YPI CHARTER SCHOOLS
EXECUTIVE DIRECTOR'S REPORT

May 21, 2018

The mission of YPI Charter Schools (YPICS) is to:

- *Prepare students for academic success in high school, as well as post-secondary education.*
- *Prepare students to be responsible and active participants in their community.*
- *Enable students to become life-long learners.*

Students at YPICS will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.

CCSA:

Budget May Revision Proposes $21.1 Million for Charter Facilities Shortfall

Today, May 11, Governor Jerry Brown released the May Revision to the State Budget proposal for the 2018-19 fiscal year. The May Revision updates the fiscal projections from when the Governor first released his budget proposal in January. CCSA issued a statement on the May Revision today.

Overall, the May Revision reflects an increase in revenues of $8 billion more than was projected in January. The Governor proposes that most of these increases be used for one-time purposes and to increase reserves. Despite the large overall state funding increase, under the funding guarantee of Proposition 98 for schools, the May Revision only projects a minor additional ongoing increase of $68 million in 2018-19 and one-time adjustments to prior years of about $660 million compared to January Budget estimates.

Highlights for charter public schools include a one-time current year increase of $21.1 million to the Charter School Facility Grant Program, bringing total funding for 2017-18 to $133.2 million. Thank you to all the schools who testified before budget committees and sent letters to support this critical funding! Without this backfill, schools in the program would face an estimated 20% cut to their facilities grants for this year.

The May Revision also retains a base increase for SB 740 grants; however, the increase has been reduced slightly from $28.3 million proposed in January to $24.7 million, for a total base program-funding amount of $136.8 million.

Other adjustments for K-12 education include:

- An increase in the Local Control Funding Formula (LCFF) funding of an additional $320 million, enough to increase the formula base rates by a total of 3 percent, slightly above the

statutory cost of living adjustment. These additional resources build upon the $3 billion provided in the Governor's Budget to fully fund the formula in 2018-19.
- An additional $286 million for one-time block grants, providing more than $2 billion in total one-time discretionary funding to schools in 2018-19 (about $330 per pupil).
- An increase to the statewide Cost-of-Living Adjustments from 2.51 percent in the Governor's Budget to 2.71 percent in the May Revision, and $10.6 million to selected categorical programs, including special education, to reflect the COLA change.

State:

From School Services of California –

SBE Adopts Revised ESSA State Plan at Special April Meeting

In a special meeting on Thursday, April 12, 2018, the State Board of Education (SBE) unanimously agreed to submit the state's revised Every Student Succeeds Act (ESSA) State Plan to the U.S. Department of Education (ED). SBE and California Department of Education (CDE) staff is confident that ED will approve this latest version of the plan after working closely with ED staff over the last several months.

ESSA, which replaced the No Child Left Behind Act in December 2015, requires each state to submit a State Plan detailing how it will use federal dollars in its implementation of standards, assessments, accountability, and assistance programs. California expects to receive approximately $2.4 billion this year in funding through ESSA, which is around 3% of the state's total education budget. Without an ESSA State Plan approved by ED, these federal funds are at risk of being withheld.

The entire process took two years as SBE and CDE worked to develop California's State Plan and then deal with ED's strict interpretation of the law. SBE had originally planned on voting for the revised plan at last month's meeting, but decided to postpone voting on some of the more challenging items in order to give themselves and the public more time to fully understand the implications of the proposed changes. The delay seemed to pay off as SBE members appeared to be well versed on the changes and had limited questions on the item.

One of the major updates included in the approved plan is the methodology for identifying at least the lowest performing 5% of Title I schools, a requirement under ESSA. Originally, SBE wanted to identify the lowest performing Title I schools within local educational agencies (LEAs) identified for differentiated assistance under the Local Control Funding Formula (LCFF), but ED applied a strict interpretation of the statute and required states to identify individual schools for assistance statewide, independent of their LEA. SBE agreed to staff's recommendation to use the California School Dashboard to identify the lowest performing Title I schools based on indicators that are:

- All red
- All red except one of another color
- All red or orange
- Totaling five or more with the majority being red

When using fall 2017 Dashboard results, this methodology identifies roughly 6.2% of Title I schools for assistance; however, the ESSA State Plan criteria will be applied to the fall 2018 data, so it is unclear how many schools will be identified under this methodology. Additionally, it's important to note that two new indicators—Chronic Absenteeism and College/Career—will have performance levels for the first time in the 2018 Dashboard.

