

The 2019-2020 May Revised California State Budget

On May 9th, Governor Newsom revealed his revised state budget proposal. The economy is still strong and most of the January proposals, remained with some adjustments for a slight downward change in the statutory cost-of-living adjustment offset by revenues coming in higher than expected. However, the governor continued his prudent approach by depositing additional funds into the state's rainy-day fund. The legislature has been tasked with accepting, amending or rejecting the governor's proposals with a balanced budget due back to the governor in the next two weeks. The Conference Committee is currently working through the different proposals. The governor then has until June 30th to sign the final budget.

Education Proposals:

Proposition 98

	January Proposal	May Revision	Notes
Increase over last year	Approximately 3.6% which is enough to cover COLA, but not much else. This is an increase of \$2.8 billion and brings Prop 98 funding to a total of \$80.7 billion. The Prop 98 split will be 89.07% for K-12 and 10.93% for Community Colleges.	Increased for all three years of the budget. This is due to a combination of increases in the General Fund revenues combined with slower than expected average daily attendance decline.	2017-18 \$75.6 billion 2018-19 \$78.1 billion 2019-20 \$81.1 billion
Deposit into Public School System Stabilization Account (PSSSA)		\$389 million is anticipated to be deposited into the PSSSA - also known as the Proposition 98 Rainy-Day Fund established with the passage of Proposition 2. In order to be implemented, a specific set of conditions must exist, and this is the first time all of the criteria have been met to require the deposit. Funds are only to be spent in fiscal years in which the minimum Proposition 98 funding level is not sufficient to cover prior year funding adjusted for growth and inflation.	Proposition 2 also stated that if money was deposited into the PSSSA, a cap on district reserves could be triggered depending on a certain set of conditions. One of those conditions was that the amount deposited was equal to 3% of the Proposition 98 funding level. The amount deposited does not equate to that amount, so no cap is in force.

K-12 Education

	January Proposal	May Revision	Notes
Cost-of-Living Adjustment/Statutory COLA	Statutory COLA is set at 3.46%.	Statutory COLA is now set at 3.26% for 2019-20 and has been re-projected for the coming years. See table at the end of this document for out-year COLA rates.	

Local Control Funding Formula (LCFF)	An addition of \$2 billion brings the LCFF funding to \$63 billion. This is an increase of approximately \$2 billion to cover the COLA. This covers the base, supplemental and concentration grants.	Down slightly due to adjustment in COLA from \$2.203 billion to \$1.959 billion.	There is still no adjustment to the LCFF base, but legislation is moving through the legislature to address this crucial issue. (AB39)
Categorical Funding	The remaining categorical programs that are outside of the LCFF also received a COLA of 3.46%.	COLA adjusted to 3.26%.	Targeted Instructional Improvement Grant (TIIG), Transportation and Economic Recovery Targets did not receive COLA.
Per-Pupil (ADA) Funding	Prop 98 per pupil spending is \$12,003. Prop 98 and non-Prop 98 per pupil spending is at \$17,160. This is up from \$11,568 and \$16,857 respectively. ADA is currently estimated to be 5,928,175 for 2019-2020 – down from the 2018-19 figure of 5,935,229.	Prop 98 per pupil spending is at \$11,993, and combined spending with non-Prop 98 and federal revenue is \$17,152.	Non-Prop 98 spending includes State Lottery and Special Funds, Federal Funds, Local Miscellaneous Funds and Revenues Collected (e.g., parcel taxes, developer fees, interest, etc.)
CalSTRS (K-14)	\$3 billion one-time non-Prop 98 money will be sent to CalSTRS on behalf of local education agencies and community colleges to buy down the employers' contribution rates. \$700 million in 2019-20 and 2020-21 which will reduce the employer rate by 1% each of those years. \$2.3 million will be applied toward employers' long-term unfunded liability. This is estimated to lower the out years by approximately one-half of one percent.	Increased by \$150 million, adjusting the employer contribution rate for 2019-20 from 18.1% to 16.7%. 2020-21 and out years remain the same.	<p>The \$3.150 billion payment to STRS in the 2019-20 budget was allocated to 2018-19 since it was one-time funds available from that year. This frees up the percentage of the certificated salary expenditures that the district would have spent on STRS contributions.</p> <p>See revised rates at end of document.</p> <p>Note: Both the Assembly and the Senate have made alternative proposals in their budgets, including contributions to CalPERS. This will have to be worked out between the governor and the legislature in the final deliberations.</p>
Teacher Loan Repayment		\$89.8 million one-time non-Prop 98 to provide an estimated 4,500 loan assumptions up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years.	The Assembly and Senate both have alternative proposals.

Classified Employees

	January Proposal	May Revision	Notes
Classified School Employees Summer Assistance Program (CSESAP)		Addition of \$36 million, one-time Prop 98 funds to extend the CSESAP for one year. This program began in the 2018-19 budget.	The program allows eligible classified employees from participating LEAs to elect to have money withheld from their monthly paychecks to be paid out during the summer. The state will provide a match of up to \$1 for every \$1 that the employee elects to withhold.

