

Governor's Budget for 2018-19

January 10, 2018

Total Budget

- The 2018-19 General Fund budget is projected to be \$131.7 billion.
- Total state expenditures are projected to be \$190.3 billion. (includes Prop. 98 and special funds)

Proposition 98:

- Proposes K–14 Proposition 98 funding of \$78.3 billion in 2018–19, an increased investment of \$4.6 billion compared to 2017-18.
- Proposes almost \$1.8 billion in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education, along with more than \$70 million in ongoing Proposition 98 funding to expand the state system of technical support for local educational agencies.

K-12 Education and Early Childhood Education

K–12 per-pupil spending:

- Sets Proposition 98 per-pupil expenditures at \$11,614 in 2018–19, a \$465 per-pupil increase over the level provided in 2017-18.
- Projects total expenditures (all sources) to be \$16,085 per pupil in 2018–19, including funds provided for prior year settle-up obligations; compared to \$15,654 in 2017–18.

Cost-of-Living Adjustment (COLA):

- Funds COLA at 2.51 percent for specified categorical programs funded outside of LCFF, including:
 - \$133.5 million for Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Local Control Funding Formula (LCFF):

- Proposes almost \$3 billion investment to fully implement the LCFF two years earlier than originally projected.
- County Offices of Education (COE) reached full implementation of LCFF in 2014-15. The proposed budget provides additional resources for COE's accountability work.

Fiscal Transparency:

- The Governor addressed concerns about the linkage between LCFF funds and direct services being provided to the students generating those funds. To improve fiscal transparency and complement the new accountability system, the Budget proposes requiring local educational agencies (LEAs) to show how their budget expenditures align with the strategies detailed in their Local Control and Accountability Plans (LCAPs) for serving students generating supplemental grants. The Budget also proposes calculating and reporting on a single website the total amount of supplemental and concentration funding provided to each LEA under the LCFF.

State System of Support:

- Provides \$70.5 million in ongoing Proposition 98 to further implement the state system of support, including:
 - \$55.2 million to help COEs facilitate the improvement of school districts identified as being in need of differentiated assistance.
 - To address the varying capacity of COEs to do this work, the Budget allocates \$4 million for a competitive grant process to identify eight lead COE, which will provide training, resources, and support for other COEs.
 - \$11.3 million (an increase of \$6.5 million) for the California Collaborative for Educational Excellence (CCEE), to work with COE to provide assistance to school districts, and when necessary, provide direct assistance to school districts in specified extraordinary circumstances.

California School Dashboard:

- An increase of \$300,000 Proposition 98 to improve the user interfaces of the California School Dashboard.

Special Education:

- Recently there have been two comprehensive efforts to evaluate special education in California: the California Statewide Special Education Task Force and the Public Policy Institute of California's report on Special Education Finance. In addition, the Department of Finances held four special education stakeholder meetings last spring. To address the various recommendations from these efforts, the budget proposes to:
 - Strengthen the linkages between special education and general education planning by requiring Special Education Local Plan Areas (SELPA) to complete a SELPA local plan template that aligns the services noted in their local plans with the goals identified in their members district LCAPs.
 - Improve special education budgeting transparency and accountability by requiring a SELPA to summarize how its planned expenditures and services align with the improved student outcomes strategies noted in its plan.
 - Provide \$10 million ongoing Proposition 98 for SELPAs to work with COE to provide technical assistance to LEAs to improve student outcomes as part of the statewide system of support.
 - Provide \$100 million to increase and retain special education teachers.

Career Technical Education:

- This budget proposes allocating \$200 million ongoing Proposition 98 funding to establish a K-12 component of the Strong Workforce Programs. The current Strong Workforce Program, requires local stakeholders collaborate and align regional workforces training needs with community college career technical education (CTE) programs to increase the earning potential and employability of students.
 - The K-12 specific component of the Strong Workforce encourages the establishment and support of K-12 CTE programs that are aligned with needed industry skills, and proposes an ongoing increase of \$12 million to fund local industry experts who will provide technical support to local LEAs operating or starting CTE programs.

Teacher Workforce:

- The budget proposes \$100 million investment to increase and retain special education teachers:
 - Teacher Residency Grant Program - \$50 million one-time Proposition 98 to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs aimed at preparing and retaining special education teachers.
 - Local Solutions Grant Program - \$50 million one-time Proposition 98 to provide one-time competitive grants to LEAs to develop and implement new or expand existing, locally identified solutions that address a local need for special education teachers.

K-12 School Facilities:

- The budget proposes \$640 million in board authority for 2018-19 to fund: new construction, modernizations, CTE, and charter facility projects based upon the Office of Public School Construction progress and State Allocation Board approval.

Charter School Facilities:

- The budget proposes an ongoing increase of \$28.3 million in Proposition 98 to align available Charter School Facility Grant Program funding with estimated programmatic participation.

Mandate Block Grant:

- Proposes \$1.8 billion in one-time Prop 98 to pay down the outstanding K-12 mandate debt thereby reducing the mandate debt to less than \$1 billion.

