

BUDGET BRIEF

2019-20 Final Budget Includes Special Education Funding Relief and New Charter Requirements

On June 27, Governor Gavin Newsom signed [Assembly Bill 74](#), the final Budget Act for the 2019-20 fiscal year. The Education Trailer Bill to the budget, [Senate Bill 75](#), provides the policy provisions necessary to implement the budget. The Governor signed SB 75 on July 1. This Brief provides a summary of the Education highlights and issues that impact charter schools. A [budget summary](#) of the entire state budget is available on the state Department of Finance website.

Overall Budget:

The final 2019-20 budget reflects moderate economic growth for California, but the Governor cautions that even a moderate recession could result in significant revenue declines. The Budget adopts the economic assumptions that were reflected in the May Revision to the Governor's Budget plan, including increases to reserves and to the Proposition 98 K-14 school funding guarantee, for a total budget of \$214.8 billion, of which \$147.8 billion is General Fund.

K-12 Education:

The Budget includes total funding of \$103.4 billion (\$58.8 billion General Fund and \$44.6 billion other funds) for all K-12 education programs. The budget includes an increase to the Proposition 98 guarantee of \$2.9 billion since 2018-19 for a total of 81.1 billion. Of these new funds, \$376.5 million is dedicated to the first payment to the Proposition 98 reserve fund as required under Proposition 2 (2014).

For charter schools, the SB 740 Facility Grant Program remains funded at the 2018-19 level of \$136.8 million. Other adjustments for K-12 education include:

- The Cost of Living Adjustment (COLA) for K-12 programs, including the Local Control Funding Formula (LCFF) is 3.26 percent.
- \$645.3 million in new ongoing Proposition 98 General Fund for special education.
- \$376.5 million is set aside for the first payment to the Proposition 98 reserve fund as required under Proposition 2 (2014).
- The Trailer Bill contains additional requirements on charter accountability and teacher credentialing.

Proposition 98

The provisions of Proposition 98 (1988) establish a minimum funding guarantee for TK-community college education based on complex calculations and interactions of a number of economic and demographic variables. The 2019-20 budget provides a Proposition 98 school funding guarantee of \$81.1 billion for the 2019-20 fiscal year. The funding guarantee also experiences some minor adjustments for 2017-18 and 2018-19. The final budget adopted the same Proposition 98 guarantee amounts that were reflected in the May Revision.



Proposition 98 Guarantee			
2019-20 Governor's Budget to May Revision			
(Dollars in Billions)			
	2017-18	2018-19	2019-20
Total P-98 Final Budget	\$75.58	\$78.15	\$81.06

Local Control Funding Formula (LCFF)

The final budget provides \$1.9 billion more for LCFF to enact a Cost of Living Adjustment (COLA) of 3.26 percent. This is the same COLA amount that was proposed in the May Revision. Below are the estimated rates, supplements and multipliers under the LCFF for 2019-20 to reflect the COLA. The budget also made a change to provide LCFF funding as a continuous appropriation which will provide more stability for future LCFF funding. There are no other adjustments to LCFF.

LCFF Funding Element	LCFF Amounts for 2019-20
Grade TK-3 Base	\$7,702
Grade K-3 Grade Span Adjustment	\$ 801 (10.4% of K-3 target)
Grade 4-6 Base	\$7,818
Grade 7-8 Base	\$8,050
Grade 9-12 Base	\$9,329
Grade 9-12 Grade Span Adjustment	\$ 243 (2.6% of 9-12 target)
Supplement per unduplicated Free or Reduced Priced Meal Eligible Pupil, English Learner or Foster Youth	20% of average base and add-on funding per eligible ADA
Concentration Supplement per pupil above 55% of the lesser of total district or charter percent high need	50% of average base and add-on funding per eligible ADA above 55%

LCFF Tools: The information above provides the estimated component rates for 2019-20. However, additional LCFF resources are available at the LCFF tab on CCSA’s [budget web page](#). One of the tools available is the [LCFF Calculator](#), a downloadable interactive spreadsheet developed by the state Fiscal Crisis and Management Assistance Team (FCMAT) to assist schools in estimating LCFF funding.

In building budgets, charter schools should also include non-LCFF funding sources in their budget planning such as federal funds, special education funds, the mandate block grant, one-time block grants, facility grants, and any other funding the school may receive.

Other Budget Adjustments

SB 740 Charter Facilities: The Charter School Facility Grant Program continues to be a cornerstone of support for charter schools in leased facilities. In 2018-19, funding for the program was increased by nearly \$25 million. However, the final budget retains funding at about \$136.8 million. The maximum allowable per-pupil rate will increase from \$1,147 in 2018-19 to \$1,184 in 2019-20. Because there is no additional funding this year, a shortfall would result in schools having their award reduced proportionately to match available funds. More program information can be found at the website of the [California School Finance Authority](#).

