

assistance to school districts as part of the state systems of support.

## Community-Funded School Districts

School districts with property tax revenues that exceed the formula funding levels will continue to retain their local tax growth, and will receive a minimum state aid allocation that is reduced by the cuts incurred during the recession which, under the LCFF, are carried forward into future years for these districts.

## Special Education

In addition to providing a 2.51% COLA for special education programs, the Governor proposes \$100 million in one-time funding for programs to increase and retain special education teachers and \$10 million in ongoing funding for Special Education Local Plan Areas (SELPA) to work with COEs to provide technical assistance to LEAs to improve student outcomes as part of the statewide system of support.

The Governor also proposes \$167 million, of which \$125 million is ongoing, to establish an “Inclusive Education Expansion Program” to increase availability of school readiness programs for children age 0 to 5, to improve long-term academic outcomes for low-income children and children with exceptional needs.

The Governor also proposes revisions to special education budget transparency and accountability.

## Career Technical Education

The Governor proposes \$200 million ongoing to establish a K-12 specific component of the community college-administered Strong Workforce Program.

The funding is aimed at encouraging “the establishment and support of K-12 CTE programs

that are aligned with needed industry skills.” The Governor proposes an ongoing increase of \$12 million to fund local industry experts who will provide technical support to LEAs operating, or proposing to operate, CTE programs.

## Preschool and Child Care

The Governor maintains the three-year agreement to increase funding for child care and preschool by providing increased funding for reimbursement rates and increased state preschool slots. Specifically, his proposal includes:

- Increasing the Standard Reimbursement Rate by 2.8%, for a total General Fund and Proposition 98 investment of \$47.7 million—\$16.1 million and \$31.6 million, respectively
- Providing an ongoing \$34.2 million to convert the temporary Regional Market Rate (RMR) “hold harmless” provision to a permanent provision, beginning in 2019-20

The Budget proposal also provides an additional 2,959 full-day State Preschool slots, beginning in April 2018; fulfills the fiscal year 2017-18 increase to the RMR to the 75<sup>th</sup> percentile of the 2016 RMR survey, beginning January 1, 2018; and makes a modest adjustment to California Work Opportunity and Responsibility to Kids Stage 2 and Stage 3 to reflect caseload and estimated costs of care.

## School Facilities

The 2018-19 State Budget proposes to authorize a total of \$640 million in Proposition 51 bond authority.

The proposed Budget includes an ongoing appropriation of \$28.3 million to the Charter School Facility Grant Program, to reflect anticipated program participation.

There is no proposed additional investment in the Clean Energy Jobs Creation Fund (Proposition 39), as fiscal year 2017-18 was the final year of the five-year program approved by the voters in 2012.

## Federal Programs

There is continued uncertainty regarding federal appropriations for public education programs. In December 2017, Congress passed a Continuing Resolution (CR) that funds all discretionary funding at current levels until January 19, 2018. There are rumors that the CR will be extended through mid-February to allow Congress to work out deals on immigration and health care issues.

## Dartboard Factors

The SSC Financial Projection Dartboard factors presented below are developed by SSC with input from independent state agencies and private economic consulting firms based on the latest information available. These factors are provided to assist school agencies in preparing their upcoming budgets and multiyear projections.

Factor	2017-18	2018-19	2019-20	2020-21	
LCFF Planning Factors	44.97%	100%	—	—	
Statutory COLA	1.56%	2.51%	2.80%	2.90%	
Ten-Year Treasuries	2.52%	2.90%	3.05%	3.20%	
California Consumer Price Index	3.18%	3.22%	3.04%	2.94%	
Lottery	Base	\$146	\$146	\$146	\$146
	Prop. 20	\$48	\$48	\$48	\$48

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# POCKET BUDGET 2018-19

## A Summary Analysis of the Governor’s Proposed 2018-19 State Budget for California’s Schools

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**School  
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*An Employee-Owned Company*

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*Public Education’s Point of Reference  
for Making Educated Decisions*

## The 2018-19 State Budget Proposal

On Wednesday, January 10, 2018, Governor Jerry Brown unveiled his final proposed State Budget for the upcoming 2018-19 fiscal year. During his tenure, aided by improving national and state economic conditions, California's recovery has allowed the Governor to reshape major state institutions, including restructuring of the entire public education delivery model. Ahead of schedule, the Governor caps off his legacy by proposing to fully fund the Local Control Funding Formula (LCFF).

### Proposition 98

Over the last several years, Proposition 98 has provided significant gains to schools as funding cuts endured through the Great Recession have been restored.

For the current year, the Proposition 98 guarantee is now estimated at \$75.2 billion, up approximately \$700 million from the enacted level.

For 2018-19, the Governor's State Budget proposes a Proposition 98 guarantee of \$78.3 billion, an increase of \$3.1 billion year over year.

The guarantee is based on Test 3, the change in per-capita General Fund revenues, plus 0.5%, and the change in K-12 average daily attendance (ADA).

The Governor's State Budget proposal notes that an additional \$92 million in Maintenance Factor will be created—due to it being a Test 3 year—totaling just over \$320 million at the end of 2018-19.

### Cost-of-Living Adjustments

The estimated statutory cost-of-living adjustment (COLA) for K-12 education programs in 2018-19 is

2.51%, and is applied to the LCFF base grant targets, as well as other education programs that are funded outside of the LCFF. Those programs include Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and American Indian Early Childhood Education, all of which are proposed to receive the statutory COLA.

Statewide, ADA is expected to decrease in 2018-19 by 17,163 ADA from 2017-18 levels to an estimated ADA of 5,944,090.

### Local Control Funding Formula

The Governor's 2018-19 State Budget proposal fully implements the LCFF two years earlier than originally projected with an infusion of nearly \$3 billion.

The LCFF provides funding to transition all local educational agencies (LEAs) to target funding levels, and provides supplemental revenues through percentage weighting factors to increase or improve services for students who are not English language proficient, who are eligible for free or reduced-price meals, or who are in foster care.

### LCFF Target Base Grant for School Districts and Charter Schools

The target base grants by grade span for 2018-19 are increased over 2017-18 by 2.51% to reflect the estimated statutory COLA:

Grade Span	2017-18 Target Base Grant per ADA	2.51% COLA	2018-19 Target Base Grant per ADA
TK-3	\$7,193	\$181	\$7,374
4-6	\$7,301	\$183	\$7,484
7-8	\$7,518	\$189	\$7,707
9-12	\$8,712	\$219	\$8,931

In addition, the 2018-19 Transitional Kindergarten (TK)-3 grade span adjustment (GSA) is \$767 per ADA, and the grades 9-12 GSA per ADA is increased to \$232 in recognition of the need for Career Technical Education (CTE) courses provided to students in the secondary grades.

### LCFF Gap Closure

The difference between an LEA's current funding and its target entitlement is called the LCFF gap, and it is this gap that is funded with the additional dollars dedicated each year for implementation of the LCFF.

For 2018-19, the Governor's Budget proposes to spend almost \$3 billion to fully close the LCFF funding gap. The table below shows the Department of Finance's (DOF's) LCFF gap percentages over the past three years:

District and Charter School LCFF Funding and Gap Closure (Dollars in Millions)			
	2016-17	2017-18	2018-19
LCFF Funding	\$2,942	\$1,362	\$2,883
Gap Closure %	56.08%	44.97%	100%
COLA	0.00%	1.56%	2.51%

Pupil Transportation and Targeted Instructional Improvement Grants continue as separate add-ons to the LCFF allocations and do not receive a COLA.

### Fiscal Transparency

Citing concerns about the direct services being provided to the students who generate LCFF dollars, the Governor's Budget proposes requiring LEAs to show how their budget expenditures align with the strategies detailed in their Local Control and Accountability Plans (LCAPs) for serving students who generate supplemental and concentration grants.

The Governor also proposes calculating and reporting on a single website the total amount of supplemental and concentration funding provided to each LEA under the LCFF.

### Discretionary Funding

The Governor's Budget proposes \$1.8 billion in one-time Proposition 98 funds for school districts, charter schools, and county offices of education (COEs) to use at the discretion of local governing boards, estimated at \$295 per ADA. These funds, like prior years, would be counted by the state as offsetting prior-year mandate reimbursement claims on a dollar-for-dollar basis.

### County Offices of Education

As of 2014-15, the LCFF for COEs is fully implemented and, therefore, LCFF increases for COEs in 2018-19 are provided through the estimated 2.51% COLA. COEs that are more than 2.51% above their LCFF target will receive no additional funding through the formula in the budget year.

COE funding for 2018-19 is increased under the Governor's Budget proposal by a net of \$6.2 million to account for a COLA on LCFF entitlements and changes in ADA.

### Systems of Support

The Governor's proposed Budget invests \$55.2 million in ongoing funding for COEs to work with districts identified for differentiated assistance, and provides \$4 million in ongoing funds for a competitive grant for eight COEs to serve as leads to provide training, resources, and support for other COEs to do the work to support their districts.

An additional \$6.5 million of ongoing funding is provided to the California Collaborative for Education Excellence to work with COEs to provide