Instructional Quality Commission (IQC):

- A one-time increase of \$938,000 general fund to continue its work on the development of state content standards, frameworks, and model curriculum.

California Collaborative for Educational Excellence (CCEE):

- An increase of \$6.5 million Proposition 98 General Fund for the California Collaborative for Educational Excellence to help build capacity within county offices of education to provide technical assistance and improve student outcomes.

Early Education and Child Care:

In the area of Child Care and Preschool, the Governor offers a proposal to *increase Child Care and Preschool Programs by \$399 Million*, bringing the State's total contribution to Early Childhood Education to nearly \$4.4 billion for child care and preschool programs, including Transitional Kindergarten. This is an increase of 9 percent from 2017-18. Of these funds, \$2.168 Billion is focused on preschool programs and TK.

The proposed budget also:

- ***Increases the Standard Reimbursement Rate by approximately 2.8 percent.*** The Budget includes \$31.6 million Proposition 98 General Fund and \$16.1 million non-Proposition 98 General Fund to fund this increase.
- ***Annualizes Funding for Regional Market Rate (RMR) Increases***, which were implemented January 1, 2018 at a cost of \$21 million. This benches provider rates at the 75th percentile of the 2016 survey.

- **Permanently Extends Hold Harmless for RMR.** The budget includes \$17 million to permanently extend the RMR hold harmless provision so that no provider receives less than it did in 2015-16. Under current law, this provision was set to expire in December 31, 2018.
- **Provides One-time Funding for Early Education Expansion Grant.** The budget includes \$167 million in one-time funding (\$125 million Proposition 98 General Fund and \$42 million TANF) for a competitive grant to increase the availability of inclusive early education care to children ages 0 to 5. The grant will be open to both LEA and non-LEA providers, and can be used for a variety of activities, including facility renovations, training and equipment.
- **Annualizes Funding and Adds New Slots for Full-Day State Preschool** administered by LEAs. The budget includes \$19 million to annualize the 2,959 full-day State Preschool slots for local educational agencies set to be initiated April 1, 2018 and an additional \$8 million to add an additional 2,959 full-day State Preschool slots at local education agencies starting April 1, 2019.
- **Annualizes Funding for Emergency Child Care Bridge Program.** The budget includes an additional \$20 million to annualize the emergency child care bridge program initiated January 1, 2018, for total program funding of \$40 million statewide.
- **Includes a One-time Increase for Quality Services.** The budget includes \$9 million in one-time federal carryover funds for quality improvement activities.
- **Applies COLA and Statutory Growth Adjustment for Non-CalWORKs Child Care Programs.** The budget includes a 2.51 percent COLA for non-CalWORKs child care and State Preschool programs. Unfortunately, there is also a decrease proposed in non-CalWORKs child care and preschool slots to reflect a 0.48 percent negative growth factor based on decreased child population.
- **A Decrease of Federal Child Care and Development and TANF Funds**—A decrease from \$120.1 million in 2017-18 to \$70.6 million in 2018-19. Total TANF and federal Child Care and Development Fund is \$707 million.
- **Creation of a Fully Online Community College that Offers Child Development Credentialing**--An increase of \$120 million to establish a fully online community college that provides scheduling flexibility and more accessible learning options for the child development workforce.

Higher Education

Proposes total funding of \$ 33.7 billion (\$18.5 billion General Fund and local property tax and \$15.2 billion other funds) for higher education. The total reflects growth of \$892.8 million (\$621.8 million General Fund and local property taxes and \$271 million other funds) compared to revised 2017-18 expenditures.

University of California

- **Base Growth**--Proposes an additional \$92.1 million for the UC, which represents an increase in base resources of 3 percent.
- In order to receive \$50 million in funding, pursuant to the 2017 Budget Act, the UC Board of Regents will provide evidence by May 1, 2018 that the UC has met expectations related to the following:

- Efforts to reduce its cost structure (pursuant to the agreement between the Governor and the UC President in 2015); and
- Progress in meeting the recommendations the State Auditor made last year related to the Office of the president.
- The UC Office of the President has suggested that it will present a 2.5-percent (\$288) tuition increase to the Board of Regents in January 2018.

California State University

- Base Growth--To match the funding increase provided to UC, an additional \$92.1 million for the CSU, with the expectation that these funds will be used to make progress on the Graduation Initiative 2025.
- The CSU Chancellor's Office has indicated that another 4-percent tuition increase (\$228) is under consideration for presentation to the Board of Trustees for 2018-19.

