PROPOSED STATE BUDGET LACKS NEEDED FOCUS ON KIDS

The Administration's January proposal for the 2014-15 state budget projects a surplus, due to painful budget cutting in recent years combined with the economic recovery and voter approval of new revenues. While the proposal invests some of the additional revenue in children, it falls well short of what's needed. California's kids have borne a disproportionate share of the cuts over time and these deep cuts go largely unrestored in the proposed budget. Unless significant changes are made, all Californians will continue to pay for the costly consequences of underinvesting in children's health, education and overall well-being.

Additional detail on how the state budget proposal impacts kids is provided below.

RISE IN STATE REVENUES RESULTS IN FUNDING BOOST FOR K-12 SCHOOLS, BUT STILL WELL BELOW NATIONAL AVERAGE

Assisted by Proposition 30 – approved by voters in 2012 to provide temporary revenues to the state – and a growing economy, the state's fiscal picture appears to be on the mend, and with it the beginning of what will need to be a long-term effort to reinvest in our schools. The proposed K-12 funding increase is much needed and comes at a time when California has fallen to 50th in the nation in per-pupil spending (adjusted for costs) in the latest national ranking released this month by *Education Week*. Given our education system is chronically underfunded and that the revenues provided by Prop. 30 are temporary, this budget should be viewed as an initial down payment on the longer-term financial commitments that must be made to improve children's educational outcomes.

The budget proposal provides $11.8 billion in new Prop. 98 spending – $6.8 billion for one-time purposes and $5 billion for on-going programs. State revenues were much higher than projected; because of the Prop. 98 guarantee, the state owes more to schools. For K-12, the Governor proposes to allocate the dollars in a rational way that pays off debt and invests in the state's new school finance system. Highlights of the higher spending for K-12 include:

- **Eliminate K-12 deferrals - $5.6 billion.** The plan would eliminate all the delayed payments for schools, which had increased to an alarming amount in order to stave off deeper cuts during the budget downturn. While this won't result directly in available dollars for schools, it will stabilize district budgets and reduce future borrowing costs.
- **Invest in Local Control Funding Formula - $4.5 billion.** The Local Control Funding Formula (LCFF) that was adopted last June focuses on providing increased funding for high-needs students while giving districts increased flexibility in determining how best to address the needs of their students. An additional benefit of LCFF is the ability for districts to engage in long-term planning. Previously, districts didn't know how new dollars would be allocated in years of increased funding. This year, while the increase might vary with revenue estimates, districts will be able to make decisions about what priorities to invest in rather than waiting for the budget process to reveal new categorical programs.

The Administration is also projecting steady growth in school funding in 2015-16 and beyond. It appears likely that the Administration has been conservative in its forecast of state revenues, and thus in identifying the state's obligations to schools. The Legislative Analyst believes that there is "a significant possibility that 2013-14 and perhaps 2014-15 revenue estimates will rise by a few billion dollars." Most of any additional increase in state revenues would go to schools, providing an opportunity for needed investments to help ensure successful implementation of the Common Core State Standards and Next Generation Science Standards.

ONGOING FAILURE TO REALIZE THE BIG PAY-OFFS OF INVESTING IN THE EARLY YEARS

While the proposed investment increases in K-12 should be applauded, there continues to be a troubling lack of commitment in the state budget to California's youngest children. Efforts to improve children's educational achievement and overall well-being must begin with strong, equitable support for kids' development from birth to age five. After years of funding cuts and the dramatic loss of 110,000 early care and education spaces for low-income children, this budget proposal misses a crucial opportunity to rebuild and expand early learning programs that cost-effectively support our children's success over a lifetime.

Proposed funding for state preschool and child care remains more than a billion dollars below 2008 levels and thousands of families will remain without access to quality care for their children. Rather than substantively reinvest in these important programs, the Administration's budget decreases overall funding by $18.6 million. It takes away last year's minimal but much needed increases to general child care, migrant centers and alternative payment programs, fails to backfill $9.1 million in past federal cuts to the Child Care and Development Fund, and downsizes critical quality improvement initiatives by nearly $1.6 million.

The budget does propose slight increases for CalWORKs Stages 2 and 3 to keep up with caseload growth, and introduces the concept of a new six-county, three-year pilot initiative to connect more children to licensed care. It also increases funding for Community Care Licensing by $7.5 million, but this modest increase will be paid for in part by higher licensing fees.

While legislative leaders fortunately are pushing to expand transitional kindergarten and increase investments in infants and toddlers, the Administration's proposed budget fails to recognize these significant opportunities. At this critical moment, quality early care and education is one of the smartest investments the state's leaders can make – in our children's success and our economic future.

WEAK MEDICINE FOR CHILDREN'S HEALTH

After years of devastating budget cuts to children's health programs, the Administration's budget proposal makes some small steps in the right direction – but doesn't go nearly far enough.

For example, the proposed budget misses a key opportunity to strengthen the Medi-Cal system, which now covers almost half of all children in California. The state has some of the lowest provider payment rates in the entire nation, but the Administration's budget would do nothing to improve those rates. The budget would maintain a 10% payment cut to Medi-Cal health care providers going forward, which will further undermine access to care. The budget would not require providers to pay the state back for cuts enacted last year, and would exempt most pediatric providers (except for dentists and pharmacists). However, these payment cuts weaken the overall Medi-Cal system and are resulting in a critical shortage of doctors and dentists serving Medi-Cal children in a timely manner.

It is noteworthy that the Administration's budget proposal acknowledges areas where utilization and access to care for children in Medi-Cal fall below the national average. To that end, the proposed budget includes $17.5 million for pediatric dental care outreach activities that would be jointly financed by Proposition 10 tobacco tax revenue and federal matching funds. Outreach efforts to improve pediatric vision services are also contemplated in the budget proposal, but details are not yet available. While it is encouraging that the budget proposal reflects the need to improve outreach around dental and vision services for young children

in Medi-Cal, outreach can only be truly effective if access to care is improved. In addition, it is not appropriate to redirect Proposition 10 funding, since those dollars are already budgeted to serve young children.

The budget recovery was built on cuts to vulnerable children and families, but the Governor's budget proposal misses opportunities to restore critical, effective public health prevention programs for children that were eliminated during the recession. This includes programs to serve high-risk infants (Black Infant Health Program), provide school-based mental health services (Early Mental Health Initiative) and provide preventive dental services for children (California Children's Dental Disease Prevention Program).

Childhood caries (cavities) are the most common chronic health condition in children and remain the greatest unaddressed problem. Early dental checkups help prevent cavities, which can lead to pain, trouble concentrating in school and other medical issues. The California Children's Dental Disease Prevention Program was operated for nearly thirty years by the California Department of Public Health's Office of Oral Health, which ran 33 programs in 31 counties by providing critical dental services to preschool and elementary school children at the highest risk of suffering from preventable dental disease. If funding is restored, this proven public health program could also be used to help the state reach federal goals to increase preventive dental visits and sealant application by 10 percentage points over the next five years.

CONCLUSION

The Administration's 2014-15 budget proposal avoids new cuts to children's health, education, and overall well-being, and provides important initial 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 are immediate and severe for California.

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