in Medi-Cal through increased provider reimbursements.** As funds that are generated by the QAF are matched by the federal government, the state is able to pay providers supplemental payments for services provided to Medi-Cal managed care plan beneficiaries.⁵⁷
- **Extension of the QAF will likely increase health care coverage of children.**⁵⁸ Funds from the QAF fee are required to, in part, extend health care coverage to eligible, uninsured children.
- **Extension of the QAF will likely increase provider network services through increased provider reimbursements, benefiting communities of color.** The QAF and the subsequent federal matching process make it possible for more hospitals to provide a wider array of services to Medi-Cal beneficiaries that would not otherwise be possible.⁵⁹
- **Evidence suggests that low-income families will be positively affected by the extension of the QAF as long as the fees generated remain exclusively for the utilization of health services for low-income individuals.**

Original legislation (SB 335) required that the money collected from the QAF, including any interest earned, be deposited into segregated funds apart from the General Fund and be used for only certain purposes, including funding for children’s health coverage and making supplemental payments to hospitals.

DEPARTMENT OF SOCIAL SERVICES

The proposed 2013-14 budget includes an increase of \$142.8 million from the General Fund for the purposes of enhancing counties’ CalWORKs employment services,⁶⁰ pursuant to SB 1041 which created a state-mandated local program.⁶¹ However, Gov. Brown does maintain cuts to the program that were made in previous years.⁶²

- Beginning January 1, 2013, the amount of time that parents can receive cash assistance and employment services before meeting stricter federal work participation requirements decreased to 24 months for CalWORKs.⁶³ Previously, the CalWORKs time limit for parents was 60 months. This change decreases maximum grants by 12 percent and reduces the CalWORKs benefit by \$85 per month for a family of three.⁶⁴
- The proposed increase to CalWORKs for 2013-14 is intended to support counties in enhancing and expanding their employment and job development programs. This proposed increase is less than half of the approximately \$375 million that the legislature cut from funding for expanding employment and job development programs from the 2009-10 through 2011-12 budgets.⁶⁵
- In addition to historical cuts to CalWORKs, the governor proposes reduced General Fund support for CalWORKs by \$469 million in 2013-14,⁶⁶ which also cuts funding that counties use to provide welfare-to-work services and childcare.⁶⁷

Impact

The relatively small proposed increase to CalWORKs combined with cuts to CalWORKs in previous budgets and the stagnant economy will likely have an adverse effect on people of color. Unfortunately, due to the lack of demographic data publicly reported by the California Department of Social Services, the agency that oversees the CalWORKs program, we are unable to determine precisely how many persons of color have been impacted by cuts made to CalWORKs in recent years. However, we do know that the unemployment rates for blacks and Hispanics are higher than that of whites. In 2011, the unemployment rate for blacks and Hispanics in California were 19.6 percent and 13.8 percent, respectively.⁶⁸ In contrast, the unemployment rate for whites in California during the same period was 11.3 percent.⁶⁹

Percent of Californians Living Below Poverty Level by Race, 2011⁷⁰

Race	Number of Individuals Below the Poverty Level	Percentage Below the Poverty Level
White	3,422,342	14.7%
Black	537,757	25%
Hispanic	3,297,566	23.4%
American Indian and Alaska Native	71,373	25.5%
Native Hawaiian and Other Pacific Islander	25,685	17.8%

CHILD CARE AND DEVELOPMENT

Gov. Brown's 2013-14 budget generally maintains the 2012-13 level of funding for childcare and preschool programs, where previous budgets cut funding for these programs. From 2008-09 through 2012-13, annual funding for these programs were reduced from \$3.2 billion to \$2.2 billion resulting in the elimination of 110,000 childcare and development slots.⁷¹

The proposed budget calls for the Department of Social Services to convene a stakeholder group to assess the current childcare system and "opportunities for streamlining and other improvements."⁷² The CalWORKs childcare program is administered in three stages that operate under different rules and administrative structures⁷³:

- "Stage One is administered by the county welfare departments."⁷⁴
- "Stages Two and Three are administered by Alternative Payment Program (APP) agencies under contract with the California Department of Education (CDE)."⁷⁵

The governor's 2013-14 budget proposes to:⁷⁶

- Decrease by \$21 million non-Proposition 98 General Fund for Stage 2, primarily due to a decline in the number of the CalWORKs Stage 2 eligible population.
- Increase by \$24.2 million non-Proposition 98 General Fund for Stage 3, primarily due to the transfer of 6,000 children from Stage 2 to Stage 3.⁷⁷

Childcare

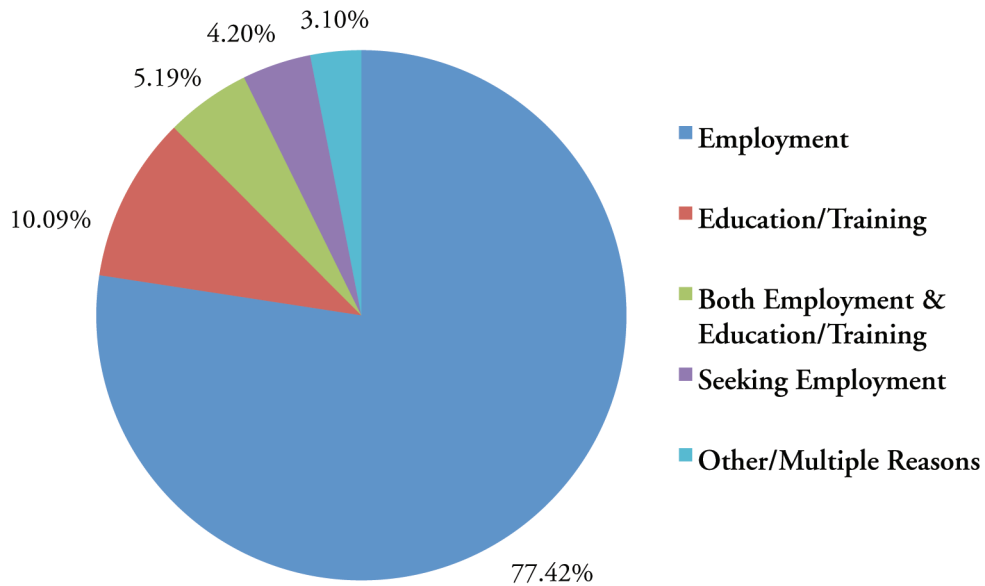
Gov. Brown's 2013-14 proposed budget maintains the current level for childcare and preschool programs. Because of this, it would seem unlikely that the governor's proposed budget would have a significant impact on communities of color. The 2012-13 budget agreement, however, did adopt budget solutions that adversely affected communities of color through the 2012-13 Child Care and Development Budget Agreement.⁷⁸

Impact

The 2012-13 budget agreement reduced childcare contracts across the board (excluding CalWORKs stages 1 and 2). This reduced state spending by \$80 million and eliminated 10,600 child care slots in 2012-13. This reduction was in addition to the 11 percent cut to childcare contracts implemented in July 2011 as part of the 2011-12 budget agreement.⁷⁹

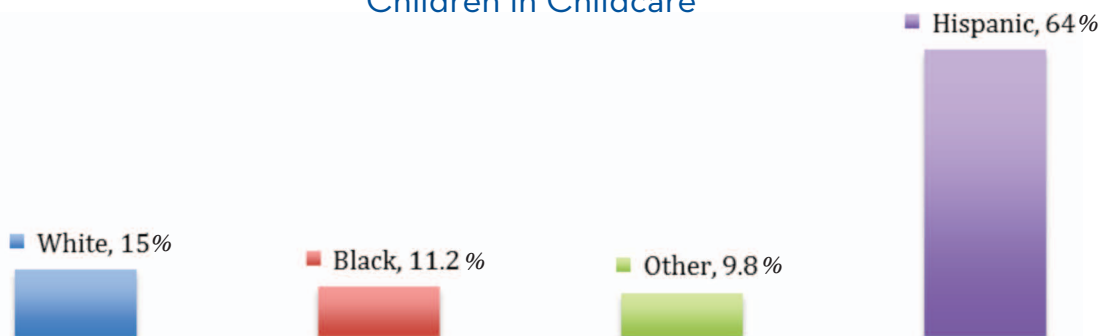
Children of color are most likely to be impacted by reductions to the childcare budget because they utilize childcare services more compared to children who are white.⁸⁰ In 2011, the state childcare program provided services to 41,835 children from 28,392 families.⁸¹ Approximately three-quarters of the children in childcare program were Hispanic or black.⁸²

Employment was the Main Reason for Care for Families Using State Childcare Programs



Source: California Subsidized Childcare Characteristic Study Executive Summary. University of California, Davis, 2011.

Hispanic and Black Children Make Up Three-Quarters of the Children in Childcare



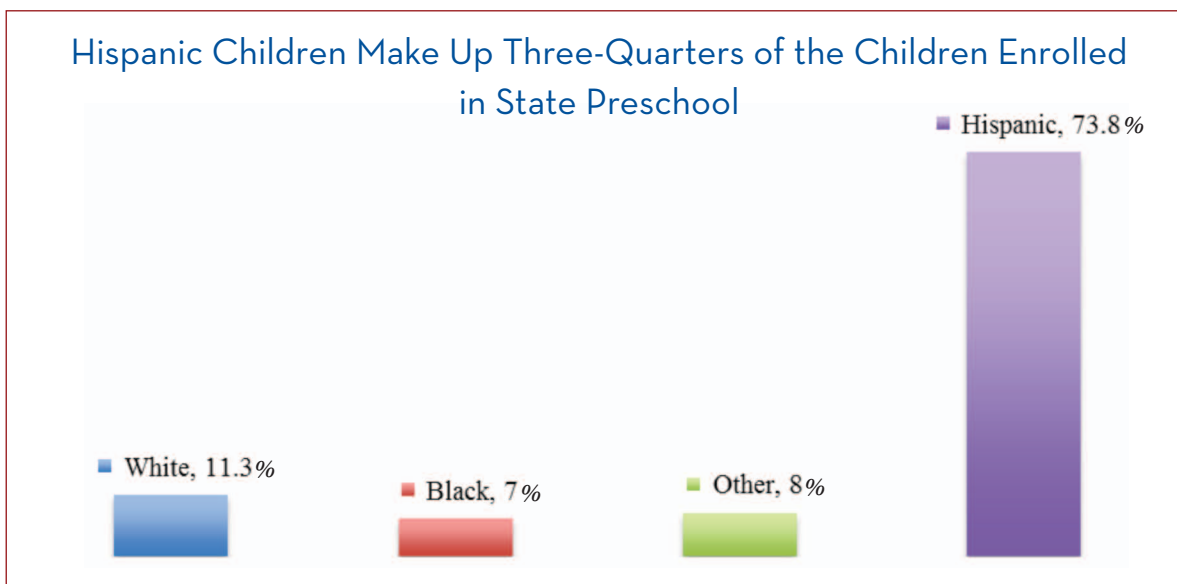
Source: California Subsidized Childcare Characteristic Study Executive Summary. University of California, Davis, 2011.

