
Gov. Brown's 2018-19 May Revision

Today, Gov. Jerry Brown released the May Revision to the 2018-19 State Budget. Just like recent reports indicated the state's revenues were above projections by several billion dollars, the May Revision reflects higher revenue estimates of \$8 billion through 2018-19 compared to the January budget.

The governor continues to note the state's economy is four years past the traditional recovery period following an economic recession and warns of the uncertainty created by the national political landscape and the recent changes to reduce federal taxes. Gov. Brown also notes that the state continues to face ongoing liabilities such as state infrastructure and retiree health care benefits, and the state must continue to pay for substantially higher costs for programs recently expanded, including Medi-Cal, Cal Grants, child care, In-Home Supportive Services and foster care reform. Further, it was noted that the state has added considerable ongoing commitments since the passage of Proposition 30 and that the budget is projected to return to a deficit since a recession at some point is inevitable. Despite these cautionary warnings, the May Revision economic forecast reflects continued growth over the next four years.

Overview

Gov. Brown's budget proposes a total budget plan of \$137.6 billion, with special funds included. The total state budget plan equates to \$199.3 billion. This includes continued investments in public education. The governor's budget proposes to fund the Proposition 98 minimum guarantee with \$78.4 billion in 2018-19.

Other highlights from the May Revision include the following, including nearly \$4 billion in one-time General Fund spending:

- **Infrastructure:** \$2 billion for capital expenditures including universities, courts, state facilities and flood control.
- **Homelessness:** \$359 million package to assist local governments to support immediate efforts to address homelessness, including \$50 million for individuals with mental illness.
- **Mental Health:** \$312 million for enhanced early detection of mental health problems and training of mental health professionals. The May Revision also proposes to place a \$2 billion No Place Like Home bond on the November ballot to accelerate the delivery of housing projects to serve the mentally ill.
- **Rainy Day Fund:** A revised \$9.4 billion total balance for the state's Rainy Day Fund to reach 71 percent of the constitutional target by the end of 2017-18. The May Revision maintains the January proposal to provide a supplemental deposit to fully fill the Rainy Day Fund this year.

K-12 Education Budget

Proposition 98 is significantly impacted by the volatility of the state revenues. The Proposition 98 guarantee funding sees a modest growth over the three-year budget cycle relative to the January estimates. These changes revise the Proposition 98 guarantee levels at the May Revision with increases by \$252 million in 2016-17, \$407 million in 2017-18, and \$68 million in 2018-19, for a total Proposition 98 funding level of \$78.4 billion in the next fiscal year.

For the first time since 2008-09, the Brown Administration is proposing a revised Proposition 98 certification process that will result in future certifications occurring in a more timely manner. This is welcomed news as ACSA and members of the Education Coalition have been urging the Administration to do this certification before Brown leaves office.

Other changes to the education budget include the following:

- **Local Control Funding Formula:** As expected, the budget proposes to fully fund LCFF two years ahead of schedule, thus reaching 100 percent of the funding targets established in 2013. To demonstrate commitment to LCFF in his last year in office, Gov. Brown proposes an additional \$166 million increase to the formula base, to increase the formula by a total of 3 percent, as well as an additional \$320 million to fund the projected statutory cost-of-living adjustment of 2.71 percent. The Administration is also proposing to continuously appropriate funding for the LCFF, including the annual COLA, to provide a greater level of certainty for budget planning by local educational agencies. In regards to fiscal transparency proposal introduced in January, the May Revision includes additional language to specify that the budget summary aligning school district expenditures to the Local Control and Accountability Plans be parent-friendly, include specific information on how supplemental grants are used to increase and improve services for high-need students, and include graphical representation of information, when possible.
- **Community Engagement Initiative:** A new proposal of \$13.3 million in one-time Proposition 98 funds to create a program that utilizes the statewide system of support to build the capacity of school districts to engage more effectively with local stakeholders in the development of the Local Control and Accountability Plans.
- **One-Time Discretionary Funding:** An additional \$286 million added to the \$1.8 billion proposed in January, providing a total of more than \$2 billion in discretionary one-time funding to local educational agencies in 2018-19 to further the implementation of the state-adopted academic standards and support investments in other areas, such as professional development, deferred maintenance and technology needs. For the first time, there is also intent language that these funds could be used for investments in school safety.
- **Improved School Climate:** A new proposal of \$15 million in one-time Proposition 98 funds to expand the state's Multi-Tiered Systems of Support (MTSS) framework to foster positive school climate in both academic and behavioral areas.
- **K-12 Strong Workforce Program:** The May Revision maintains the January proposal to fund CTE through a new \$200 million ongoing Proposition 98 appropriation through the existing infrastructure of the Strong Workforce Program administered by the Community College Chancellor's Office. The proposal clarifies that grant decisions for the K-12 component are to be

made by a K-12 Selection Committee, and includes other modifications to alleviate some of the concerns expressed by school districts.

- **English Language Proficiency Assessments:** An increase of \$27.3 million in one-time Proposition 98 funds to convert the English Language Proficiency Assessment for California from a paper-based to a computer-based assessment, and to develop a computer-based alternative ELPAC for children with exceptional needs.
- **Federal Restart Grant:** An increase of \$13.9 million in one-time federal funds to assist local educational agencies with expenses related to reopening schools impacted by the Northern and Southern California wildfires of October and December 2017.
- **Early Math Initiative:** An increase of \$11.8 million in one-time federal funds to support additional early math resources, including professional learning and coaching for educators, as well as additional math learning opportunities for pre-K through 3rd grade students.
- **California Collaborative for Educational Excellence:** An increase of \$5 million to support the anticipated services that will be provided by the CCEE in 2018-19. While there is no reference in the May Revision, it is expected that the January proposal still remains to allocate \$55.2 million for county offices of education to build their capacity to support school districts.
- **K-12 School Facilities:** The bond authorization for 2018-19 remains at \$640 million, and there is no indication of the timing of the bond sale schedule or the amounts for future years.
- **Cost of Living Adjustment (COLA)** is increased from 2.51 percent to 2.71 percent at the May Revision.
- **Special Education Funding:** There are no augmentations to special education funding.

