

# **SUBCOMMITTEE NO. 1**

# **Agenda**

---

**Senator Richard D. Roth, Chair**  
**Senator Connie M. Leyva**  
**Senator Mike Morrell**



**Monday, May 13, 2019**  
**11:00 a.m.**  
**State Capitol - Room 3191**

Consultant: Elisa Wynne, Anita Lee

## **Items for Discussion**

<b><u>Item</u></b>	<b><u>Department</u></b>	<b><u>Page</u></b>
<b>6440</b>	<b>University of California</b>	
<b>6610</b>	<b>California State University</b>	
<b>6980</b>	<b>California Student Aid Commission</b>	
Issue 1	May Revision – Higher Education Proposals	2
<b>6100</b>	<b>Department of Education</b>	
<b>6870</b>	<b>California Community Colleges</b>	
Issue 2	May Revision – K-14 and Early Education Proposals	8
Public Comment		

---

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

<b>6440</b>	<b>UNIVERSITY OF CALIFORNIA</b>
<b>6610</b>	<b>CALIFORNIA STATE UNIVERSITY</b>
<b>6980</b>	<b>CALIFORNIA STUDENT AID COMMISSION</b>

### **Issue 1: May Revision – Higher Education Proposals**

#### **Panel**

- Department of Finance
- Legislative Analyst’s Office
- University of California
- California State University
- California Student Aid Commission

**Background.** The following items below summarize the Governor’s May Revision budget proposals for higher education.

#### **University of California**

- **Retirement Program.** The May Revision includes \$25 million one-time General Fund to support the UC Retirement Program (UCRP).
- **UC San Francisco Dyslexia Center Pilot Program.** The May Revision proposes \$3.5 million one-time General Fund to support a pilot dyslexia screening and early intervention program operated through the UC San Francisco Dyslexia Center. These funds will enable the Center to deploy the “Application for Readiness In Schools and Learning Evaluation”, provide curriculum support, train staff on potential educational interventions, and collect data for a report on outcomes.
- **Support for Students Experiencing Homelessness.** In addition to the Governor's Budget to provide \$15 million ongoing General Fund to address student food and housing insecurity, the May Revision proposes \$3.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.

#### **Legislative Analyst’s Office Comments on UC**

**Consider How to Prioritize Funds.** Each of the state’s three pension systems—CalPERS, CalSTRS, and UCRP—have notable unfunded liabilities. To prioritize limited resources, the state could continue to address its unfunded pension liability at CalPERS or CalSTRS before focusing on UCRP. For both CalPERS and CalSTRS, the state has a clearer responsibility to address unfunded liabilities, as the state sets associated pension benefits and contribution rates. By contrast, the state has no direct role in establishing the benefit level or funding policy of UCRP. Instead, the UC Board of Regents makes these decisions. Because of this less direct state role, the state’s obligation to pay for UCRP’s unfunded liabilities resulting from shortfalls in past funding policies is not as clear as with CalPERS and CalSTRS. Nonetheless, the Legislature could provide funding for UCRP’s unfunded liability if it would like to reduce cost pressures at UC.

**Legislature Lacks Analysis on Proposal’s Estimated Savings.** The administration has not provided the Legislature an analysis estimating the likely savings resulting from providing the one-time funding to UCRP. Such an analysis would allow the Legislature to weigh the tradeoffs of this proposal over other one-time priorities, such as additional supplemental payments to CalPERS or CalSTRS. The LAO specifically recommends that the Legislature request two analyses—one assuming UCRP hits all of its investment assumptions (known as an “actuarial” analysis) and one that considers many possible investment and other future scenarios (known as a “stochastic” analysis).

**Consider Sharing UCRP Costs With UC’s Non-state Funds.** UCRP’s \$10 billion unfunded liability represents the university’s combined liability across both its state-funded, core academic programs and its nonacademic programs. To ensure UC’s nonacademic programs (such as the medical centers and student housing) are also paying for their share of UC’s unfunded liability, the Legislature could require UC to match the state’s one-time funding with non-state funding. As a rough rule of thumb, we think a \$2 non-state match for every \$1 of General Fund would be reasonable. That is, UC would match the Governor’s proposed \$25 million one-time General Fund with \$50 million one-time non-state funds. Alternatively, the Legislature could work with UC to develop a more refined matching expectation.

