

populations of students with disabilities above the statewide average, which is estimated at 10.93%.

Early Childhood

The May Revision contains both increases and reductions in Early Childhood funding from the Governor's Budget in January. Foremost, May Revision proposes to use \$80.5 million from the Cannabis Fund for subsidized child care for school-age children from income-eligible families. The January Budget did not include any investments in child care slots beyond a proposed \$125 million in full-day State Preschool slots for non-local educational agency (LEA) providers to fund 30,000 new slots over a three-year period. With respect to State Preschool slots, the May Revision proposes to fund the first 10,000 slots next April (2020), but then postpones the release of the remaining 20,000 slots to an unspecified date.

Educator Workforce

The May Revision includes investments to retain and support well-prepared educators. The most significant amount is \$89.8 million in one-time non-Proposition 98 funds to provide loan assumptions of up to \$20,000 for newly credentialled teachers. An estimated 4,500 loan repayments will be available for Special Education and science, technology, engineering, and math teachers that commit at least four years in high-need schools with the highest rates of non-credentialed or waiver teachers.

Additionally, \$44.8 million in one-time non-Proposition 98 funds are proposed for training and resources for teachers and paraprofessionals. This funding is aimed at building capacity around inclusive practices, social-emotional learning, computer science, restorative practices, and subject matter competency.

Finally, the May Revision includes \$13.9 million ongoing federal funds for professional development for school administrators. Funding is intended

to increase administrators' ability to provide the knowledge, skills, and competencies needed to successfully support California's diverse students.

Classified School Employee Summer Assistance Program

Last year's State Budget included \$50 million in one-time funding to create the Classified School Employee Summer Assistance Program. The program allowed eligible classified employees of a participating LEA to have up to 10% withheld from their monthly paychecks during the 2019-20 school year to be paid out during the summer. The state provided a \$1 match for every \$1 that the participating employee elected to withhold. The May Revision provides an additional year of funding for this program with a \$36 million (one-time) investment.

School Facilities

The Governor's January Budget included a proposal of \$750 million in one-time non-Proposition 98 funds in addition to the \$100 million approved in the 2018 Budget Act for the construction or retrofit of full-day kindergarten program facilities. The May Revision reduces the proposal by \$150 million to \$600 million in one-time non-Proposition 98 funds. In addition, the May Revision hopes to better target the funds to school districts that are expanding access to full-day kindergarten.

In that vein, the May Revision increases the state's share of the grant from 50% to 75% for school districts that are converting from part-day to full-day kindergarten. The proposal would also make funding available over a three-year period, with eligibility limited to school districts that will convert their programs from part-day to full-day kindergarten.

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POCKET BUDGET 2019-20

A Summary Analysis of the May Revision Proposal for the 2019-20 State Budget for California's Schools

Prepared by:



May 2019

The 2019-20 May Revision

With this being Governor Newsom's first May Revision in his inaugural term, there was considerable uncertainty in the capital community about how much his proposals would change from January and how much he would distinguish himself from former Governor Jerry Brown.

Like his predecessor, Governor Newsom's revised Budget proposal emphasizes the need for fiscal prudence by investing more resources into the state's Rainy Day Fund to fend off the next recession as well as increased investments toward the state's pension obligations.

Unlike his predecessor, however, Governor Newsom proposes to sustain his significant investment in the state's early childhood education programs, provide additional funding for his Special Education proposal, and include additional dollars to assist with the employer share of the California State Teachers' Retirement System (CalSTRS) unfunded liability.

For the last several years we have warned that we have been inching closer to the state meeting the four criteria that would trigger a cap on school district reserves. The May Revision specifies that all four criteria will be met and, for the first time, there will be a deposit into the Public School System Stabilization Account. The good news is that the \$389 million deposit is well short of the 3% of the total K-12 share of the Proposition 98 Guarantee that is required to trigger the cap.

Proposition 98

Proposition 98 funding levels have increased from the 2018 Governor's Budget for both 2017-18 and 2018-19 even with continued declines in average daily attendance (ADA). This is a reversal from January, where the funding levels for both 2017-18 and 2018-19 had declined from the 2018 Budget Act.

For the current year, the May Revision adjusts the Proposition 98 guarantee up by \$278.8 million from the January proposal for an estimated \$78.1 billion. In 2017-18 a more modest increase of \$78.4 million is reflected, increasing the minimum guarantee from \$75.5 billion to \$75.6 billion. For 2019-20, the May Revision proposes a Proposition 98 guarantee of \$81.1 billion, an increase of \$389.3 million from the January proposal and \$3 billion year over year. The guarantee is still projected to be based on Test 1—funding based on education's proportion of General Fund revenues in 1986-87, which is estimated at 38%.

Cost-of-Living Adjustments and ADA

The May Revision includes a cost-of-living adjustment (COLA) for many K-12 education programs, including the Local Control Funding Formula (LCFF). The statutory COLA for K-12 education is calculated to be 3.26% for the 2019-20 fiscal year, a slight decrease from the 3.46% estimated in January.

The 3.26% statutory COLA will also be applied to programs outside of the LCFF. These include Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and American Indian Early Childhood Education.

ADA for the upcoming fiscal year is expected to remain relatively flat (0.07% decline in ADA for 2019-20). However, as a result of changes in ADA and the COLA in the current year, LCFF funding for school districts, county offices of education (COEs), and charter schools will increase by \$70 million in 2018-19 and decrease by \$63.9 million in 2019-20.

Discretionary Funds

Unchanged from the January proposal, the May Revision does not propose any one-time Proposition 98 discretionary funding for school districts, charter schools, or COEs.

Local Control Funding Formula

The base grants by grade span for 2019-20 are increased over 2018-19 by 3.26% to reflect the statutory COLA:

Grade Span	2018-19 Target Base Grant per ADA	3.26% COLA	2019-20 Target Base Grant per ADA
TK-3	\$7,459	\$243	\$7,702
4-6	\$7,571	\$247	\$7,818
7-8	\$7,796	\$254	\$8,050
9-12	\$9,034	\$295	\$9,329

Statutory COLA	2018-19	2019-20	2020-21	2021-22
	2.71%	3.26%	3.00%	2.80%

CalSTRS

The Governor's May Revision proposes an additional investment to further reduce the CalSTRS employer contribution rate from the statutory rate of 18.13% to 16.7% in 2019-20. The May Revision adds \$150 million of one-time non-Proposition 98 funds to the \$3 billion that was part of the January proposal to reduce the employer share of the CalSTRS unfunded liability. The proposal retains the decrease in the employer rate that was included in the January proposal of 19.1% to 18.1% in 2020-21.

Special Education

The Governor's May Revision proposes to rename his new Special Education categorical program and to increase funding by \$119.2 million, bringing the grant total to \$696.2 million. The program is now called the Special Education School Readiness Grant. The distribution of these funds remains unchanged, with the May Revision prioritizing the dollars for LCFF concentration grant districts with