

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 \$101.8 billion (\$58.9 billion General Fund and \$42.9 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.

Total K-14 Proposition 98 funding at May Revision is \$75.6 billion in 2017-18, \$78.1 billion in 2018-19, and \$81.1 billion in 2019-20.

Relative to the Governor's Budget, Proposition 98 funding at May Revision is up by \$78.4 million in 2017-18, \$278.8 million in 2018-19, and \$389.3 million in 2019-20. This assumes that average daily attendance continues to decline slightly. These changes are largely due to increases in General Fund revenues over Governor's Budget (\$2 billion in 2018-19 and \$1.6 billion in 2019-20), an increase in the minimum guarantee funding level in 2017-18 due to increases in prior year apportionment costs, and a slightly slower decline in average daily attendance than projected in the Governor's Budget.

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 mechanism to lessen the impact of volatile state revenues on K-14 schools. In a fiscal year when all of the following conditions are met, a deposit is made into the Account:

- State General Fund revenues from capital gains exceed 8 percent of total revenues
- Proposition 98 "Test 1" is operative
- Proposition 98 maintenance factor obligations created prior to 2014-15 have been paid
- The Proposition 98 required minimum funding level is not suspended
- The Proposition 98 funding level is greater than the prior year's funding level, adjusted for attendance growth and inflation (i.e., "Test 1" is greater than "Test 2")

Deposits made into the Account 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.

The May Revision projects that a deposit into the Account is required per the Constitution. Pursuant to Proposition 2, the amount deposited into the Account is the difference between the Test 1 funding level and the prior year funding level adjusted for growth and inflation, but not more than the amount of capital gains revenues in excess of 8 percent of total revenues. In 2019-20, this results in a required deposit of \$389.3 million.

Under current law, there is a cap on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee (approximately \$2.1 billion). Because the balance in 2019-20 is equal to the amount of the deposit (\$389.3 million), school district reserve caps are not required in 2020-21.

K-12 FUNDING PRIORITIES

The May Revision proposes to use increased one-time and ongoing resources to improve student outcomes and support the long-term fiscal stability of school districts.

SPECIAL EDUCATION

The May Revision proposes to allocate \$696.2 million ongoing Proposition 98 General Fund for special education. This is \$119.2 million more than was proposed in the Governor's Budget and is a 21-percent year-over-year increase in state funding for services for students with disabilities. The Administration remains concerned about the level of coordination between local general education and special education programs, as well as program governance and accountability for special education student outcomes.

The May Revision also includes \$500,000 one-time non-Proposition 98 General Fund 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. This funding will allow staff from the Department of Education, the Department of Health Care Services, the Department of Developmental Services, local educational agencies, and regional centers to coordinate and collaborate in providing services and supports for students with disabilities.

The May Revision also includes a requirement that charter schools better integrate and serve special education students, as described below in the Charter Schools section.

RETAINING AND SUPPORTING WELL-PREPARED EDUCATORS

The state has well-documented, long-term statewide teacher shortages in the areas of special education, science, and math. Certain regions of the state, including rural and high cost-of-living areas, have been more heavily impacted than others, and report

difficulty hiring fully credentialed teachers regardless of subject matter area. When school districts cannot find a credentialed teacher to fill a vacancy, they will often hire teachers on temporary permits or waivers. Teachers hired on waivers or permits are more likely to lack teacher preparation/pedagogical training and sometimes content area expertise as well. According to data from the Commission on Teacher Credentialing, school districts hired approximately 6,000 teachers and 8,000 teachers on waivers or permits in fiscal years 2016-17 and 2017-18, respectively. In both 2016-17 and 2017-18, the majority of permits and waivers were issued for special education, STEM (science, technology, engineering, and mathematics), and bilingual assignments.

As referenced in the Higher Education Chapter, to recruit and retain qualified teachers in school districts with high rates of under-prepared teachers, the May Revision includes \$89.8 million one-time non-Proposition 98 General Fund to provide an estimated 4,500 loan assumptions (repayments) of up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years. Funds will be prioritized for teachers in hard-to-hire subject matter areas (special education and STEM) and school sites with the highest rates of non-credentialed or waiver teachers. The California Student Aid Commission will administer the program in consultation with the Commission on Teacher Credentialing.