California State Preschool

California State Preschools provide affordable part-day and full-day pre-school to eligible three- and four-year olds from lower-income families. In addition to providing curriculum that is “developmentally, culturally, and linguistically” appropriate, these preschools also provide meals and snacks to children, parent education, and referrals to social services.⁸³

Impacts

Budget deficit solutions from 2012-13 adversely impact communities of color. In 2011, California state preschools served 146,199 children from 134,523 families.⁸⁴ Hispanic children made up almost three-quarters of the children enrolled in state preschool programs. Black and other non-white children made up 15 percent of total enrolled state preschool the same year.⁸⁵ Historical cuts to day care funding in California State Preschools continue to inequitably impact families of color.



Source: California Subsidized Childcare Characteristic Study Executive Summary. University of California, Davis, 2011.

HEALTH CARE REFORM – IMPLEMENTING THE OPTIONAL EXPANSION

Summary

One of the optional Patient Protection and Affordable Care Act (ACA) requirements that the Governor has opted to pursue through the proposed 2013-14 budget is expansion of Medi-Cal to include Californians between 101 to 138 percent FPL. Prior to the ACA, Medi-Cal posed restrictive eligibility requirements extending its benefits only to individuals with dependents who met income levels between 0 to 100 percent of the FPL. Exceptions to this rule were made for individuals with disabilities.

Under health reform, Medi-Cal extends its benefits, allowing individuals from 101 to 138 percent FPL to enroll in Medi-Cal coverage, with expanded eligibility criteria. This can be attributed to the elimination of categorical restrictions for individuals under age 65 such as:

- Dependents
- Claiming assets
- More lenient income requirements.

Due to these provisions, the enrollment of communities of color into Medi-Cal is expected to significantly increase.⁸⁷

The proposed budget includes a \$350 million placeholder to cover the costs of expansion.⁸⁸ However, both the Legislative Analyst Office and the California Budget Project state that this money applies specifically to costs incurred for enrolling the currently eligible but unenrolled Medi-Cal population (those between 0 to 100 percent FPL), and not due to costs incurred through expanding Medi-Cal coverage to the newly eligible (those between 101 to 138 percent FPL, including low-income childless adults).^{89,90}

California has taken steps to implement the Medi-Cal expansion before it takes effect January 1, 2014, in addition to the expansion of Medi-Cal eligibility criteria. One of these steps included the “Bridge to Reform” 1115 Waiver, which provided counties with federal funding to bolster their public health care system under the Low Income Health Program, in preparation for the Medi-Cal expansion population. In addition, under current state statute, counties are required to provide health care to medically indigent adults using a combination of local and state 1991 and 2011 realignment funds.⁹¹ However:

- The ACA also reduced health realignment funds for counties for both Medicare and Medicaid Disproportionate Share Hospital payments.⁹²
- While the “Bridge to Reform” 1115 Waiver provides \$3.4 billion in federal funding, primarily to public hospitals, it expires in 2015.⁹³
- Counties’ maintenance of effort requirement for In-Home-Supportive Services will increase by 3.5 percent annually beginning 2014-15,⁹⁴ further adding to the costs of public programs for counties.

State expansion of Medi-Cal eligibility to the expansion population (101 to 138 percent FPL), including adults without children, will reduce some of the local costs associated with providing health care to the medically indigent at the local level. Although these costs will be reduced, they will not be eliminated.⁹⁵

Although there are not enough details to provide an in-depth analysis of expansion methods proposed in the Governor’s budget, the following analysis puts forth potential impacts on California’s communities of color to the extent that the 2013-14 Budget Summary permits.

MEDI-CAL EXPANSION

Savings for the State of California

According to the Governor’s budget, the federal government promises to provide 100 percent of the funding in the short term for most, but not all, of the costs associated with the expansion. Funding will gradually decrease from 100 percent to 90 percent in 2020.⁹⁶ As it stands, the Medi-Cal caseload represents 21.7 percent of the state’s total population, and total spending from all sources on Medi-Cal amounts to approximately \$60 billion, which accounts for 27 percent of the State’s spending.⁹⁷

Expanding Medi-Cal in California will facilitate more federal funding

According to the UC Berkeley Labor Center and UCLA Center for Health Policy Research, the increase in Medi-Cal eligibility due to the expansion will facilitate more federal funding that will relieve the state of covering most of the costs to actualize the benefits of Medi-Cal.

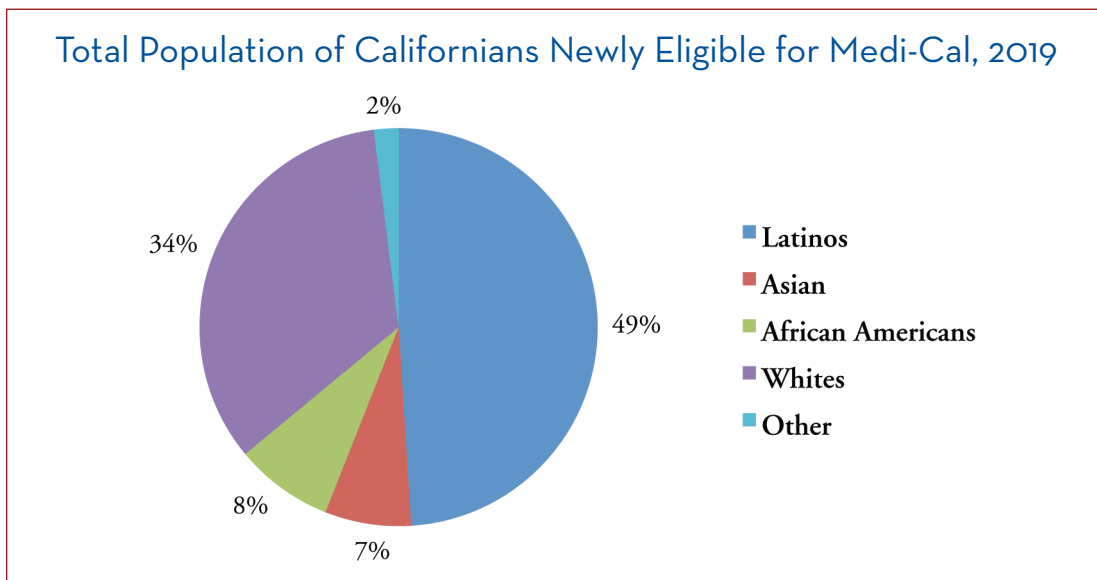
- Medi-Cal expansion will usher in billions in new federal dollars, an estimated \$2.1 to \$3.5 billion in 2014, which will offset some or most of the new state spending. By 2019, federal dollars are estimated to grow anywhere from \$3.4 to \$4.5 billion.⁹⁸
- As members of current state programs begin to enroll in the Medi-Cal expansion and receive benefits of the expansion, these new scope of services will provide coverage to those members, thus potentially providing savings and reducing state spending.⁹⁹

The Medi-Cal Expansion and Communities of Color

The Medi-Cal expansion is predicted to increase California enrollment by between 1.8 million and 2.7 million by 2019.¹⁰⁰ Currently, Medi-Cal serves as the nation’s largest Medicaid program, providing comprehensive services to over 11 million Californians including low-income children, adults, non-elderly people with disabilities and pregnant women.¹⁰¹ Furthermore, 60 percent of the currently enrolled Medi-Cal population is either Hispanic, black, or Asian.¹⁰²

Communities of color represent approximately 66 percent of those newly eligible (101 to 138 percent FPL) for Medi-Cal.¹⁰³ Without the ACA, racial and ethnic minority groups comprise 82 percent of the uninsured population in California under age 65 in 2019.¹⁰⁴

The graph below shows the percentages of newly-eligible communities of color that are predicted to have coverage through Medi-Cal expansion by 2019. Latinos represent an overwhelming (49 percent) of the expansion-eligible population, almost half of the newly eligible population of Medi-Cal enrollees. Asians (7 percent), blacks (8 percent), whites (34 percent) and others (2 percent) comprise the remainder estimated to be eligible.^{105,106}



Source: UC Berkeley–UCLA CalSIM model, version 1.7

Language Access and Communities of Color under Medi-Cal Expansion

Despite major outreach and enrollment efforts, millions of Californians are predicted to still remain uninsured by 2019.¹⁰⁷ Barriers to enrollment are attributed to English Language Proficiency (ELP), lack of awareness of enrollment, and inability to afford subsidized coverage.¹⁰⁸ It is uncertain whether the \$350 million placeholder in the proposed budget will capture those who are eligible and predicted to remain uninsured.

Estimates based on the American Community Survey (ACS) 2011 survey data suggest that one out of every four people newly eligible in California for Medi-Cal will be limited English proficient (LEP), with a majority being individuals 17 years of age and younger.¹⁰⁹

Below is a table taken from the California Simulation of Insurance Markets (CalSIM) projecting the languages spoken by LEP communities who are estimated to receive subsidies due to the expansion by 2019.¹¹⁰

Spanish	Chinese	Vietnamese	Korean	Other Asian Languages	Other non-Asian languages
405,000	30,048	15,024	10,016	5,008	35,056

Impacts on the Safety Net

As the proposed 2013-14 budget broadly mentions, there are two overall methods for which Medi-Cal will be expanded in California: state-based versus county-based expansion.¹¹¹ There is significant uncertainty in how either expansion method will impact the budget, both state and county, but the following analysis will discuss some implications for each method for communities of color.

State-Based Expansion

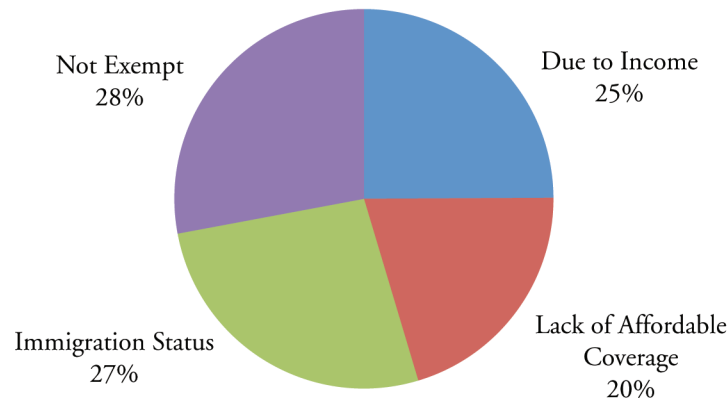
The governor proposes that a state-run expansion would build on Medi-Cal and the Medi-Cal managed care delivery system¹¹² to cover the expansion population, but without long-term care.¹¹³ The 2013-14 budget proposes that counties:

- Relinquish some of the \$3 to \$4 billion they received from vehicle registration fees and state sales tax; or
- Assume “programmatic and fiscal responsibility for various human services programs” e.g. subsidized child care.¹¹⁴

Counties use funding from state fees, taxes, and realignment to fund their safety net and, as mentioned earlier, will assume increasing costs through realignment and decreased funding in some respects. In addition, the current economic recession and recent state budgets have also trimmed down county budgets and their ability to fund their safety net system.

