

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, MAY 14, 2019

9:00 AM - STATE CAPITOL, ROOM 447

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ITEMS TO BE HEARD

6100 DEPARTMENT OF EDUCATION

ISSUE 1: GOVERNOR'S MAY REVISION PROPOSALS: PROPOSITION 98, K-12 AND EARLY EDUCATION

The Subcommittee will hear an overview of the Governor's 2019-20 May Revision related to overall Proposition 98 funding. The Subcommittee will also hear the major K-12 and early childhood education proposals included in the May Revision. The Subcommittee will hear an overview of the community college related proposals at the higher education overview hearing.

PANELISTS:

- Department of Finance
- Legislative Analyst's Office
- Department of Education

MAY REVISION PROPOSALS:

Overall Proposition 98

The Governor's 2019-20 May Revision increases overall Proposition 98 funding by approximately \$746 million, compared to the Governor's January budget. The additional Proposition 98 funding is primarily attributable to higher General Fund revenue relative to the Administration's January estimates. Specifically, the May Revision makes the following changes to the Proposition 98 funding levels:

- Increases Proposition 98 funding by \$78 million in 2017-18, totaling \$75.6 billion.
- Increases Proposition 98 funding by \$279 million in 2018-19, totaling \$78.1 billion.
- Increases Proposition 98 funding by \$389 million in 2019-20, totaling \$81.1 billion.

Proposition 98 Reserve

The May Revision also includes a deposit of \$389.3 million in the Proposition 98 Reserve in 2019-20. Proposition 2 (2014) established the state school reserve and set forth various formulas for making deposits into the reserve. These formulas generally require the state to make deposits when (1) revenue from capital gains exceeds 8 percent of General Fund tax revenue; and (2) the Proposition 98 guarantee is above the prior-year funding level, adjusted for changes in attendance and the higher of the increase in per capita personal income or the statutory cost-of-living adjustment. (The second condition can be satisfied only when Test 1 is the operative test for calculating the guarantee and the Test 1 funding level exceeds the Test 2 funding level.) For 2019-20, the Governor's January budget estimated that the second condition would not be met due to strong growth in per capita personal income. However, due to per capita personal income growing more slowly than previously estimated and an increase in General Fund revenue (resulting in a corresponding increase in the Test 1 level), the second condition is satisfied under the May Revision. Under the Proposition 2 formulas, the size of the required reserve deposit is capped at the lower of (1) the difference between the Test 1 and Test 2 levels, and (2) the portion of the capital gains revenue attributable to Proposition 98. Under the May Revision, the lower of these two amounts is the \$389 million difference between Test 1 and Test 2.

**Changes in Proposition 98 Funding by Segment and Source
(In Millions)**

	Governor's Budget	May Revision	Change
2017-18 Revised Funding	\$75,498	\$75,576	\$78
K-12 Education			
General Fund ^a	\$47,130	\$47,194	\$64
Local property taxes	19,648	19,644	-3
Subtotals	\$66,778	\$66,839	\$61
California Community Colleges			
General Fund ^b	\$5,757	\$5,757	\$0
Local property taxes	2,963	2,980	17
Subtotals	\$8,720	\$8,737	\$17
2018-19 Revised Funding	\$77,867	\$78,146	\$279
K-12 Education			
General Fund ^a	\$47,973	\$48,327	\$354
Local property taxes	20,720	20,645	-75
Subtotals	\$68,693	\$68,973	\$280
California Community Colleges			
General Fund ^b	\$6,055	\$6,117	\$62
Local property taxes	3,119	3,056	-63

Subtotals	\$9,174	\$9,173	-\$1
2019-20 Proposed Funding	\$80,680	\$81,069	\$389
K-12 Education			
General Fund ^a	\$49,179	\$49,322	\$143
Local property taxes	22,064	21,921	-142
Subtotals	\$71,242	\$71,243	\$1
California Community Colleges			
General Fund ^b	\$6,117	\$6,193	\$76
Local property taxes	3,321	3,244	-77
Subtotals	\$9,438	\$9,437	-\$1
State School Reserve (General Fund)	\$0	\$389	\$389
^a Includes funding for the portion of State Preschool funded through Proposition 98 and direct instructional services provided by state agencies. ^b Includes funding for the Adult Education Program.			

Source: Legislative Analyst's Office

Major K-12 Education Proposals

The May Revision proposes the following major K-12 education related proposals:

- Special Education.** Retains the Governor's January proposal to provide special education concentration grants to districts serving large numbers of low-income students, English learners, and students with disabilities, but increases total grant funding by \$119.2 million. Whereas the Governor's January budget had proposed \$577 million (\$390 million ongoing and \$187 million one-time), the Administration now proposes \$696 million (all ongoing) for these grants.
- Pensions.** Includes an additional \$150 million in one-time non-Proposition 98 funding to reduce the CalSTRS employer contribution rate for school districts in 2019-20. The Governor's January budget included a total of \$3 billion one-time non-Proposition 98 payment to CalSTRS to make payments on behalf of employers (local educational agencies). Specifically, \$700 million to pay down employer contributions rates in 2019-20 and 2020-21 (\$350 million each year) and \$2.3 billion would be paid toward the employer's long term unfunded liability. The May Revision would provide a total of \$500 million in 2019-20 to reduce the employer contribution rate to 16.7 percent.