While there is no reference in the budget documents, it is likely there are no changes to the governor's January proposal to allocate \$50 million in one-time funds for a Teacher Residency Program and \$50 million in one-time funds for the Local Grants Solution to increase the number of teachers in special education classrooms.

ACSA perspective and analysis

The May Revision results in good news for the K-12 education community, as we see modest increases to LCFF and additional funds for the one-time discretionary grants. As a result, the K-14 education will once again be perceived as a "winner" in the governor's proposed budget. The state faces additional cost pressures on the non-Proposition 98 side, with limited available resources to begin to address the hundreds of billions of unmet need. This unfortunate reality could surface as the education community amplifies the call for more adequate and long-term investments in K-12 public education.

It is important to remember that this is just a proposal, and there is another month before the 2018-19 state budget is finalized. The governor's proposed budget and, more specifically, his commitment to fiscal restraint and resistance to new policy priorities from the Legislature will face both policy and

budget committee scrutiny in the coming month. Over the next two weeks, the Senate and Assembly will pass budgets reflecting the priorities of the majority Democrats in the respective houses. A budget conference committee will be created through which the governor and Democratic leaders will then negotiate an acceptable budget. It will be during this phase that slight modifications to the governor's budget will be discussed and agreed to by both camps. Gov. Brown has made it clear that after enactment of his LCFF reforms his commitment to resisting new programmatic spending obligations until state debt (both to schools and elsewhere) is eliminated is his highest priority. It is unlikely that the governor will be open to much movement on the creation of any new programs. The Legislature will act in time to meet the June 15th constitutional deadline and send a budget to the governor for approval. As we saw last year, that final budget will reflect the governor's priorities—with a few exceptions to obtain the needed support from Democratic leaders in the two houses.

On the K-12 side, two main issues that will result in a robust discussion between the Legislature and the governor are the funding mechanism for Career Technical Education and how to address fiscal transparency of the LCFF funding. In January, the governor proposed an ongoing \$200 million appropriation for a K-12 Strong Workforce Program that would be administered by the Community Colleges, yet there is bipartisan support for Assembly Bill 1743 (O'Donnell) to maintain the existing structure of the CTE Incentive Grant Program by infusing \$500 million on an ongoing basis. In regards to LCFF fiscal transparency, while Senate has its own alternative proposal to require both anticipated and actual expenditures, the governor's proposed revisions to the budget summary may not be sufficient to appease the concerns of the civil right groups and key Assembly members.

ACSA will focus our budget advocacy to urge the Legislature and the governor to set a multi-year plan to establish new LCFF targets beyond what's in the May Revision. The vehicle for these conversations is Assembly Bill 2808 (Muratsuchi), which would set new LCFF targets beyond 2018-19, without specifying when the new targets will be reached. ACSA will also work towards maintaining the \$2 billion in proposed one-time discretionary dollars, since the Legislature may attempt to redirect Proposition 98 funding to support legislative proposals seeking an earmark with ongoing and one-time funding for specific purposes.

While there are close to two dozen bills making their way through the legislative process and being heard in policy committees, the bills are subject to a budget appropriation and would only become law if funding is provided. While there is strong bipartisan support for Assembly Bill 3136 (O'Donnell) to increase funding for special education through the AB 602 formula and for preschool slots for students with exceptional needs, it is unlikely the Brown Administration will compromise on a new funding plan in his last year in office. This could be one of the issues that is left for the next governor to address when they enter office in January 2019.

In regards to proposals for one-time funding between the Assembly and Senate, close to half a dozen proposals continue to seek funding to address the teacher shortage and improve the teacher pipeline from recruitment, to induction and ongoing professional development. The most promising proposal could be the Assembly's pursuit for an unspecified amount of one-time funding to reinstate a teacher residency pilot program (Assembly Bill 2547, McCarty).

On the non-education side, it will not be a surprise if the California Legislature and the governor continue to direct their attention to the national political landscape, as there are several policies with significant fiscal implications that could negatively impact the state. The Legislature is also worried about California's housing affordability and health care costs. Specifically, the Assembly is calling for a \$1

billion increase from the state's budget surplus to expand Medi-Cal to undocumented young adults, low-income women and children, as well as fund other related health care services. Just last week, the Legislative Women's Caucus unveiled a proposal urging Governor Brown to dedicate additional \$1 billion in funds to increase the number of child care slots via the Alternative Payment and General Child Care Program. According to the Caucus' estimate, there are approximately 1,479,000 children in California eligible for subsidized childcare.

In closing, public education is in the strongest position it has been in a decade and our students are the beneficiaries of the good work we've done in our schools, our communities, and inside the State Capitol. But ACSA acknowledges that there is more work to be done. As a major stakeholder, ACSA will be actively engaged in the budget discussions with the Legislature and the administration to ensure our best interests are upheld. Throughout this legislative season, ACSA will keep you apprised of all budget negotiations until the budget is completed in June.

ACSA welcomes our members' feedback and questions on these and other issues. Please contact Martha Alvarez, ACSA Legislative Advocate, at malvarez@acsa.org for any clarifications related to the budget.