Of the four million Californians estimated to remain uninsured in 2019, 72 percent will be exempt from paying tax penalties, and will remain uninsured.^{115,116} As the following graph shows, Medi-Cal expansion will not eliminate the need for health care services provided through county-run safety nets. Counties will still need to provide care for residents who are unable to access health care reform changes due to their income (45 percent of the remaining uninsured) or residency status (27 percent of the remaining uninsured)¹¹⁷

Reasons for Californians Who are Exempt From ACA Tax Penalties



These estimates may be conservative, e.g. the Department of Homeland Security estimates that 2.6 million undocumented immigrants were in California in 2010.¹¹⁸ In addition, those Californians who remain uninsured and are exempt from ACA tax penalties will only have the public safety net to rely on as their primary source of medical care.

Of the four million who are expected to remain uninsured in 2019, 67 percent of the remaining uninsured will be Latino, compared to the overall statewide rate of 45 percent.¹¹⁹ It is uncertain how heavily cost-sharing measures proposed by the governor would impact funding for the public safety net. However, in counties that have a majority Latino population, these safety net systems would serve a higher proportion of the uninsured, and need to maintain funding streams for their safety net based on predictions for the Latino uninsured.¹²⁰

Sixty-two percent of the remaining uninsured will be residents of Los Angeles, Orange, San Diego, San Bernardino, Riverside, and Imperial Counties; counties that are predicted to comprise over half the state population in 2019.¹²¹ According to 2011 ACS data, these six counties are majority communities of color, who are also below the poverty level at higher rates compared to respective white community members, and have lower median incomes on average. If state-based expansion is chosen, then cost-sharing measures may impact these counties' ability to maintain a robust safety net for approximately 2,671,920 people of color below the poverty level who are at risk of remaining uninsured.^{122,123}

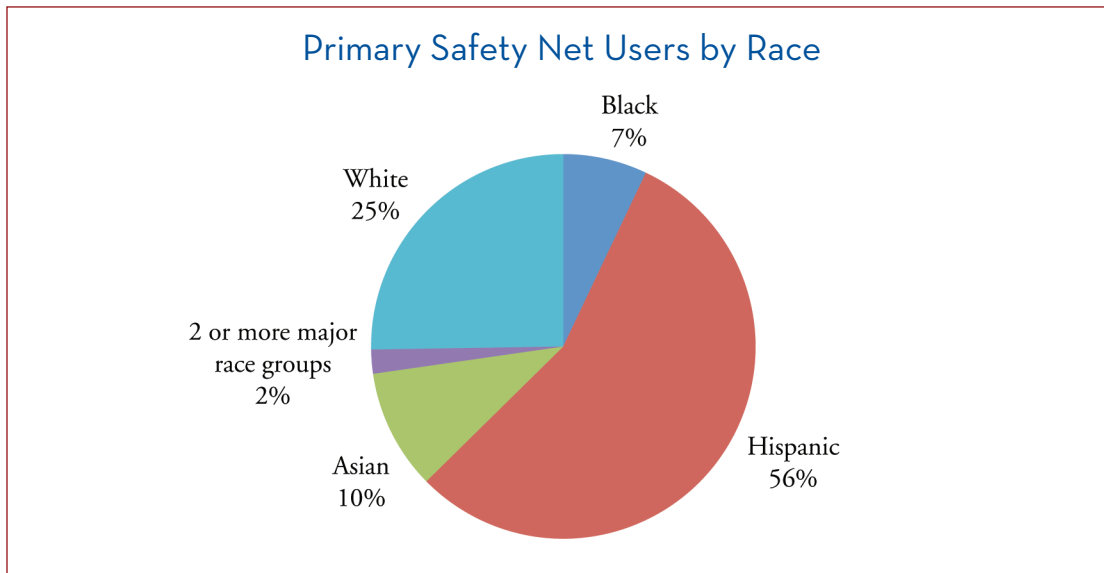
	Imperial County	Los Angeles County	Orange County	Riverside County	San Bernardino County	San Diego County
Racial Demographics						
Hispanic	80.4%	47.7%	33.7%	45.5%	49.2%	32.0%
White	13.7%	27.8%	44.1%	39.7%	33.3%	48.5%
Black	2.9%	8.3%	1.5%	6.0%	8.4%	4.7%
Asian	1.3%	13.5%	17.7%	5.8%	6.1%	10.6%
Percent Below Poverty Level in the Past 12 Months						
Hispanic	29.5%	23.7%	20.4%	23.1%	21.8%	21.1%
White	11.2%	9.8%	7.3%	10.3%	13.4%	10.6%
Black	32.5%	24.5%	14.8%	19.4%	29.2%	23.5%
Asian	*	13.1%	12.2%	7.0%	18.5%	13.2%
Percent Below the Poverty Level in the Past 12 Months and Unemployed						
	41.8%	28.6%	23.1%	26.7%	29.8%	29.4%
Median Income in the Past 12 Months						
Hispanic	\$32,523	\$42,651	\$54,964	\$45,023	\$48,394	\$42,533
White	\$64,581	\$69,112	\$80,715	\$60,078	\$55,422	\$67,742
Black	*	\$36,609	\$62,186	\$56,044	\$36,282	\$45,489
Asian	*	\$61,970	\$78,889	\$69,967	\$62,074	\$72,387

* = Sample size not statistically significant

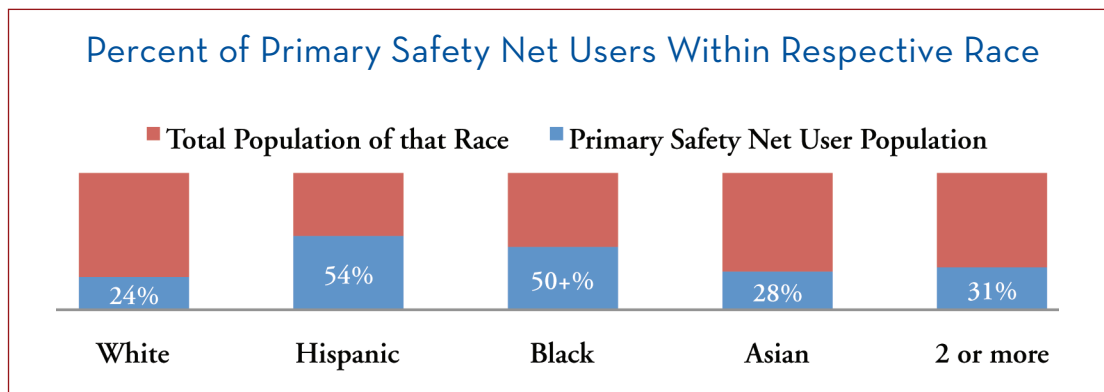
Statistics for California's Primary Safety Net User Population

Primary users of the safety net are Californians who fall between 0 and 200 percent FPL ("primary safety net users"), are the predominant users of the safety net system of public hospitals and community and government clinics,¹²⁴ and represent around 37 percent of all Californians.^{125,126} According to 2011 ACS data, 33 percent of those within the primary safety net user population have limited or no English proficiency,¹²⁷ and California Health Interview Survey data indicate that, of the safety net user population in 2009, approximately 12 percent used the safety net as their usual source of care.¹²⁸

Analysis of 2011 ACS data found that people of color comprise 75 percent of California’s primary safety net users¹²⁹:



Conversely, although blacks only comprise seven percent of the statewide primary safety net user population, the black primary safety net user population is more than half of the total black population in California.¹³⁰ This rate is more than double that of whites in California. In addition, California’s Hispanic population and people of two or more race groups are also significantly more likely than whites to be between 0 to 200 percent FPL, the population most likely to access the public safety net¹³¹:



County-Based Expansion

The governor proposes that a county-based expansion of Medi-Cal would build on the Low Income Health Program (LIHP), which until 2014 is funded 50 percent by the county and 50 percent by the federal government under the “Bridge to Reform” 1115 Waiver.¹³² Enacted in 2010, counties voluntarily cover the Medi-Cal expansion population, with county-run hospitals using local money to fund the non-federal share of inpatient Medi-Cal services.¹³³

In addition, the 2013-14 budget proposes a decrease in money available through the LIHP Fund to approximately \$233.3 million; a 53.7 percent decrease from FY2012-13 levels.^{134,135} There are multiple staff positions within

the DHCS LIHP Division that require funding extensions to ensure the continued development of the LIHP network and the transition of LIHP participants to Medi-Cal when expansion occurs.¹³⁶

County based expansion would leave individual counties responsible for establishing networks of health care providers, setting provider payment rates, and processing billing from providers.¹³⁷ Under this expansion method, county health plans covering the Medi-Cal expansion population would have to meet statewide eligibility requirements and provide Essential Health Benefits that are consistent with Covered California in the private insurance market.¹³⁸

A county-based expansion through LIHP would be inequitable for communities of color along the Central Coast and in the Central Valley, and would leave these communities of color behind in access to quality health care. There are currently 17 operational LIHPs that cover approximately 500,000 individuals across 51 counties, with another four counties intending to start them soon.¹³⁹ A “vast majority” of LIHP enrollees will go into Medi-Cal, with the remainder eligible for Covered California subsidies.¹⁴⁰ However, Fresno, Merced, and San Luis Obispo Counties will not run LIHPs according to the governor’s proposed budget.¹⁴¹

According to 2011 ACS data, the majority of residents of these three counties are people of color, who in most cases have lower median incomes and are more likely to be below the poverty level than their white neighbors. If county-based expansion is chosen, then approximately 263,509 people of color below the poverty level won’t have health care coverage with only a year until January 1, 2014¹⁴²(see table next page).

A county’s residual costs for undocumented immigrants and for individuals who will remain uninsured after 2014 will vary from county-to-county due to place-based demographics, and also due to a county’s existing health care delivery system. It is also unclear from the proposed budget whether the county-based expansion would be optional or mandatory for counties, or whether counties would “be able to contract with existing Medi-Cal managed care plans [that are run by the state] to provide services for the expansion population.”¹⁴³

In addition, the expansion population would be beneficiaries of county-administered programs that may offer different provider networks than the state administered Medi-Cal program, where low-income families with children and persons with disabilities would be enrolled in the state-administered program.¹⁴⁴ Without further details, it is not possible to determine which expansion method, state or county, would be more equitable for low-income communities of color.