Last month there was concern amongst the SBE, as well as the public, that the proposed revisions would move California away from a single coherent accountability system that addresses both state and federal requirements to a bifurcated system where federal accountability is based on proficiency only and state accountability is based on both achievement and improvement. SBE and CDE staff explained that even though ED's statutory interpretation is that the academic achievement, graduation rate, and English language proficiency indicators must be based on current year data only, they were able to find a way to satisfy ED's interpretation and still use the "status" and "change" components of the Dashboard in the plan. For purposes of federal reporting, the ESSA State Plan will treat the "status" and "change" components of the Dashboard as separate indicators with "status" as the required indicator and "change" as an additional indicator, keeping the LCFF's framework intact.

In addition to adopting the revised ESSA State Plan, the SBE also unanimously adopted staff's recommendation to pursue a waiver of the ESSA statute for the English learner proficiency indicator (ELPI), in order to allow California to maintain its current calculation of the ELPI that includes reclassified students and long-term English learners. The waiver request is necessary since ED's statutory interpretation is that this indicator may only include students who are English learners in the current school year.

The SBE will officially submit California's ESSA State Plan the week of April 16, 2018, and is confident that the adopted version keeps its overarching goal of having one cohesive accountability system intact while staying true to the tenets of the LCFF.

The True Cost of Pension Reform

Local educational agencies (LEAs) in the state of California have been grappling with the increasing cost pressures that resulted from the acknowledgement that both the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) have significant unfunded liabilities. The Public Employees' Pension Reform Act of 2013 implemented changes in benefits and creditable compensation in an effort to stem increases for new members. However, the unfunded liabilities for current members still placed both plans under significant financial strain.

Employer contribution rates have risen sharply over the last five years and continue to face steep climbs in the future. CalSTRS employer contribution rates are legislatively approved, while CalPERS employer contribution rates are approved each spring by the CalPERS Board. The employer contribution rates are listed in Figure 1.

Figure 1: Effective Employer Contribution Rates

Year	CalSTRS	CalPERS
2013-14	8.250%	11.442%
2014-15	8.880%	11.771%
2015-16	10.730%	11.847%
2016-17	12.580%	13.888%
2017-18	14.447%	15.531%
2018-19	16.280%	18.062%

Assembly Bill (AB) 1469 (Chapter 47, Statutes of 2014), the CalSTRS full funding plan, was passed on the heels of the Local Control Funding Formula (LCFF), a formula that promised a return of purchasing power to LEAs that was lost during the Great Recession. Now that the LCFF is facing full implementation in the 2018-19 fiscal year, it is a good time to take a look at the financial impact of AB 1469 on an LEA's budget. Based on exhibits from the California Department of Education's (CDE) website, the commitment to LCFF over its first six years is projected to total nearly $20 billion as shown in Figure 2.

Figure 2: Implementation of Local Control Funding Formula		
Year	**Increase From Prior Year Due to Additional Funding**	**Cumulative Effect**
2013-14	$2,067,140,000	$2,067,140,000
2014-15	$4,721,970,000	$6,789,110,000
2015-16	$5,994,417,000	$12,783,527,000
2016-17	$2,941,980,000	$15,725,507,000
2017-18*	$1,362,383,000	$17,087,890,000
2018-19*	$2,900,000,000	$19,987,890,000
*Estimated based on the CDE principal apportionment exhibit and the Governor's 2018-19 January Budget Proposal		

The increase in employer contribution rates for CalSTRS and CalPERS results in an ongoing commitment of more than $2 billion annually as shown in Figure 3. The ongoing commitment represents 11.8% of new ongoing LCFF revenues and assumes no salary increases over a six-year period.