Special Education: The Budget includes \$645.3 million in new ongoing Proposition 98 General Fund for special education. Specifically, in addition to a COLA of 3.26 percent for state special education funding



under AB 602, the Budget includes \$152.6 million to provide all Special Education Local Plan Areas (SELPA) with at least the statewide target rate for base special education funding, approximately \$557 per unit of average daily attendance, under the existing special education funding formula. The Budget also includes \$492.7 million for special education allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving. Finally, the Budget includes \$500,000 one-time non-Proposition 98 General Fund to improve state agency coordination to increase local educational agencies' ability to draw down federal funds for medically-related special education services and to improve the transition of three-year-olds with disabilities from regional centers to local educational agencies.

Afterschool Programs: The Budget includes \$50 million ongoing Proposition 98 General Fund to provide an increase of approximately 8.3 percent to the per-pupil daily rate for ASES (increasing this rate from \$8.19 to \$8.87 per day) to offset costs related to recent increases in the state's minimum wage.

Teacher Support: The Budget includes \$89.8 million one-time non-Proposition 98 General Fund to provide up to 4,487 grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years. Funds will be provided to qualifying individuals in hard-to-hire subject matter areas and school sites with the highest rates of non-credentialed or waiver teachers. The Budget also includes \$43.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including \$37.1 million for the Educator Workforce Investment Grants for teachers and paraprofessionals, and \$6.7 million for the California Subject Matter Projects.

Full Day Kindergarten Facilities: The Budget includes \$300 million one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

Mandate Block Grant: For 2019-20, the K-12 Mandate Block Grant rates will receive the COLA of 3.26 percent. This will offer \$16.86 per K-8 ADA, and \$46.87 per 9-12 ADA to charter schools that choose to participate. Charter schools must notify the California Department of Education (CDE) each year they choose to receive these funds in lieu of filing mandate claims with the State Controller. Because charter schools are not otherwise able to receive mandate reimbursement, we encourage all charter schools to apply for these funds.

State Retirement Contributions: In 2014, the state increased CalSTRS teachers' retirement contribution rates for employers incrementally from 8.25 percent in 2013-14 to 19.1 percent in 2020-21 (the 2018-19 rate for schools is 16.28 percent). The contribution rate for employers of California Public Employees' Retirement System (CalPERS) employees such as classified school employees, is currently expected to increase from 18.1 percent in 2018-19 to 23.6 percent by 2020-21.

Recognizing the significance of these increases on school budgets, the Budget includes a \$3.15 billion non-Proposition 98 General Fund payment on behalf of school employers to STRS and PERS. With these payments, the CalSTRS employer contribution rate will decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.4 percent in 2020-21. The payments will decrease the CalPERS school employer contribution rate from 20.7 percent to 19.7 percent in 2019-20 and from 23.6 percent to 22.9 percent in 2020-21. The remaining \$2.3 billion will be paid toward the employers' long-term



unfunded liability for both systems resulting in an estimated reduction in the out-year contribution rate to CalSTRS of 0.3 percentage points, and to the CalPERS Schools Pool of 0.1 to 0.3 percentage points.

Cost of Living Adjustment (COLA) Categorical Program: The K-12 COLA is 3.26 percent for 2019-20, which is applied to the LCFF and selected categorical programs such as special education, preschool mandate block grant and child nutrition. Estimated COLAs for multiple years are provided here:

Year	Estimated COLA
2017-18	1.56%
2018-19	3.70%
2019-20	3.26%
2020-21	3.00%
2021-22	2.80%

Prop 98 Rainy Day Fund: Proposition 2 (2014) established a distinct budget stabilization fund known as the “Proposition 98 Reserve” or Public School System Stabilization Account (PSSSA) and requires contributions to the fund under specific budget conditions. Funds are set aside in PSSSA for appropriation to help protect schools from funding cuts during an economic downturn. For 2019-20, the Budget includes the first constitutionally required deposit into the Account of \$376.5 million. This deposit does not initiate school district reserve caps, as the amount in the Account is not yet equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee.

Charter Accountability: The education Trailer Bill amends Education Code Section 47605 to reinforces the goals of current law related to equal access for all charter students. Specifically:

- A charter school shall not discourage any pupil from enrolling, seeking to enroll or disenrolling in the charter school for any reason, including, but not limited to academic performance, and shall not request a pupil’s records prior to enrollment.
- A charter school shall post a notice of these rights and the right to file a complaint with the school’s authorizer on their website and provide parents a copy of the notice.
- The CDE shall develop a template for use by charter schools to meet this requirement.
- The Department of Education shall examine the feasibility of using data from the California Longitudinal Pupil Assessment Data System to identify charter school enrollment disparities that may warrant inquiry and intervention by charter school authorizers.