Additionally, the May Revision includes \$44.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around inclusive practices, social emotional learning, computer science, and restorative practices as well as subject matter competency, including STEM. Training and resources developed will be incorporated into the statewide system of support.

Finally, the May Revision includes \$13.9 million ongoing federal funds for professional learning opportunities for public K-12 school administrators to provide 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 this proposal will be provided in alignment with the statewide system of support.

COMPUTER SCIENCE

It is a priority of the Administration that all students in the K-12 public school system are able to access computer science education to provide them with the skills they need to succeed. In an important step toward this goal, the State Board of Education

adopted California's first set of Computer Science Content Standards for K-12 schools in September 2018. It is anticipated that the Board will adopt an implementation plan for these new standards in May 2019. The Administration will consider the recommendations included in the implementation plan, data on student access to technology and STEM education throughout the state, as well as input from experts.

In the year ahead, the Administration will develop a comprehensive plan to achieve the goal of providing access to computer science education for all students for consideration as part of next year's budget. In addition to STEM and computer science training for teachers, the May Revision includes the following proposals as a down payment to a more comprehensive package:

- *Broadband Infrastructure*—While the state has made significant investments in school district broadband infrastructure in recent years, persistent gaps still exist in California's schools. Some districts still need infrastructure and updates to meet the growing bandwidth needs of digital learning. To expedite these solutions, the May Revision includes \$15 million one-time non-Proposition 98 General Fund for broadband infrastructure.
- *California Computer Science Coordinator*—To provide cohesive statewide organization in implementing the new computer science standards and developing a comprehensive plan to promote computer science for all California students, the May Revision includes \$1 million one-time non-Proposition 98 General Fund, available over four years, to the State Board of Education to establish a state Computer Science Coordinator.

CALSTRS EMPLOYER CONTRIBUTION RATE

The Governor's Budget proposed funding to reduce employer contributions to CalSTRS from 18.13 percent to 17.1 percent in 2019-20, based on current assumptions. This reduction was intended to provide some immediate fiscal relief to school districts for the rising cost of teacher pensions and was part of a larger \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers.

The May Revision adds \$150 million one-time non-Proposition 98 General Fund to reduce the employer contribution rate to 16.7 percent in 2019-20.

CHARTER SCHOOLS

The Administration is committed to a system where traditional and charter schools work together to serve the best interests of all students in a community. The May Revision proposes statute to level the playing field for both traditional and charter schools. Specifically, the May Revision includes the following proposals 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 characteristic, 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 corresponding authorizers.

These proposals build on charter school transparency legislation signed by the Governor earlier this year and other legislation proposed in the Governor's Budget that better aligns the governance, transparency, and accountability requirements of school districts and charter schools.

The Governor's Budget identified growing charter school enrollment as a factor affecting the fiscal condition of some school districts. The Governor requested that the State Superintendent of Public Instruction convene a task force to examine the fiscal impact of charter schools on school districts. The Charter Task Force is expected to deliver recommendations to the Administration by July 1.

OTHER K-12 BUDGET ISSUES

Significant Adjustments:

- LCFF Adjustments—An increase of \$70 million Proposition 98 General Fund in 2018-19 and a decrease of \$63.9 million Proposition 98 General Fund in 2019-20 for school

districts, charter schools, and county offices of education to reflect changes in average daily attendance and cost-of-living (COLA only in 2019-20) that affect the LCFF calculation.

- 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).
- Local Property Tax Adjustments—An increase of \$146.6 million Proposition 98 General Fund in 2018-19 and \$142.1 million Proposition 98 General Fund in 2019-20 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.
- 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.
- Categorical Program Cost-of-Living Adjustments—A decrease of \$7.4 million Proposition 98 General Fund to selected categorical programs for 2019-20 to reflect a change in the cost-of-living factor from 3.46 percent at the Governor's Budget to 3.26 percent at the May Revision.
- Categorical Program Growth—An increase of \$7.6 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of average daily attendance.
- 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.

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