PROPOSED STATE BUDGET IMPROVES OUTLOOK FOR KIDS, BUT LEAVES MUCH WORK TO BE DONE

For the first time in many years, the Administration's proposed state budget does not project a deficit. Painful budget cutting in recent years combined with voters passing Proposition 30 in November to generate revenues finally have put California on more stable fiscal ground. However, it is critical to recognize that kids have borne a disproportionate share of the cuts over time, and these cuts go largely unrestored in the 2013-14 state budget proposal. As a result, all Californians will continue to pay for the long-term consequences of underinvesting in children's health, education, and overall well-being.

These and other ways the January state budget proposal impacts kids are detailed below.

INCOMPLETE INVESTMENTS IN EDUCATION

Increased Funding for K-12 Schools & New School Funding Formula to Spur Innovation

The voters' passage of Proposition 30 reverses years of devastating cuts to K-12 schools and provides an additional $2.7 billion in school funding in 2013-14. This is on top of the $2.2 billion that will be provided this year, as a result of policymaking in 2012-13, to reduce late payments to schools. The Administration's proposal allocates these available dollars primarily to further reducing late payments by $1.8 billion and providing $1.6 billion for a new school funding formula (a.k.a. the Local Control Funding Formula).

The reworked Local Control Funding Formula (LCFF) – formerly known as the Weighted Pupil Formula (WPF) – provides school districts and charter schools with base funding for each student, as well as supplemental funding for students with additional needs, such as English learners, students in poverty, and foster youth. A "concentration factor" is also applied to districts serving a majority of students who qualify for supplemental funding. One significant change in the LCFF from the previous WPF proposal is the inclusion of a transition methodology that establishes a target that districts grow toward over time. In addition to ensuring no district will lose funding, this multi-year transition methodology allows districts to plan future program expansions better, especially for the students who need additional services and supports the most.

This new approach to school funding also includes removing many of the strings and reporting stipulations previously attached to supplemental funding. In lieu of these bureaucratic requirements, districts and charter schools instead would have to ensure their funding is used to: (1) improve core services, such as having qualified teachers at each school site, sufficient instructional materials, and school facilities in good repair, (2) provide programs or instruction that benefit English learners and low-income students, and (3) implement Common Core curriculum standards and make progress on college and career readiness. Federal academic accountability provisions will still apply.

Children Now is pleased to see the Governor maintain his commitment to improving the school funding model, addressing the disparities and irrationality in the current system. The proposal transitions to equitable school funding and recognizes that some students need additional resources, while ensuring that no district loses funding. Additionally, districts will have greater power to decide how to spend their resources on programs and services that meet the unique needs of their students.

Failure to Reflect the Importance of Children's Early Education to Lifetime Success

While the Administration's positive moves to reinvest in K-12 and higher education should be applauded, its ongoing failure to view early care and education programs for young children as a crucial component of the education system and children's overall well-being is disappointing. It's clear that effectively supporting children's learning and preparing them for success in school begins much earlier than kindergarten.

In order to improve kid's educational outcomes in the long-term, the Administration should begin to reinvest in the state's early learning programs, with a focus on vulnerable, high-needs children, More than $1 billion in recent budget cuts has denied 110,000 children access to preschool and child care. The First 5 Association of California and its county affiliates – which provide comprehensive, high-quality early childhood services to young kids and their families – have also been negatively impacted by the state's budget woes. First 5 has generously contributed to the state budget for the past four years and should be repaid.

Furthermore, we will continue to urge the Administration to keep the state's early care and education programs in the purview of Department of Education. Although the Administration's interest in streamlining the delivery of early care and education is encouraging, we remain concerned that proposals to move responsibility for program delivery and oversight down to counties would result in unequal access and diminish the connections needed between K-12 and early care and education programs.

NO DIRECT CUTS TO CHILDREN'S HEALTH CARE ACCESS, BUT STILL INADEQUATE SUPPORT OVERALL

After years of devastating budget cuts to children's health programs, it is gratifying to see no more direct cuts to kids' health in this budget proposal. We hope this is the beginning of an era of reinvestment in the health of California's children and families.

The Administration's budget proposal extends two critical revenue sources – the Managed Care Organization (MCO) assessment (a.k.a. "gross premiums tax") and the hospital quality assurance fee – but does not explicitly invest any of these funds to improve children's health care, as has been the case historically. The proposal fails to devote a portion of the revenues to address the health care needs of kids, which have been put at additional risk through the recent elimination of Healthy Families and coming transition of all its enrollees into Medi-Cal coverage without sufficient planning or investment.

A ten percent payment cut to Medi-Cal health care providers included in this budget proposal will further undermine access to care for California's children and families. Although children's services are largely exempt from the rate cut (except, notably, children's dental services), medical practices often rely on a combination of adult and child patients to stay afloat. During the Healthy Families transition, it is especially important to maintain adequate networks of medical and dental providers for Medi-Cal patients and recruit providers in areas where there are none. The state must ensure that a Medi-Cal card means that children can actually access the care they need to grow up healthy.

Commendably, the January budget proposal upholds the Administration's commitment to moving forward with implementation of the Affordable Care Act in California by including the federally-funded expansion of Medi-Cal coverage beginning in 2014. However, the state-based Medi-Cal expansion option, as proposed, could de-fund critical county-based health and human services that will still be needed for the three million Californians who will remain uninsured after 2014. California should pursue a statewide Medi-Cal expansion to provide coverage to millions of Californians, while also preserving a basic health care safety net for those who will remain uninsured.

CONCLUSION

The Administration's 2013-14 state budget proposal succeeds in creating a balanced budget, avoiding new cuts to children's health, education, and overall well-being, and providing important reinvestments and reforms for K-12 education. Legislators must build on this framework by finding ways to better support children's early education programs and access to the health care services they need. The short- and long-term impacts of failing to invest adequately in children in these ways are immediate and severe for California, from tens of thousands of young children being denied the early learning opportunities they clearly need today to the long-term economic consequences of that tomorrow.

CONTACT

For more information on how the Administration's January state budget proposal impacts kids:

Children's Health, contact Kelly Hardy at khardy@childrennow.org, Eileen Espejo at eespejo@childrennow.org, Mike Odeh at modeh@childrennow.org, or Ben Rubin at brubin@childrennow.org

Education, contact Brad Strong at bstrong@childrennow.org, Samantha Tran at stran@childrennow.org, or Debra Brown at dbrown@childrennow.org

Early Learning and Development, contact Giannina Perez at gperez@childrennow.org or Melina Sanchez at msanchez@childrennow.org

Child Welfare, contact Susanna Kniffen at skniffen@childrennow.org

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