**Rapid Rehousing Proposal Would Help Only a Small Proportion of Students and Create Substantial Outyear Cost Pressure.** Because the program is costly, the Governor’s proposed funding level for UC (\$3.5 million ongoing) would not serve a large number of students at UC—likely between 300 to 500 students per year. By comparison, UC survey data suggests several thousand UC students experience homelessness each year. Because the amount proposed by the Governor likely would serve only a small subset of homeless students, approving funding for the proposal could create substantial outyear cost pressure on the state. Additionally it is unclear how this proposal interacts with the administration’s \$15 million General Fund ongoing proposal for student food and housing insecurity.

Were the Legislature interested in funding rapid rehousing programs at UC in the budget year, the LAO recommends it enact clear authorizing language. Such language should include what is meant by rapid rehousing, how funds are to be allocated to campuses (such as through a competitive process), conditions that campuses must meet to operate a program (such as partnering with a local homeless service agency), how campuses are to identify program participants, and how the program is to be evaluated and the results shared with the Legislature.

**UC San Francisco Dyslexia Center.** The administration states that the center has successfully raised tens of millions in private philanthropy to support its operations and activities. The Legislature may wish to better understand whether the center could identify funds from these sources to cover the cost of the pilot (\$3.5 million one time). The ultimate goal of the pilot is to scale these activities across the state, the Legislature could ask the administration to estimate the cost of such an expansion before approving the pilot. Third, the Legislature could ask the administration how this special education pilot is intended to be coordinated with other state special education initiatives.

While the administration indicates that a portion of the proposed one-time funding would support data collection and evaluation of the pilot, the proposed budget bill language includes no required reporting to the Legislature on the pilot's results. Such reporting is essential given the administration's high expectations for the pilot. Such reporting, at a minimum, should include:

- The number of participating schools, school districts, and students.
- The number and percent of participating students who were diagnosed with a learning disability before the pilot compared to during the pilot year.
- How the one-time state General Fund was spent, as well as how any additional private or other nonstate funds were used to fund the pilot.
- The developed interventions resulting from the pilot.
- To the extent the results of the pilot are promising, a plan to expand the interventions in schools throughout the state. The plan should include the estimated cost of scaling the program statewide and identify all possible fund sources to cover this cost.

### **California State University**

- **Support for Students Experiencing Homelessness.** In addition to the Governor's Budget proposal to provide \$15 million one-time General Fund to address student food and housing insecurity, the May Revision proposes \$6.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.
- **Project Rebound.** The May Revision proposes an increase of \$750,000 ongoing General Fund above the January budget proposal to provide \$250,000 to support Project Rebound. This program provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.
- **First Star Foster Youth Cohort at CSU Sacramento.** The May Revision proposes \$740,000 one-time General Fund to support a First Star Foster Youth Program at CSU Sacramento. This program will enable a cohort of foster youth to engage in a variety of activities that support learning opportunities, such as academic courses for college credit, social and cultural activities, service learning and other recreational activities.

### **Legislative Analyst's Office Comments on CSU**

**Rapid Rehousing.** The administration has not explained how this May Revision proposal is intended to interact with its January proposal to provide \$15 million one time for CSU's housing and homeless initiative (formally known as "Basic Needs Partnerships"). Given that both proposed initiatives are intended to address housing insecurity at CSU, the Legislature will want to know how the two will complement or supplement each other rather than create two siloed programs with blurred lines of responsibility and accountability. The Legislature also should consider how prescriptive it wishes to be with how campuses address homelessness among students. For example, does the Legislature want to require campuses to use the rapid rehousing model only, or should campuses have flexibility to implement different strategies?

