

The Governor’s 2018-19 May Revision Budget Proposal

On May 11th, Governor Brown released the 2018-19 May Revision Budget Proposal. Although tax collections exceeded what the Governor projected in January, he continues to be prudent by focusing on building reserves and limiting ongoing obligations.

The May Revision shows increased General Fund revenues of approximately \$8 billion, but the growth to Proposition 98 is only about 10% of that figure from January to May with an increase of approximately \$720 million split out over three years (2016-17, 2017-18 and 2018-19).

As with the Governor’s January budget proposal, the May Revision proposes to fully fund the LCFF gap two years ahead of schedule. The May Revision increases funding for the Local Control Funding Formula (LCFF) by an additional \$320 million, enough to fund the projected statutory cost-of-living adjustment (COLA) of 2.71 percent, as well as provide a \$166 million increase to the LCFF base grant.

In addition, the Governor’s January budget proposal included almost \$1.8 billion in discretionary one-time Proposition 98 funding for school districts, county offices of education and charter schools. The May Revision proposes an additional \$286 million, providing more than \$2 billion in total one-time discretionary dollars to schools in 2018-19.

The Governor’s May Revision also includes a package of provisions that include: 1) the certification of the Proposition 98 Guarantee within nine months following the close of the fiscal year 2) a continuous appropriation for the LCFF and COLA, and 3) a re-bench of the Proposition 98 Guarantee in the 2015-16 fiscal year to reflect the inclusion of additional child care wraparound services that were funded within the Guarantee beginning in 2015-16.

The Legislature has until June 15th to pass a balanced budget, and the Governor then has until June 30th to sign it.

Child Care and State Preschool

2018-19 May Revision	
COLA	2.71% - up slightly from the January proposal and an increase of \$4 million to fund. (\$2.2 million in Prop 98, \$1.8 in non-Prop 98.)
CalWORKs	May Revision increases CalWORKS investments by \$104 million to reflect changes in the caseload.
Early Math Initiative	New in the May Revision: one-time \$11.8 million to increase federal funds to support an Early Math Initiative including professional learning and coaching for educators, as well as additional math learning opportunities for pre-K through grade 3.
Temporary Assistance for Needy Families (TANF)	A decrease of \$42.2 million federal TANF offset by an increase of \$42.2 one-time Prop 98 dollars to provide backfill for the reduced funding.

K–12 Education

2018-19 May Revision	
COLA	2.71 statutory COLA and an increase of \$320 million to fund.
Local Control Funding Formula (LCFF)	An additional \$166 million (.29%) to create an effective 3% COLA to LCFF base funding, class-size reduction and grade span adjustment. LCFF will reach 100% implementation in 2018-19, two years ahead of schedule.

Proposition 98	Relative to the January proposal, Prop 98 funding is up by \$252 million in 2016-17, \$407 million in 2017-18, and \$68 million in 2018-19. The governor is assuming that Average Daily Attendance (ADA) will remain flat. The May Revision also recommends a continuous appropriation (as was the practice during Revenue Limits) as well as a revised certification process.
Community Engagement Initiative	\$13.3 million one-time Prop 98 funding to create the Community Engagement Initiative, a statewide system to support school districts as they engage with local communities in the development of their Local Control and Accountability Plans (LCAPs).
Discretionary Funds/Mandate Reimbursement	\$2 billion in one-time discretionary funds, which equates to approximately \$344 per ADA. This is an increase of \$286 million to the \$1.8 billion proposed in January. As in past years, these dollars are to offset outstanding local mandates as well as for use as districts, county offices of education and charter schools choose.
Career Technical Education	The May Revision includes clarification to the January proposal of \$200 million to establish the K-12 specific component of the community college-administered Strong Workforce Program.
County Offices of Education (COE)	COLA increases to 2.71% from 2.51%. Any COE that is above its target by more than 2.71% will receive no additional funding through the formula in 2018-19.
Special Education	COLA increases to 2.71% from 2.51%. The May Revision maintains the following proposals: <ul style="list-style-type: none"> - \$10 million ongoing for Special Education Local Area Plans (SELPA) to work with COEs to provide technical assistance to improve student outcomes. - \$100 million in one-time funding for programs to recruit and retain special education teachers. - \$167.2 million in one-time funding to establish an "Inclusive Early Education Expansion Program" for low income children ages 0 to 5.

Adult Education

2018-19 May Revision	
Adult Education Block Grant Program	An increase of \$1 million Prop 98 money to reflect the change in COLA from 2.51% to 2.71%. The total of additional funding for Adult Ed is \$21.5 million.

Community College

2018-19 May Revision	
COLA	2.71% statutory COLA.
Full-Time Equivalent Students	An increase of \$73.7 million in Prop 98 money, including \$46.9 million to reflect the amount of Full-Time Equivalent Students (FTES) earned back by community college districts that declined in enrollment during the previous three years.
Student Success & Support Program, Student Success for Basic Skills Program, & Student Equity Program	Combines these three programs into one with the caveat that no district would receive less than they did in 2017-18, 2018-19 and 2019-20.

Student Success Completion Grant	\$7.8 million increase in Prop 98 funds for Financial Aid Awards to reflect an increase in the number of students.
Deferred Maintenance, Instructional Equipment and Water Conservation	An increase of \$131.7 million one-time Prop 98 funds.
Student-Focused Funding Formula	There are some revised components of the January proposal, but the basics remain the same – 60% base funding allocation, 20% supplemental funding based on low-income students and 20% Student Success Incentive Metrics. The May Revision is proposing \$279 million to fund the transition – an increase of \$104 million one-time Prop 98 funding to districts whose year-over-year increase in general purpose apportionment funding would be less than the 2.71% COLA. This additional money is part of the hold harmless provision that ensures that no district will receive less in 2018-19 and 2019-20 than it received in 2017-18.
Online College	The May Revision continues to fund an online college – funding remains flat from January at \$120 million. There are some amendments to the original proposal that include collective bargaining, a change to the governance structure to put it under the authority of the Board of Governors, and accreditation among others.

University of California

2018-19 May Revision	
Deferred Maintenance	\$100 million in one-time general fund dollars to support deferred maintenance.
Mental Health Graduate Medical Education	\$55 million in one-time general fund dollars.
Anti-Bias Training	\$1.2 million one-time general fund increase for a two-year pilot program at UC and CSU in anti-bias training.

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