Annual carry-over is defined as the amount of total unspent CAEP funds from prior years as a percentage of the current year’s CAEP allocation. While annual carry-over may be planned for use for upcoming expenditures and some carryover may be a result of funding distribution delays at the state level, in some areas of the state, there are large – and growing – amounts of carry-over without a consortium-approved plan for expenditure for those funds. This growing carryover within consortia and specifically among individual members is resulting in funding not being used to serve students each year as the needs grow and instead merely sitting in accounts without a plan for expenditure.

Having any member, or consortia, carrying over a significant portion of the annual allocation creates undue tension within consortia as so many members struggle to meet unmet need within their communities. Again, this is particularly disconcerting for K12 Adult Schools who are spending the annual allocations according to the annual plan while not having another fund source (FTES apportionment) to expand and provide much needed services.

***What is the current definition of carry-over and how is it different from the definition in AB-1491?***

Currently, the CAEP Office provides a three-year spending window for CAEP allocations based on a policy decision within the Office. Using this time period, carry-over is defined as the funds remaining three years after the funds were first allocated. While processes currently allow for a three-year spending window, the definition proposed in AB-1491 would use the more commonly understood concept that funds allocated in any given year are for use in that year in line with the Legislature and Administration’s expectation the over $500 million allocated each year for Adult Education is being used in that fiscal year, understanding that some circumstances may result in some minimal carryover.

Ultimately, AB 1491 would define carryover based on common knowledge and practice, a one-year budget.

* The State allocates apportionment funding annually.
* Districts setup annual budgets.
* Adult Schools submit an annual plan with an annual budget in NOVA.
* Adult Schools report our annual expenditures in NOVA.
* Reserves are calculated on an annual basis.

***CAEP Apportionment vs Grant***

Unfortunately, the opposition to the bill continues to refer back to a three-year spending window that exists currently as a policy decision under the CAEP Office. However, the whole point is that this policy that sets a three-year window is what is causing these huge carryover amounts. The three-year window is used for grants that are typically one-time or have a short funding life. CAEP is Adult Education apportionment, like FTES. It is for that reason the name was changed a few years ago to remove reference to “grant” in acknowledgement of the funding being ongoing. Opponents continue to view and use CAEP funding as grant funding, further highlighting the disparity in funding between the two systems where Adult Schools have no other funding beyond CAEP funding.

***What is the basis for the 15% carryover threshold in the bill?***

AB 1491 seeks to establish clear criteria, accountability and a maximum threshold (currently proposed at 15%) for consortia members to carryover from year to year so as to ensure the maximum amount is used to support growing student needs in the budget year, allowing for exceptions as outlined and defined by consortia plans. This threshold is based on guidance from California education budgeting experts (School Services of California, California Association of School Business Officials (CASBO), and Association of California School Administrators (ACSA)) who recommend two months of operating expenses be held in reserve. This equates to roughly 15-20% of an agency’s annual allocation.

***How does this difference impact the calculation of carry-over as compared to the proposed definition?***

The currently used definition results in a minimal carry-over as most recently reported by the CCCCO to be between 4 and 10 percent. When using the more commonly used definition proposed in AB-1491 the carry-over is estimated to be over $130 million or 24% of the 2020-21 allocation of $546 million. When looking close at individual consortia these percentages increase significantly more than 20 agencies having a carrying over of more than 100% in 2020-21.

***Does AB-1491 take away local decision making?***

While AB-1491 would mandate consortia address carry-overs great than 15% it allows for the local consortium to determine how to best address the issue based on their regional needs and priorities. Indeed, the proposed language does not mandate an immediate reallocation but gives agencies who are above 15% carry-over up to two years to spend down the carryover be providing services to the community in accordance with the local consortium plan.

***Technical assistance vs. AB 1491/Legislation***

Opponents to AB 1491 have argued the state should rely on technical assistance to resolve concerns regarding large amounts of carryover funding. While the proponents have attempted to address the concerns within the CAEP Office, the issue remains an ongoing problem despite the state investing over $26 million dollars to the CCCCO for CAEP technical assistance for these types of issues. In fact, carryover continues to grow across the state, and it is the proponents’ understanding that of the $26 million the CCCCO has received, $10 million remains unspent – a 38% carryover.