



June 27, 2019

MEMORANDUM

TO: Teri Holoman, Associate Executive Director
Lori Easterling, Manager, Legislative Relations

FROM: Jennifer Baker,  Legislative Advocate

RE: **2019-20 Budget**

Today, Governor Newsom signed his first budget, which included Proposition 98 funding of \$81.1 billion in 2019-20, with Test 1 being operative and \$75.6 billion in 2017-18. The Public School System Stabilization Account (PSSSA) was triggered for the first time and includes a deposit of \$389.3 million.

The following is a summary of all related items included in the budget:

TK-12

Proposition 98 Certification – Approves the Governor’s proposal making changes to the certification process, including the elimination of the cost allocation schedule and prohibits the state from making downward adjustments to Proposition 98 after the close of the fiscal year.

Continuous Appropriation – Approves the Governor’s proposed trailer bill language capping the continuous appropriation of the Cost-of-Living Adjustment (COLA) for the Local Control Funding Formula (LCFF) in future years if the COLA for the LCFF and other programs exceed growth in the minimum guarantee and adjusts the COLA for programs outside of the LCFF by a like amount.

Local Control Funding Formula – Includes \$2 billion in ongoing Proposition 98 General Fund, reflecting a 3.26 percent COLA for school districts and charter schools. Provides a 3.26 percent COLA and makes Average Daily Attendance (ADA) changes for county offices of education. Approves a 3.26 percent COLA for categorical programs outside the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Special Education – Provides a total of \$152.6 million in ongoing Proposition 98 funding to bring all local educational agencies (LEAs) to the statewide base rate. Provide \$493.2 million to provide grants to LEAs serving 3- and 4-year-olds with Individualized Education Plans (IEPs).

Early Childhood Special Education – Provides \$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 services for students and improve transition of three-year-olds with disabilities from regional centers to schools.

Low Performing Students – Adopts supplemental reporting language requiring the Legislative Analyst’s Office (LAO) to convene a workgroup to examine how the state can better support low-performing students, specifically the lowest performing student subgroups. Requires the LAO to report to the Legislature by February 2, 2020 on the working group’s findings and recommend options for providing support.

Professional Development for Teachers and Administrators – Provides \$38.1 million in one-time non-Proposition 98 funding for the Educator Workforce Investment Grant divided as follows: \$10 million for English Learner Roadmap-related professional development, \$5 million for Special Education-related professional development, and the remainder for other areas, including ethnic studies.

Afterschool Education and Safety Program - Provides an additional \$50 million in ongoing Proposition 98 funding to increase rates, above the \$50 million one-time funding, that was provided last year. CTA believes this may be in conflict with Proposition 49, which would require the rebenching of the Proposition 98 guarantee. CTA will provide additional information as details emerge.

Classified School Employees Summer Assistance Program – Provides \$36 million in one-time Proposition 98 funding for an additional year of the funding for the Classified School Employees Summer Assistance Program. Amends trailer bill language allowing additional funds to be available over three years, increases the minimum salary requirements and makes other changes.

Broadband Infrastructure – Provides \$7.5 million in one-time non-Proposition 98 funding for broadband infrastructure in schools. Requires the Department of Education (CDE) to contract with the Corporation for Education Network Initiatives in California to administer the program and identify broadband connectivity solutions to schools with the poorest connections.

21st Century California School Leadership Academy – Provides \$13.8 million in ongoing federal funds, administered by the DOF and the California Collaborative for Education Excellence (CCEE) to provide professional development for school administrators and other school leaders. Dedicates \$150,000 in federal funds for one position for the CDE and \$200,000 for the CCEE to administer this program.

California Subject Matter Projects – Provides \$6.7 million in one-time non-Proposition 98 General Fund for the CDE to transfer to the University of California (UC). Allocates funding to nine projects including: \$1.3 million in each for Writing, Reading and Literature, Mathematics, and Science, with the balance split equally among the five remaining projects.

Mental Health – Provides \$50 million Proposition 63 funding (\$10 million is ongoing) for the Mental Health Student Services Act to provide competitive grants to partnerships between county mental or behavioral health departments and school districts, charter schools, and county offices of education.

Paid Family Leave

Paid Family Leave – Modified budget bill language and trailer bill language to extend paid family leave from six weeks to eight weeks and to create a goal of providing 90 percent wage replacement rate.