Figure 3: Effect of CalSTRS and CalPERS Rate Changes and No Compensation Increases			
Year	**Creditable Compensation**	**Increase From Prior Year Due to Rate Change**	**Cumulative Effect**
2013-14	$30,545,071,431	-	-
2014-15	$30,545,071,431	$170,418,076	$170,418,076
2015-16	$30,545,071,431	$435,329,137	$605,747,213
2016-17	$30,545,071,431	$579,054,027	$1,184,801,240
2017-18	$30,545,071,431	$553,892,577	$1,738,693,817
2018-19	$30,545,071,431	$610,944,581	$2,349,638,398

Realistically, LEAs have increasing cost pressures on the natural due to step and column increases, as well as pressures from local bargaining units to raise wages for their employees. The combined effect of the increase in creditable compensation and the employer contribution rates represents an ongoing commitment of more than $2.8 billion annually as shown in Figure 4.

Figure 4: Effect of CalSTRS and CalPERS Rate Changes and Compensation Increases			
Year	**Creditable Compensation**	**Increase From Prior Year Due to Rate Change**	**Cumulative Effect**
2013-14	$30,545,071,431	-	-
2014-15	$32,482,423,566	$181,682,887	$181,682,887
2015-16	$34,548,885,729	$493,289,429	$674,972,316
2016-17	$35,995,508,209	$682,409,210	$1,357,381,526
2017-18**	$37,266,149,648	$675,734,485	$2,033,116,011
2018-19**	$38,581,644,731	$771,802,053	$2,804,918,065

**Estimated a 1.5% increase for step and column and 2% increase in creditable compensation over previous year's creditable compensation

The ongoing commitment represents 14% of new ongoing LCFF revenues and equates to approximately $467 per average daily attendance and will only continue to grow as the employer contribution rates continue to rise. It is estimated that by 2020-21, the cumulative impact of the rate increases will total more than $4.1 billion.

LEAs were promised restoration in purchasing power when the LCFF was introduced; however, that promise was short-lived as the additional cost pressures, highlighted by AB 1469, were applied as a dollar-for-dollar reduction in new LCFF revenues. While everyone agrees that funding public pensions is fiscally prudent, it must be recognized that the cost of doing so is high and directly impacts the ability of LEAs to provide services for current students.

CalSTRS Unfunded Liability Increases, Post-PEPRA Member Contribution Rate To Increase

Today, May 10, 2018, the California State Teachers' Retirement System (CalSTRS) Board adopted the latest actuarial valuation of the retirement system. Despite increases in contribution rates by members, employers, and the state, the funded ratio continues to slide, this year dropping from 63.7% to 62.6%, and the unfunded actuarial obligation (UAO or unfunded liability) increased from $96.7 billion to $107.3 billion.

This valuation reflects the decision made by the CalSTRS Board in February 2017 to assume an investment return of 7% instead of 7.25%, which resulted in an increase of $8.7 billion in the UAO. The UAO also increased by $4.5 billion because the contributions received during 2016-17 were not sufficient to cover the interest on the UAO. According to CalSTRS's actuary, Milliman, the UAO is expected to continue to grow for the next decade and then start declining.

Changes to the unfunded liability affect the three contributors in different ways.

Employee Contribution Rate

Under the Public Employees' Pension Reform Act of 2013 (PEPRA), post-PEPRA employees are required to pay at least one-half the normal cost of their benefits. Based on the valuation presented to the CalSTRS Board, the normal cost *did* increase by more than 1%, which is the threshold for increasing the post-PEPRA employee contribution rate. Therefore, the contribution rate for post-PEPRA employees ("2% at 62 members") will increase from 9.205% to 10.205% effective July 1, 2018.

Employer Contribution Rate

Because employer contribution rates are set in statute until 2020-21, there is no immediate effect on the employer contribution rate, which will increase from 14.43% in 2017-18 to 16.280% in 2018-19.

State Contribution Rate

For the second year in a row, the CalSTRS Board has used its authority to adjust the state contribution rate necessary to pay off the state's portion of the UAO. The state contribution rate can be increased by up to 0.5% annually, bringing the state contribution rate from 6.828% in 2017-18 to 7.328% in 2018-19. Annual increases to the state rate of 0.5% are expected for about five more years according to Milliman.

Report Confirms a Nationwide Increase in the Number of Students With Autism

A report issued by the Centers for Disease Control (CDC) on April 26, 2018, supports what many local educational agencies (LEAs) have suspected for some time; there is a rise in the number of students identified with Autism Spectrum Disorder (ASD). LEAs in California have seen increases in the number of students eligible for Special Education for the last decade, even as the overall K-12 student population declines. The CDC has been tracking the prevalence of ASD in the U.S. since 1998. The new estimate reflects an increase of 1.7% (up from one in every 68 children in the 2016 report to one in 59 children in the 2018 report).

