

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, MAY 15, 2018

9:15 AM - STATE CAPITOL, ROOM 447

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	PAGE
6100	DEPARTMENT OF EDUCATION	
ISSUE 1	GOVERNOR'S MAY REVISION PROPOSALS: PROPOSITION 98: K-12 AND EARLY EDUCATION	2

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 2018-19 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 2018-19 May Revision increases overall Proposition 98 funding by approximately \$727 million, compared to the Governor's January budget. Specifically, the May Revision makes the following changes to the Proposition 98 funding levels:

- Increases Proposition 98 funding by \$252 million in 2016-17, totaling \$71.6 billion.
- Increases Proposition 98 funding by \$407 million in 2017-18, totaling \$75.6 billion.
- Increases Proposition 98 funding by \$68 million in 2018-19, totaling \$78.4 billion.

These changes are largely due to increases in General Fund revenues, updated projected per capita personal income in 2018-19 and a reduction in Proposition 98 maintenance factor payments. The May Revision completely eliminates the maintenance factor balance in 2017-18. Maintenance factor is accumulated when state revenues do not keep pace with the state's economy and is required to be repaid in future years. The estimated maintenance factor at the Governor's January budget was \$320 million. Additionally, the May Revision proposes to rebench the Proposition 98 minimum guarantee in 2015-16 by \$151.5 million.

The May Revision also proposes to revise the process for certifying the final calculation of the Proposition 98 Guarantee for prior years. Under the proposal, the DOF would provide the final calculation of the prior year's Proposition 98 guarantee at the May Revision for stakeholders to review and then certify by October 1st. Under the proposal, any funding in

excess of the minimum guarantee could be used to meet the state's Proposition 98 obligation in future years.

Changes in Proposition 98 Funding by Segment and Source <i>(In Millions)</i>			
	Governor's Budget	May Revision	Change
2016-17 Proposed Funding	\$71,390	\$71,642	\$252
By Segment:			
Schools	\$62,048	\$62,287	\$239
Community colleges	8,283	8,295	12
Preschool	975	975	0
Other agencies ^a	85	85	0
By Fund Source:			
General Fund	\$49,993	\$50,234	\$241
Local property taxes	21,397	\$21,407	\$11
2017-18 Proposed Funding	\$75,211	\$75,618	\$407
By Segment:			
Schools	\$65,340	\$65,542	\$203
Community colleges	8,654	8,691	37
Preschool	1,122	1,290	167
Other agencies ^a	95	95	0
By Fund Source:			
General Fund	\$52,741	\$53,381	\$641
Local property taxes	22,470	22,236	-234
2018-19 Proposed Funding	\$78,324	\$78,393	\$68
By Segment:			
Schools	\$67,695	\$67,884	\$189
Community colleges	9,207	9,209	2
Preschool	1,338	1,215	-123
Other agencies ^a	85	85	0
By Fund Source:			
General Fund	\$54,564	\$55,025	\$461
Local property taxes	23,761	23,368	-393
^a Consists of funding for instructional services provided by the State Special Schools, Department of Corrections and Rehabilitation, Department of Developmental Services, and American Indian Education Centers.			

