



Legislative Update

May 10, 2019

Education Highlights from the Governor's 2019-20 May Budget Revision

Governor Newsom released the May Revision to the 2019-20 State Budget yesterday. The state's revenue estimates are \$3.2 billion above January estimates through 2019-20. Most of these increases are going toward constitutionally required reserves, debt repayment and increases to several of the governor's education priorities outlined in his January proposal, including early childhood education, special education and educator training.

Although the California economy continues to be strong, Governor Newsom offered words of caution at the press conference on the release of the May Revision. Seeing dark clouds on the horizon, he followed in the footsteps of Governor Brown and was prudent with the additional dollars that resulted from higher than expected personal income and corporate tax returns.

The total state budget plan, including special funds, totals \$213.5 billion. The governor proposes to fund the Proposition 98 minimum guarantee with \$81.1 billion in 2019-20. Total funding for education, would make up 45% of the state's general fund.

Proposition 2, approved by California voters in 2014, requires the state to set aside money in a Rainy Day Fund. The May Revision includes adding an additional \$1.2 billion into the Rainy Day Fund in 2019-20. By the end of 2020-21, it is expected that the state will have \$16.5 billion in the Rainy Day Fund – reaching its constitutional cap of 10% of the general fund reserves 2 years earlier than projected in January.

For the first time, money will be deposited into the Public School System Stabilization Account, also created under Proposition 2. Under certain criteria, this would trigger a cap on school district reserves with over 2,500 ADA of no more than 10%. One criterion for this trigger is that the amount deposited be 3% or more of the guarantee. The amount, \$389 million, does not equal 3% of the guarantee, so there will be no trigger for the school district reserve cap in 2020-21.

The proposal includes \$4.5 billion to eliminate debts and reverse deferrals. The budget also includes some Proposition 98 settle-up that was not proposed in the January budget. This marks the first time in over a decade that all budgetary debts are completely paid off.

EC/TK-12 Proposals

- Proposition 98 grew \$700 million over three years from the January proposed budget. Up \$74 million in 2017-18, \$278.8 million in 2018-19 and \$389.3 million in 2019-20. Proposition 98 dollars for 2019-20 will equal \$81.1 billion.
- Statutory COLA dropped slightly from the January budget from 3.46% to 3.26%.
- The May Revision proposes to allocate \$696.2 million in ongoing Proposition 98 dollars for special education. This is an additional \$119.2 million from the January budget proposal. The January proposal was all one-time money, and the May Revision proposal changes this to ongoing dollars. The criteria to qualify for the grant has not changed and is based on having a higher than the state average number of students with disabilities and at least 55% unduplicated students who are low income, English learners or foster youth.
- A new loan forgiveness program, the Teacher Service Credit Scholarship Program, was created and will be allocated \$89.9 million one-time non-Proposition 98 dollars to provide an estimated 4,500 student loan assumptions up to \$20,000 for newly credentialed teachers who agree to work in high-need schools for at least four years. Funds will be prioritized for teachers in hard-to-hire subject matter areas (special education and STEM) and school sites with the highest rates of non-credentialed or waiver teachers.
- The May Revision includes \$44.8 million in one-time non-Proposition 98 dollars to provide training and resources for classroom educators, including teachers and paraprofessionals, to build their capacity around inclusive practices, social emotional learning, computer science and restorative practices.
- The payment toward school districts' and community colleges' CalSTRS obligation was raised for the 2019-20 year by \$150 million for a total of \$3.15 billion. This will lower their 2019-20 contribution rate from 18.1% to 16.7% - freeing up dollars for other uses.
- The Classified School Employees Summer Assistance Program is being funded for an additional year at \$36 million one-time Proposition 98 dollars. This program allows classified employees to save money throughout the year to be used during the summer months and provides a state match.
- The governor's January budget proposal included increasing access to the existing State Preschool program by providing 30,000 full-day, full-year State Preschool slots for eligible low-income four-year-olds. The May Revision moves the release of the first 10,000 slots to April 1, 2020. It also postpones the release of the additional 20,000 slots given the uncertain economic forecast.
- The governor's January proposal included \$750 million in one-time non-Proposition 98 dollars to assist schools in constructing or retrofitting facilities to expand access to full-day kindergarten programs. The May Revision adjusts the proposal to \$600 million one-time non-Proposition 98 dollars. The focus is to provide these dollars to districts to convert from part-day to full-day kindergarten programs.
- The May Revision includes \$80.5 million from the Cannabis Fund to subsidize child care for school-age children from income-eligible families. Also included are increases in funding for CalWORKs Stages 2 and 3 child care of \$38.2 million ongoing for a total of \$157.5 million in additional funding in 2019-20, reflecting an increase of almost 14,000 children in these programs.

- The May Revision maintains the funding structure adopted in the 2018 Budget Act to fund Career Technical Education through the existing \$150 million ongoing Proposition 98 allocation for the CTE Incentive Grant Program and \$250 million in ongoing Proposition 98 funds for the Strong Workforce Program administered by the Community College Chancellor's Office. The May Revision does not propose new augmentations for either program.
- The May Revision proposes \$15 million in one-time non-Proposition 98 funds for broadband infrastructure and \$1 million one-time non-Proposition 98 dollars to establish a state Computer Science Coordinator.

Community College Proposals

- Statutory COLA dropped slightly from the January budget from 3.46% to 3.26%.
- Community Colleges' Student-Centered Funding Formula (SCFF) is still in need of some technical adjustments, and the May Revision commits to working with the Chancellor's Office and stakeholders to explore revisions and recommendations. The May Revision extends the existing hold harmless provision by an additional year to 2021-22. The state does not anticipate a deficit factor for the SCFF.
- In addition, an increase of \$39.6 million in one-time Proposition 98 dollars was allocated for deferred maintenance, instructional equipment and specified water conservation projects.
- An increase of \$5.2 million was added to fund the California College Promise to support the existing first year and proposed second year of free tuition.
- The May Revision proposes an increase of \$7.5 million Proposition 98 funds for the Student Success Completion Grant.

University of California (UC) Proposals

- The governor's January proposal provided \$240 million ongoing and \$153 million one-time investments to the UC system with the expectation that the UC would not raise tuition in the 2019-20 fiscal year. Since the Board of Regents voted to not raise tuition, these funding levels remain.
- Building upon the governor's January budget proposal of \$15 million ongoing dollars to address student food and housing insecurity, the May Revision proposes \$3.5 million ongoing general fund dollars to support rapid rehousing of homeless and housing insecure students.
- The May Revision includes \$25 million one-time general fund dollars to support the UC Retirement Program.

This report was developed by the CFT Legislative and Research Departments. Please contact Ron Rapp, CFT Legislative Director, at rrapp@cft.org or Joanna Valentine, CFT Research Director at jvalentine@cft.org with questions.