	Fresno County	Merced County	San Luis Obispo County
Racial Demographics			
Hispanic	50.3%	54.9%	20.8%
White	32.7%	31.9%	71.1%
Black	4.8%	3.4%	1.9%
Asian	9.3%	7.1%	3.0%
Percent Below Poverty Level in the Past 12 Months			
Hispanic	32.3%	33.3%	22.3%
White	13%	17%	12.5%
Black	39.3%	49%	*
Asian	25.2%	23.4%	27.2%
Percent Below the Poverty Level in the Past 12 Months and Unemployed			
	36.2%	39.8%	26.6%
Median Income in the Past 12 Months			
Hispanic	\$34,699	\$33,511	\$39,320
White	\$56,751	\$47,454	\$58,153
Black	\$27,450	\$20,660	*
Asian	\$46,616	\$51,005	\$60,929

* = Sample size not statistically significant

K-12 EDUCATION

Summary

Gov. Brown's January budget proposal allocates \$56.2 billion for K-12 education in 2013-14 and indicates that funding levels will increase by almost \$2,700 per student through 2016-17.¹⁴⁵ The increase in funding is largely due to Gov. Brown's proposal to include revenue raised by the Clean Energy Jobs Act to meet Proposition 98's minimum guarantee. He is using part of the revenue to pay off deferrals owed to schools and distributing the other portion on a per-student basis to school and community college districts for energy-related projects. In addition to the increase in funding, the governor has introduced the Local Control Funding Formula as a new method to provide more funds to districts serving English learners and low-income students. With the increase in funding and a new funding method, Gov. Brown aims to decrease the education gap among advantaged and disadvantaged students.

Budget Proposal for K-12 Education:

1. The Local Control Funding Formula proposes a base grant for all districts. A supplemental grant is given to districts based on how many economically disadvantaged students are enrolled. Economically disadvantaged students are determined by whether a student is an English Language Learner and/or in the free/reduced price meal program (FRPM). A student who is both an English Learner and on Free Reduced Price Meal will not be double-counted. Districts with economically disadvantaged students above 50 percent of total enrollment will be awarded an additional concentration grant for every student above the 50 percent threshold.¹⁴⁶
2. Proposition 39, the California Clean Energy Jobs Act, will raise an estimated \$1 billion in revenue annually. Gov. Brown plans to allocate all of this to school and community college districts to meet the Proposition 98 minimum guarantee.¹⁴⁷ The Proposition 39 revenue would increase funding to meet this minimum by \$526 million, allowing him to make deferral payments and increase grants for economically disadvantaged school and community college districts.

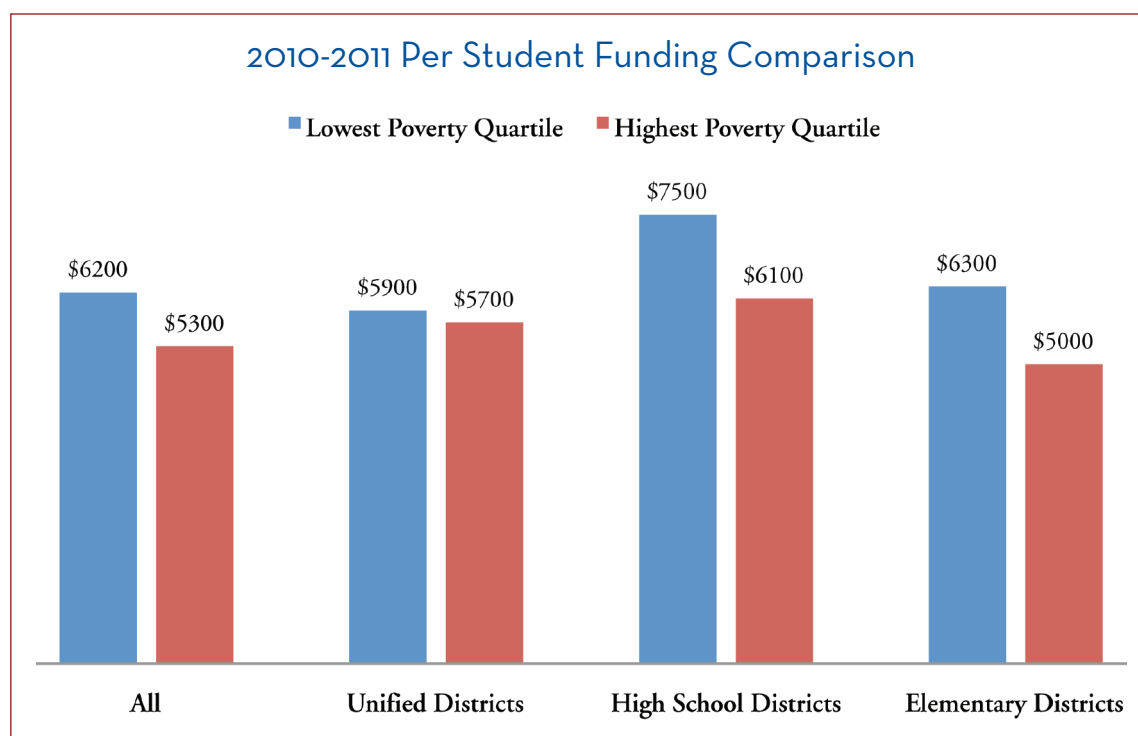
LOCAL CONTROL FUNDING FORMULA

Gov. Brown's January budget proposal allocates a total of \$56.2 billion for K-12 education funding in 2013-14. For K-12 schools, funding levels will increase by almost \$2,700 per student through 2016-17, including an increase of more than \$1,100 per student in 2013-14 over 2011-12 levels.¹⁴⁸ This section specifically analyzes the Governor's proposed change from categorical funding to the Local Control Funding Formula. Under the current categorical funding approach, the state provides districts restricted funding for specific programs. Top funded programs include: targeted instructional improvement, school and library improvement, professional development, and middle and high school counseling. The Local Control Funding Formula proposes to consolidate these categorical grants into unrestricted lump sum grants, allowing districts to freely fund programs that fit their needs.

Current Funding Sources

K–12 school districts receive most of their money from two sources: base revenue limits and other state revenue. Base revenue limits are calculated according to a district’s average daily attendance (ADA). Funding sources for the base revenue limit include local property and state taxes, among other miscellaneous sources.¹⁴⁹ Factors that determine funding allocations for school districts are type and size of districts, historical spending patterns, and other variables.¹⁵⁰

Categorical funding, as mentioned above, is based on particular categories. Some examples include programs such as special education, school transportation, American Indian education centers, and Gifted and Talented Education.¹⁵¹ Categorically funded programs receive a designated amount of money that must be used for those particular programs. Importantly, it should be noted that in February 2009, legislators amended the regulations for many of the state’s categorical programs. This change gave districts more flexibility to use funds from about 40 categorical programs for other educational purposes while facing severe budget cuts.¹⁵² Disparities in funding exist because of the way the state combines state and local funds to make up a district’s “revenue limit,” the amount a school district receives per student.¹⁵³ EdSource uses a *bucket analogy* to further explain how state and local funds are combined to make up a district’s revenue funding limit: Each district receives revenues through their local property taxes, and if the bucket is not filled all the way from these property taxes, the state then “tops off” the bucket with state tax revenues. However, if a district’s bucket is filled because of local property taxes, the state does not “top off” their bucket; although, if a district’s bucket “overflows” with local property taxes, they get to keep the increased revenue, which is referred to as basic aid.¹⁵⁴ The chart below further demonstrates the current system of restrictive funding and the current disparities in funding students among school districts in California.

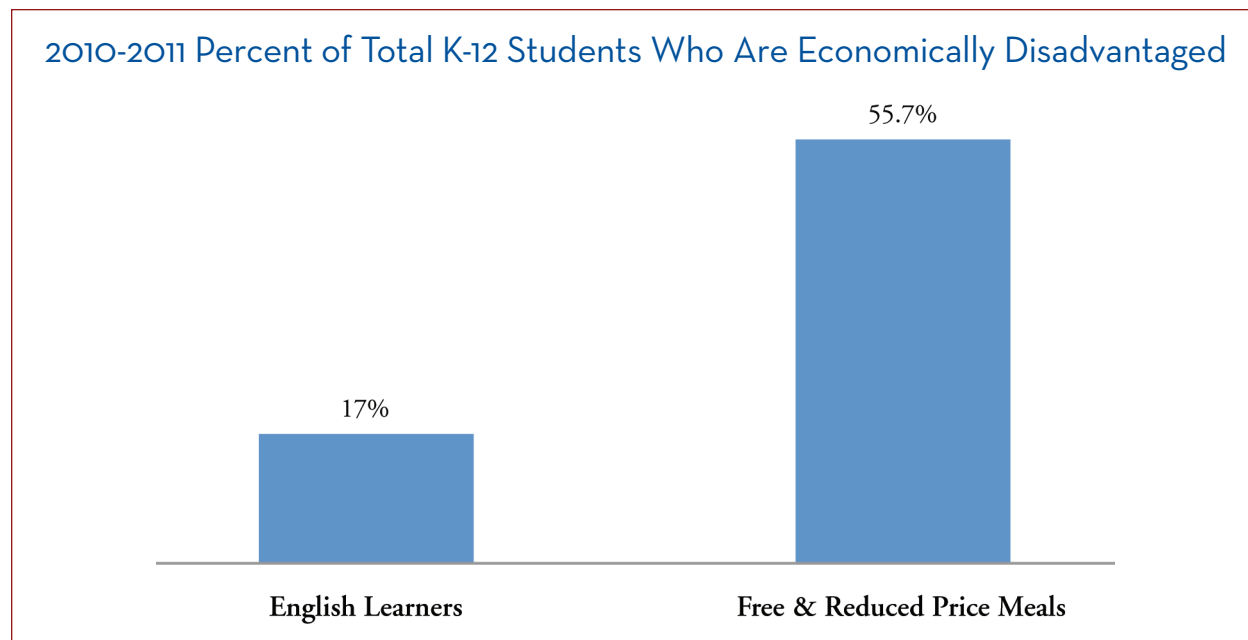


Source: Ed-Trust West at <http://www.edtrust.org/sites/edtrust.org/files/ETW%20Cruel%20Divide.pdf>.

