

SUBCOMMITTEE NO. 1

Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach



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Upon Call of the Chair
State Capitol - Room 112

Consultants: Elisa Wynne and Anita Lee

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6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**Issue 1: Proposition 98, Child Care and Early Education Overview**

Panel: Department of Finance
Legislative Analyst's Office
Department of Education
Community College Chancellor's Office

Proposition 98 Overall Funding—K-12 and Community Colleges

Changes to the Minimum Guarantee. The May Revision provides increased Proposition 98 funding of \$727 million over the Governor's budget for the three-year period of 2016-17 to 2018-19. More specifically, the May Revision funds the Proposition 98 guarantee for the 2016-17 through 2018-19 fiscal years at \$71.6 billion, \$75.6 billion, and \$78.4 billion, respectively. Compared to January, this reflects the following yearly changes:

- An increase of approximately \$252 million in 2016-17.
- An increase of approximately \$407 million in 2017-18.
- An increase of approximately \$68 million in 2018-19.

These levels reflect increases in General Fund revenues in each year over the three year period, updated per capita income factors, and a reduction in maintenance factor payments largely due to increased revenues. The Proposition 98 maintenance factor balance is generated in years when state revenues do not keep pace with economic growth, and is paid back in years with strong revenue growth. Under the May Revision proposal, the maintenance factor balance is completely eliminated in 2017-18.

Settle-Up. The May Revision continues to provide \$100 million in settle-up payments in the 2018-19 year that will count toward meeting the 2009-10 Proposition 98 minimum guarantee. The need for settle-up results when the Proposition 98 guarantee estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee. Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. After this payment, the state would owe approximately \$340 million in settle-up for years prior to 2014-15. The May Revision includes a schedule of settle-up repayments in the multi-year budget tables as follows: \$100 million in 2019-20, \$190 million in 2020-21, and \$50 million in 2021-22. This schedule is consistent with other changes proposed in the May Revision for finalizing the Proposition 98 Guarantee level in past years.

Local Control Funding Formula. The May Revision includes approximately \$3.2 billion for implementation of the LCFF formula (an increase of \$320 million over the Governor's Budget), which fully funds LCFF targets in the 2018-19 fiscal year, including an increase in the cost-of-living-

adjustment (COLA) from 2.51 to 2.71 percent. This LCFF increase also includes \$166 million in additional funding over the required COLA.

Discretionary Funds / Mandate Backlog Reduction. The May Revision includes \$2 billion in discretionary one-time Proposition 98 funding provided to school districts, charter schools, and county offices of education (an increase of \$286 million over the Governor's Budget). The Administration indicates that this funding allows for continued investments in implementing state-adopted academic content standards, upgrading technology, providing professional development, supporting beginning teacher induction, supporting employee benefits and addressing deferred maintenance projects. These funds would continue to offset outstanding mandate reimbursement claims, although the amount may be adjusted to account for any outstanding balances school districts have related to Medi-Cal billing practices (estimated at \$222 million).

PROPOSITION 98 – OTHER MAJOR CHANGES FOR K-12 EDUCATION

Proposition 98 Certification. The May Revision proposes to certify (or adopt a final Guarantee level) for the Proposition 98 Guarantee from 2009-10 through 2015-16. Moving forward, the Administration proposes a new process for certification of the final Proposition 98 Guarantee level in a given year. At the May Revision, the Administration would publish the Proposition 98 Guarantee level and underlying factors for the prior year and allow for a review period through October. If there are no challenges, the Guarantee level would be certified for the prior year. The Guarantee level was last certified for 2008-09. Any funding in excess of the certified minimum Guarantee level may be deemed to meet Guarantee obligations in future years, and any amount of settle-up owed would be paid over a specified time period. Finally, the Administration proposes to rebench (or adjust the Guarantee calculation) in the 2015-16 year for the inclusion of additional child care wraparound services that were funding within Proposition 98 beginning in 2015-16.

K-12 Career Technical Education (CTE). The May Revision continues to include the Governor's Budget proposal to provide \$200 million in ongoing Proposition 98 General Fund for K-12 CTE programs through the Strong Workforce Program. The May Revision clarifies that the K-12 selection committee within each consortia shall control grant award decisions, includes a role for technical assistance providers that were established under the California Career Pathways Trust Program, and provides an additional \$2 million for consortia administrative costs.

