



# BUDGET BRIEF

## 2019-20 May Revision to the Governor's Budget

On May 9, Governor Gavin Newsom released the May Revision to his budget proposal for 2019-20. The May Revision updates the fiscal projections from when the Governor first released his budget proposal in January. The Legislature will continue evaluating and debating these proposals and others before acting on a final budget by June 15. This *Brief* highlights changes made to the budget since the initial Governor's Budget proposal in January. For details on the full proposal, see our January 2019 Budget Brief at: <http://library.ccsa.org/2019/01/budget-brief-governors-budget-2019-20.html>. The full May Revision can be found at: [www.ebudget.ca.gov](http://www.ebudget.ca.gov).

### Overall Budget:

In January, the Governor's Budget reflected moderate economic growth but cautioned that even a moderate recession could result in significant revenue declines. The May Revision includes an increase in General Fund revenues of about \$3.2 billion, including increases to reserves and to the Proposition 98 K-14 school funding guarantee.

### For K-12 Education:

In January, the Budget proposed an historic level of funding for K-12 schools increasing 2019-20 Proposition 98 funding to \$80.7 billion, an increase of \$2.9 billion from the previous year. The May Revision includes an ongoing increase to the Proposition 98 guarantee of \$389 million more in 2019-20, and \$357 million in one-time adjustments from prior years. Of these new funds, \$389 million is dedicated to the first payment to the Proposition 98 reserve fund as required under Proposition 2 (2014).

For charter schools, the May Revision does not offer any specific fiscal changes. In particular, the SB 740 Facility Grant Program remains funded at the current year level of 136.8 million for 2019-20. Other adjustments for K-12 education include:

- The Cost of Living Adjustment (COLA) for K-12 programs, including the Local Control Funding Formula (LCFF) has decreased slightly from 3.62 percent in January to 3.26 percent. The May Revision makes adjustments to LCFF rates and other categorical program to reflect this change.
- \$389 million is set aside for the first payment to the Proposition 98 reserve fund as required under Proposition 2 (2014).
- Non-fiscal Trailer Bill proposals on charter accountability and teacher credentialing (discussed later).

### 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 May Revision provides a Proposition 98 school funding guarantee of \$81.1 billion for the 2019-20 fiscal year, only a slight increase from the January projection of \$80.7 billion. The funding guarantee also experiences some minor adjustments for 2017-18 and 2018-19. The following table illustrates the adjustments to Proposition 98 since January:



<b>Proposition 98 Guarantee</b>			
<b>2019-20 Governor's Budget to May Revision</b>			
<b>(Dollars in Billions)</b>			
	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Total P-98 January</b>	\$75.50	\$77.87	\$80.68
<b>Total P-98 May Revision</b>	\$75.58	\$78.15	\$81.07
<b>Change</b>	\$0.08	\$0.28	\$0.39

**Local Control Funding Formula (LCFF)**

In January, the Governor proposed a COLA of 3.46 percent to the LCFF rates. The May Revision COLA is slightly reduced to 3.26 percent, resulting in a slight reduction to the LCFF rate compared to the January proposal. Below are the estimated rates, supplements and multipliers under the LCFF for 2019-20 to reflect the COLA. The Governor does not propose any other adjustment to LCFF.

<b>LCFF Funding Element</b>	<b>LCFF Amounts for 2019-20</b>
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 at <http://library.ccsa.org/2019/01/state-budget-update.html>. One of the tools available is an LCFF simulator developed by the state Fiscal Crisis and Management Assistance Team (FCMAT) to assist schools in estimating LCFF funding. The simulator is a downloadable interactive spreadsheet that can be found at: <http://fcmat.org/local-control-funding-formula-resources>.

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 Considerations and May Revision 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 May Revision does not include any new funding for SB 740 Facility grants and 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. Without new funding, a shortfall would result in schools having their award reduced proportionately to match available funds. CCSA continues to advocate for



full funding. More program information can be found at:

<http://www.treasurer.ca.gov/csfa/csfgp/index.asp>.

**Special Education:** State special education funding under AB 602 will receive the COLA of 3.26 percent, but no other base rate increase is provided. The Governor made a slight change to his January Special Education proposal to provide a total of \$696.2 million, all in ongoing funds. This is \$119.2 million more than proposed in January. The Governor retains his proposal for these funds to expand special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students under LCFF. However, we note that Budget Subcommittees and the Legislative Analyst have expressed some skepticism about the details of this plan.

**Prop 98 Rainy Day Fund:** The May Revision sets aside \$389.3 million for the first payment to the Prop 98 rainy day fund as required under Proposition 2 of 2014. Proposition 2 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.

**Teacher Retirement Contributions:** The Governor's January Budget proposed \$3 billion to reduce employer contributions to CalSTRS from 18.13 percent to 17.1 percent in 2019-20. The May Revision provides an additional \$150 million one-time non-Proposition 98 General Fund to further reduce the employer contribution rate to 16.7 percent in 2019-20.

**Teacher Support:** The May Revision offers \$89.8 million one-time non-Proposition 98 General Fund to provide an estimated 4,500 loan assumptions of up to \$20,000 each for new teachers working in high need assignments. An additional \$44.8 million one-time General Fund is proposed to provide training and resources for classroom educators to build capacity around inclusive practices.

**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.

**Cost of Living Adjustment (COLA) Categorical Program:** The COLA decreased from 3.46 percent at the Governor's Budget to 3.26 percent. The May Revision includes a decrease of \$7.4 million Proposition 98 General Fund to selected categorical programs such as special education, preschool mandate block grant and child nutrition to reflect this change. Adjusted 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%



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### **Charter School Trailer Bill Issues**

Each year the budget contains several “Trailer Bills” which are proposed to implement the policy reflected in the budget. This year, some of these proposals directly impact charter schools.

**Charter Accountability:** The education Trailer Bill contains a new proposal for charter schools that reinforces the goals of current law related to equal access for all 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.

**Teacher Credentialing:** The Trailer Bill contains a new process for credentialing monitoring centered at the state Commission on Teacher Credentialing. The process retains primary oversight of charter credentialing compliance at the authorizer level. However, it makes some specific changes that may be problematic for some charter schools.

- Defines “core” subjects for the purpose of charter credentialing flexibility to include courses in English, mathematics, science, and social science, and specifies that a certificated employee is not otherwise legally authorized for an assignment to a course in one of these subjects unless the certificated employee holds a credential permit, waiver or other authorization for that subject.
- Appears to require charter principals and other non-teaching service positions to hold the credential for their assignment.

CCSA has raised concerns about these changes with the Governor’s Department of Finance and the Budget Subcommittees in the Legislature.

### **Next Steps**

The May Revision is the final update to economic assumptions and revenue estimates before the final budget is approved. The California State Legislature will discuss budget priorities over the next few weeks before a final plan is adopted by June 15, and may adopt, reject or amend any of the Governor’s proposals. The Governor must sign the budget before the start of the new fiscal year on July 1. CCSA will continue to work on your behalf to ensure positive budget outcomes for charter schools.