

POCKET BUDGET 2018-19

A Summary Analysis
of the May Revision
Proposal for the 2018-19
State Budget for
California's Schools

Prepared by



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



The May Revision continues to include proposals that revise Special Education budget transparency and accountability by requiring SELPAs to complete a SELPA local plan template that aligns the services and resources noted in the local plan with the goals identified in their member districts' Local Control and Accountability Plans and to summarize how a SELPA's planned expenditures and services align with the improved student outcome strategies noted in the SELPA's plan.

Child Care and State Preschool

New with the release of the May Revision is a one-time \$11.8 million proposal to increase federal funds to support an Early Math Initiative to provide early math resources, such as professional development and coaching opportunities for teachers, as well as provide early math learning opportunities for preschool and kindergarten children.

The May Revision increases California Work Opportunity and Responsibility to Kids investments by \$104 million to reflect changes in the caseload and the cost of care. Finally, as a result of the slight increase in COLA from what was estimated in January, child care and preschool investments increase by \$4 million.

Discretionary Funds

The May Revision proposes more than \$2 billion in one-time discretionary funds for LEAs, which equates to approximately \$344 per ADA. This is an increase of \$286 million to the \$1.8 billion proposed in January.

School Facilities and Proposition 39

The May Revision makes no significant changes to the Governor's Budget proposal to issue \$640 million in Proposition 51 bonds in 2018-19.

Federal Programs

In March 2018, President Donald Trump signed the fiscal year 2018 spending bill that increased funding for Every Student Succeeds Act (Title I) and Special Education by nearly \$300 million nationally for each program.

Career Technical Education

The May Revision continues to include \$200 million in ongoing funding to establish a K-12 specific component of the community college-administered Strong Workforce Program. The May Revision amends the Governor's January proposal to clarify elements of the program, including:

- Clarifies that the grant decisions for the K-12 component will be made exclusively by the K-12 Selection Committee
- Clarifies the requirements that apply to the new K-12 component of the Strong Workforce Program
- Builds a new role for the Technical Assistance Providers established under the California Career Pathways Trust Program, and further clarifies roles and responsibilities of the Workforce Pathway Coordinators
- Provides additional resources to consortia for administering the regional grant process, including resources to support the K-12 Selection Committee duties

System of Support

The Governor proposes a \$13.3 million one-time investment, under the system of support, to create the Community Engagement Initiative intended to build the capacity of LEAs to effectively engage their communities with an eye toward improving student outcomes. Additionally, he proposes a one-time \$15 million investment to expand the Multi-Tiered Systems of Support to improve school climate

through programs such as positive behavioral interventions and support, restorative justice, and social and emotional learning. Finally, a \$5 million increase is proposed for the California Collaborative for Educational Excellence to cover estimated costs of services in 2018-19.

Charter Schools

In addition to the increased COLA (2.71%) and additional funding applied to the LCFF, the Charter School Facility Grant Program is increased in 2017-18 by \$21.1 million and then reduced in 2018-19 by \$3.6 million to align available funding with program participation.

Dartboard Factors

The School Services of California, Inc., (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 budgets and multiyear projections.

Factor		2018-19	2019-20	2020-21	2021-22
LCFF Planning Factors		100%	—	—	—
Statutory COLA		3.00% ¹	2.57%	2.67%	2.90%
Ten-Year Treasuries		3.15%	3.40%	3.50%	3.40%
California Consumer Price Index		3.58%	3.36%	3.23%	2.94%
Lottery	Base	\$146	\$146	\$146	\$146
	Prop. 20	\$48	\$48	\$48	\$48
¹ Includes statutory COLA of 2.71%, plus an additional 0.29% represented by \$166 million appropriated above LCFF targets					

The 2018-19 May Revision

In his final State Budget proposal of his four terms as Governor of California, Governor Jerry Brown's 2018-19 May Revision paints a bright, but cautious, fiscal picture, noting that the January 2018 State Budget proposal included a healthy reserve and that revenues have continued to grow since.

In the May Revision, additional one-time revenues generated from an increase in the Proposition 98 minimum guarantee for the current year are used to fund some additional one-time programs, but the most significant is an additional \$286 million to the January proposal of \$1.8 billion in one-time discretionary funds for 2018-19.

All in all, the May Revision is slightly better for public education than the January Budget, but given the automatic cost increases local educational agencies (LEAs) are facing, it's a significant challenge to merely maintain current programs, let alone augment them. We continue to believe that the best plan of action is to maintain a suitable level of local reserves, exercise caution at the bargaining table, and prepare budgets and projections on a reasonably conservative basis.

