

The 2019-2020 Proposed California State Budget

Governor Newsom unveiled his first proposed budget on January 10th. He inherited a strong economy and made proposals based on the assumption that the economic expansion would continue. His “A California for All” budget projects a \$21.4 billion surplus. This budget makes significant investments in early childhood, releases bond money for school facilities, pays toward CalSTRS unfunded liabilities and creates a “cradle to career” student data system. The governor also added \$1.8 billion to the “rainy day fund” bringing it to \$15.3 billion from \$13.5 billion as well as \$700 million to the Safety Net Reserve bringing it to a total of \$900 million.

Education Proposals:

Proposition 98

		Notes
Increase over last year	Approximately 3.6% which is enough to cover COLA, but not much else. This is an increase of \$2.8 billion and brings Prop 98 funding to a total of \$80.7 billion. The Prop 98 split will be 89.07% for K-12 and 10.93% for Community Colleges.	However, non-Prop 98 funding is helping districts with some immediate financial needs.
Decreases in Prop 98	The minimum guarantee has declined for both 2017-18 and 2018-19 due to drop in overall ADA and year-over-year decline in General Fund revenue growth.	However, funding remains level for 2017-18 and 2018-19 due to maintaining a \$44 million over-appropriation in 2017-18 and using settle-up payments to offset otherwise unfunded 2018-19 obligations.

K–12 Education

		Notes
COLA	Statutory COLA is set at 3.46%. See table at the end of this document for out-year COLA rates.	COLA is estimated in the January proposal, but in early May the Department of Commerce will calculate the Implicit Price Deflator for state and local governments to use. There is a good chance that the COLA will change by the May revised budget.
Local Control Funding Formula (LCFF)	An addition of \$2 billion brings the LCFF funding to \$63 billion. This is an increase of approximately \$2 billion to cover the COLA. This covers the base, supplemental and concentration grants.	There is no adjustment to the LCFF base, but legislation has been introduced to address this crucial issue.
Categorical Funding	The remaining categorical programs that are outside of the LCFF also received COLA of 3.46%.	Targeted Instructional Improvement Grant (TIIG), Transportation and Economic Recovery Targets did not receive COLA. See table of COLA rates below.
Per-Pupil (ADA) Funding	Prop 98 per pupil spending is \$12,003. Prop 98 and non-Prop98 per pupil spending is at \$17,160. This is up from \$11,568 and \$16,857 respectively. ADA is currently estimated to be 5,928,175 for 2019-2020 – down from the 2018-19 figure of 5,935,229.	Non-Prop 98 spending includes State Lottery and Special Funds, Federal Funds, Local Miscellaneous Funds and Revenues Collected (e.g., parcel taxes, developer fees, interest, etc.) The \$3 billion payment to STRS in the 2019-2020 budget was allocated to 2018-19 since it was one-time funds available from that year.

Proposition 51	Sale of an additional \$1.5 billion in Proposition 51 bonds to support State Facility Program including new construction, modernization, Career Technical Education and the Charter School Facilities programs.	
CalSTRS	\$3 billion one-time non-Prop 98 money will be sent to CalSTRS on behalf of local education agencies and community colleges to buy down the employers' contribution rates. \$700 million in 2019-2020 and 2020-2021 which will reduce the employer rate by 1% each of those years. \$2.3 million will be applied toward employers' long-term unfunded liability. This is estimated to lower the out years by approximately one-half of one percent.	This frees up the percentage of the certificated salary expenditures that the district would have spent on STRS contributions. See rates at end of document.

Special Education

		Notes
COLA	3.46% statutory COLA.	COLA is estimated in the January proposal, but in early May the Department of Commerce will calculate the Implicit Price Deflator for state and local governments to use. There is a good chance that the COLA will change by the May revised budget.
Expanded Special Education Services	\$576 million (of which \$186 million is one-time) to support expanded special education services and school readiness at districts with a high percentage of both students with disabilities and a high unduplicated percentage. More info to follow in trailer bills.	This money will be sent directly to the local education agency (LEA) and not through the Special Education Local Plan Area (SELPA). It is intended for use outside the individualized education program (IEP). Details are not yet available about the allocation of these dollars.

