

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Rosilicie Ochoa Bogh



Wednesday, May 18, 2022
9:00 a.m.
State Capitol - Room 2100

Consultant: Yong Salas and Elisa Wynne

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Public Comment

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6100 DEPARTMENT OF EDUCATION

The May Revision includes \$128.3 billion total funds (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs. K-12 per-pupil funding is \$16,991 in Proposition 98 funds, and \$22,850 if all funds sources are included.

Issue 1: State of Education

Panel

- Superintendent of Public Instruction, Tony Thurmond

Background

The Superintendent of Public Instruction will provide an update on the state of K-12 education in California. This item is informational only.

Issue 2: Proposition 98 and Discretionary School Funding

Panel

- Amanpreet Singh, Department of Finance
- Kenneth Kappahn, Legislative Analyst's Office
- Malia Vella, Department of Education

Changes to the Minimum Guarantee. The May Revision provides a substantial increase to Proposition 98 funding of \$19.6 billion from the Governor's budget for the three-year period of 2020-21 to 2022-23. More specifically, the May Revision funds the Proposition 98 guarantee for the 2020-21 through 2022-23 fiscal years at \$96.1 billion, \$110.2 billion, and \$110.3 billion, respectively. Compared to January, this reflects the following yearly changes:

- An increase of approximately \$137 million in 2020-21.
- An increase of approximately \$11.1 billion in 2021-22.
- An increase of approximately \$8.4 billion in 2022-23.

These levels reflect the estimated substantial increase in General Fund revenues over the three-year period in comparison with the Governor's budget proposal. The Proposition 98 Guarantee continues to be calculated under Test 1 for all three years (equal to approximately 38 percent of General Fund revenues, plus local property taxes).

Public School System Stabilization Account. The May Revision decreases the total payments (and the total account balance) to the Public School System Stabilization Account between 2020-21, 2021-22, and 2022-23 from \$9.7 billion to \$9.5 billion, due to the decrease in the share of total funds from capital gains revenues. Funds from this reserve account may be expended in years when the Proposition 98 Guarantee does not increase enough to cover year-over-year growth and inflation. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than 3 percent of the total K-12 share of the Guarantee. The balance of \$7.3 billion in 2021-22 triggers school district reserve caps beginning in 2022-23.

Local Control Funding Formula (LCFF). The bulk of funding for school districts and county offices of education for general operations is provided through the LCFF and is distributed based on the numbers of students served and certain student characteristics. The state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA). The 2022-23 Governor's Budget included an LCFF COLA of 5.33 percent, and the May Revision updates this adjustment to 6.56 percent. In addition to the updated COLA, the May Revision also includes \$2.1 billion ongoing Proposition 98 General Fund to increase LCFF funding for school districts and charter schools, and \$101.2 million to increase LCFF funding for county offices of education.

The May Revision also proposes allowing all local educational agencies to be funded at the greater of their current year average daily attendance of their current year enrollment adjusted for pre-COVID-19 absence rates in the 201-22 fiscal year, due to the Delta and Omicron surges and the subsequent staff and student absences. The Governor's Budget proposed to amend the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' average daily attendance, and the May Revision would conform this proposal to the May Revision adjustment. The total ongoing costs associated with these policies is estimated to be \$3.3 billion ongoing Proposition 98 General Fund and \$463 million one-time Proposition 98 General Fund. All of these changes bring total LCFF funding to \$73.4 billion.

The Senate Budget Plan increased LCFF funding by \$5 billion in 2022-23, increasing this amount to \$10 billion by 2024-25, in addition to the COLA.

County Offices of Education. In addition to the increase in LCFF funding mentioned above, the May Revision includes trailer bill language that provides funding to county offices of education to provide services to charter schools that qualify for differentiated assistance within the statewide system of support. The May Revision sets aside \$2 million for this purpose, and makes other clarifying changes for the role of county offices of education in the statewide system of support.

Local Property Tax Adjustments. The May Revision includes an increase of \$10.1 billion and \$8.9 billion ongoing Proposition 98 General Fund for school districts, charter schools, and county offices of education in 2021-22 and 2022-23, respectively, with decreased offsetting property tax revenues. Specifically, this includes property tax decreases of \$32 million in 2020-21, \$659 million in 2021-22, and \$804 million in 2022-23.

Cost-of-Living Adjustments. The May Revision includes an increase of \$62.1 million ongoing Proposition 98 General Fund to reflect a 6.56 percent COLA for categorical programs that remain

outside of the LCFF and Special Education, including Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Discretionary Block Grant. The May Revision includes \$8 billion in one-time Proposition 98 General Fund, allocated on a per-pupil basis, with the intent to use these discretionary funds for purposes including, but not limited to, protecting staffing levels, addressing student learning challenges, and supporting the mental health and wellness needs of students and staff, and these funds would offset applicable mandates debt owed to those entities. The Senate Budget proposal included a similar discretionary block grant for \$10 billion in one-time Proposition 98 General Fund.