Proposition 98

The May Revision increases the minimum guarantee by a total of \$727 million for 2016-17 through 2018-19 (\$252 million in 2016-17, \$407 million in 2017-18, and \$68 million in 2018-19), attributing the growth largely to increases in General Fund revenues and projected per capita personal income for 2018-19. The 2018-19 minimum guarantee is increased to \$78.4 billion from \$78.3 billion proposed in the January Budget. The May Revision changes the operative test for 2018-19 from Test 3—funding based on per capita General Fund revenue growth, plus 0.5%—to Test 2—funding based on changes in per capita personal income, which precludes the creation of a maintenance factor.

Of note, the Governor proposes a new Proposition 98 minimum guarantee certification process, whereby the Department of Finance (DOF) will publish a final calculation of the prior-year minimum guarantee, inclusive of its factors, with the May Revision, triggering a public comment period. If there are no challenges, the certification becomes final by October 1. Any funding provided above the minimum guarantee may be used as credit toward future minimum guarantee obligations and any amount owed would be paid over a specified period.

Cost-of-Living Adjustment

The statutory cost-of-living adjustment (COLA) is revised upward from 2.51% in January to 2.71% in May.

Local Control Funding Formula

The May Revision continues the Governor's intent of fully funding the Local Control Funding Formula (LCFF) in the budget year with an increase of approximately \$3.2 billion, up almost \$300 million from the January State Budget proposal. The additional funding includes the increased COLA, which provides a modest augmentation to the formula.

LCFF TARGET ENTITLEMENTS FOR SCHOOL DISTRICTS AND CHARTER SCHOOLS

The target base grants by grade span for 2018-19 increase by the combined statutory COLA of 2.71% and additional LCFF funding for a total increase of 3.00%, an upward adjustment from January's 2.51% COLA estimate.

The 2018-19 Transitional Kindergarten (TK)-3 grade span adjustment (GSA) for class-size reduction (CSR) is also 3.00% higher from 2017-18 at \$771 per average daily attendance (ADA), as well as the grade 9-12 GSA at \$233 per ADA, in recognition of the need for Career Technical Education (CTE) courses provided to students in the secondary grades.

In addition to the base grants, school districts and charter schools are entitled to supplemental increases equal to 20% of the adjusted base grant (which includes CSR and CTE funding) for the percentage of enrolled students who are English learners, eligible for the free and reduced-price meals program, or in foster care (the unduplicated pupil percentage). An additional 50% per-pupil increase is provided as a concentration grant for the percentage of eligible students enrolled beyond 55% of total enrollment.

Grade Span	2017-18 Target Base Grant Per ADA	3.00% Increase*	2018-19 Target Base Grant Per ADA
TK-3	\$7,193	\$216	\$7,409
4-6	\$7,301	\$219	\$7,520
7-8	\$7,518	\$226	\$7,744
9-12	\$8,712	\$261	\$8,973
*Combined statutory COLA of 2.71% and additional LCFF funding			

LCFF TRANSITION ENTITLEMENTS AND GAP FUNDING

For 2018-19, the Governor proposes to move from 97% implemented to fully close the LCFF funding gap—two years ahead of the intended 2020-21 implementation date.

The following table shows the DOF's LCFF gap closure percentages through 2018-19:

District and Charter School LCFF Funding and Gap Closure (Dollars in Millions)					
	2014-15	2015-16	2016-17	2017-18	2018-19
LCFF Funding	\$4,722	\$5,994	\$2,942	\$1,362	\$3,160
Gap Closure %	30.16%	52.56%	56.08%	45.17%	100.00%
COLA	0.85%	1.02%	0.00%	1.56%	3.00%*
*Statutory COLA plus proposed augmentation					

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

The Administration also proposes to continuously appropriate funding for the LCFF and annual COLA.

Fiscal Transparency

The Governor's May Revision expands the January Budget proposal by requiring LEAs to show how supplemental grants increase and improve services for high-need students and including parent-friendly, graphical representations of information, when possible.

County Offices of Education

LCFF increases for county offices of education (COEs) in 2018-19 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 2.71% increase. COEs that are more than 2.71% above their LCFF target will receive no additional funding through the formula in the budget year.

Special Education

The Governor's May Revision continues to provide only modest funding for Special Education programs. In addition to increasing the statutory COLA to 2.71%, the Governor continues to propose \$100 million in one-time funding for programs to increase and retain Special Education teachers.

The May Revision sustains \$10 million in ongoing funding for Special Education Local Plan Areas (SELPAs) to work with COEs in providing technical assistance to LEAs focused on improving the academic outcomes of students with disabilities as part of the statewide system of support, and continues to propose \$167 million to establish an "Inclusive Education Expansion Program" for children ages 0 to 5, to improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs.