

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 students with instruction in English, mathematics, history, science, and other core competencies to enable them to develop the skills they will need upon graduation for either entry into the workforce or higher education.

The Budget includes total funding of \$103.4 billion (\$58.8 billion General Fund and \$44.6 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 1988-89, determines education funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, local property tax revenues, per capita personal income, civilian population, and school attendance growth or decline.

In 2011-12, at the depth of the state budget crisis, the minimum guarantee declined to a relative low of \$47.3 billion. Since then, driven primarily by significant increases in state General Fund revenues, the minimum guarantee has increased to \$81.1 billion. For K-12

schools, this increase results in Proposition 98 per pupil spending of \$11,993—a \$4,989 increase over the 2011-12 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources increased by approximately \$6,724 per pupil to \$17,423.

PUBLIC SCHOOL SYSTEM STABILIZATION ACCOUNT

Proposition 2, enacted by voters in 2014, established the Public School System Stabilization Account, also referred to as the Proposition 98 Rainy Day Fund, within the Proposition 98 Guarantee as a formula-driven mechanism to lessen the impact of volatile state revenues on K-14 schools. In fiscal years with certain positive economic conditions, a deposit is made into the Account. These deposits can be spent in fiscal years in which the minimum Proposition 98 funding level is not sufficient to fund the prior year funded level adjusted for growth and inflation.

For 2019-20, the Budget includes a constitutionally required deposit into the Account of \$376.5 million. This deposit does not initiate school district reserve caps, as the amount in the Account (which is equal to the 2019-20 deposit) is not equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee (approximately \$2.1 billion).

PROPOSITION 98 CERTIFICATION

The 2018 Budget Act amended the process for finalizing the Proposition 98 funding level for a given fiscal year, commonly referred to as the Proposition 98 certification process. Specifically, these changes: (1) provided a new mechanism for annual certifications, (2) increased certainty around the payment of future settle-up, (3) provided the state with additional budgeting flexibility through a new cost allocation schedule, (4) provided a continuous appropriation of Local Control Funding Formula (LCFF) COLA, and (5) certified the guarantee for the prior years of 2009-10 through 2016-17.

To provide more certainty, the Budget includes changes to the Proposition 98 certification process to:

- Eliminate the cost allocation schedule.
- Create a cap on increases to LCFF related to the continuous appropriation of LCFF COLA.

The Budget also includes changes in statute to specify that the state may not adjust Proposition 98 funding levels for any non-certified year outside of the fiscal years commonly referred to as “current year” and “budget year” (for the Budget, this refers to fiscal years 2018-19 and 2019-20). The result of this revised process is that prior year Proposition 98 levels will not change, protecting local educational agencies from unanticipated revenue drops in past fiscal years.

LOCAL CONTROL FUNDING FORMULA

In 2013, the LCFF was adopted to replace the prior revenue limit school finance system, which was inequitable, overly complex, and administratively costly. The formula allows for increased local control in school budgeting, and responds to research and practical experience that indicates students from low-income families, English language learners, and youth in foster care often require supplemental services and support to be successful in school.

The Budget provides \$1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26-percent COLA. Since the enactment of LCFF, the state has allocated over \$23 billion in additional ongoing resources to local educational agencies through the formula.

SPECIAL EDUCATION

Local educational agencies are required by federal law to provide appropriate and comprehensive educational programs for students with disabilities. However, historical federal underfunding of special education (especially for services to preschool-age children with disabilities), complex, unequal, and administratively costly state funding for special education, and the rising cost of special education services, especially for school districts with high proportions of students with disabilities, can impact school districts' ability to provide a comprehensive program of services for students with exceptional needs.

There is a lack of alignment between the local educational agencies that are held accountable for the outcomes of students with disabilities and the state and local agencies that control the allocation of local special education funds. This problem has persisted over time, and in 2017 and 2018, school districts were most likely to be identified as needing support from county offices of education because of poor performance on student outcome indicators for students with disabilities.

To begin the work needed to address these issues, the Budget includes \$645.3 million ongoing Proposition 98 General Fund for special education. Specifically, the Budget includes \$152.6 million to provide all Special Education Local Plan Areas (SELPA) with at least the statewide target rate for base special education funding, approximately \$557 per unit of average daily attendance, under the existing special education funding formula. The Budget also includes \$492.7 million for special education allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving.