**First Star Foster Youth Cohort at CSU Sacramento.** The proposal serves only one cohort of approximately 30 foster youth over a four-year period at only one CSU campus (Sacramento)—raising

notable equity issues for other foster youth located in other areas of the state as well as other foster youth located in Sacramento that do not make it into the one cohort of participants. Second, were the Legislature to expand the program to treat foster youth across the state similarly, the cost of the program would be much higher. Third, were the state to treat the program as ongoing (to serve additional cohorts of foster youth in subsequent years), the cost pressure issue would persist into the future, affecting the state's fiscal outlook.

### **California Student Aid Commission (CSAC)**

- **Cal Grant Program Costs Estimates.** The May Revision proposes a decrease of \$14 million General Fund in 2019-20 to account for the following:
  - **Lower Participation Estimates.** A decrease of \$19.9 million in 2019-20 to reflect a decrease in the estimated number of new recipients in 2018-19. The May Revision also reflects decreased costs of \$4.9 million in 2018-19.
  - **Higher Temporary Assistance for Needy Families (TANF) Reimbursements.** A decrease of \$5.9 million in 2019-20, which increases the amount of General Fund needed for program costs by a like amount. Combined with reimbursements included in the Governor's Budget, the May Revision offsets approximately \$1.1 billion in General Fund costs for Cal Grants with TANF.
- **Cal Grant Access Awards for Student Parents.** The May Revision proposes a decrease of \$24.9 million to reflect revised estimates to the Governor's Budget proposal to increase or provide access awards for students with dependent children attending the UC, CSU, or the CCCs. In January, the Administration proposed \$122 million for this purpose.
- **Competitive Awards.** The May Revision proposes an increase of \$2 million to reflect revised estimates of the costs to increase the number of available competitive awards from 25,250 to 30,000. In January, the Administration proposed \$9.6 million for this purpose.
- **Teacher Service Credit Scholarship Program.** The May Revision proposes \$89.8 million one-time General Fund for the Commission to administer and create a new loan forgiveness grants to teachers meeting certain criteria, with priority for school sites with high percentages of teachers with permits or waivers as their authorizations.
- **Tuition Award for Students at Private Nonprofit Institutions.** The May Revision proposes trailer bill language to provide the private nonprofit institutions sector an additional year (2019-20) to meet the required number of Associate Degree for Transfer (ADT) pathways and admissions of ADT students needed for the sector to maintain the maximum Cal Grant tuition of \$9,084. Under the revised schedule, private nonprofit institutions will need to meet a goal of 2,000 ADT students admitted in 2019-20, 3,000 students admitted in 2020-21, and 3,500 students admitted in 2021-22 and thereafter.
- **State Operations Support.** The May Revision proposes an increase of \$414,000 General Fund to support the implementation of the Cal Grant Supplement for Students with Dependent Children.

- **Child Savings Accounts Grant Program.** The May Revision modifies the January budget proposal for the Child Savings Account Grant Program. Specifically, the May Revision requires CSAC to administer the \$50 million program. CSAC is expected to consult with First 5 California to utilize its strengths in marketing, education, and parent engagement to encourage collaboration between grant applicants and their local First 5 Commissions.
- **Student Loan Awareness Initiative.** The May Revision transfers the administration of the proposed \$5 million one-time General Fund augmentation to support an outreach initiative for student loan borrowers from the Office of Planning and Research to the Commission.

### **Legislative Analyst's Office Comments on CSAC**

**Proposal Is Unlikely to Lead to Sustained Reduction in Teacher Shortage.** Only 4,500 teachers would benefit and the fiscal incentive they receive would expire after four years, this initiative is unlikely to result in a notable, sustained increase in the availability of credentialed teachers. Additionally, prospective applicants would need to know about the program before they decide which subject areas and schools to teach in. This approach would decrease the effectiveness of the incentive because most teachers would find out about the grant after they have already completed their teacher preparation program and received their teaching credential in a certain subject area. The approach also is problematic because teachers might need to respond to job offers before finding out whether they have been selected for a grant. The Legislature may also wish to require CSAC to report on program outcomes, including the number of teachers receiving grants, the subject areas they obtain credentials in, the schools they work in, and the length of time they remain in their jobs. This information could inform future decisions the Legislature may face regarding the use of grants to address teacher shortages.

**Creating Another Child Savings Account Program Could Be Viewed as Premature.** The administration proposes \$50 million (one-time non-Proposition 98 General Fund) to create a new child savings account grant program. In 2017-18, the Legislature created the Every Kid Counts College Savings Program and provided \$3 million one time for this initiative. CSAC recently awarded grants to nine local entities operating child savings account programs. During the grant period (which lasts through June 2021), grantees are required to participate in an evaluation intended to assess program outcomes and identify best practices.

**Recommend Rejecting Student Loan Awareness Proposal.** The administration proposes \$5 million (one-time non-Proposition 98 General Fund) to provide information to students on loan borrowing. The proposed activities, however, appear to duplicate existing federal, state, and institutional efforts. In particular, the U.S. Department of Education already provides mandatory entrance and exit counseling to all borrowers of federal loans (which account for the vast majority of student loans). The U.S. Department of Education also requires all colleges participating in federal financial aid programs to provide students with certain consumer information regarding student loans. In addition, the segments offer financial literacy services that cover student loans, among other topics. Finally, the Legislature provides funding to the Bureau for Private Postsecondary Education (through the recently established Office of Student Assistance and Relief) to offer outreach and information on student loans to prospective students considering a for-profit college.



---

**Hastings College of Law**

- **UC Path Implementation.** The May Revision proposes an increase of \$594,000 one-time General Fund to support the revised implementation timeline of the UC Path payroll, accounting, time keeping, and human resources system.
- **Deferred Maintenance.** The May Revision authorizes the use of the proposed \$1 million one-time General Fund to include support for both critical deferred maintenance needs, and information technology and instructional equipment refreshes.

**Legislative Analyst's Office Comments on Hastings**

**UCPath Implementation Proposal Raises Questions About Budget-Year Priorities.** According to Hastings, the cost to align its administrative procedures with UCPath has increased due to a timing issue. Specifically, UC decided to delay Hastings' integration into the UCPath system by two months (from January 2020 to March 2020). The key question for the Legislature is whether Hastings should accommodate this cost within its budget or if additional state funding is warranted. The May Revision retains the Governor's January proposal to give Hastings a \$1.4 million ongoing General Fund base increase in 2019-20—reflecting a 10 percent increase to its ongoing General Fund appropriation and 2.3 percent increase to the school's total ongoing core budget. The proposed base increase is not restricted for any specific purpose. If the Legislature were to approve this base increase, Hastings would have flexibility to allocate the funds for employee compensation increases, operating expenses and equipment, employee benefit cost increases, and other operating costs, such as its transition into the UCPath system.

**California State Library**

- **Early Learning and After-School Library Program Grants.** The May Revision proposes \$5 million one-time General Fund to support grants for local library jurisdictions with the lowest per capita library spending to develop and implement early learning and after-school library programs.
- **Mobile Libraries.** The May Revision proposes \$3 million one-time General Fund for the California State Library to support grants for local library jurisdictions to purchase bookmobiles and community outreach vehicles that would be used to expand access to books and library materials in under-resourced neighborhoods.
- **Digitization and Cultural Preservation Activities.** The May Revision proposes \$1.7 million General Fund, approximately \$1 million of which is ongoing, for the California State Library to coordinate with state entities to identify items for digital preservation, contract for digital preservation services, and to begin conducting or commissioning a statewide survey to inventory cultural heritage assets.
- **Statewide Lesbian, Gay, Bisexual, and Transgender Historical Preservation.** The May Revision proposes \$500,000 one-time General Fund to support the preservation of historical Lesbian, Gay, Bisexual, and Transgender sites.

**Staff Recommendation.** Hold all items open.

**6100 DEPARTMENT OF EDUCATION**  
**6870 CALIFORNIA COMMUNITY COLLEGES**

## **Issue 2: May Revision –K-12 and Early Education Proposals**

### **Panel**

- Department of Finance
- Legislative Analyst’s Office
- Department of Education
- California Community Colleges Chancellor’s Office

### **Background:**

#### **Proposition 98 – K-14 Education**

- **Changes to the Minimum Guarantee.** The May Revision provides increased Proposition 98 funding of \$746 million over the Governor’s budget for the three-year period of 2017-18 to 2019-20. More specifically, the May Revision funds the Proposition 98 guarantee for the 2017-18 through 2019-20 fiscal years at \$75.6 billion, \$78.1 billion, and \$81.1 billion, respectively. Compared to January, this reflects the following yearly changes:
  - An increase of approximately \$78 million in 2017-18.
  - An increase of approximately \$279 million in 2018-19.
  - An increase of approximately \$389 million in 2019-20.

These levels reflect increases in General Fund revenues over the three year period in comparison with the Governor’s Budget proposal.

- **Public School System Stabilization Account.** The factors used in the May Revision Proposition 98 guarantee calculation trigger a deposit into the Public School System Stabilization Account, known as the Proposition 98 Rainy Day Fund. The required deposit under the Governor’s May Revision is \$389.3 million and counts towards the Proposition 98 guarantee in 2019-20. The deposit is triggered primarily as a result of higher capital gains revenue, and a Proposition 98 guarantee Test 1 calculation that is above the Test 2 level, reflecting lower per capita personal income growth. Funds from this reserve account may be expended in years when the Proposition 98 guarantee does not increase enough to over year-over-year growth and inflation.
- **Local Control Funding Formula.** The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional cost-of-living adjustment (COLA). The May Revision provides a COLA of 3.26, approximately \$1.9 billion. This is a slight decrease from the Governor’s Budget estimate of a 3.46 percent COLA, estimated at approximately \$2 billion.



- **Special Education Funding.** The May Revision includes \$696.2 million in ongoing Proposition 98 General Fund for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. This is an increase to the January proposal that included \$576 million in Proposition 98 General Fund (including \$187 million in one-time funding). The May Revision continues to direct the funds to provide more support for students with disabilities, provide services to preschool-aged children with disabilities, or expand early intervention programs.

### **Proposition 98 – Other Changes for K-12 Education**

- **Local Property Taxes.** \$146.6 million Proposition 98 General Fund in 2018-19 and \$142.1 million in 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
- **San Francisco Unified School District Excess Tax Correction.** An increase of \$149.1 million one-time Proposition 98 General Fund for a technical adjustment to excess property taxes related to a miscalculation of these funds in 2016-17.
- **LCFF Adjustments.** An increase of \$70 million Proposition 98 General Fund in 2018-19 and a net decrease of \$63.9 million in 2019-20 for school districts, charter schools, and county offices of education as a result of changes in projected attendance and COLA as noted in above bullets.
- **Classified School Employees Summer Assistance Program.** An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program which provides a state match for classified employee savings to provide income during summer months.
- **Cost-of-Living and Growth Adjustments.** A decrease of \$7.4 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 3.26 percent for 2019-20, decreased from the 3.46 percent estimated in January. In addition, an increase of \$7.6 million for selected categorical programs, based on updated estimates of ADA.
- **AB 1840 Adjustments.** An increase of \$3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$514,000 for Oakland Unified School District pursuant to AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018.
- **Charter School Policies.** Additional trailer bill language to ensure charter schools are not discouraging students from enrolling or screening students based on academic records. Language additional requires a process to report concerns to the relevant charter school authorizer.

### **Non Proposition 98 – Major Changes for K-12 Education**

- **Full Day Kindergarten Facilities.** \$600 million (a reduction of \$150 million from the Governor's Budget proposal) one-time General Fund for full-day kindergarten facilities and adjustments to better target expansion of access to full-day kindergarten programs.