California Community College

- Student Focused Funding Formula-- An increase of \$175 million to support community college districts' transition to a new funding formula for general purpose apportionments that provides supplemental funding to those districts that serve low-income students and provides grants to districts for each student who completes a degree or certificate. As the formula is implemented, no district will receive less funding than currently provided.
 - The proposed formula incorporates the following core components:
 - *Base Grant*-- Each district would receive a base grant based on enrollment.
 - *Supplemental Grant*-- based on the number of low-income students that the district enrolls. Specifically, this grant would reflect two factors:
 1. Enrollment of students who receive a College Promise Grant fee waiver (formerly known as the Board of Governors Waiver);
 2. Enrollment of students who receive a Pell grant
 - *Student Success Incentive Grant*— additional funding for the number of students who meet the following metrics:
 1. The number of degrees and certificates granted and
 2. The number of students who complete a degree or certificate in 3 years or less. The grant would also include additional funds for each Associate Degree for Transfer granted by the college.
 - *Hold Harmless Provision*—During the first year of implementation, each district would be held harmless to the level of funding that the district received in 2017-18. Thereafter, the hold harmless provision would be calculated each year using the 2017-18 per-FTES rate multiplied by the district's new FTES

-The proposal assumes that approximately 50 percent of funding would be distributed initially as the base grant, 25 percent distributed as part of the supplemental grant, and 25 percent distributed as part of the student success incentive grant.

-Corresponding to the adoption of a new funding formula, the Budget proposes requiring community colleges to incorporate the goals of the Vision for Success within each college's educational master plan and aligning each college's budget with their educational master plan.

-The Administration expects the Chancellor's Office to consult with stakeholders and develop a proposal for consideration within the May Revision that would consolidate categorical programs. The goal is to improve the incentives for districts to focus on improving student success while providing districts with local flexibility to do so.

- An increase of \$322.5 million Prop 98 GF, which includes the following
 - An increase of \$175 million to support community college districts' transition to a student-focused funding formula.
 - An increase of \$161.2 million for a 2.51-percent cost-of-living adjustment.
 - An increase of \$60 million available for enrollment growth.
 - A decrease of \$73.7 million to reflect unused growth provided in 2016-17.
- Deferred Maintenance and Instructional Equipment—A one-time increase of \$264.3 million Prop 98 GF and \$10.9 million Prop 98 settle-up for deferred maintenance, instructional equipment, and specified water conservation projects.
- California Online College—Provides \$120 million Prop 98 GF for the creation of a fully online community college.
 - Technology-enabled student supports will be shared and scaled at campuses across the system to boost capacity and improve student outcomes
 - The online college's initial focus will be collating and developing quality content and programs that provide vocational training, career advancement opportunities, and credentialing for careers in child development, the service sector, advanced manufacturing, healthcare, and in-home supportive services, among other areas.
 - Will inform professional development opportunities for faculty and staff of the 114 colleges, including learning science, competency-based education, and other teaching and learning technologies.
 - The online college will work with community-based organizations to identify and market this online college to the 2.5 million adults that are not currently accessing higher education-- this will not impact traditional community colleges' enrollment because of its targeted enrollment base.
- Innovation Awards—Proposes \$20 million one-time Prop 98 GF to provide grants to support innovation in higher education, focused on enhancing equity.
- Chancellor's Office State Operations—An increase of \$2 million GF to fill 15 vacant positions to support initiatives and investments made in the community colleges.
 - Providing new resources to the Chancellor's Office will help achieve the goals and priorities outlined by the Chancellor and Board of Governors in the Vision for Success described above and will enable the office to provide greater leadership and technical assistance to community colleges and improve student outcomes
- Online Education Initiative (OEI)—The Budget proposes to accelerate the expansion of courses available through the Online Course Exchange, which will expand student access to

enroll in fully online Associate Degree for Transfer pathways. The Chancellor's Office oversees this effort.

- By June 2019, the Online Course Exchange is expected to deploy and scale a platform that expands equitable student access to diverse online program offerings, establish a minimum number of fully online transfer degree programs, and identify further expansion benchmarks for future years.

Office of Planning and Research

- California Education Learning Lab—The Budget includes \$10 million General Fund ongoing for a grant lab focused on integrating learning science into instruction and improving the quality of online higher education at public colleges and universities.

Financial Aid

- California College Promise-- An increase of \$46 million Proposition 98 General Fund to support the implementation of the California College Promise.
- Student Success Completion Grant— An increase of \$32.9 million Prop 98 GF to support a streamlined and student-focused community college financial aid program that consolidates the Full-Time Student Success Grant and the Completion Grant programs
 - The grant amounts are based on the number of units a qualifying student takes each semester or each year. The proposed unit range would be between 12 and 15 units per semester or 24 and 30 units per year.
 - Also provides additional funding to augment the grant amounts, with the greatest augmentation to grants for students who take 15 units per semester or 30 units per year.

Proposition 47 Implementation

- Department of Finance currently estimates net savings of \$64.4 million when comparing 2016-17-18 to 2013-14, an increase of \$18.8 million over the estimated savings in 2016-17. Ongoing savings are currently estimated to be approximately \$69 million.
 - **These funds will be allocated according to the formula outlined in the initiative*—one of the programs in the initiative is the Safe Neighborhoods and Schools Fund
 - As required by Proposition 47, savings resulting from the proposition will be transferred into this fund. The fund is used to reduce truancy and support drop-out prevention programs in K-12 schools, increase victim services grants, and support mental health and substance use disorder treatment services.