County Offices of Education (COE)

		Notes
COLA	3.46% COLA to County Offices of Education unless the COE is funded beyond the target allocation.	COLA is estimated in the January proposal, but in early May the Department of Commerce will calculate the Implicit Price Deflator for state and local governments to use. There is a good chance that the COLA will change by the May revised budget.

Early Childhood

		Notes
COLA	3.46% COLA to reimbursement rates.	COLA is estimated in the January proposal, but in early May the Department of Commerce will calculate the Implicit Price Deflator for state and local governments to use. There is a good chance that the COLA will change by the May revised budget.

State Preschool	\$125 million non-Prop 98 funds to increase access to subsidized full-day, full-year state preschool for four year-old children. (Approximately 180,000 slots)	Additional increases were proposed in succeeding years to provide access for all low-income four-year-olds by 2021-22.
Facilities	\$750 million one-time non-Prop 98 funding to construct new or retrofit existing facilities for full-day kindergarten programs.	
Child Care Infrastructure and Child Care Workforce	\$500 million one-time General Fund to build child care infrastructure, including investing in child care workforce.	

Adult Education

		Notes
COLA	\$18 million to cover the 3.46% COLA which follows two-year's worth of COLA allocated last year. This brings the total Adult Education funding up to \$545 million from the \$500 million of 2017-2018.	COLA is estimated in the January proposal, but in early May the Department of Commerce will calculate the Implicit Price Deflator for state and local governments to use. There is a good chance that the COLA will change by the May revised budget.

Community College

		Notes
COLA	Statutory COLA is set at 3.46%.	COLA is estimated in the January proposal, but in early May the Department of Commerce will calculate the Implicit Price Deflator for state and local governments to use. There is a good chance that the COLA will change by the May revised budget.
Full Time Equivalent Students (FTES) and Per FTES Funding	FTES raised to 1,136,214 from 1,131,757 last year. Funding per FTES is at \$7,683 up from \$7,489 in 2018-19.	
Enrollment Growth	\$26 million for 0.55% enrollment growth.	
Student Centered Funding Formula (SCFF)	\$111.6 million in base adjustments added to 2018-19 budget and a \$248 million increase for 2019-20. Funding for 2019-20 will be based on 2018-19 plus COLA.	
Undocumented and Immigrant Students, Faculty and Staff	\$10 million to provide legal services.	
College Promise	\$40 million to fund a second year of Community College for first-time, full-time students.	
Part-Time Faculty Office Hours	Back down to \$12.7 million.	There was a one-time \$50 million augmentation in 2018-19.

Full-Time Faculty Hiring Part-Time Faculty Compensation	\$50 million each – no change from previous year.	
Cal Grants	Increase from \$1,468 to \$6,000 for Cal Grants to help 29,000 students in higher education system that are parents.	
CalSTRS	\$3 billion one-time non-Prop 98 money will be sent to CalSTRS on behalf of local education agencies and community colleges to buy down the employers' contribution rates in 2019-20. \$700 million in 2019-2020 and 2020-2021 which will reduce the employer rate by 1% each of those years. \$2.3 million will be applied toward employers' long-term unfunded liability. This is estimated to lower the out years by approximately one-half of one percent.	This frees up the percentage of the certificated salary expenditures that the district would have spent on STRS contributions.

University of California

		Notes
Operational Costs	\$240 million ongoing General Fund for operational costs.	This includes money to increase student success, improve student mental health services and better address student hunger and homelessness.
Deferred Maintenance	\$135 million one-time General Fund to address maintenance backlog.	
Expanded Degree Completion	\$15 million in one-time funding to support expanded degree completion and certification programs at UC extension centers.	

Projected COLA Rates

2018-19	2019-20	2020-21	2021-22	2022-23
2.71%*	3.46%	2.86%	2.92%	2.90%

*In 2018-19, statutory COLA was 2.71%, but due to an infusion of an additional \$650 million dollars to close the LCFF gap, the effective COLA for K-12 LCFF was 3.70%.

CalSTRS Rates

	2018-19	2019-20	2020-21	2021-22	2022-23
Current employer rate	16.28	18.13%	19.10%	18.60%	18.10%
Governor's Proposal	16.28	17.10%	18.10%	18.10%	17.60%