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MEMO

Date: January 27, 2017

To: DKG Chi State Members

From: Martha Zaragoza Diaz, Legislative Analyst

Subject: Governor's Proposed 2017-18 State Budget
K-12 Component

Cc: Hazel Powell, Chairperson: Educational Law Policy
Committee

GOVERNOR BROWN PROPOSES A VERY CAUTIOUS STATE BUDGET FOR 2017-2018

Governor Brown proposes a very cautious and "prudent" state budget for 2017-2018 in light of the shortfall in the state's revenue and projected future economic downturn coupled with unpredictable federal funding under the President Trump. California could receive fewer federal dollars than expected. Additionally, California's revenues of \$12.1 billion for December missed the 2016-17 Budget Act projections by \$1.87 billion dollars, a shortfall of 12.7 percent.

The governor's proposed 2017-18 state budget eliminates a projected \$2 billion deficit and strengthens the "Rainy Day Fund". Proposition 2 establishes a constitutional goal of having 10 percent of tax revenues in the state's Rainy Day Fund. The budget proposes increasing the fund by \$1.15 billion by the end of 2017-18, 63 percent of the constitutional target. Per the Governor's administration "saving now would allow the state to soften the magnitude and length of necessary cuts" in case of a recession or major federal policy changes.

Key Elements of the Proposed K-14 Education Budget:

The budget proposes adding \$2.1 billion dollars to the annual Prop 98 for public education, which will increase to \$73.5 billion for the upcoming fiscal year. Per pupils spending under Prop.98 will be approximately \$10,900 up from \$10,600 in the current budget year.

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- **Local Control Funding Formula:** The proposed budget provides more than \$744 million, building upon the \$15.7 billion provided over the last four years. Per the administration, this level of funding exceeds the original 2013 projection of formula funding by more than \$4 billion dollars.
- **Special Education:** The Administration will engage stakeholders throughout the spring budget process for feedback on the current special education finance system and the recommendations included in the 2013 report of the California Statewide Special Education Task Force and the November 2016 report of the Public Policy Institute on the special education finance in California.
- **School Facilities:** The \$7 billion dollars in the state general obligation bonds for K-12 school facilities approved by the voters in November 2016 (Prop 51) will be expended once “specific measures are in place verifying that taxpayers’ dollars are appropriately used”. The Administration will work with the State Allocation Board and the Office of Public School Construction to revise policies and regulations to implement front end grant agreements that define basic terms, conditions and accountability measures for school districts requesting funding through the School Facilities program. The Administration intends to introduce legislation requiring facility bond expenditures be included in the annual K-12 Audit Guide and independent auditors will verify that LEAs participating in the School Facilities program have appropriately expended state resources.
- **Teacher Workforce:** No new funding is included in the proposed budget to continue addressing California’s teacher shortage. The proposed budget does however make reference to the \$35 million in programs allocated in 2016-17 state budget for this purpose.

Major K-12 Budget Adjustments

- **School District LCFF:** \$744 million in Prop 98 GF funds for school districts, charter schools and county offices of education to continue transition to full implementation of the LCCF.
- **One Time Discretionary Funding:** An increase of \$287 million in one-time Prop 98 GF funds for school districts, charter schools and county offices of education to use at local discretion. This amount builds upon the \$4.9 billion in combined one time funding provided over the last 3 budgets to support activities such as content standards implementation, technology, professional development, induction programs for beginning teachers, deferred maintenance and any applicable reimbursement claims.

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- Career Technical Education: \$200 million for the CTE Education Incentive Grant Program. Commencing 2018-19, schools will support the full cost of these programs within their LCFF allocations.
- County Offices of Education LCFF: An increase of \$2.4 million Prop 98 GF to support a COLA adjustment and ADA changes for the county offices of education.
- Special Education: A decrease of \$4.9 million Prop 98 GF funds to reflect a projected decrease of in special education ADA.
- Charter School: An increase of \$93. million Prop 98 GF funds to support charter school ADA growth.
- School District Average Daily Attendance: A decrease of \$168.9 million in 2016-17 for school districts as a result of a decrease in projected ADA from the 2016 Budget Act, and a decrease of \$63.1 million in 2017-18 for school districts as a result of further projected decline in ADA for 2017-18.
- COLA Adjustments: An increase of \$58.1 million in Prop 98 GF to support a 1.48 percent COLA for categorical programs that remain outside of the LCFF (Special Education, Child Nutrition, Foster Youth, American Indian Education Centers and the American Indian Early Childhood Education Program. COLA adjustments for school districts and charter schools are provided within the increases for school district LCFF .
- Mandate Block Grant: An increase of \$8.5 million Prop 98 GF funding to reflect the addition of the Training for School Employee Mandated Reporters Program.

Child Care

- In recognition of lower than expected GF revenue growth and a more constrained budget environment, the proposed budget proposes “pausing” additional augmentations until 2018-19. This changes the 3 year augmentation plan to a 4 year implementation plan beginning in 2016-17 and ending in 2019-20.
- The budget proposes policies that foster administrative efficiencies and better alignment of child care and early education programs such as eliminating licensing requirements for state preschool programs utilizing facilities that meet transitional kindergarten facility standards, specifically K-12 public school buildings and simplifying the process by which school districts can align program minutes for state preschool and transitional kindergarten students.
- Significant Adjustments”
 - Full year implementation of 2016 Budget Act Investments- An increase of \$50.5 million non-Prop 98 GF and \$23.5 million Prop
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- 98 GF to reflect full year costs of new policies implemented part way through the 2016-17
- Maintain reimbursement rates for child care providers at 2016-17 levels. Additionally, “pause” the addition of 2,959 full day State Preschool slots planned to begin on April 1, 2018. In total these proposals save \$121.4 million non Prop 98 GF and \$105.4 million Prop 98 GF.

The review of the proposed state budget has begun. The Senate Budget and Fiscal Review Committee convened its first committee hearing today. Stay tuned for further budget updates.