Other Adjustments. The May Revision also includes the following increases:

- **Local Property Taxes.** \$137.2 million Proposition 98 General Fund in 2017-18 and \$278.1 million in 2018-19 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
- **Fire-Related Property Tax Backfill.** \$12.3 million Proposition 98 General Fund in 2017-18 and \$17.8 million in 2018-19 to backfill lost property tax revenue for K-12 schools impacted by last fall's wildfires.
- **Average Daily Attendance.** \$46.8 million Proposition 98 General Fund in 2017-18 and \$42.6 million in 2018-19 for school districts, charter schools, and county offices of education as a result of changes in projected attendance.

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- **English Language Proficiency Assessments.** \$27.3 million one-time Proposition 98 General Fund to convert the English Language Proficiency Assessment for California (ELPAC) to a computer-based assessment and develop an alternative version of the ELPAC for students with exceptional needs.
 - **Community Engagement.** \$13.3 million in one-time Proposition 98 General Fund for a Community Engagement Initiative to build the capacity of school districts to engage effectively with local communities in the development of Local Control and Accountability Plans.
 - **Multi-Tiered Systems of Support (MTSS).** \$15 million in one-time Proposition 98 General Fund to expand the MTSS framework to foster positive school climate in both academic and behavioral areas.
 - **Federal Restart Grant.** \$13.9 million one-time federal funding to assist local educational agencies with expenses related to reopening schools impacted by the California wildfires in 2017.
 - **Early Math Initiative.** \$11.8 million one-time federal funding to support additional early math resources, including professional development for educators, and learning opportunities for children from pre-K through grade 3.
 - **Charter School Facility Grant Program.** \$21.1 million in one-time Proposition 98 General Fund in 2017-18 and a decrease of \$3.6 million in 2018-19 to align program with estimated participation.
 - **Cost-of-Living Adjustments.** \$10.6 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 2.71 percent for 2018-19, increased from the 2.51 percent estimated in January.

Child Care and Early Childhood Education

- **Funding Adjustments.** Overall, the May Revision increases funding for child care and preschool programs by \$127 million from the January proposal, for a total of approximately \$4.5 billion, including transitional kindergarten. Funding for CalWORKs child care increased from Governor's Budget by \$104 million for a total of \$1.3 billion, reflecting changes in caseload adjustments and average cost of care estimates in Stages 1, 2, and 3. The changes result in an increase of \$335,000 in Stage 1, \$41.5 million in Stage 2, and \$62.5 million in Stage 3.
- **Federal Quality Funds.** The May Revision includes \$17 million one-time federal carryover funds for quality improvement activities.
- **Early Education Expansion Grant.** The May Revision continues to provide \$167 million to fund the Governor's January proposal, which provides one-time competitive grants to providers. The January budget funded the grants using \$125 million 2018-19 Proposition 98 and \$42 million TANF. The May Revision instead funds the proposal using \$167 million 2017-18 Proposition 98 funding.

CALIFORNIA COMMUNITY COLLEGES (CCC)

- **Student Focused Funding Formula.** The May Revision modifies the Governor’s January budget proposal by specifying 60 percent as a base funding allocation, 20 percent as a supplemental funding allocation, and 20 percent as a student success incentive funding allocation.
 - **Supplemental funding allocation.** The revised components of supplemental metrics includes: the number of low-income students over the age of 25 receiving the College Promise Grant fee waiver (formerly the Board of Governor’s Fee Waiver), AB 540 students, and the total number of students receiving the Pell grant.
 - **Student Success Incentives.** The revised components of the student success metrics include: completion of associate degrees and certificates over 18 units, Associate Degrees for Transfer (ADT), successful transfer to four-year institutions, completion of transfer-level math and English courses in the first year, obtaining a regional living wage within 12 months of completing a degree or certificate program, and successfully completing nine units of career technical education courses. Additionally, the revised formula provides an incentive for successful outcomes for economically disadvantaged students.
 - **Hold Harmless Provisions.** The May Revision provides colleges with an additional hold harmless year in 2018-19 and 2019-20 to ensure that no colleges will receive less than what they received in 2017-18.
- **Categorical Consolidation.** The May Revision proposes to integrate the Student Success and Support, Student Equity, and the Student Success for Basic Skills Programs into a block grant.
- **Online College.** The May Revision modifies the Governor’s January proposal with the following:
 - **Governance.** Specifies that the Board of Governors would serve as the governing board of the online community college, and that the Chancellor and Board of Governors would choose the president of the online college. The president will establish an advisory council, which will include local trustees and employees of the college.
 - **Collective Bargaining.** The college would partner with an existing district for the purpose of establishing a collective bargaining agreement. The online college’s president would retain authority to recommend staff for hire and to assign and direct staff workload.
 - **Student Success.** In addition to outcome measures that other colleges report, the online college would provide a comprehensive status report in its third year of operation regarding student outcomes, among other measures.
 - **Accreditation.** While the college is seeking accreditation, the Workforce Development Board would certify that programs offered by the college have job market value.

