

K-12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,200 charter schools provides instruction in English, mathematics, history, science, and other core competencies.

The May Revision includes total funding of \$96.2 billion (\$57.4 billion General Fund and \$38.8 billion other funds) for all K-12 education programs.

PROPOSITION 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing these funds to support all students attending K-12 public schools in California.

Relative to the Governor's Budget, Proposition 98 funding at May Revision is up by \$252 million in 2016-17, \$407 million in 2017-18, and \$68 million in 2018-19. This assumes that average daily attendance remains flat. These changes are largely due to increases in General Fund revenues (\$1.3 billion in 2016-17, \$3.5 billion in 2017-18, and \$3.1 billion in 2018-19 over Governor's Budget), an update to the projected per capita personal income in 2018-19, and a reduction in

Proposition 98 maintenance factor payments. The Proposition 98 maintenance factor accounts for lower past year Proposition 98 funding levels, which the formula generates when state revenues do not keep pace with the state's economy, with the requirement that funding be restored in future years. At the beginning of this Administration, the maintenance factor balance was \$11 billion, but this balance has been paid down over time, and at the Governor's Budget, the outstanding maintenance factor was \$320 million. At May Revision, primarily as a result of the increase in revenues, the Budget completely eliminates the maintenance factor balance in 2017-18.

K-12 FUNDING PRIORITIES

The May Revision proposes to use the combination of increased one-time and ongoing resources to further advance the core priorities of the Administration—paying down debts owed to schools and fully funding the Local Control Funding Formula. The formula provides local flexibility on spending decisions and additional funding for increased or improved services for students most in need of these resources in an effort to narrow the achievement gap.

The May Revision increases funding for the formula by an additional \$320 million, enough to fund the projected statutory cost-of-living adjustment of 2.71 percent, as well as provide a \$166 million increase to the formula base, to increase the formula by a total of 3 percent. These additional resources build upon the \$3 billion provided in the Governor's Budget to fully fund the formula in 2018-19. These additional funds will support core programs and services, as well as other key local investments and priorities, and provide substantial resources to accommodate increasing costs, including rising employee benefit costs. According to the Legislative Analyst, since the enactment of the CalSTRS funding plan in 2014, CalSTRS and CalPERS contribution requirements for K-12 local educational agencies have increased by \$3 billion. During the same period, funding for the formula has increased by \$17.1 billion.

The Governor's Budget proposed almost \$1.8 billion in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education. The May Revision proposes an additional \$286 million, providing more than \$2 billion in total one-time discretionary funding to schools in 2018-19. This funding will be available to further the implementation of state-adopted academic standards, support investments in school safety, make necessary investments in professional development, provide teacher induction for beginning teachers, address infrastructure and deferred maintenance needs, and purchase instructional materials and technology to prepare both students and teachers for success. The funds provided will offset any applicable mandate reimbursement claims for these entities. These resources, coupled with more than \$5.8 billion in one-time Proposition 98 funding provided to schools from 2014-15 to 2017-18 for the same purposes, will reduce the outstanding mandate debt owed to local educational agencies to \$972 million, consistent with the

Administration's goal to pay down debt.

PROPOSITION 98 CERTIFICATION

Current law requires the Director of Finance, the State Superintendent of Public Instruction, and the Chancellor of the California Community Colleges to agree and certify a final calculation of the Proposition 98 Guarantee within nine months following the close of the fiscal year. That compressed timeframe, differing interpretations of the law, and other issues have resulted in many uncertified years; 2008-09 is the last year the Guarantee was statutorily certified.

Consistent with this Administration's focus on retiring debt and liabilities, the May Revision proposes a revised certification structure that will: (1) certify the Guarantee for the open years of 2009-10 through 2015-16, (2) provide a new mechanism to more quickly certify in subsequent years, (3) increase certainty around the payment of future certification settlements, and (4) provide the state with additional budgeting flexibility.

Under the revised certification structure, at every May Revision, Finance will publish a final calculation of the prior year's Proposition 98 Guarantee, including all relevant factors. The Superintendent, the Chancellor, the Legislature, the public, and other stakeholders will have the opportunity to review and submit comments regarding the certification. If no challenge to the calculation is made by October 1st, the certification becomes final. Any funding in excess of the required minimum level determined through the certification process may be deemed to meet Guarantee obligations in future years. Any additional amount owed would be paid over a specified time period.

As part of this certification proposal, the Administration will rebench the Proposition 98 Guarantee in the 2015-16 fiscal year to reflect the inclusion of additional child care wraparound services that were funded within the Guarantee beginning in 2015-16. To further the certainty that the revised certification process will provide, the Administration also proposes to continuously appropriate funding for the Local Control Funding Formula, including the annual cost-of-living adjustment. Doing so will provide the same level of certainty for budget planning that local educational agencies enjoyed under the previous revenue limit system.

COMMUNITY ENGAGEMENT, FISCAL TRANSPARENCY, AND SCHOOL CLIMATE

A key principle of local control of public education is the active engagement of students, parents, and communities with local school districts, which encourages fiscal and programmatic

decisions that are based on locally-identified student and community needs and that improve student outcomes. The May Revision includes several proposals to increase opportunities for communities and students to engage meaningfully with their local educational agencies.

Community Engagement Initiative—The Administration proposes \$13.3 million one-time Proposition 98 General Fund to create the Community Engagement Initiative. This program will utilize the statewide system of support to build the capacity of school districts to engage more effectively with local communities, specifically in the development of the Local Control and Accountability Plan (LCAP), with a focus on improving student outcomes.