- **Teacher Scholarships.** Provides \$89.8 million in one-time non-Proposition 98 funding for the Teacher Service Credit Scholarship Program, to provide grants or loan repayments for newly credentialed teachers working in high-need schools, administered by the Student Aid Commission.
- **Educator Training.** Provides \$34.8 million in one-time non-Proposition 98 funding for the Educator Workforce Investment Grant to provide competitive grants for professional learning opportunities for teachers and paraprofessionals. Grants would be allocated by the Department of Education and the California Collaborative for Educational Excellence to institutions of higher education or nonprofit organizations to provide training and resources for teachers around inclusive practices, social emotional learning, computer science and restorative practices.
- **Classified Employee Summer Assistance Program.** Provides \$36 million in one-time Proposition 98 funding for an additional year of funding for the Classified School Employees Summer Assistance Program.
- **Broadband Infrastructure in Schools.** Dedicates \$15 million in one-time non-Proposition 98 funding for additional broadband infrastructure in schools. Requires the Department of Education to contract with the Corporation for Education Network Initiatives in California (CENIC) to administer the program and identify broadband connectivity solutions to the most poorly connected school sites.
- **Administrator Training.** Includes \$13.9 million in ongoing federal funds for the 21st Century California School Leadership Academy, administered by the Department of Education and the California Collaborative for Educational Excellence to provide professional development for school administrators and other school leaders.
- **Charter Schools.** Proposes the following trailer bill language changes related to charter schools:
 - Prohibits charter schools from discouraging students from enrolling in a charter school or encouraging students to disenroll from a charter school on the basis of academic performance or student characteristic, such as special education status.
 - Prohibits charter schools from requesting a pupil's academic records or requiring that a pupil's records be submitted to the charter school prior to enrollment.
 - Creates a process for families of prospective and current charter school students to report concerns to the relevant authorizer.
 - Requires the Department of Education to examine the feasibility of using data from the California Longitudinal Pupil Assessment Data System to identify

charter school enrollment disparities that may warrant inquiry and intervention by corresponding authorizers.

Other K-12 Adjustments:

- **Local Control Funding Formula.** Makes adjustments to the Local Control Funding Formula (LCFF) for school districts and charter schools to reflect changes in attendance and cost-of-living. Makes adjustment to various categorical programs to reflect changes in attendance and the cost-of-living.
- **School Districts in Distress.** Includes \$3.6 million in one-time for Inglewood Unified School District and \$514,000 for Oakland Unified School district, pursuant to AB 1840 (Chapter 426, Statutes of 2018).
- **Southern California Regional Occupational Center (SoCal ROC).** Includes \$2 million for instructional and operational costs in the 2019-20 fiscal year and to assist SoCal ROC in transitioning to a fee supported funding model.
- **Computer Science Coordinator.** Includes \$1 million in one-time non-Proposition 98 funding over four years for the State Board of Education to establish a Computer Science Coordinator. Intends to develop a comprehensive plan around access to computer science education.
- **Special Education Interagency Collaborative.** Includes \$500,000 in one-time non-Proposition 98 funding to create a workgroup to increase the ability of schools to draw down federal funds for medically related special education services and improve transition of three-year olds with disabilities from regional centers to schools.
- **Disaster Relief Provisions for Districts Impacted by Wildfires.** Includes trailer bill language to extend the hold-harmless funding provisions to school districts and charter schools that experienced attendance losses as a result of the 2018 wildfires through 2020-21. Also proposes to backfill wildfire affected basic aid school districts for property tax losses in 2018-19 and 2019-20.

Early Childhood Education:

The May Revision proposes the following major early childhood education related proposals:

- **Proposition 64.** Dedicates \$80.5 million in Proposition 64 Cannabis Funds to subsidize child care for school-age children for income-eligible families. The Administration has not identified if this funding would be used for alternative payment vouchers or General Child Care slots for school-age children.
- **Stage 1 Eligibility.** Provides \$40.7 million General Fund in 2019-20 and \$54.2 million ongoing to allow Stage 1 CalWORKs recipients to receive child care for up to 12 months.
- **Emergency Childcare Program.** Includes \$12.8 million federal funds each year for three years for the Emergency Childcare Diversion Voucher Pilot Program to allow alternative payment agencies to offer emergency child care vouchers to families in crisis. Families would be eligible for a one-time emergency voucher for a three month period if they need immediate access to subsidized child care due to a lack of resources or if a lack of child care could result in the loss of a job or reduction in income.
- **State Preschool Slots.** Provides 10,000 slots for State Preschool in 2019-20, as proposed in January, but postpones the release of the additional 20,000 slots in future years. Also proposes changes to the release of the slots by providing 2,500 slots starting April 1, 2020 and 7,500 slots starting July 1, 2020.
- **Full-Day Kindergarten Facilities.** Reduces funding provided in January for the Full-Day Kindergarten Facilities Grant program by \$150 million, for a total allocation of \$600 million at the May Revision. Makes changes to the program to 1) make the funding available over a three year period, 2) limit the grants in the first two years to schools converting part-day to full-day programs, and 3) increase the state share of the grant from 50 percent to 75 percent for schools converting part-day to full-day programs.
- **Child Savings Accounts.** Proposes the Student Aid Commission administer the proposed \$50 million in one-time General Fund for Child Savings Account pilot programs. Dedicates 74 percent of the funding for new programs, 24 percent to scale existing programs and two percent for outreach and administration.
- **Caseload Adjustments.** Makes caseload adjustments due to an increase in the CalWORKs Stage 2 and Stage 3 caseload.