- **Teacher Loan Assumptions.** \$89.8 million one-time General Fund to provide approximately 4,500 loan assumptions of up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years (see Issue 1).
- **Educator Training.** \$44.8 million in one-time General fund to provide training and resources for classroom teachers and paraprofessionals to build capacity around inclusive practices, social emotional learning, computer science, restorative practices, and subject matter competency.
- **Broadband Infrastructure.** \$15 million one-time General Fund to address gaps in school district broadband infrastructure.
- **Special Education.** \$500,000 one-time General Fund to increase local educational agencies ability to draw down federal funds for medically related special education services and to improve the transition of three-years olds with disabilities from regional centers to local educational agencies. Funds would allow for coordination and collaboration among related agencies.

### **Legislative Analyst's Office Comments on K-12 Education**

**Special Education.** The LAO notes that the May Revision provides an increase of ongoing Proposition 98 funding for special education but retains the Governor's January distribution proposal to provide special education concentration grants to districts serving large numbers of low-income students, English learners, and students with disabilities. The LAO notes that the design of the proposal has an inherent contradiction by fiscally rewarding districts that maintain above-average special education identification rates. Districts that achieved the administration's goal and reduced the number of students identified for special education could lose substantial funding. Consequently, the roughly one-quarter of school districts that benefit from the administration's proposal would have a strong fiscal incentive to maintain high special education identification rates. The LAO recommends that the Legislature consider augmenting special education in another way such as equalization or providing support for preschool special education.

**Full-Day Kindergarten Facility Grants.** The LAO notes that in the May Revision, the Governor reduces funding for kindergarten facility grants from \$750 million to \$600 million (non-Proposition 98 General Fund). The LAO notes that the May Revision limits grants to districts interested in converting part-day programs to full-day programs, which is a more targeted approach to meeting the objective of creating more full-day programs. The LAO recommends that the Legislature further target the grants by earmarking them only for low-income districts and consider funding the program at a lower amount.

**Educator Workforce Investment Grant.** The LAO notes that first, professional development for teachers is commonly funded using Proposition 98 monies, but this proposal uses non-Proposition 98 monies. The Legislature may wish to consider whether teacher training is among its highest priorities for non-Proposition 98 funds. Second, the state funds most professional development indirectly through LCFE and the statewide system of school support. The administration has not made an explicit case that funding through these other means is insufficient. Third, the administration has not made a clear case that the proposed focus areas (such as social emotional learning and computer science) are the areas where teachers statewide have the greatest need for additional training. Computer science, for example, is already a required course for teachers prior to receiving their clear teaching credential. If the Legislature does want to provide professional development funding in specific classroom areas, the

LAO notes it may want to develop a clear methodology for selecting which areas are of highest statewide priority. For example, the Legislature may want to use the School Dashboard outcomes to identify areas where districts have poor outcomes. Lastly, the Legislature may want to consider giving priority for teacher professional development to districts receiving differentiated assistance under the statewide system of support.

**School Technology.** The LAO notes concerns with the May Revision proposal to provide broadband infrastructure grants. Specifically, the proposal does not clearly defining what it means to be a poorly connected school. The administration also has not provided a needs assessment examining which schools currently are poorly connected, where they are located, and the number of students they serve. The administration has not provided a fiscal analysis examining what connectivity options are available for these schools, the associated costs, and the potential fund sources. The proposal has no benchmark for what the grant funding is intended to achieve—that is, what level of connectivity improvement (or increase in Internet speeds) is sought. The proposal has no method for tracking progress towards the goal of increasing digital learning opportunities in schools. The LAO notes that if the Legislature wishes to consider the proposal, the Legislature may wish to define “poor connectivity” for schools, allow schools to use whichever method of connectivity is most cost-effective in their area for achieving the program’s goal, instead of limiting the grants only to fiber solutions, and add reporting language to enhance legislative oversight.