Special Education

	January Proposal	May Revision	Notes
COLA	3.46% statutory COLA.	Statutory COLA adjusted to 3.26%.	
Expanded Special Education Services	\$576 million (of which \$186 million is one-time) to support expanded special education services and school readiness at districts with a high percentage of both students with disabilities and a high unduplicated percentage. (At least 55%.)	Increased to \$696 million all of which will be ongoing. Criteria for distribution has not changed.	<p>This money will be sent directly to the local education agency (LEA) and not through the Special Education Local Plan Area (SELPA). It is intended for use outside the individualized education program (IEP). Details are not yet available about the allocation of these dollars.</p> <p>Note: Both houses of the legislature have their own proposals which are geared toward equalization and do not follow the allocation formula proposed by the administration. However, the amount of the proposed funds is less.</p>

County Offices of Education (COE)

			Notes
COLA	3.46% COLA to County Offices of Education unless the COE is funded beyond the target allocation.	3.26% statutory COLA	

Early Childhood

	January Proposal	May Revision	Notes
COLA	3.46% COLA to reimbursement rates.	3.26% statutory COLA	
State Preschool	Increased access to 30,000 full-day, full-year preschool slots for all eligible low-income four-year-olds.	Release dates for slots are adjusted – 10,000 on April 1, 2020 and 20,000 later.	
Facilities	\$750 million one-time non-Prop 98 funding to construct new or retrofit existing facilities for full-day kindergarten programs.	\$600 million in one-time non-Prop 98 funding to construct new or retrofit existing facilities for full-day kindergarten programs.	
Master Plan for Early Learning and Care	\$10 million	No change	
CaWORKs		\$80.5 million from the Cannabis Fund to subsidize child care for school-age children from income-eligible families.	
Quality Counts		\$2.2 million ongoing federal funds to improve child care quality through Quality Counts California.	
Paid Family Leave (PFL)		Reduces the reserve in the State Disability Insurance Fund by 15% to extend paid family leave. Expands PFL by two weeks.	

Adult Education

	January Proposal	May Revision	Notes
COLA	\$18 million to cover the 3.46% COLA which follows two-year's worth of COLA allocated last year. This brings the total Adult Education funding up to \$545 million from the \$500 million of 2017-2018.	Statutory COLA of 3.26% bringing the total Adult Education Funding to \$544 million, a decrease of \$1 million from the January proposal.	

Community College

	January Proposal	May Revision	Notes
COLA	Statutory COLA is set at 3.46%.	Statutory COLA is 3.26%. Decrease of \$18.3 million.	
Share of Prop 98			2017-18 10.99% 2018-19 10.97% 2019-20 10.93%
Enrollment Growth	\$26 million for 0.55% enrollment growth.	No change	
Student Centered Funding Formula (SCFF)	\$111.6 million in base adjustments added to the 2018-19 budget and a \$248 million increase for 2019-20. Funding for 2019-20 will be based on 2018-19 plus COLA.	Provided enough money to fulfill the SCFF with no deficit, but the amount per district needs to be refactored again due to changes in FTES.	
Undocumented and Immigrant Students, Faculty and Staff	\$10 million to provide legal services.	No change	
College Promise	\$40 million to fund a second year of Community College for first-time, full-time students.	Increase of \$5.2 million Prop 98 funding to support first and proposed second year of the California College Promise.	
Part-Time Faculty Office Hours	Back down to \$12.7 million.	No change	There was a one-time \$50 million augmentation in 2018-19.
Full-Time Faculty Hiring	\$50 million – no change from previous year.	No change	
Part-Time Faculty Compensation	\$25 million	No change	
Cal Grants	Increase from \$1,468 to \$6,000 for Cal Grants to help 29,000 students in higher education system that are parents.	No change	
CalSTRS (K-14)	\$3 billion one-time non-Prop 98 money will be sent to CalSTRS on behalf of local education agencies and community colleges to buy down the employers' contribution rates in 2019-20. \$700 million in 2019-20 and 2020-21 which will	Increased by \$150 million, adjusting the employer contribution rate for 2019-20 from 18.1 to 16.4. 2020-21 and out-years remain the same.	This frees up the percentage of the certificated salary expenditures that the district would have spent on STRS contributions. (See revised rates at end of document.)

reduce the employer rate by 1% each of those years. \$2.3 million will be applied toward employers' long-term unfunded liability. This is estimated to lower the out years by approximately one-half of one percent.

Note: Both the Assembly and the Senate have made alternative proposals in their budgets including contributions to CalPERS. This will have to be worked out between the governor and the legislature in the final deliberations.

University of California

	January Proposal	May Revise	
Operational Costs	\$240 million ongoing General Fund for operational costs.	No change	Includes money to increase student success, improve student mental health services and better address student hunger and homelessness.
Deferred Maintenance	\$135 million one-time General Fund to address maintenance backlog.	No change	
Expanded Degree Completion	\$15 million in one-time funding to support expanded degree completion and certification programs at UC extension centers.	No change	
Retirement Program		\$25 million one-time General Fund to support the UC Retirement Program.	

Charter Schools

New in May Revise – building on the charter school transparency legislation signed by the governor earlier this year, the May revised budget includes the following:

Prohibits charter schools from discouraging students from enrolling 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 record be submitted to the charter school prior to enrollment.

Creates a process for families to report concerns to the relevant authorizer.

Requires the DOE 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.

Revised Projected COLA Rates

2018-19	2019-20	2020-21	2021-22	2022-23
2.71%*	3.26%	3.00%	2.80%	3.16%

*In 2018-19, statutory COLA was 2.71%, but due to an infusion of an additional \$650 million dollars to close the LCFF gap, the effective COLA for K-12 LCFF was 3.70%.

CalSTRS Rates

	2018-19	2019-20	2020-21	2021-22	2022-23
Current employer rate	16.28%	18.13%	19.10%	18.60%	18.10%
Governor's Proposal	16.28%	17.10%	18.10%	18.10%	17.60%
May Revision	16.28%	16.70%	18.10%	17.80%	17.80%

Prepared by Joanna Valentine, Research Director
 and Ron Rapp, Legislative Director
 CFT: A Union of Educators and Classified Professionals

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