The report is based upon the Autism and Developmental Disabilities Monitoring (ADDM) Network's 2014 data collection. The ADDM provides estimates among children aged 8 years residing within 11 ADDM sites across the U.S. (there are none in California). The data provided through the CDC report states that among 8-year-olds, 1 in 59 has ASD. The ADDM sites represent an estimated 8% of all 8-year-olds in the U.S. and are not considered to be a representative sample of the entire U.S. In California, ASD represents 14% of the overall population of students with disabilities for 2016-17, up from 13% in 2015-16.

LEAs should consider comparing the ADDM site data to their local data as a part of their annual program planning. It is also important to make comparisons to statewide and regional data. Tracking and monitoring data related to the number and types of students served will help the LEA determine when or if it is necessary to create or phase out programs, shed light on the number of students being served with high-cost disabilities, as well as suggest potential areas of over identification.

An Overview of the 2018-19 Governor's May Revision

Preface

The May Revision represents Governor Jerry Brown's final State Budget proposal of his four terms as Governor of California. Also, it is the final statutory opportunity for the Governor to update his economic projections prior to enactment of the State Budget in June. Factors such as tax revenues, population growth, and competing state priorities are all detailed in the Governor's May Revision.

This year, there was positive news in January when the Governor announced his proposal to fully fund the Local Control Funding Formula (LCFF) in 2018-19, two years earlier than originally planned. He also proposed significant one-time discretionary funds scored against outstanding mandate claims, once again. And the Governor proposed to continue funding Career Technical Education (CTE) grants outside of the LCFF.

In the meantime, current-year state revenue collections through April are approximately $4 billion higher than the January forecast, causing speculation on the impact on K-14 education funding, for both this year and next. Given the Proposition 98 tests that are in play, although the May Revision revenue forecast through 2018-19 is increased by $8 billion, as we expected, the impact to the Proposition 98 minimum guarantee is minor. And, in keeping with the Governor's funding priorities, the ongoing revenues from the increase are largely used to provide a slight uptick in funding for the LCFF.

Additional one-time revenues generated from an increase in the Proposition 98 minimum guarantee for the current year are used to fund some additional one-time programs, but the most significant is an additional $286 million to the January proposal to provide $1.8 billion in one-time discretionary funds for 2018-19. CTE and Special Education are policy areas that have received more focus in this legislative session than usual; however, the Governor does not make any significant ongoing proposal for Special Education and leaves his January CTE proposal mostly intact.

In this article, we focus on how significant K-12 proposals have changed since January.

Overview of the Governor's Budget Proposals

Governor Brown's May Revision paints a bright, but cautious, fiscal picture, noting that the January 2018 State Budget proposal included a healthy reserve and that revenues have continued to grow since. Throughout the current fiscal year, state revenues have outpaced forecasts both before and during the important tax month of April. With this solid revenue base, Governor Brown is proposing a final May Revision that combines both long-term and one-time investments while setting aside funds for a rainy day.

Significant proposals outside of Proposition 98 include:

- Expanding the state's Earned Income Tax Credit program to workers between the ages of 18-25 and above 64, and adjusting income limits to reflect the minimum wage increase to $12 per hour in 2019
- Fully funding the Rainy Day fund to $13.8 billion by the end of 2018-19 and an extra $3.2 billion into the state's traditional Budget reserve fund
- Placing the $2 billion "No Place Like Home" bond on the November ballot, which would expand housing opportunities for Californians with mental illness

Finally, the Governor's May Revision highlights a number of initiatives to combat homelessness, invest in infrastructure, and fight climate change.

The Economy and Revenues

Economic Outlook

Themes from the January Budget that include both good news and recession warnings continue with the Governor's May Revision. While acknowledging the increased revenues and the economy's overall strong fiscal health, in his press conference, Governor Brown once again brought out the now familiar charts—one showing that all periods of surplus are followed by years of deficits and the other illustrating that, by the end of 2018-19, the U.S. will have matched the longest recovery in modern history—to emphasize that another recession is just around the corner. While the May Revision assumes the continued expansion of the economy, it is founded on prudent fiscal policies—building the state's reserves and avoiding substantial new ongoing obligations.