Further, the Budget specifies that these ongoing funding increases are contingent upon the adoption by the Legislature and Administration of reforms to the special education funding formula and special education accountability system as part of the 2020 Budget Act. Finally, the Budget includes an additional \$500,000 one-time non-Proposition 98 General Fund to improve state agency coordination to increase local educational agencies' ability to draw down federal funds for medically-related special education services and to improve the transition of three-year-olds with disabilities from regional centers to local educational agencies.

CALSTRS AND CALPERS EMPLOYER CONTRIBUTION RATES

In response to a large unfunded liability in the system, Chapter 47, Statutes of 2014 (AB 1469) was enacted to put CalSTRS on the path to full funding over a 32-year period. Based on a model of shared responsibility, employers (local educational agencies and community colleges), employees (teachers), and the state are each required to pay their respective share of the costs of CalSTRS member pensions, and AB 1469 increased the proportional payments for all parties. Specifically, contribution rates for employers were scheduled to increase incrementally each year from 8.25 percent in 2013-14 to 19.1 percent in 2020-21 (the 2018-19 rate for schools is 16.28 percent).

The California Public Employees' Retirement System (CalPERS) Schools Pool, which includes classified school employees as members, funds pension benefits through actuarially determined contributions. Contribution rates for employers are currently expected to increase from 18.1 percent in 2018-19 to 23.6 percent by 2020-21.

To provide relief to local educational agencies and community colleges for the rising costs of pensions, both now and in the future, the Budget includes a \$3.15 billion non-Proposition 98 General Fund payment on their behalf to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated \$850 million will buy down the employer contribution rates in 2019-20 and 2020-21. With these payments, the CalSTRS employer

contribution rate will decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.4 percent in 2020-21. The payments will decrease the CalPERS Schools Pool employer contribution rate from 20.7 percent to 19.7 percent in 2019-20 and from 23.6 percent to 22.9 percent in 2020-21. The remaining \$2.3 billion will be paid toward the employers' long-term unfunded liability for both systems. Overall, this payment is expected to save employers \$6.1 billion over the next three decades, with an estimated reduction in the out-year contribution rate to CalSTRS of 0.3 percentage points, and to the CalPERS Schools Pool of 0.1 to 0.3 percentage points.

AFTER SCHOOL PROGRAMS

In response to cost pressures in the After School Education and Safety Program (ASES) related to recent increases in the state's minimum wage, the Budget includes \$50 million ongoing Proposition 98 General Fund to provide an increase of approximately 8.3 percent to the per-pupil daily rate for ASES (increasing this rate from \$8.19 to \$8.87 per day).

LONGITUDINAL DATA SYSTEM

Although state agencies collect and manage a significant amount of data, the systems that house these data are not aligned to provide a clear picture of how students advance from early education programs through K-12 schools to postsecondary education and into the workforce. This is due, in part, to the fact that California's existing databases operate under different legal and regulatory requirements, using different data definitions, and with varying levels of user-friendliness.

To improve coordination across data systems and better track the impacts of state investments on achieving educational goals, the Budget provides \$10 million one-time non-Proposition 98 General Fund to plan for and develop a longitudinal data system. This system will connect information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. A portion of this funding will be used for initial planning purposes. The bulk of the funding will be available for the initial stages of system implementation, once an expenditure plan is approved by the Administration and the Legislature has been notified. Further, as discussed in the Early Childhood Chapter, the Budget provides an additional \$10 million one-time non-Proposition 98 General Fund to begin building up the state's early learning and care data infrastructure to prepare it to connect to the longitudinal data system (subject to future legislation).

RETAINING AND SUPPORTING WELL-PREPARED EDUCATORS

California struggles with chronic teacher shortages in various regions of the state, and especially in certain subject matter areas. To recruit and retain qualified teachers in school districts with high rates of under-prepared teachers, the Budget includes \$89.8 million one-time non-Proposition 98 General Fund to provide up to 4,487 grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years. Funds will be provided to qualifying individuals in hard-to-hire subject matter areas (including bilingual education; special education; and science, technology, engineering, and mathematics (STEM); among other areas) and school sites with the highest rates of non-credentialed or waiver teachers. The California Student Aid Commission will administer the program.

Additionally, the Budget includes \$43.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around key state priorities. Specifically, this funding is allocated for the following:

- \$37.1 million for the Educator Workforce Investment Grants for teachers and paraprofessionals, including:
 - \$22.1 million for professional development related to social emotional learning, computer science, restorative practices, and ethnic studies.
 - \$10 million for professional development related to the implementation of the English-Learner Roadmap.
 - \$5 million for professional development related to special education and inclusive practices.
- \$6.7 million for the California Subject Matter Projects.