Impact

Considerations for New Local Control Funding Formula (LCFF)

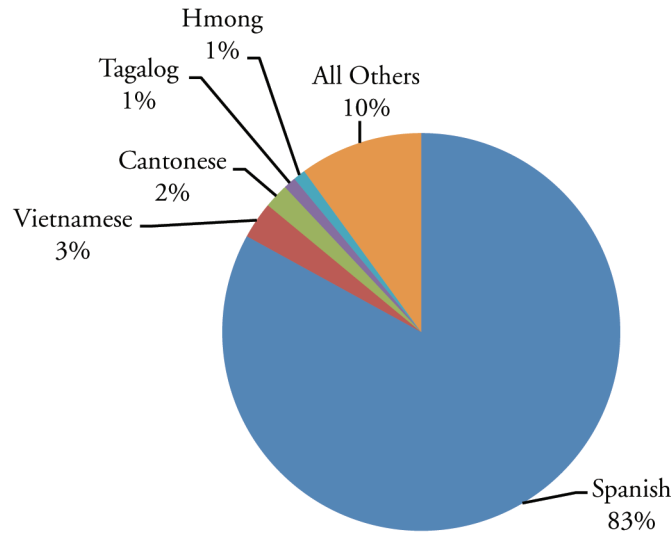
Gov. Brown's new funding formula is intended to reduce current disparities by narrowing the funding gaps between economically advantaged and economically disadvantaged students. According to Gov. Brown, the LCFF will bridge the education gap for historically economically disadvantaged K-12 students by directing new funds to students classified as either English learners or recipients of free/reduced price meals (FRPM).¹⁵⁵ In 2010-11, roughly 1 million students were English learners¹⁵⁶ and almost 3.5 million were enrolled in the FRPM program.^{157,158} See graph below for breakdown of percentages for each category.



Source: Cal. Dept. of Ed., Educational Demographics Office, Language Census (elsch11 2/28/12); School Fiscal Services Division (frpm2010 8/26/11); District & School.

According to 2010-11 data, over half of all K-12 students are enrolled in the FRPM program.¹⁵⁹ This means one in two K-12 students are considered economically disadvantaged. At 17 percent, English learners also form a significant portion of California's K-12 student population.¹⁶⁰ Of the 50 different languages spoken by English learners, Spanish is the most spoken language at 83 percent, followed by Vietnamese at 3 percent and Cantonese at 2 percent.

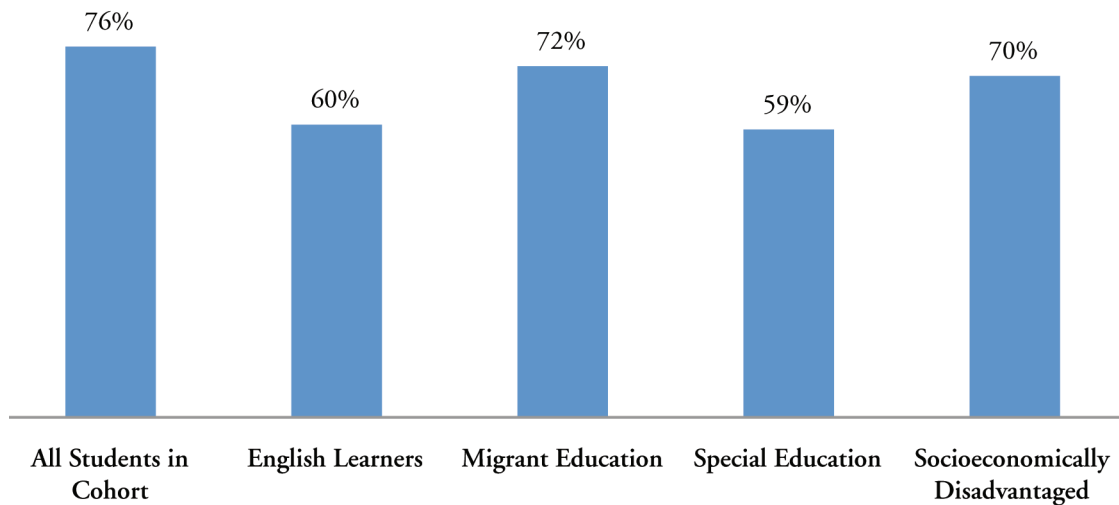
2010-2011 languages Spoken by K-12 English Learners



Source: Cal. Dept. of Ed., Educational Demographics Office (language census, elsch11 2/28/12).

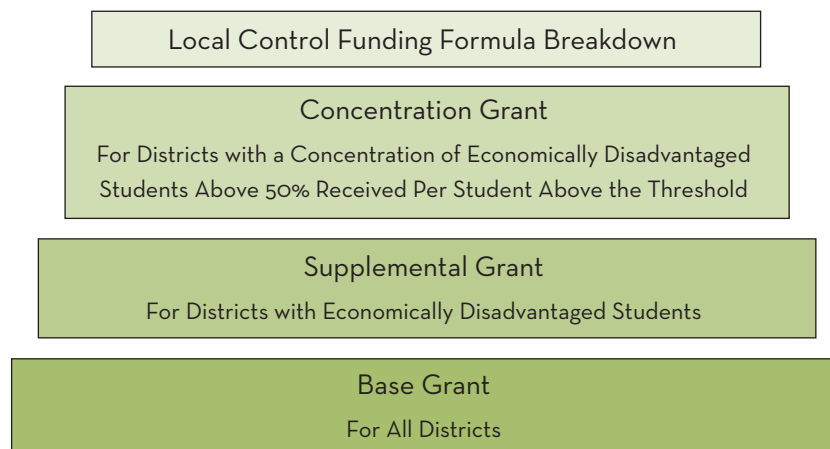
Because of the significant number of students enrolled in the FRPM program and the rising number of English learners, it may help to focus attention on these groups to ensure they receive the resources they need for their education. Currently, graduation rates¹⁶¹ for enrollees of special programs are relatively low compared to the entire cohort¹⁶² (see graph below). Committing additional funds to support these students may help improve their academic performance and increase their graduation rates.

2010-2011 Graduation Rates for Students in Special Programs



Source: Cal. Dept. of Ed., Educational Demographics Office (CBEDS, cohort10.txt 8/20/12).

Gov. Brown proposes to address the aforementioned disparities in K-12 schools with the Local Control Funding Formula, illustrated below. This proposed formula calculates multiple variables to provide all school districts a base grant, with an additional supplemental and concentration grant provided to districts based on economically disadvantaged students.¹⁶³ Most categorical program funding will be redistributed through the LCFF.¹⁶⁴ Through the supplemental and concentration grants, more funding will be allocated to school districts that have a robust enrollment of economically disadvantaged students as measured by the number of students eligible for two programs: English learners and Free/Reduced Price Meals.¹⁶⁵



- All districts will receive a base grant calculated using a district's ADA and accounts for grade span adjustments.¹⁶⁶
- Districts with economically disadvantaged students will receive a supplemental grant for every economically disadvantaged student (35 percent of the base grant).
- Districts whose economically disadvantaged population is greater than 50 percent of the total student population will receive an additional concentrated funding grant for every student above the 50 percent threshold (35 percent of the base grant).

The levels of funding are meant to increase equity by prioritizing funding for economically disadvantaged students.¹⁶⁷

The following are areas where the LCFF can be improved to ensure it creates equity among California's K-12 students, one of Gov. Brown's stated goals:

- **Unduplicated count** – By not allotting additional funding to students who are both English learners and economically disadvantaged, the LCFF may not be meeting its intended purpose as it would if it allotted more funds to students with both of those characteristics.
- **Threshold Level** – In mixed-income districts the 50 percent threshold for the concentrated funding may leave out many students. Requiring districts to overcome a 50 percent threshold, for example, may reduce the number and type of services available to disadvantaged students located in districts that slightly miss the threshold. To increase the likelihood that districts will reach the threshold, perhaps students eligible or enrolled in the compensatory education¹⁶⁸ program could also be included in the measurement for economically disadvantaged students.

• **Variables** – More clarification is needed to understand several of the variables.

❑ *Grade Span* – It is unclear how the new formula will address the funding allocations for the suggested grade span adjustments: K-3 and career technical education for grades 9-12.¹⁶⁹

❑ *Economically Disadvantaged* – More clarity is needed about which students will count toward the supplemental and concentrated funding. The measure used by LCFF to determine who is economically disadvantaged is students who are “eligible” for free/reduced price meals.¹⁷⁰ However, it is unclear whether the term eligible refers to students who merely meet the criteria or students who meet the criteria and have enrolled in FRPM; and whether it includes students restricted from FRPM due to their age (e.g. 17+).¹⁷¹

❑ *Average Daily Attendance (ADA)* – ADA reporting is inconsistent throughout the K-12 system. Districts use different methods to calculate their ADA and it is currently unknown which method will be selected. The LCFF does not indicate which method for addressing ADA in districts with declining enrollment will be applied (e.g. year-to-year versus previous 2-year average). Using year-to-year ADA may adversely impact districts with migrant students whose enrollment depends on where their families are moving season-to-season, as well as districts with high rates of absence due to high rates of illnesses or for other reasons.¹⁷²

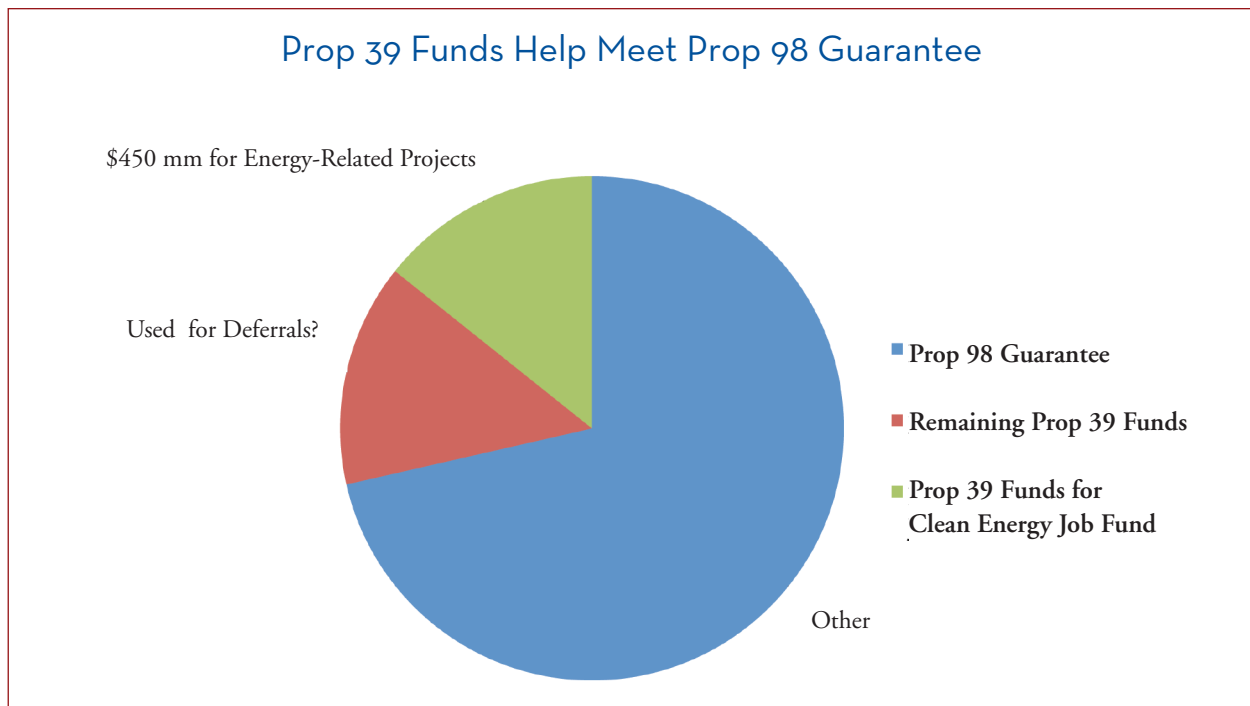
❑ *Charter Schools* – It is unclear whether charter schools will be factored into the formula. If they are factored in, it is unclear whether only the district charter schools’ ADA or all charter school ADA will be factored into the formula. Additionally, because of the proposed change of oversight from the California Department of Education to the California School Finance Authority, it is unclear how the charter schools will be managed.¹⁷³