The full implications of the new federal tax law are still unknown and actions by the federal government could have an outsized effect on California's economy. While the federal tax changes are providing a temporary boost to the national and California economies, there are long-term consequences that could affect future economic growth. In addition, even a moderate recession could severely impact the state's revenues for several years to come as capital gains—the state's most volatile revenue source—make up the largest share of personal income tax receipts.

The national unemployment rate as of March 2018 held steady at 4.1% while California's unemployment rate held at 4.3%—tying the record low set in February 2018. However, stock market volatility appears to be back in play after record breaking increases.

State Revenues

While revenue projections are once again up as part of the May Revision compared to the Governor's January Budget, unlike in previous years, this is not translating into a windfall for education. Personal income tax revenues have been revised up almost $4.4 billion due to the strong stock market, higher wages, and stronger concentration of income among high-income earners. Sales tax receipts and corporation tax revenues have also been revised up by $744 million and $2.5 billion, respectively. Total General Fund revenues are up $1.3 billion in 2016-17, $3.5 billion in 2017-18, and $3.1 billion in 2018-19 compared to the January estimates. The average year-over-year growth from 2016-17 through 2021-22 is projected to be 4.1%, with total General Fund revenues increasing from $128.6 billion in the current year to $145.9 billion in 2021-22.

As noted, the May Revision does not anticipate a recession, but acknowledges and plans for economic risks. The U.S. real gross domestic product growth is projected at 3% in 2018 and 2019, but falling to 1.9% starting in 2020.

Proposition 98

As expected, the Proposition 98 minimum guarantee remains relatively flat from the Governor's Budget despite the significant infusion of state General Fund revenues. The May Revision increases the minimum guarantee by a total of $727 million for fiscal years 2016-17 through 2018-19 ($252 million in 2016-17, $407 million in 2017-18, and $68 million in 2018-19), attributing the growth largely to increases to General Fund revenues and projected per capita personal income for 2018-19. The 2018-19 minimum guarantee is increased to $78.4 billion from $78.3 billion proposed in the January Budget. The May Revision changes the operative test for 2018-19 from Test 3—funding based on per capita General Fund revenue growth, plus 0.5%—to Test 2—funding based on changes in per capita personal income, which precludes the creation of a maintenance factor.

Of note, the Governor proposes a new Proposition 98 minimum guarantee certification process. The minimum guarantee is currently required to be jointly certified by the State Superintendent of Public Instruction, the Community College Chancellor, and the Department of Finance (DOF) nine months after the close of the fiscal year. However, according to the Administration, the last time the minimum guarantee was certified was for fiscal year 2008-09. Instead, the May Revision proposes an alternative process whereby the DOF will publish a final calculation of the prior-year minimum guarantee, inclusive of its factors, with the May Revision, triggering a public comment period. If there are no challenges, the certification becomes final by October 1. Any funding provided above the minimum guarantee may be used as credit toward future minimum guarantee obligations and any amount owed would be paid over a specified period.

Cost-of-Living Adjustment and Average Daily Attendance

The May Revision includes a cost-of-living adjustment (COLA) for many K-12 education programs, including the LCFF. The statutory COLA for K-12 education is based on the annual average percentage change in value of the federally maintained Implicit Price Deflator for state and local governments and is calculated to be 2.71% for the 2018-19 fiscal year, a slight increase from the 2.51% estimated in January. For the LCFF, the Governor proposes a modest augmentation above the statutory COLA, bringing the total to a 3.00% increase to the LCFF base grant target rates. Those programs outside of the LCFF will receive the statutory 2.71% COLA.

With full funding of the LCFF targets proposed to be reached with the 2018-19 Budget, the COLA will have a more direct impact on the LCFF funding received by most local educational agencies (LEAs) compared to during the implementation phase when COLAs were applied to the LCFF target.

Programs outside the LCFF, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and American Indian Early Childhood Education, will receive the statutory COLA of 2.71%.

Average daily attendance (ADA) for the upcoming fiscal year is expected to remain flat. However, as a result of an increased ADA in 2016-17, LCFF funding for school districts, county offices of education (COEs), and charter schools under the LCFF will increase by $46.8 million in 2017-18 and by $42.6 million in 2018-19.