### **Child Care and Early Childhood Education**

- **Child Care for School-Aged Children.** The May Revision includes \$80.5 million ongoing Proposition 64 Cannabis Funding to provide subsidized child care slots to low-income eligible families.
- **State Preschool Program Expansion.** The May Revision amends the Governor’s Budget proposal to increase state preschool by 10,000 slots per year for the next three years, by including only the first year investment of 10,000 slots in the budget. The addition of the remaining 20,000 slots would be determined based on the proposed Master Plan for Early Learning and Care.
- **CalWORKS Stage 1 Increase.** The May Revision includes \$40.7 million in 2019-20 (\$50.4 million in future years) in General Fund to provide 12 months of child care for CalWORKS recipients in Stage 1.
- **Emergency Child Care Vouchers.** The May Revision includes \$12.8 million in federal funds for a pilot program to allow alternative payment agencies to provide emergency child care vouchers to eligible families in need of temporary assistance.
- **Caseload Funding Adjustments.** The May revision increases funding for CalWORKS Stages 2 and 3 child care by \$38.2 million, reflecting changes in caseload adjustments, likely related to recent policy changes to increase income ceilings and allow for 12-month eligibility.

### **Legislative Analyst’s Office Comments on Early Education and Childcare**

**State Preschool Program.** The LAO notes that the May Revision moves the start date for new State Preschool slots from July 2019 to April 2020. The LAO recommends adopting the later start date to give

---

the California Department of Education (CDE) time to review applications and make program awards. The LAO notes that with fewer expanded slots, the elimination of the work requirement for full-day preschool would result in fewer total children being served and fewer working families being served (as lower-income nonworking families would receive priority for full-day slots). The LAO continues to recommend the Legislature keep the work requirement to ensure the program supports working families with their child care needs. Finally, the LAO notes that removing the work requirement eliminates the ability of the state to use federal funds for full-day State Preschool and limits flexibility with the use of federal funds.

**One-Time Facility, Workforce, and Planning Initiatives.** The LAO notes that while the May Revision continues to include \$500 million (one-time non-Proposition 98 General Fund) for improvements to the state's child care system, the Administration makes some changes to the proposed trailer bill language. Specifically, the administration intends to allocate most of the one-time funds based on the recommendations of a master plan, without giving the Legislature any role in the development of the plan. The LAO notes that the Legislature may want to determine whether its priorities align with the recommendations of the master plan before allowing the administration to move ahead with allocating funds and notes that the Legislature could require the administration to submit expenditure proposals as part of the regular budget process. The LAO continues to recommend rejecting the \$10 million the Governor proposes to use to develop a master plan. If the Legislature wants to fund studies to inform future decisions, the LAO recommends the Legislature designate \$1 million each for two focused studies, one on childcare facilities, and one on accessibility.

**Emergency Child Care Pilot Program.** The LAO reviewed the emergency child care pilot program included in the May Revision and notes that the Legislature may wish to consider other uses for the funds. With the funds used for the pilot, the state could add 1,300 Alternative Payment slots. Alternatively, the state may want to implement the pilot program given the uncertainty regarding whether the federal augmentation will be ongoing. Conversely, if funds were available on an ongoing basis and the program was found to be effective in providing stability for families in emergency situations, the state could consider continuing the program. If the Legislature wishes to fund the program, it may wish to consider additional reporting requirements to better evaluate the program.

**General Child Care Slots.** The LAO notes that, the administration specifies its intent to use a portion of revenues from Proposition 64 (marijuana legalization) for General Child Care slots for school-aged children. The administration estimates \$80 million would be allocated to General Child Care slots in 2019-20. The amount is expected to fluctuate but generally grow over time. Revenue from Proposition 64 is continuously appropriated, so allocations will not be included in the *2019-20 Budget Act* or associated trailer bill. The LAO notes that given certain language in Proposition 64, the Legislature's role in directing the use of associated revenue is unclear. The LAO recommends that the Legislature seek additional information, including: (1) whether CDE plans to award these funds through a separate application process with potentially separate rules, effectively creating a detached General Child Care program; and (2) whether providers would be allowed to comingle Proposition 64 funding for General Child Care with other state and federal funding currently supporting the program.