Additionally, the proposal would direct the college to explore a process for allowing students to retroactively obtain credit units.

- **Curriculum.** The proposal would clarify that the intent of the online college is to create unique content and not duplicate content offered by local colleges. The faculty of the online college would also review the Online Education Initiative protocols for online content and adopt them as appropriate.

The May Revision summary notes that the first two pathways developed by the college would be information technology support credential and medical coding credential programs.

- **Discretionary Resources for Specified Districts.** Provides \$104 million one-time Proposition 98 General Fund to provide limited-term discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent.
- **Financial Aid Technology Improvements.** The May Revision provides an increase of \$13.5 million one-time and \$5 million ongoing Proposition 98 General Fund to upgrade colleges' financial aid management systems.
- **NextUp Program Augmentation:** The May Revision provides an increase of \$5 million Proposition 98 to expand the program, which supports current and former foster youth.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
CALIFORNIA STUDENT AID COMMISSION

Issue 2: Overview of Governor's 2018-19 May Revision Budget Proposals

Panel: Department of Finance
 Legislative Analyst's Office
 University of California
 California State University
 California Student Aid Commission

UNIVERSITY OF CALIFORNIA (UC)

- **Base Budget.** The May Revision assumes the release of \$50 million General Fund, associated with the 2017-18 budget conditions regarding activity-based costing, enrollment of transfer students, and completion of recommendations made by the State Auditor in its recent report on the UC Office of the President. However, the summary notes that the Director will determine the release of funds after the Regents act in May.
- **Tuition.** The May Revision proposes budget bill language authorizing the Director of Finance to reduce UC's appropriation by the amount of estimated Cal Grant and Middle Class Scholarship program costs should a tuition increase be implemented in 2018-19.
- **Deferred Maintenance.** The May Revision proposes \$100 million one-time General Fund to support deferred maintenance projects.
- **Mental Health Graduate Medical Education.** The May Revision proposes \$55 million one-time General Fund to support psychiatric graduate medical education programs serving Health Professional Shortage Areas or Medically Underserved Areas in rural portions of the state.
- **UCPath.** The May Revision provides up to \$67.7 million for UCPath, with \$52.4 million funded through UCOP's budget and up to \$15.3 million funded through campus charges. The May Revision includes a special provision allowing UC to charge campuses more than \$15.3 million but only after receiving approval from the Department of Finance and the Joint Legislative Budget Committee.
- **Other Proposals.** The May Revision provides \$1.2 million one-time General Fund to provide anti-bias training at UC and CSU, and \$1 million ongoing General Fund to support operations of the Institute of Global Conflict and Cooperation.

CALIFORNIA STATE UNIVERSITY (CSU)

- **Tuition.** The May Revision proposes budget bill language authorizing the Director of Finance to reduce CSU's appropriation by the amount of estimated Cal Grant and Middle Class Scholarship program costs should a tuition increase be implemented in 2018-19.

- **Deferred Maintenance.** The May Revision proposes \$100 million one-time General Fund to support deferred maintenance projects.

CALIFORNIA STUDENT AID COMMISSION (CSAC)

- **Cal Grant Program Costs.** The May Revision proposes a decrease of \$29.1 million in TANF reimbursements in 2018-19, which increases General Fund needed for program costs by a similar amount. Additionally, the May Revision provides an increase of \$29.3 million in 2018-19 to reflect an increase in the number of new recipients in 2017-18.
- **Private Institutions.** The May Revision adjusts the Governor's January proposed trailer bill language regarding the ADT annual admission goals required to maintain the maximum Cal Grant tuition award of \$9,084 for new students attending private nonprofit institutions. These new goals are 2,000 ADT students admitted in 2018-19, 3,000 students admitted in 2019-20, and 3,500 students admitted in 2020-21 and thereafter.

HASTINGS COLLEGE OF LAW

- **UC Path.** The May Revision provides \$1.5 million one-time General Fund to support implementation of the UC Path Project at Hastings.
- **Deferred Maintenance.** The May Revision provides an increase of \$1 million one-time General Fund to support deferred maintenance projects.