Pensions

California State Teachers' Retirement System (CalSTRS) – Provides \$2.25 billion in non-Proposition 98 General Fund to provide long-term contribution relief for employers:

- \$356 million in 2019-20 and \$250 million in 2020-21 to reduce the employer contribution rates to CalSTRS;
 - The CalSTRS employer rate for 2019-20 will be reduced from 18.13 percent to 17.1 percent;
 - The CalSTRS employer rate for 2020-21 will be reduced from 19.1 percent to 18.4 percent.
- \$1.64 billion to reduce the school employer share of the CalSTRS unfunded liability;
 - The long-term CalSTRS employer rate will be reduced 0.3 percent for the duration of the implementation of AB 1469 (Bonta 2014).
- Provides \$1.1 billion 2018-19 Prop. 2 dollars with an additional \$1.8 billion over the forecast period, resulting in a state cumulative savings of \$7.4 billion over thirty years.

Post-Retirement Earnings Limit - Rejects the Governor's May Revision proposed trailer bill language to provide an exemption to the postretirement compensation limitations for certain positions at school districts that have received an emergency appropriation from the state, if certain requirements are met.

Creditable Compensation – Provides a \$5.7 million increase, reflecting the States increased contribution for 2019-20.

California Public Employees' Retirement System (CalPERS) – Provides \$900 million in non-Proposition 98 General Fund to provide long-term contribution relief for employers in the school pool:

- \$144 million in 2019-20 and \$100 million in 2020-21 to reduce school employer contribution rates to CalPERS;
 - The CalPERS employer rate for 2019-20 will be reduced from 20.73 percent to 19.72 percent;
 - The CalPERS employer rate for 2020-21 will be reduced from 23.6 percent to 22.7 percent;
- \$2.6 billion in 2018-19, \$235 million in 2020-21, and \$165 million in 2021-22 for a supplemental pension payment to address the state share of the CalPERS school pool unfunded liability;
 - The long-term CalPERS employer rate will be reduced 0.3 percent from the rate the CalPERS Board sets.

- \$660 million in 2018-19 to address the school pool employer share of the CalPERS unfunded liability. Approve the Governor’s version for payroll and CalPERS deferrals.

TK-12 Continued

CDE State Operations:

- Early education programs - \$1.778 million in ongoing non-Proposition 98 General Fund and 13 positions for increased workload for expansion;
- Instructional Quality Commission - \$279,000 in one-time General Fund to update content standards and curriculum frameworks for visual and performing arts and world languages and develop model curriculum in ethnic studies;
- Math curriculum framework - \$213,000 in one-time non-Proposition 98 General Fund to support the revision;
- Students with disabilities - \$452,000 in ongoing General Fund for three positions to provide technical assistance to identified districts that have poor outcomes for students with disabilities on either the new School Dashboard or under a revised federal formula for monitoring district compliance with special education law;
- State Board of Education - \$284,000 non-Proposition 98 General Fund and two positions to monitor authorized charter schools in 2019-20 and 2020-21;
- California High School Proficiency Examination - \$207,000 in reimbursement authority reflecting increased student fees supporting CDE’s associated costs;
- Behavioral Restraints - \$138,000 in ongoing federal funding and one position to review, approve, and provide technical assistance regarding districts plans for providing behavioral restraints to student in danger of harming themselves or others;
- Career Technical Education Incentive Grant Program - \$275,000 in ongoing General Fund for two positions supporting implementation. Approves provisional language specifying the availability of this funding is contingent upon the CDE fully supporting no fewer than six full-time regional agricultural supervision positions in the Agricultural Education Unit of the Career and College Transition Division using federal Perkins V Act funding;
- State and Federal Accountability Systems - \$271,000 in ongoing General Fund to make two temporary positions permanent to support development and implementation;
- Foster youth - \$142,000 in ongoing General Fund for one position to provide technical assistance to county offices of education to develop and implement local inter-agency plans;
- Natural Disasters/Emergencies - \$105,000 in ongoing General Fund to provide one position to review district waivers submitted when they experience a reduction in student attendance or loss of instructional days;
- School safety plans - \$53,000 in one-time General Fund to develop best practices for reviewing and approving school safety plans and posting them on the CDE website.

Homeless student coordinators – Provides \$207,000 in ongoing federal McKinney-Vento Act funding for 1.5 additional positions within the CDE.

Fremont School for the Deaf – Provides \$2.177 million for the middle school activity project and reverts existing authority for the construction phase of the project.

California School Dashboard/School Accountability Report Card – Approves \$178,000 (\$154,000 ongoing) to support maintenance.

Inglewood Unified School District – Approves \$3.6 million in one-time Proposition 98 funding pursuant to AB 1840 (Chapter 426, Statutes of 2018).

Oakland Unified School District – Approves \$514,000 in one-time Proposition 98 funding, pursuant to AB 1840 (Chapter 426, Statutes of 2018).

Breakfast After the Bell - Includes \$500,000 in one-time Proposition 98 funding.