Local Control Funding Formula

The Governor's 2018-19 May Revision continues the Governor's intent of fully funding the LCFF in the budget year with an increase of approximately $3.2 billion, up almost $300 million from the January State Budget proposal. The additional funding includes the increased COLA as well as provides a modest augmentation to the formula.

LCFF Target Entitlements for School Districts and Charter Schools

The LCFF provides funding to transition all school districts and charter schools toward target funding levels and provides supplemental and concentration grants to increase or improve services for students who are not English language proficient, who are from low-income families, or who are in foster care.

The target base grants by grade span for 2018-19 increase by the combined statutory COLA of 2.71% and additional LCFF funding for a total increase of 3.00%, an upward adjustment from January's 2.51% COLA estimate.

Grade Span	2017-18 Target Base Grant Per ADA	3.00% Increase*	2018-19 Target Base Grant Per ADA
TK-3	$7,193	$216	$7,409
4-6	$7,301	$219	$7,520
7-8	$7,518	$226	$7,744
9-12	$8,712	$261	$8,973
*Combined statutory COLA of 2.71% and additional LCFF funding			

The 2018-19 Transitional Kindergarten (TK)-3 grade span adjustment (GSA) for class-size reduction (CSR) is also 3.00% higher from 2017-18 at $771 per ADA, as well as the grade 9-12 GSA at $233 per ADA, in recognition of the need for CTE courses provided to students in the secondary grades.

In addition to the base grants, school districts and charter schools are entitled to supplemental increases equal to 20% of the adjusted base grant (which includes CSR and CTE funding) for the percentage of enrolled students who are English learners, eligible for the free and reduced-price meals program, or in foster care (the unduplicated pupil percentage). An additional 50% per-pupil increase is provided as a concentration grant for the percentage of eligible students enrolled beyond 55% of total enrollment.

LCFF Transition Entitlements and Gap Funding

The difference between an LEA's current funding and its target entitlement is called the LCFF gap, and it is this gap that is funded with the additional dollars dedicated each year to implementation of the LCFF. For 2018-19, the Governor's Budget proposes to move from 97% implemented to fully close the LCFF funding gap—two years ahead of the intended 2020-21 implementation date.

The table below shows the DOF's LCFF gap percentages through 2018-19:

District and Charter School LCFF Funding and Gap Closure (Dollars in Millions)					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
LCFF Funding	$4,722	$5,994	$2,942	$1,362	$3,160
Gap Closure %	30.16%	52.56%	56.08%	45.17%	100.00%
COLA	0.85%	1.02%	0.00%	1.56%	3.00%*
*Statutory COLA plus proposed augmentation					

Pupil transportation and Targeted Instructional Improvement Grants continue as separate add-ons to the LCFF allocations and do not receive a COLA.

The Administration also proposes to continuously appropriate funding for LCFF and the annual COLA.

Fiscal Transparency

The Governor's Budget cited expressed concerns about the direct services being provided to the students that generate LCFF dollars. The Governor's May Revision expands the January Budget proposal by requiring LEAs to show how supplemental grants increase and improve services for high-need students and including parent-friendly, graphical representations of information, when possible.

County Offices of Education

COEs receive funding under a similar funding formula, with funding provided in recognition of direct instructional services for pupils in juvenile court schools and community schools and an allocation for countywide services based on the number of school districts and total ADA within the county. As of 2014-15, the LCFF for COEs is fully implemented and, therefore, LCFF increases for COEs in 2018-19 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 2.71% increase. COEs that are more than 2.71% above their LCFF target will receive no additional funding through the formula in the budget year.

Special Education

The Governor's May Revision continues to provide only modest funding for Special Education programs. In addition to increasing the statutory COLA to 2.71%, the Governor continues to propose $100 million in one-time funding for programs to increase and retain Special Education teachers.

The May Revision sustains $10 million in ongoing funding for Special Education Local Plan Areas (SELPAs) to work with COEs in providing technical assistance to LEAs focused on improving the academic outcomes of students with disabilities as part of the statewide system of support, and continues to propose $167 million to establish an "Inclusive Education Expansion Program" for children ages 0 to 5, to improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs.