PROPOSITION 39 FUNDING

Proposition 39, also known as the California Clean Energy Jobs Act, is a new revenue source that Gov. Brown’s proposed budget allocates toward increasing the Proposition 98¹⁷⁴ minimum guarantee level, estimated to be \$56.2 billion for 2013-14, by \$526 million.¹⁷⁵ Proposition 39 requires *half* of the annual revenue raised from the measure – up to \$550 million – be transferred to a new Clean Energy Job Creation Fund from 2013-14 through 2017-18 to support the “funding of projects that create jobs in California improving energy efficiency and expanding clean energy generation.”¹⁷⁶

Gov. Brown proposes to distribute this portion of the Proposition 39 funds exclusively to school districts and community college districts on a per-student basis for energy-related projects.¹⁷⁷ The governor will use the other half of the revenue to fund other areas.¹⁷⁸ This section analyzes the governor’s proposed use of Proposition 39 funds to help meet the Proposition 98 minimum guarantee and specifically, how that money might be used toward paying deferrals and the impact of distributing it on a per-student basis.¹⁷⁹

Prop 39 Funds Help Meet Prop 98 Guarantee



Deferral Payments

Gov. Brown has proposed to pay off the \$9.5 billion owed in deferrals to school districts by 2017-18, beginning with a repayment of \$1.8 billion in 2013-14 using Proposition 39 revenue to help restore funding required by Proposition 98.¹⁸⁰ Proposition 39 revenue will increase the guarantee by \$526 million, which is one of the ways in which money is being collected to begin repayment of the deferrals.¹⁸¹

Payment deferrals have been adopted as a way to balance the budget.¹⁸² Payment deferrals allow the state to continue operating for a year but create debt that then has to be repaid the year after the deferral has been issued. School districts often rely on reserves or borrow money from private lenders to cover the deferrals,¹⁸³ and some even implement deferrals as cuts to cover expenses.¹⁸⁴ As Gov. Brown’s budget summary explains, “districts that were able to borrow incurred substantial interest costs, which led to dollars taken out of the classroom.”¹⁸⁵ In order to ease the financial burden on schools, it is important that the deferrals be paid.

Proposition 39’s Energy-Related Investments

As mentioned earlier, Gov. Brown’s January budget proposal allocates *all* Proposition 39 energy-related funding – up to \$550 million – to be transferred to a new Clean Energy Job Creation Fund from 2013-14 through 2017-18 to be used exclusively by schools and community colleges.¹⁸⁶ Proposition 39 provides that these funds be used to support projects that create jobs and provide energy benefits.¹⁸⁷

According to the governor, “Proposition 39 will provide \$450 million in 2013-14 to support these investments in schools and community colleges, and \$550 million in each of the next four years.”¹⁸⁸ Of the \$450 million for 2013-14, the governor’s proposed budget allocates \$400.5 million to school districts and \$49.5 million to community college districts for energy efficiency projects.¹⁸⁹

Per-Student Distribution

Gov. Brown's budget proposal allocates the funding to districts on a per average daily attendance basis, with school districts receiving \$67 per student and community college districts receiving \$45 per student.¹⁹⁰ Overall, the governor says the increase in funding levels for K-12¹⁹¹ schools is a reinvestment that "provides the opportunity to correct historical inequities in school district funding. By allocating new funding to districts on the basis of the number of students they serve, all California school districts can improve."¹⁹²

However, if Proposition 39 funding is allocated on a per-student basis, disadvantaged districts will not be able to catch up to school districts that are already ahead. They will continue to lag behind. Thus, all districts will be treated equally but not equitably.

The following are some general areas to be considered:

- **Guidelines** – The budget proposal does not include guidelines explaining how districts can effectively use the funds they are allotted in an equitable manner. The budget explains, "Schools and community colleges may use Proposition 39 funds for technical assistance to help identify, evaluate, and implement appropriate projects."¹⁹³ Appropriate projects, however, are not defined. Additionally, it is not clear whether all programs will be coordinated with the California Energy Commission and the California Public Utilities Commission pursuant to Proposition 39 provisions, which would be helpful to avoiding duplication and maximizing leverage of existing energy efficiency and clean energy efforts.¹⁹⁴
- **Project Benefits** – A lack of guidelines linking projects to energy savings, job generation, and community benefits increases the risk that the Governor's goal to achieve equity will not be achieved.
- **Need** – A per-student approach ignores the districts' varying needs, in terms of energy efficiency and otherwise. The need for energy projects varies by district, with need depending on numerous factors including the size, age, and geographic location of the facilities in each district.

Impact

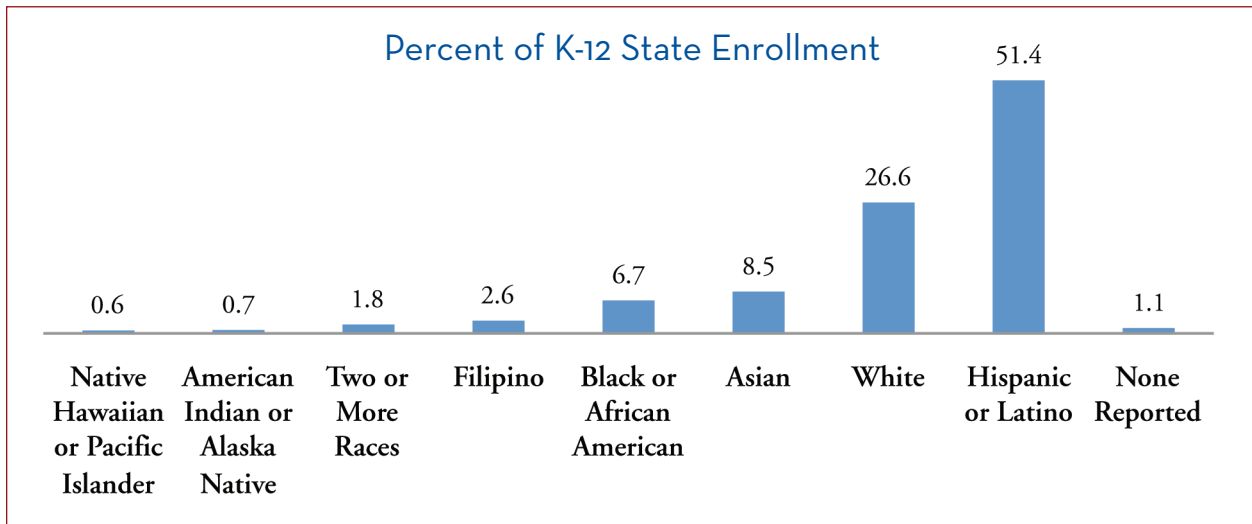
Examples of Potential Impacts of Proposition 39 Funding Based on a Per-Student Basis

Providing every district with funding on a per-student basis does not focus on those school and community college energy projects likely to provide the greatest energy savings and job benefits for the communities that need them the most. For example, some sites may be older than others, requiring more building repairs and improvements than newer sites, yet all facilities would receive the same amount of funding per student.¹⁹⁵

Substandard physical environments are strongly associated with student absence and other behavior problems.¹⁹⁶ **Schools with better building conditions have up to 14 percent lower student suspension rates.**¹⁹⁷ Additionally, improving a school's health and safety standards is associated with a 36-point increase in California Academic Performance Index scores.¹⁹⁸

A per-student approach also penalizes districts with high absenteeism rates even for absence due to health reasons. In California, approximately one in seven school-aged children has asthma and misses an average of one to two days of school per year because of it.¹⁹⁹ In 2009, it is estimated that California students missed about 1.1 million school days due to asthma, which translates into approximately \$30.2 million in revenue lost, or an average of \$31,000 for each of the 975 school districts.²⁰⁰

This is a significant concern for students of color. Black children in California are four times more likely to be hospitalized for asthma than white children.²⁰¹ Many students could be impacted considering that combined, blacks and Hispanics make up over 57 percent of California’s K-12 students.²⁰² See graph below.



Source: Cal. Dept. of Ed., Educational Demographics Office (CBEDS, sifb1011 9/12/11)

HIGHER EDUCATION

Summary

The governor believes that state funding alone will not be able to stabilize tuition and fee costs or maintain the quality of higher education. The budget proposes an increase of total funding to \$25.8 billion (\$1.3 billion increase from 2012-13) for California’s Higher Education system. Additionally, the governor’s proposal calls on the system to “move aggressively to implement reforms to provide high-quality instruction at lower cost, decrease the time it takes to earn a degree, and increase graduation rates.”²⁰³

Budget proposal for higher education:

1. Equal increases of \$125.1 million from the General Fund for core instructional cost for both the University of California (UC) and the California State University (CSU). The differences between both university systems (CSU and UC), such as the larger size of the CSU student population, along with demographic and financial differences between the two systems, make this seem like an inequitable distribution of funding, particularly for CSU students, who are disproportionately students of color.

2. The governor proposes to set a cap on the number of units a student can earn while receiving state subsidies. The 90-unit cap for community colleges might decrease the rates of transfer or graduation for students of color because these students are more likely to be underprepared to start college.
3. The governor proposes \$16.9 million to community colleges to increase availability of online courses. Meanwhile, as part of the General Fund for core instructional costs, UC and CSU receive \$10 million to increase the number of online courses available. Expanding the availability of online courses might have inequitable effects on students at community colleges, especially since their median income is the lowest in California's Higher Education system.

GOVERNOR PROPOSES EQUAL BASE INCREASE TO CSU AND UC

The governor's budget provides both the CSU and UC systems with an increase of \$125 million for 2013-14. This figure represents a 5 percent increase to the General Fund for core instructional costs.²⁰⁴ The increase is in addition to the \$125 million from the General Fund that both systems will receive for not increasing tuition and fees for 2012-13.