San Diego Unified School District - Provides \$500,000 to support the education of homeless youth.

Computer Science Coordinator - Provides \$1 million in one-time non-Proposition 98 funding over four years for the CDE to establish a Computer Science Coordinator.

Wildfires - Approves trailer bill language extending 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. Requires impacted charter schools to maintain 50 percent ADA to qualify. Additionally, approves to backfilling wildfire affected basic aid school districts for property tax losses in 2018-19 and 2019-20.

K-12 High Speed Network - Provides \$8.5 million of E-rate subsidies to support the operating budget for 2019-20.

Trailer Bill Language:

- Adopts trailer bill language exempting a school district with average daily attendance (ADA) of more than 400,000 from administrator to teacher ratio penalties for the 2019-20 through 2021-22 fiscal years. Includes trailer bill language requiring annual reporting on the administrator to teacher ratio calculation for each year a school district receives a waiver under this provision, including historical information for past years and the school district's plan to meet the ratio requirements over time.
- Approves trailer bill language that expands the Uniform Complaint Procedures to include complaints of non-compliance with required minimum instructional minutes for physical education for grades 9 to 12. This change conforms to the existing process for grades 1 to 8.
- Approves trailer bill language to improve transparency and comparability by requiring that local indicators reflect school site-level data, if it is currently collected statewide by CDE.
- Approves trailer bill language to extend the deadline for the development of the Special Education Local Plan Area (SELPA) assurances support template by one year, to give CDE additional time to consider stakeholder input. This change requires adjusting the deadline by which SELPA's must submit the assurances support plan to align it with the development of the template.
- Approves trailer bill language to reinstate the reference to 2017- 18 in the section relating to the calculation of out-of-home-care funding rates for the 2017- 18 through the 2019-20 fiscal years.

- Approves trailer bill language to require the CDE to contract with the San Joaquin County Office of Education to provide ongoing maintenance for the California School Dashboard and School Accountability Report Card.
- Approves trailer bill language to expand the list of non-waivable sections of law to include all Education Code sections that pertain to the LCFF apportionment calculations. Apportionment statutes are not subject to waiver by the State Board of Education.
- Approves trailer bill language making technical amendments to clarify school site council requirements for schools and local educational agencies.

Commission on Teacher Credentialing (CTC):

- Provides \$2 million in one-time funding from the Test Development and Administration Account (TDAA) reserve account and an ongoing allocation of \$136,402 from the TDAA for one permanent full-time education consultant to expand California’s educator performance assessment system into special education.
- Approves a shift of \$52,000 and 3 positions from existing resources at the Office of the Attorney General’s legal services to the CTC to continue to investigate teacher discipline cases prior to submitting them to the Office of the Attorney General, which represents the CTC at teacher discipline hearings administered by the Office of Administrative Hearings.

School Safety and Communications – Approve \$5 million for the Office of Emergency Services to administer grants for K-12 schools, community colleges, and universities to acquire interoperable technology to respond to emergency events.

Office of Public School Construction – Releases \$1.5 billion in Proposition 51 bond funds in 2019-20, an increase of \$906 million from 2018-19, for construction projects that have been approved and are awaiting funding. Approves \$1.2 million in ongoing Proposition 51 bond funds for 10 positions for the Office of Public School Construction to support this increased workload.

Early Childhood Education

Child Care Vouchers - Provides \$80.5 million in ongoing Proposition 64 funding for 8,162 alternative payment child care vouchers.

General Child Care Slots - Provides \$50 million in one-time General Fund for 3,086 General Child Care slots.

Full-Day Kindergarten Facilities - Provides \$300 million in one-time General Fund. Approves trailer bill language prioritizing schools converting part-day to full-day Kindergarten programs and allows for any remaining grant funding to be used for other one-time costs to implement the full-day kindergarten program. Amends the trailer bill language to ensure that the Full-Day Kindergarten Facilities Grant program is an incentive program and does not impact a district’s eligibility in the School Facility Program.

State Preschool - Provides 10,000 full-day State Preschool slots for non-LEAs beginning April 1, 2020. Allocates \$31 million in ongoing non-Proposition 98 General Fund in 2019-20 and approximately \$125 million in 2020-21 to annualize these additional slots. Adopts trailer bill language expanding eligibility for the State Preschool program to include all families that live in a

school attendance area where 80 percent or more students qualify for Free or Reduced Price Meal. Adopts trailer bill language eliminating the work requirement for full-day State Preschool but provides priority for working families. Shifts Proposition 98 funding for part-day State Preschool at non-local educational agencies to the non-Proposition 98 General Fund.

Early Learning and Care Infrastructure Grant Program - Provides \$245 million in one-time non-Proposition 98 General Fund.