The May Revision continues to include proposals that revise Special Education budget transparency and accountability by requiring SELPAs to complete a SELPA local plan template that aligns the services and resources noted in the local plan with the goals identified in their member districts' Local Control and Accountability Plans (LCAPs) and to summarize how a SELPA's planned expenditures and services align with the improved student outcome strategies noted in the SELPA's plan.

In January, the Governor proposed $100 million in one-time funding for Teacher Workforce Development targeted to Special Education teacher preparation, $50 million to support locally sponsored Special Education teacher preparation programs, and $50 million in competitive grants to develop or expand locally identified solutions to the Special Education teacher shortage. There are no changes to the Special Education teacher workforce development proposals in the May Revision.

Child Care and State Preschool

The May Revision proposes modest, largely technical, adjustments to Governor Jerry Brown's January Budget proposals for Child Care and the State Preschool program. It retains the Governor's proposals to increase provider reimbursement rates and full-day state preschool slots for LEAs, fulfilling a three-year agreement he made with the Legislature. New with the release of the May Revision is a one-time $11.8 million proposal to increase federal funds to support an Early Math Initiative to provide early math resources, such as professional development and coaching opportunities for teachers, as well as provide early math learning opportunities for preschool and kindergarten children.

The May Revision increases California Work Opportunity and Responsibility to Kids investments by $104 million to reflect changes in the caseload and the cost of care. Finally, as a result of the slight increase in COLA estimated in January, child care and preschool investments increase by $4 million.

Discretionary Funds

The Governor's May Revision proposes more than $2 billion in one-time discretionary funds for LEAs, which equates to approximately $344 per ADA. This is an increase of $286 million to the $1.8 billion proposed in January. Like prior years, these funds would be available for expenditure at the discretion of LEAs and would be used to offset LEAs' outstanding mandate reimbursement claims on a dollar-for-dollar basis. The 2018-19 State Budget Summary notes that this infusion, coupled with past years' payments, reduces the outstanding amount owed to LEAs for mandates to $972 million.

School Facilities and Proposition 39

Despite calls to sell more school bonds to address the backlog of school construction projects that are waiting for state matching grants, the May Revision makes no significant changes to the Governor's Budget proposal to issue $640 million in Proposition 51 bonds in fiscal year 2018-19.

The 2017-18 Budget Act included provisions to expend unencumbered Proposition 39 (2012) funds to support school bus retrofit or replacements, low- or no-cost energy loans, and a competitive grant program to fund energy efficiency or generation projects. The California Energy Commission has initiated public input on these programs.

Federal Programs

At the May Revision, the Governor reiterates that California's relationship with the federal government has never been more uncertain, noting actions of the federal government "could easily overwhelm the state's fiscal capacity." The Governor notes that the increasing federal deficit "caused by the tax bill will also create more pressure for the federal government to cut spending programs through rescissions or some other mechanism."

In March 2018, President Donald Trump signed the fiscal year 2018 spending bill that increased funding for Every Student Succeeds Act (Title I) and Special Education by nearly $300 million nationally for each program.

Career Technical Education

The Governor's May Revision continues to include $200 million in ongoing funding to establish a K-12 specific component of the community college-administered Strong Workforce Program. The May Revision amends the Governor's January proposal to clarify elements of the program, including:

- Clarifies that the grant decisions for the K-12 component will be made exclusively by the K-12 Selection Committee established under the proposal
- Clarifies the requirements that apply to the new K-12 component of the Strong Workforce Program (language is not yet available)
- Builds a new role for the Technical Assistance Providers established under the California Career Pathways Trust Program, and further clarifies roles and responsibilities of the Workforce Pathway Coordinators
- Provides additional resources to consortia for administering the regional grant process, including resources to support the K-12 Selection Committee duties

System of Support

The May Revision retains the Governor's January Budget investments to build a state infrastructure to support local continuous improvement efforts. Specifically, the Governor's Budget included a $55.2 million investment for COEs to work with LEAs under their jurisdiction that are identified for differentiated support per the new California School Dashboard. The Governor also proposed $4 million to provide eight competitive grants to COEs to serve as lead agencies to provide resources, training, and support to other COEs in their roles as differentiated support providers. The May Revision retains these proposed investments.