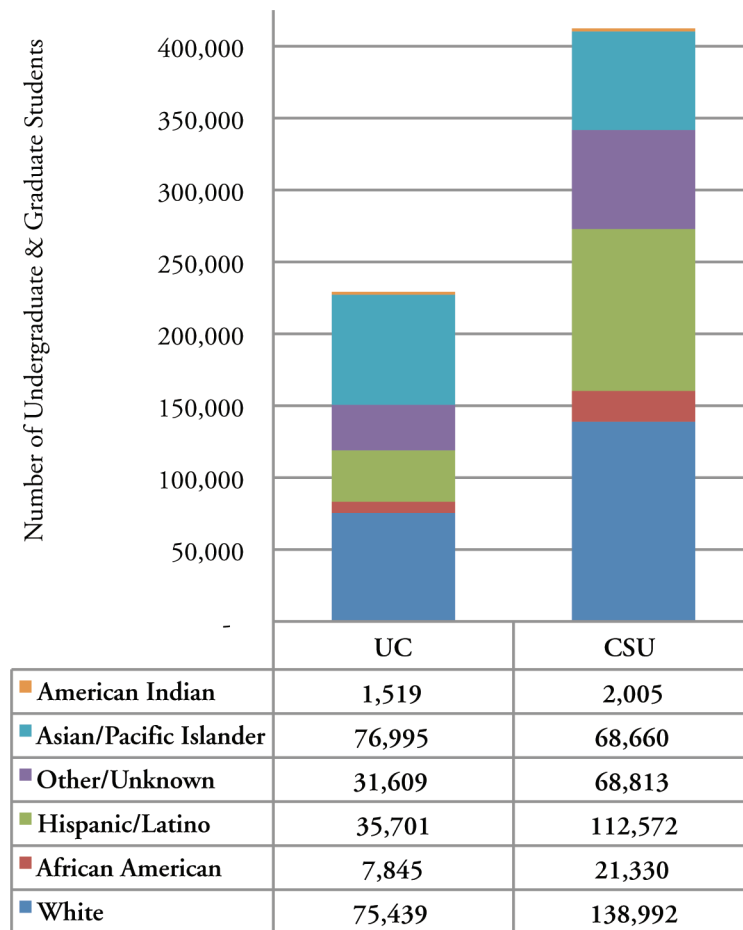
According to the California Legislative Analyst's Office (LAO): "Though the state's budget plan provides for an identical increase of \$125 million in 2013-14 for each system, the Legislature may wish to consider treating them differently moving forward. A more refined approach would recognize that the two systems have different missions, student populations, costs, tuition levels, alternative revenue sources, and outcomes."²⁰⁵

Student Demographic Differences

The UC system had 229,108 students enrolled in fall 2010, while the CSU system enrolled 412,372 students. The equal distribution of \$125 million for each system creates a funding disparity, with each CSU student receiving \$242.60 less than a UC student:

University System	Amount Increased for Core Instructional Cost ²⁰⁶	Total Enrolled Students	Amount Increased Per Student
California State University	\$125.1 million	412,371 ²⁰⁷	\$303.4
University of California	\$125.1 million	229,108 ²⁰⁸	\$546.0

Number of Students Enrolled by Race and Ethnicity, UC and CSU Compared, 2010



Funding both systems at the same rate does not provide an equitable distribution of funding for core instructions across the two systems. For example, in 2011 CSU had almost twice as many students as UC, almost three times as many African American students, and more than three times as many Latino students.^{209,210}

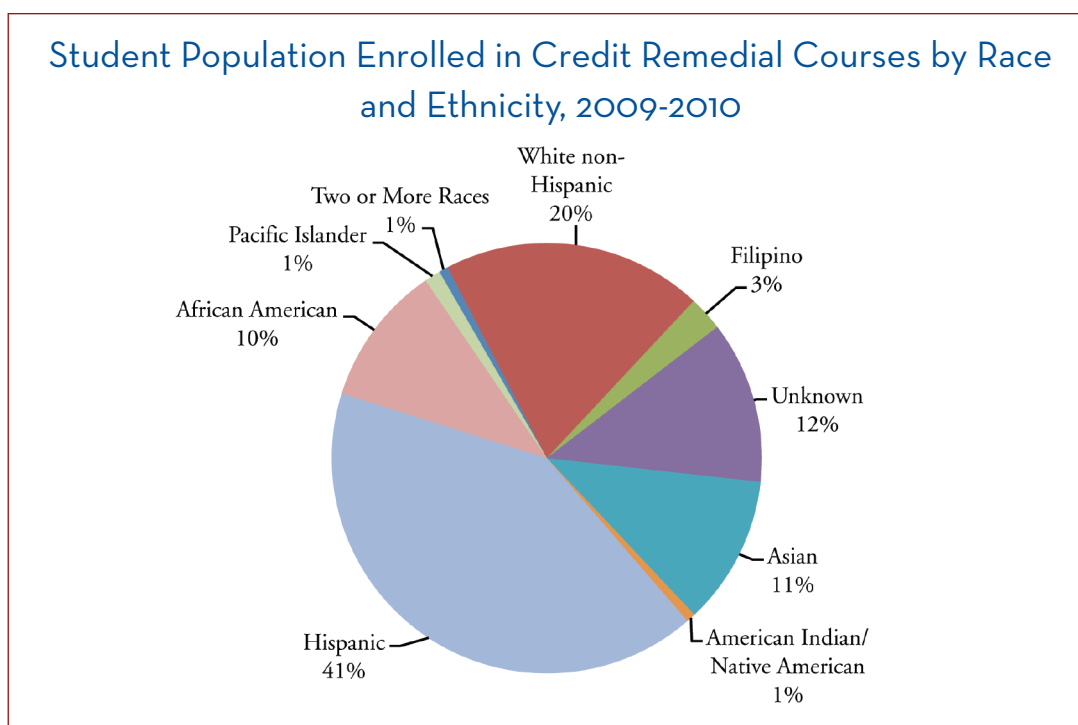
Other Differences Between UC and CSU That Should be Taken into Account:

- From 2007-2012, UC expenditures increased by 15 percent and CSU expenditures increased by 3 percent²¹¹
- Tuition levels are different. Currently, tuition per year at the UC is \$13,200, compared to \$7,025 at CSU.²¹²
- From 2007-08 to the present, individual tuition prices rose \$5,556 and \$2,700 for students in the UC and CSU system, respectively.²¹³
- The average student debts for both systems are similar. The average student debt level for a UC graduating senior in 2011 was \$18,779,²¹⁴ while in 2010 graduating CSU seniors averaged student loan debt of \$15,804.²¹⁵

GOVERNOR PROPOSES UNIT CAPS

The 2013-14 Budget presented by Gov. Brown proposes to cap the units a student can earn while receiving state subsidies. For UC and CSU for 2013-2014 and 2014-15, the cap is 180 semester units or 270 quarter units. Meanwhile for community colleges, the governor proposes a cap of 90 semester units starting in 2013-14. If a student goes over the proposed unit cap, he or she would have to pay full cost per unit. The governor aims to make community colleges more efficient, but this proposal might decrease rates of transfer or graduation for students of color, since these students are disproportionately underprepared when starting community college and therefore more likely to need Credit Remedial Courses than white students²¹⁶ (See final table).

It is not known if remedial courses will count towards the 180-unit semester cap. This issue will need to be clarified in order to fully understand the impact of this proposal on communities of color and low-income students. For this analysis we will analyze the potential impacts of the new credit limit assuming that remedial courses count towards the 180-unit semester cap.



Comparison of Cost to Attend Community College Before and After Unit Cap			
	Cost per Unit ²¹⁷	Cost per semester for Full-time Student (12 Units)	Cost per semester for Part-time Student (6 Units)
Under the 90 Unit Cap	\$46	\$552	\$276
Over the 90 Unit Cap	\$180*	\$2,160	\$1,080

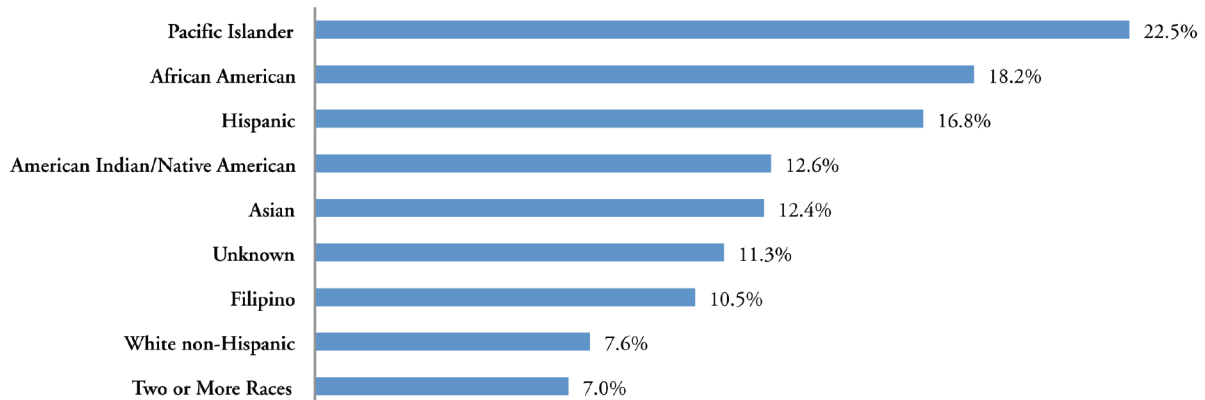
*Based on out-of-state full cost tuition

Over the past five years, the cost per unit at community colleges has increased by 150 percent. From the 2008-2009 to 2012-13 Academy year, fees have increased from \$20 per unit to \$46 per unit.²¹⁸ College affordability has decreased over five years, and the proposed unit caps might make attending community college unaffordable for low-income and communities of color.

Enrollment in Credit Remedial Courses might make students of color go beyond the specified unit cap: While we are missing data regarding the average total units students starting in remedial courses earn in order to graduate or transfer, it seems likely that starting at low level courses will cause many of these students to go over the proposed unit cap. It is not clear in the governor’s proposal if remedial courses will count towards the cap or if they will be exempt. If remedial courses count, a number of issues will arise with regard to students of color. For example, most of the students taking remedial courses in community colleges are students of color from low-income communities. According to Complete College America, nationally in 2006, 64.7 percent of low-income students, 67.7 percent of African American students and 58.3 percent of Hispanic students at two-year colleges were in need of remedial courses.²¹⁹

Enrollment in Credit Remedial Courses		
Race/Ethnicity	Percent of Students Enrolled in Credit Remedial Courses by Race/Ethnicity Academic Year 2009-2010 ²²⁰	Percent of Racial and Ethnic Group Enrolled in Credit Remedial Courses Academic Year 2009-2010 ²²¹
Asian	11.2%	12.4%
African American	10.6%	18.2%
Filipino	2.6%	10.5%
Hispanic	41.2%	16.8%
American Indian/Native American	0.7%	12.6%
Pacific Islander	1.2%	22.5%
Two or More Races	0.7%	7.0%
White non-Hispanic	19.6%	7.6%
Unknown	12.2%	11.3%

Percent of Racial and Ethnic Group Enrolled in Credit Remedial Courses, 2009-2010



As seen by the table above, students of color comprise at least 68.2 percent of the total enrollment in Credit Remedial Courses. Meanwhile, looking at each population separately, all populations of color exhibit large percentages of students in Credit Remedial Courses, the largest being Pacific Islanders (22.5 percent), African Americans (18.2 percent) and Hispanics (16.8 percent).