- **Workforce, Facilities and Planning.** The May Revision maintains the proposed \$500 million in one-time funding for early education workforce, facilities and planning. The May Revision makes minor changes and adds additional details to the proposed trailer bill language.

Comparing Early Education Proposals Under Governor's Budget and May Revision

2019-20 (In Millions)

	Governor's Budget	May Revision	Change
Slots			
Provides 10,000 full-day State Preschool slots at non-LEAs ^a	\$125	\$31	-\$93
Provides General Child Care slots for school-age children	—	80	80
Creates new temporary assistance child care program	—	13	13
Reduces non-CalWORKs slots by statutory adjustment ^b	-20	-16	5
Annualizes cost of State Preschool slots initiated April 1, 2019	27	27	—
Annualizes 2,100 Alternative Payment slots initiated September 1, 2018	3	3	—
Uses 2018-19 federal funds for 11,307 Alternative Payment slots ^c	-205	-205	—
Subtotals	(\$70)	(\$66)	(\$5)
Reimbursement Rates			
Annualizes/adjusts certain adjustment factors initiated January 1, 2019	\$40	\$50	\$11
Provides COLA to certain child care and preschool programs ^d	79	75	-4
Subtotals	(\$119)	(\$125)	(\$6)
Other			
Makes CalWORKs caseload and average cost of care adjustments	\$103	\$134	\$31
Makes changes to CalWORKs Stage 1 eligibility	—	41	41
Removes one-time increase to quality services	-16	-17	-1
Adjusts Transitional Kindergarten for attendance and LCFF funding rate	29	27	-2
Funds one-time workforce development initiative	245	245	—
Funds one-time infrastructure initiative	245	245	—
Funds one-time blueprint initiative	10	10	—
Makes other technical adjustments	4	3	-1
Subtotals	(\$620)	(\$689)	(\$68)
Totals	\$669	\$748	\$79

^a Governor's budget started slots July 1, 2019, whereas May Revision starts slots April 1, 2020.

^b Based on the projected decrease in the birth-through-four population. Governor's budget assumed an 0.89 percent year-over-year decline, whereas May Revision assumes a -0.68 percent decline.

^c The 2018-19 budget includes \$205 million for Alternative Payment slots, which will be spent over a two-year period.

^d Under Governor's budget, COLA is 3.46 percent. Under May Revision, COLA is 3.26 percent.

COLA= cost-of-living adjustment. LEA= local education agency. LCFF = Local Control Funding Formula.

Source: Legislative Analyst's Office

LAO REVENUE ESTIMATES

The LAO's revenue estimates differ slightly from the Administration. The LAO estimates the Proposition 98 minimum guarantee is \$158 million above the Governor's May Revision in 2018-19 and \$88 million above in 2019-20. Additionally, under the LAO's projections, the required deposit in the Proposition 98 Reserve would be \$313 million, \$76 million less than under the Governor's May Revision.

Comparing Proposition 98 Outlooks						
<i>In Millions</i>						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
DOF May Revision						
General Fund	\$52,951	\$54,445	\$55,904	\$57,023	\$58,506	\$59,513
Local property tax	22,625	23,701	25,166	26,441	27,788	29,196
Totals	\$75,576	\$78,146	\$81,069	\$83,464	\$86,294	\$88,709
LAO Outlook						
General Fund	\$52,951	\$54,417	\$56,043	\$57,181	\$59,011	\$60,995
Local property tax	22,625	23,887	25,114	26,474	27,580	28,830
Totals	\$75,576	\$78,304	\$81,157	\$83,655	\$86,591	\$89,824
Difference (LAO-May Revision)						
General Fund	\$0	-\$27	\$140	\$157	\$506	\$1,481
Local property tax	0	186	-52	33	-208	-366
Totals	\$0	\$158	\$88	\$191	\$297	\$1,115

Source: Legislative Analyst's Office

SUGGESTED QUESTIONS:

- How are the LAO's revenue projections different than the Governor's May Revision? How do these differences impact the Proposition 98 minimum guarantee?
- The Administration's special education proposal provides a significant amount of ongoing funding for a small fraction of school districts. Why is the Administration proposing to fund only some districts when all districts struggle to adequately serve special education students?
- Why does the May Revision not include ongoing funding for additional child care slots?
- Why does the May Revision propose using Proposition 64 revenue for after school care through child care instead of the ASES program?

Staff Recommendation: Hold Open