New with the May Revision are proposals to improve community engagement and school climate as LEAs continue to enhance local practices around the LCAP development and adoption. To this end, the Governor proposes a $13.3 million one-time investment, under the system of support, to create the Community Engagement Initiative intended to build the capacity of LEAs to effectively engage their communities with an eye toward improving student outcomes. Additionally, the Administration proposes a one-time $15 million investment to expand the Multi-Tiered Systems of Support to improve school climate through programs such as positive behavioral interventions and support, restorative justice, social and emotional learning, bullying prevention, trauma-informed practice, and cultural competency. These additional investments are part of and compliment the Governor's January system of support proposals.

Finally, the May Revision includes a $5 million increase for the California Collaborative for Educational Excellence to cover estimated costs of services in 2018-19.

Charter Schools

For charter schools, in addition to the increased COLA (2.71%) applied to the LCFF and additional one-time funding, the Charter School Facility Grant Program is increased in 2017-18 by $21.1 million and then reduced in 2018-19 by $3.6 million to align available funding with program participation.

In Closing

While the Governor notes that we are in the second longest economic recovery on record and we are overdue for a recession, his forecasts do not include any potential effects of the next recession. California is now the fifth largest economy in the world based on gross domestic product. And even though California imposes a relatively high tax burden on its taxpayers, its resources committed to educating our youth still lag behind most states in our country, even states without the high revenue profile that California enjoys. And, even with full funding of the initial targets for the LCFF, the original goal was merely to restore the purchasing power that K-12 education had in 2007-08. This has become a fallacy as much of the restored funding has been absorbed by the increases in pension contributions.

Further, California's reliance on the volatile income tax, made even more so by the continued reliance on capital gains from the top 1% of earners, means that funding for public education is highly sensitive to economic and personal income fluctuations as compared with that of other states. The Governor referred to this volatility in his May Revision remarks: "How do you ride the tiger?" Until something changes, it seems that California is destined to have higher volatility and lower levels of funding than other states for public education.

All in all, the May Revision is slightly better for public education than the January Budget, but given the automatic cost increases LEAs are facing, it's a significant challenge to merely maintain current programs, let alone augment them. In fact, many LEAs are making budget reductions. We continue to believe that the best plan of action is to maintain a suitable level of local reserves, exercise caution at the bargaining table, and prepare budgets and projections on a reasonably conservative basis. This is especially true as there will be a new person in the Governor's office and in other key state policy positions come next year.

Estimates of Out-Year COLAs Now Available

Along with the Governor's 2018-19 May Revision, the Department of Finance has released revised estimates of the statutory cost-of-living adjustments (COLAs) after 2018-19. The table below illustrates the COLAs along with the Local Control Funding Formula (LCFF) gap funding in each year:

	2017-18	**2018-19**	**2019-20**	**2020-21**
Statutory COLA	1.56%	2.71% (3% for LCFF)	2.57%	2.67%
LCFF Gap Funding %	45.17%	100.00%	–	–

To assist you in preparing your LEA's multi-year projections, we will be updating SSC's, Financial Projection Dartboard and LCFF Simulator in the coming days to reflect this latest information. Stay tuned…

District:

On May 1, 2018, the Los Angeles Board of Education, on a 5-2 vote, selected Austin Beutner as the new Superintendent of the Los Angeles Unified School District.

YPICS:

The SB 740 application will be submitted for Bert Corona Charter School by the end of May for the 2018-2019 school year. Although the reimbursement for facilities costs is not fully funded, it does provide funding for our schools on non-district sites and is essential for their long-term fiscal health.

The YPICS community is busy preparing the 2018-2019 LCAP updates, which will be reviewed by the school's SSC, SAC, or PAC before submission for approval at the June 28th Board meeting.

May 29th will mark the 100th Birthday Celebration for Bert Corona. His son, Ernesto Corona and his wife, Angelina Corona visited BCCS and BCCHS last week to film and to engage in conversations with students, teachers, and staff about what Bert Corona's life has meant to the school's mission and vision. All were excited to meet them both and eagerly shared how they continue to live out the legacy that Bert Corona has left behind. The Corona Family has invited staff and students to be their guest at their upcoming Gala on Friday, May 18th. Both Ernesto and Angelina have agreed to be guest speakers at both the BCCS and BCCHS culmination and graduation ceremonies in June.