Issue 3: Major Proposition 98 Spending Proposals

Panel

- Alex Shoap, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Sara Cortez, Legislative Analyst's Office
- Malia Vella, Department of Education

Community Schools. The May Revision includes an additional \$1.5 billion one-time Proposition 98 General Fund to expand access to the community schools grants that support existing networks of community schools, establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.

Expanded Learning Opportunities Program. The May Revision includes an additional \$403 million ongoing Proposition 98 General Fund, bringing the ongoing program total to \$4.8 billion and full funding implementation four years ahead of schedule, and maintains the year delay in implementation to 2023-24 that was included in the Governor's Budget. The May Revision also proposes an additional \$63 million one-time Proposition 98 General Fund.

School Nutrition. The May Revision includes \$611.8 million ongoing Proposition 98 General Fund to augment the state meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in 2022-23. In 2022-23, any unused funds could be redirected for kitchen and infrastructure purposes.

Community Engagement Initiative. The May Revision includes \$100 million one-time Proposition 98 General Fund to continue the Community Engagement Initiative, which disseminates best practices for school-community interaction. The 2018-19 Budget Act included \$13.3 million one-time Proposition 98 General Fund to create this initiative.

6350 SCHOOL FACILITIES AID PROGRAM**Issue 4: School Facilities and Deferred Maintenance****Panel**

- Jennifer Kaku, Department of Finance
- Amy Li, Legislative Analyst's Office

School Facilities. The May Revision includes an additional \$1.8 billion one-time General Fund, which would appropriate \$2.2 billion one-time General Fund in 2021-22, \$1.2 billion one-time General Fund in 2023-24, and \$625 million one-time General Fund in 2024-25 for a total appropriation of \$4 billion and \$1.4 billion in the remaining bond authority. The May Revision also includes \$1.8 billion one-time Proposition 98 General Fund for schools to address outstanding school facility maintenance issues.

The Senate Budget Plan included an additional \$3.5 billion in one-time General Fund to augment the School Facilities Program for a total appropriation of \$5.7 billion General Fund and \$1.4 billion in the remaining bond authority, and also included \$1 billion one-time Proposition 98 General Fund for deferred maintenance.

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 5: Educator Workforce Proposals****Panel**

- Megan Sabbah, Department of Finance
- Amy Li, Legislative Analyst's Office
- Mary Vixie Sandy, Commission on Teacher Credentialing

Teacher Training, Recruitment, and Retention. The May Revision includes \$1 billion in programs and funds to recruit, retain, and support educators, including:

- \$500 million one-time Proposition 98 General Fund to expand residency slots for teachers and school counselors, and also allow school counselors, social worker, and psychologist candidates to be eligible for the Golden State Teacher Grant program.
- \$300 million one-time Proposition 98 General Fund to augment resources available to local educational agencies for professional learning through the Educator Effectiveness Block Grant, with a priority for STEM educator supports.
- \$85 million one-time Proposition 98 General Fund to create Pre-K through 12 grade educator resources and professional learning to implement the Next Generation Science

Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

- \$80 million ongoing Proposition 98 General Fund for the Classified School Employee Summer Assistance Program, which provides matching funds for intersessional pay for classified employees that work less than 12 months per year.
- \$20 million one-time Proposition 98 General Fund to support a K-12 Teacher Residency Program Technical Assistance Center.
- \$15 million one-time Proposition 98 General Fund over three years to support 6,000 teachers in completing the coursework necessary to receive a supplementary state certification in reading and literacy.
- \$15 million one-time Proposition 98 General Fund to continue the work of the Educator Workforce Investment Grant program in areas of special education and support for English Learners, and \$15 million one-time Proposition 98 General Fund to continue the work of the Educator Workforce Investment Grant program in computer science.

6100 DEPARTMENT OF EDUCATION

Issue 6: Early Education

Panel

- Jodi Lieberman, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Malia Vella, Department of Education

Universal Transitional Kindergarten (TK). The May Revision adjusts the costs to expand transitional kindergarten (the 2021-22 Budget Act expands transitional kindergarten from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2 in 2022-23) from \$639.2 million at the Governor's Budget to \$614 million General Fund to reflect the latest enrollment trends.

Additionally, the May Revision proposes to allow teachers with preschool teaching permits who hold bachelor's degrees that meet basic skills requirements and are enrolled in coursework leading to be assigned as the teacher of record in a credential to teach transitional kindergarten, until June 30, 2026.

Finally, the May Revision allows community colleges to participate in the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program if they operate a preschool program on behalf of, or in lieu of, a school district or county office of education.

The Senate Budget Plan includes \$100 million Proposition 98 General Fund for the Pre-Kindergarten Planning and Implementation Grants, as well as \$1 billion General Fund for the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

California State Preschool Program. The May Revision provides \$21.6 million one-time (\$10.8 million General Fund and \$10.8 million Proposition 98 General Fund) to extend family fee waivers for CSPP families for the 2022-23 school year. In addition, the May Revision extends hold harmless policies for CSPP providers for the 2022-23 school year; providing funding based on contract amounts rather than attendance. Finally, the May Revision updates a January proposal to increase adjustment factors for students with disabilities and dual language learners to reflect increased costs (\$4 million ongoing Proposition 98 General Fund and \$30 million ongoing General Fund).