Source: Legislative Analyst's Office

Major K-12 Education Proposals

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

- Local Control Funding Formula. Increases funding for the Local Control Funding Formula (LCFF) by \$320 million, for a total increase of \$3.2 billion in 2018-19. This provides the increased cost-of-living adjustment (COLA) of 2.71 percent and an additional \$166 million to increase the formula by 3 percent. The May Revision also proposes trailer bill language to continuously appropriate LCFF funding.
- One-Time Discretionary Funds. Provides a total of \$2.1 billion in discretionary funding for K-12 schools in 2018-19, \$286 million more than the Governor's January budget. This funding would be allocated on a per-pupil basis and would offset any applicable mandate reimbursement claims for these schools.
- Community Engagement. Includes \$13.3 million in one-time Proposition 98 funding to create a Community Engagement Initiative to build capacity of school districts in engaging their local communities in the Local Control Accountability Plan process. The proposal includes three phases of convening professional learning networks focused on community engagement in order to develop best practices and build capacity within school districts.
- Multi-Tiered Systems of Support. Provides \$15 million in one-time Proposition 98 funding to expand the Multi-Tiered Systems of Support (MTSS) framework. The proposal would provide the funding to Orange County Office of Education, Butte County Office of Education and an institution of higher education to implement a pilot program and develop and disseminate resources to improve school climate through academic and behavioral supports.
- Fiscal Transparency. Proposes expanding the Governor's January proposal around fiscal transparency. The proposal would require local educational agencies to include a parent-friendly budget summary document with specific information, including expenditures for high need students. The Superintendent would be required to develop a template for the budget overview for parents before January 30, 2019.
- Career Technical Education. Makes changes to the Governor's January Career Technical Education proposal. These changes include:
 - Clarifies that grant decisions for the K-12 component of the Strong Workforce Program will be made by the K-12 Selection Committee.
 - Clarifies requirements that apply to the new K-12 component of the Strong Workforce Program.
 - Creates a role for the Technical Assistance Providers under the Career Pathways Trust Program, and clarifies the roles of the Workforce Pathway Coordinators.
 - Provides additional resources to consortia for administering the regional grant process, including the K-12 Selection Committee duties.

The May Revision proposes to maintain the program within the Strong Workforce Program at the Community College Chancellor's Office.

- State System of Support. Proposes various changes to trailer bill language related to the proposed State System of Support. Specifically, these changes include: clarifying the roles of the various entities, including more emphasis on collaboration in the accountability and support system, and including alternative schools as part of the system of support, among other changes.
- English Language Proficiency Assessment for California. Provides \$27.3 million in one-time Proposition 98 funding to make the English Language Proficiency Assessment for California (ELPAC) computer-based and create a computer-based alternative assessment for children with exceptional needs.

Other K-12 Adjustments:

- Includes an increase of \$21.1 million in one-time Proposition 98 funding in 2017-18 and a decrease of \$3.6 million in 2018-19 for the Charter School Facility Grant Program in order to align funding with program participation.
- Includes \$11.8 million in one-time federal funds to support the Early Math Initiative to provide additional early math resources, including professional learning and coaching for educators and math learning opportunities for students pre-K through grade 3.
- Provides Proposition 98 funding in 2017-18 and 2018-19 to backfill lost property tax revenue for schools impacted by the wildfires. Additionally, provides \$13.9 million in one-time federal grant funding to assist schools impacted by the wildfires.
- Includes \$10.6 million in Proposition 98 funding for select categorical programs to reflect the change in the cost-of-living adjustment from 2.51 percent in January to 2.71 percent at the May Revision.
- Provides an increase of \$972,000 in ongoing Proposition 98 funding for the Fiscal Crisis and Management Assistance Team (FCMAT) to provide proactive and preventative services to fiscally distressed school districts.
- Makes changes based on a slight increase in attendance compared to the January Budget and makes other minor and technical adjustments.

Early Childhood Education:

- Provides \$104 million in non-Proposition 98 General Fund in 2018-19 due to an increase in the CalWORKs Stage 2 and Stage 3 caseload.
- Provides an increase of \$2.2 million in Proposition 98 funding and \$1.8 million in non-Proposition 98 General Fund to reflect the change in the cost-of-living adjustment from 2.51 percent in January to 2.71 percent at the May Revision.

- Includes a decrease of \$42.2 million in federal TANF funds and a corresponding increase in one-time Proposition 98 funding for the Inclusive Early Education Expansion Program, due to federal funding no longer available for this program. Makes additional changes to the proposed trailer bill language.
- Does not include a proposal on how to spend the additional federal funding available through the Child Care and Development Block Grant (CCDBG).

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?
- Is the Governor's proposed \$13 million for community engagement enough to build capacity across the state?
- Does CDE still have concerns with the Governor's CTE proposal? What would CDE's role be under the Governor's proposal?
- Why does the Administration not include a plan for the federal CCDBG funding?

Staff Recommendation: Hold Open