Early Learning and Care Infrastructure Grant Program - Transfers approximately \$18 million from the Child Care Facilities Revolving Loan Fund into the Early Learning and Care Infrastructure Grant Program. Allows the CDE to use up to 5 percent of the grant funding to contract with financial intermediaries to provide technical assistance and support to grantees. Provides up to 5 percent of the grant to support renovation, repair, modernization, or retrofitting to address health and safety or other licensure needs.

Early Learning and Care Workforce Development Grants Program - Provides \$195 million in one-time non-Proposition 98 General Fund. Adopts trailer bill language to expand trainings and support activities to a broad range of providers and specifies stipends and professional development is aligned with the Quality Counts California professional development system.

CalWORKs Stage 1 child care - Adopts trailer bill language to extend 12 month eligibility to CalWORKs Stage 1 child care and provides \$56.4 million General Fund in 2019-20 and \$70.5 million ongoing.

Provides \$5 million in one-time General Fund for the Secretary of Health and Human Services, in concurrence with the executive director of the State Board of education and the Superintendent of Public Instruction, to contract for research on specified areas of child care and early education system to be completed no later than October 1, 2020.

Additional changes are included in the overall summary.

California Community Colleges

Tuition Waivers – Provides a second year of tuition waivers for first-time, full-time students through the College Promise Program with an adjusted cost of \$42.6 million ongoing Proposition 98 General Fund.

Student Centered Funding Formula – Modifies the formula as follows:

- Caps the student success allocation to ten percent of the total formula allocation;
- Caps the growth in performance funding at ten percent for a college;
- Modifies the definition of a transfer student;
- Extends the existing hold harmless period to 2021-22;
- Requires colleges to use three-year averages for supplemental and outcomes funding.

Student Success – Provides a cost of living adjustment of 3.26 percent.

Mental Health – Approve \$7 million one-time Proposition 63 to provide mental health services.

Deferred Maintenance Projects – Approves \$13.5 million one-time Proposition 98 General Fund.

Proposition 51 – Approves 15 new projects and 15 continuing projects, as well as approving 24 new projects and providing 80 percent of construction funding for five continuing projects.

Additional changes are included in the overall summary.

California State Universities

Graduation Initiative - \$45 million ongoing General Fund and \$40 million in one-time General Fund.

Compensation Increases - \$147.8 million ongoing General Fund.

Enrollment Growth - \$85 million ongoing General Fund with targets of 10,000 additional undergraduate students.

Mandatory Cost Increases - \$45.4 million ongoing General Fund.

Project Rebound - \$3.3 million ongoing General Fund.

Student Rehousing - \$6.5 million ongoing General Fund for rapid rehousing, directing campuses to develop agreements with local agencies with rapid rehousing expertise.

Full-Time Tenure Track Faculty - \$35 million to increase faculty numbers above the current 11,228 current tenure-track faculty.

Additional changes are included in the overall summary.

University of California

Operational Cost Increases - Provides \$119.8 million ongoing General Fund.

Student Basic Needs - Provides \$15 million ongoing General Fund and adopts trailer bill language to require the University of California (UC) to work with the Department of Social Services to assess the effectiveness of CalFresh and other state agencies in addressing student food and housing insecurity.

Enrollment Growth - Provides \$10 million ongoing General Fund to support 2018-19 enrollment growth beyond the enrollment target.

Student Mental Health Services - Provides \$5.3 million ongoing General Fund.

Graduate Medical Education – Provides \$40 million ongoing General Fund to expand graduate medical education and end the shift of Proposition 56 funds.

Student Mental Health Services – Provides \$5.3 million ongoing General Fund.

Student Rehousing – Provides \$3.5 million ongoing General Fund to support rapid rehousing, along with budget bill language defining rapid rehousing.

Enrollment Growth – Provides \$49.9 million ongoing General Fund for the growth of 4,860 undergraduate students.

Additional items included in budget summary.

Taxes

Low Income Housing Tax Credit Program - \$500 million in one-time funds to expand the current program.

Sales and Use Tax Credit Expansion: Menstrual Hygiene Products and Diapers – Provides exemption for two years.

Earned Income Tax Credit (EITC) – Increases the maximum eligible earned income to \$30,000 and provides for a young child tax credit for qualified taxpayers of up to \$1,000.

Federal Tax Conformity – Adopts multiple federal tax conformity items, bringing in an additional \$1.6 billion into the General Fund, of which over \$1 billion is estimated to go toward public education.

cc: Joe Nuñez
Scott Day
Laura Juran
Daniel Koen
Becky Zoglman
Jonathan Goldman
Claudia Briggs
Angela Su