Fiscal Transparency—The Administration proposes to expand upon the Governor’s Budget proposal for a budget summary aligning school district expenditures to LCAP strategies to specify that it be parent-friendly, include specific information on how supplemental grants are used to increase and improve services for high-need students, and include graphical representation of information, when possible. These amendments, paired with the Community Engagement Initiative and the Governor’s Budget proposal to make the Dashboard more user-friendly, will improve the ability of parents and community members to be partners in the LCAP decision-making process.

Improving School Climate—The Administration proposes \$15 million one-time Proposition 98 General Fund to expand the state’s Multi-Tiered Systems of Support (MTSS) framework to foster positive school climate in both academic and behavioral areas, including, but not limited to, positive behavior interventions and support, restorative justice, bullying prevention, social and emotional learning, trauma-informed practice, and cultural competency. Utilizing the MTSS structure leverages work done by many school districts across the state to disseminate best practices and integrate this work within the statewide system of support.

K-12 STRONG WORKFORCE PROGRAM

The Governor's Budget proposed \$200 million in ongoing Proposition 98 General Fund to establish a K-12 component within the Strong Workforce Program to encourage local educational agencies to offer Career Technical Education (CTE) programs that are aligned with needed industry skills and regional workforce development efforts. This proposal complements the 2.6-percent base grant adjustment that is included in the Local Control Funding Formula for grades 9-12 to account for the higher cost of providing CTE programs at the high school level. The May Revision continues to utilize the Strong Workforce Program as proposed in January, but amends the proposal to clarify important elements of this K-12 program, including:

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

OTHER K-12 BUDGET ISSUES

Significant Adjustments:

- English Language Proficiency Assessments—An increase of \$27.3 million one-time Proposition 98 General Fund to convert the English Language Proficiency Assessment for California (ELPAC) from a paper-based to a computer-based assessment, and to develop a computer-based alternative ELPAC for children with exceptional needs.
- Charter School Facility Grant Program—An increase of \$21.1 million one-time Proposition 98 General Fund in 2017-18 and a decrease of \$3.6 million Proposition 98 General Fund in 2018-19 to align available funding with estimated program participation.
- Federal Restart Grant—An increase of \$13.9 million one-time federal funds to assist local educational agencies with expenses related to reopening schools impacted by the Northern California and Southern California wildfires of October and December 2017.
- Early Math Initiative—An increase of \$11.8 million one-time federal funds to support additional early math resources, including professional learning and coaching for educators, as well as additional math learning opportunities for pre-K through grade 3 children.
- California Collaborative for Educational Excellence—An increase of \$5 million Proposition 98 General Fund to align resources with updated estimated costs of services to be provided by the Collaborative in 2018-19.
- Fiscal Crisis and Management Assistance Team (FCMAT) Support—An increase of \$972,000 Proposition 98 General Fund, which will allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed

school districts, specifically those with a qualified interim budget status (school districts that may not meet their financial obligations in the current year or subsequent two years).

- **Local Property Tax Adjustments**—An increase of \$137.2 million Proposition 98 General Fund in 2017-18 and \$278.1 million Proposition 98 General Fund in 2018-19 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in both years.
- **Fire-Related Property Tax Backfill**—An increase of \$12.3 million Proposition 98 General Fund in 2017-18 and \$17.8 million Proposition 98 General Fund in 2018-19 to backfill lost property tax revenue for K-12 schools impacted by last fall's wildfires.
- **Average Daily Attendance**—An increase of \$46.8 million Proposition 98 General Fund in 2017-18 and \$42.6 million Proposition 98 General Fund in 2018-19 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of increased caseload costs in the 2016-17 fiscal year.
- **Categorical Program Cost-of-Living Adjustments**—An increase of \$10.6 million Proposition 98 General Fund to selected categorical programs for 2018-19 to reflect a change in the cost-of-living factor from 2.51 percent at the Governor's Budget to 2.71 percent at the May Revision.
- **Categorical Program Growth**—An increase of \$357,000 Proposition 98 General Fund for selected categorical programs, based on updated estimates of average daily attendance.

CHILD CARE AND STATE PRESCHOOL

The state funds nine child care and early education programs as well as dozens of other programs that support child care quality and access, including family resource and referral agencies and local child care planning councils. These programs are administered by the Department of Education and the Department of Social Services. Families can access child care and early education subsidies through providers that contract directly with the Department of Education, local educational agencies, or through vouchers from county welfare departments or alternative payment program agencies.

Significant Adjustments:

- **CalWORKs Stage 2 and Stage 3 Child Care**—A net increase of \$104 million non-Proposition 98 General Fund in 2018-19 to reflect increases in the number of CalWORKs child care cases and cost of care. Total costs for Stages 2 and 3 are \$559.1 million and \$398 million, respectively.

- Cost-of-Living Adjustment—An increase of \$2.2 million Proposition 98 General Fund and \$1.8 million non-Proposition 98 General Fund to reflect a change in the cost-of-living factor from 2.51 percent at the Governor's Budget to 2.71 percent at the May Revision.
- Inclusive Early Education Expansion Program—A decrease of \$42.2 million federal TANF to remove one-time funds that are no longer available for this program. A corresponding increase of \$42.2 million one-time Proposition 98 General Fund is provided to backfill the reduced TANF funding.

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