The unit cap limit also presents other indirect issues that must be addressed. Currently, community college regulations "give colleges considerable discretion as to whether they may offer pre-collegiate (adult education) math, English, and English-as-a second language"²²² for course credit. Pre-collegiate Math and English remedial courses are a concern: Will these credits count towards the unit cap? If so, this potentially punitive policy will disproportionately impact communities of color, which comprise the majority of our state.

Other issues:

- If a student transfers to a CSU or UC, how many units will count towards the CSU and UC caps? Will it only be the transferable units, or all units that were taken in community college?
- With limited availability of courses due to demand that exceeds supply, is it appropriate to place caps when students are struggling to enroll in the courses needed to graduate or transfer?

EXPANSION OF AVAILABILITY OF ONLINE COURSES

Looking to improve the quality of California's Higher Education system, the governor proposes to expand the amount of available online courses to reduce costs, by providing \$16.8 million to California Community Colleges and \$10 million each to UC and CSU. By investing \$36.8 million in online education the governor aims to decrease time to completion and improve the transfer rate of community college students to four-year institutions.²²³

Impact on Community College Students

- Access to the Internet at home for low-income community college students might be limited, leaving them out of the virtual classroom. The Foundation for California Community Colleges states that full-time students at community colleges have an annual median income of \$16,223, with 25 percent having incomes of less than \$5,544 per year.²²⁴ Meanwhile, the Public Policy Institute of California estimates that in 2012, 60 percent of households with incomes under \$40,000 had broadband access at home, while 93 percent of households with incomes of \$80,000 or higher have broadband.²²⁵ Since community college students' median income is below \$40,000, the percentage of students with Internet access at home might well be lower than 60 percent. Instead of increasing access to much-needed courses, expanding availability of courses through online education might leave low-income students without the classes needed to graduate on time if it leads to a reduction in in-person class offerings.

- The American Association of Community Colleges estimates that part-time students comprise 68 percent of enrollment at California Community Colleges.²²⁶ Depending on whether a part-time student has Internet access at home, the governor's proposal will either have a positive or negative impact on part-time student education. Lack of data makes it difficult to estimate the effects of the governor's proposal on part-time students. Having said that, we present two cases:

- ❑ Part-time student with Internet at home: The expansion of online education could increase available courses. This might decrease time to graduation and help relieve constraints on campus facilities.

- ❑ Part-time student without Internet at home: The expansion of online education might limit access to available courses if online courses replace classroom instruction. By having to use already-stressed on campus facilities such as the computer lab, this student might increase the burden on such facilities. Time to graduation might increase.

- It is also possible that increased online courses would be helpful to low-income students as students with higher-speed Internet access may be more likely to take the online classes, which could free up spots for students without high-speed Internet access in traditional classes. Either way it will be important ensure that students without high-speed Internet access are not at a disadvantage when it comes to obtaining access to in-demand classes.



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¹²³ Communities of color below the poverty level = 949 Imperial Black + 40,249 Imperial Hispanic + 197,261 LA Black + 175,364 LA Asian + 1,118,555 LA Hispanic + 7,518 OC Black + 67,622 OC Asian + 210,032 OC Hispanic + 26,823 Riverside Black + 9,204 Riverside Asian + 235,374 Riverside Hispanic + 46,869 San Bernardino Black + 24,182 San Bernardino Asian + 220,491 San Bernardino Hispanic + 34,820 SD Black + 45,157 SD Asian + 211,450 SD Hispanic

¹²⁴ Lucia L, Jacobs K, Dietz M, et al. (September 2012). *After Millions of Californians Gain health Coverage Under the Affordable Care Act, Who Will Remain Uninsured?* P. 13. UC Berkeley Center for Labor Research and Education & UCLA Center for Health Policy Research. Retrieved from http://laborcenter.berkeley.edu/healthcare/aca_uninsured12.pdf

- ¹²⁵ Original analysis using data from the 2011 American Community Survey. Primary safety net user population defined as the population between 0 and 200 percent FPL. Retrieved from <http://www.census.gov/acs/www/>
- ¹²⁶ Original analysis using data from 2009 CHIS. Primary safety net user population defined as the population between 0 and 200 percent FPL, and Stata outputs were summed from the child, adolescent, and adult CHIS datasets. Retrieved from <http://healthpolicy.ucla.edu/chis/Pages/default.aspx>
- ¹²⁷ Original analysis using data from the 2011 American Community Survey. Primary safety net user population defined as the population between 0 and 200 percent FPL. Retrieved from <http://www.census.gov/acs/www/>
- ¹²⁸ Original analysis using data from 2009 CHIS. Primary safety net user population defined as the population between 0 and 200 percent FPL, and Stata outputs were summed from the child, adolescent, and adult CHIS datasets. Retrieved from <http://healthpolicy.ucla.edu/chis/Pages/default.aspx>
- ¹²⁹ Original analysis using data from the 2011 American Community Survey. Racial groups that did not have a statistically significant sample size were excluded. Retrieved from <http://www.census.gov/acs/www/>; (942,039/13,852,047) x 100= Black; (3,465,072/Total) x100= White; (7,637,528/Total) x100= Hispanic; (1,369,230/Total) x100= Asian; 301,554/Total) x100= 2 or more. Total Population = 13,852,047 = 6,214,519 Non-Hispanic + 7,637,528 Hispanic
- ¹³⁰ Original analysis using data from the 2011 American Community Survey. Racial groups that did not have a statistically significant sample size were excluded. Retrieved from <http://www.census.gov/acs/www/http://www.census.gov/acs/www/>; Key: (0-200% of that race/Total population of that race) x100. (3,465,072/14,625,052) x100= White; (7,637,528/14,108,903) x100= Hispanic; (942,039/2,046,337) x100= Black; (1,369,230/4,849,558) x100= Asian; (301,554/965,028)x100=2 or more.
- ¹³¹ Ibid.
- ¹³² Governor's Budget Summary 2013-14. P. 52. Retrieved from <http://www.ebudget.ca.gov>
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- ¹³⁴ Governor's Budget 2013-14. *Proposed Budget Detail. 4260 Department of Health Care Services. 3-Yr Expenditures & Positions*. Retrieved from <http://www.ebudget.ca.gov/StateAgencyBudgets/4000/4260/spr.html><http://www.ebudget.ca.gov/StateAgencyBudgets/4000/4260/spr.html>
- ¹³⁵ Percent change = ((233,311,000-503,975,000)/503,975,000) x100
- ¹³⁶ Department of Health Care Services. (January 2013). *2013-2014 Governor's Budget Highlights*. P. 6. Retrieved from [http://www.dhcs.ca.gov/Documents/Governor's%20Budget%20Highlights%20\(Final%203\).pdf](http://www.dhcs.ca.gov/Documents/Governor's%20Budget%20Highlights%20(Final%203).pdf).
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- ¹⁴³ Taylor M. (January 2013). *The 2013-14 Budget: Overview of the Governor's Budget*, p. 32. Legislative Analyst's Office. Retrieved from <http://www.lao.ca.gov/reports/2013/bud/budget-overview/budget-overview-011413.pdf>
- ¹⁴⁴ Low-income families with children and persons with disabilities represent the pre-ACA Medi-Cal population.
- ¹⁴⁵ Governor's Budget Summary – 2013-14, Introduction, p. 4.
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- ¹⁴⁹ EdSource, Revenue Limits. Retrieved from www.edsource.org/iss_fin_sys_revlimits.html on Jan. 21, 2013.
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- ¹⁵¹ California Department of Education, Estimated Cash Flow-Categorical Programs. Retrieved from www.cde.ca.gov/fg/aa/ca/estcashflow.asp on Jan. 15, 2013.
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- ¹⁵⁶ According to the US Census definition, an English learner is a student who is not yet proficient in English. In previous years these students were referred to as Limited English Proficient (LEP). The 2010-11 statewide English learner enrollment does not include 405,018 students from 413 districts and independently reporting charters that did not certify their EL data. The actual number of EL students in California remains approximately a quarter of all students.
- ¹⁵⁷ According to the CalWORKs Report, a free/reduced price meal recipient is a student who is enrolled in the program for free/reduced price meals. County social service offices for the whole attendance area report the students. Since some may attend private schools or have dropped out of school, the CalWORKs count may be slightly inflated.
- ¹⁵⁸ Ed-Data, Fiscal, Demographic, and Performance Data on California's K-12 Schools retrieved from www.ed-data.k12.ca.us/App_Resx/EdDataClassic/fsTwoPanel.aspx?#!bottom=/_layouts/EdDataClassic/profile.aspx?Tab=1&level=04&reportNumber=16#englishlearners on Jan. 20, 2013.
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- ¹⁶⁴ Governor's Budget Summary – 2012-14, School District and County Office of Education Finance, p. 17-18.
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- ¹⁶⁷ Governor's Budget Summary – 2012-14, School District and County Office of Education Finance, p. 17-18.
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- ¹⁷⁶ Proposition 39 was passed into law in November 2012. It established the California Clean Energy Jobs Act which requires multistate businesses to pay income taxes based on percentage of their sales in California. The Act dedicates revenues for five years to clean/efficient energy projects. It is expected to increase state revenues by \$1 billion annually, with half of the revenues over the next five years spent on energy efficiency projects. Of the remaining revenues, a significant portion likely would be spent on schools. *Official Voter Information Guide*, retrieved from <http://voterguide.sos.ca.gov/propositions/39/> on Jan. 12, 2013. Pub. Resources Code, § 26205.
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- ¹⁷⁸ Governor's Budget Summary – 2013-14, K Thru 12 Education, p. 24.
- ¹⁷⁹ Proposition 98, approved by the voters in 1988, provides a constitutionally guaranteed minimum level of funding to K–12 schools and community colleges (K–14 education). In years of “normal” state revenue growth, K–14 education is guaranteed a level of state and local funding at least equal to the funding level received in the prior year, adjusted for changes in enrollment and per capita personal income. In years of extraordinarily good or bad revenue growth, K–14 education participates in the state's gains or losses according to specified “fair share” formulas. Proposition 98 may be suspended in a statute passed with a two-thirds vote, enacted separately from the budget. Following a “fair share” reduction in the level of the Proposition 98 funding guarantee or a suspension of the guarantee, the state eventually must restore K–14 education funding to the level that would have been provided had no reduction occurred. The pace of this restoration is tied to the pace of the state's economic recovery. California Department of Education, Proposition 98 Basic Principles (March 2012).
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- ¹⁹⁰ Governor's Budget, Education § 6110, p. Edu 2; Mac Taylor, Legislative Analyst Office (hereafter LAO), The 2013-14 Budget Overview of the Governor's Budget (January 2013), p. 21.
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