Finally, the Budget includes \$13.8 million ongoing federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

The training and resources developed as a result of these investments will be provided in alignment with the statewide system of support.

COMPUTER SCIENCE

In addition to STEM and computer science training for teachers, the Budget includes the following proposals to expand access to computer science education in the state:

- **Broadband Infrastructure**—While the state has made significant investments in school district broadband infrastructure in recent years, some districts still need infrastructure and updates to meet the growing bandwidth needs of digital learning. To expedite these solutions, the Budget includes \$7.5 million one-time non-Proposition 98 General Fund for broadband infrastructure.
- **California Computer Science Coordinator**—To provide cohesive statewide organization in implementing new computer science standards and developing a comprehensive plan to promote computer science for all California students, the Budget includes \$1 million one-time non-Proposition 98 General Fund, available over four years, to the Department of Education to establish a state Computer Science Coordinator.

CHARTER SCHOOLS

To better align the governance, transparency, and accountability requirements of school districts and charter schools, the Budget includes the following proposals to increase local accountability in charter school budget planning and to prevent families from being wrongfully turned away from the public school of their choice:

- Prohibits charter schools from discouraging students from enrolling in a charter school or encouraging students to disenroll from a charter school on the basis of academic performance or student characteristics, such as special education status.
- Prohibits charter schools from requesting a pupil's academic records or requiring that a pupil's records be submitted to the charter school prior to enrollment.
- Creates a process for families of prospective and current charter school students to report concerns to the relevant authorizer.
- Requires the Department of Education to examine the feasibility of using data from the California Longitudinal Pupil Assessment Data System to identify charter school enrollment disparities that may warrant inquiry and intervention by charter school authorizers.

SCHOOL FACILITIES BOND FUNDS

Proposition 51, approved by voters in November 2016, authorized a total of \$7 billion in state general obligation bonds for K-12 schools to be allocated through the School Facilities Program in place as of January 1, 2015. Approximately \$600 million in Proposition 51 bond funds have been expended in each of fiscal years 2017-18 and 2018-19. The Budget assumes \$1.5 billion Proposition 51 bond funds, an increase of \$906 million over the prior year, to support school construction projects. These funds will support new construction, modernization, retrofitting, career technical education, and charter school facility projects.

The Budget also includes an additional \$1.2 million ongoing Proposition 51 bond funds and State School Site Utilization Funds, and 10 positions for the Office of Public School Construction to support the increased processing of applications and program workload.

FULL-DAY KINDERGARTEN

As discussed in the Early Childhood Chapter, the Budget includes \$300 million one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

OTHER K-12 BUDGET ADJUSTMENTS

In addition to the augmentations described above, the Budget also provides:

- Proposition 98 Settle-Up—An increase of \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.
- Classified School Employees Summer Assistance Program—An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a state match for classified employee savings used to provide income during summer months.
- AB 1840 Adjustments—An increase of \$3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$514,000 one-time Proposition 98 General Fund for Oakland Unified School District, amounting to 75 percent of the

operating deficit of these districts, pursuant to Chapter 426, Statutes of 2018 (AB 1840).

- Special Olympics—An increase of \$4 million one-time non-Proposition 98 General Fund for the Special Olympics of Northern and Southern California.
- Wildfire-Related Cost Adjustments—An increase of \$2 million one-time Proposition 98 General Fund to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of \$727,000 one-time Proposition 98 General Fund to reflect adjustments to the state's student nutrition programs resulting from wildfire-related losses. Further, the Budget holds both school districts and charter schools impacted by the 2018 wildfires harmless for state funding for two years.
- Breakfast After the Bell—An increase of \$500,000 one-time Proposition 98 General Fund to increase participation in the Breakfast After the Bell school nutrition program.
- Homeless Youth Education—An increase of \$500,000 one-time Proposition 98 General Fund for the San Diego Unified School District to support the education of homeless youth.
- California Association of Student Councils—An increase of \$150,000 one-time non-Proposition 98 General Fund to provide leadership development opportunities for financially disadvantaged students.
- San Francisco Unified School District Excess Tax Correction—An increase of \$149.1 million one-time Proposition 98 General Fund to reflect a technical adjustment to excess property taxes related to a misallocation of these funds in 2016-17. Specifically, San Francisco did not properly calculate the excess tax allocation for the school district, which received taxes that should have been allocated to the county and city and special districts.