---

**California Community Colleges (CCC)**

- **Student Centered Funding Formula.** The May Revision proposes to extend the existing hold harmless provision of the Student-Centered Funding Formula by an additional year from 2020-21 to 2021-22. Under this proposal no district will receive less funding than they received in 2017-18 with cost-of-living adjustments for each year until 2021-22.

The May Revision summary notes that the Administration plans to work with the Chancellor's Office and stakeholders to explore revisions and recommendations to the formula, with the intent that the revisions will be considered in the 2020-21 budget process.

- **Chancellor's Office State Operation.** The May Revision proposes an increase of \$381,000 ongoing non-Proposition 98 General Fund for three new positions at the Chancellor's Office. These positions will support the Chancellor's Office's accounting office, monitor districts' fiscal health and provide technical assistance to districts in need.
- **Cost-of-Living Adjustment.** The May Revision proposes decrease of \$18.3 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment (COLA) from 3.46 percent to 3.26 percent.

As a result of a smaller COLA, several program adjustments are made. Specifically, compared to the January budget, the Adult Education Program is proposed to decrease by \$1 million Proposition 98 General Fund. Additionally, funding for Disabled Student Programs and Services program, the Extended Opportunity Programs and Services program, the Apprenticeship program, the Student Services for CalWORKs Students program, the Mandate Block Grant program, and the Campus Child Care Tax Bailout program is proposed to decrease by \$860,000 Proposition 98 General Fund total.

- **California College Promise.** Compared to the January budget, which proposed \$40 million to expand the California Promise Program to a second year, the May Revision proposes an increase of \$5.2 million Proposition 98 General Fund to support the existing first year and proposed second year of the California College Promise due to updated estimates.
- **Student Success Completion Grant.** The May Revision proposes an increase of \$7.5 million Proposition 98 General Fund on top of the \$11 million increase proposed in January to reflect revised estimates of participation in the program.
- **Deferred Maintenance.** The May Revision proposes \$39.6 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
- **Foster Care Education Program.** The May Revision proposes \$400,000 ongoing Proposition 98 General Fund to backfill a projected loss in federal matching funds.
- **Technical Adjustments.** The May Revision proposes an increase of \$76.7 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues, and a decrease of \$15.7 million Proposition 98 General Fund as a result of increased offsetting student enrollment fees.

**Legislative Analyst's Office Comments on California Community Colleges**

**State Operations.** The LAO continues to have concerns with the lack of transparency regarding how the Chancellor's Office is using the \$2.6 million in General Fund staffing augmentations it received over the past two years. To date, the Chancellor's Office has not been able to report on the new positions hired with those funds (indicating that a recent reorganization has made tracking of positions more difficult). Given this information is not available, the LAO is concerned that any further augmentations for staffing might not be used for their intended purposes.

The Legislature could authorize the new positions proposed in the May Revision without adding funding, effectively encouraging the Chancellor's Office to fill the unspecified staff positions funded last year with the specific positions requested this year. Regardless of whether new funding is provided, we recommend the Legislature add provisional language to any new positions stating their specific purpose, thereby helping to ensure the Legislature's objectives are met. The Legislature also may want to consider requiring the Chancellor's Office to report on how it has spent recent budget augmentations and how it has reorganized its operations to better support community colleges. Better staffing information would help the Legislature in assessing future budget change proposals.

**Extends A Hold Harmless Provision Through 2021-22.** The LAO does not see a strong rationale for why the hold harmless provision needs to be extended for an additional year at this time. Moreover, colleges already have a hold harmless provision in place for 2019-20 and 2020-21 under existing law, such that no urgency exists for deciding now whether to keep the hold harmless provision in place for a fourth year. The LAO recommends the Legislature make no changes to the existing hold harmless provisions at this time. Extending the hold harmless provision will come at an added cost to the state in 2021-22 (likely increasing costs by tens of millions).

**Staff Recommendation.** Hold all items open.