

BUDGET BRIEF

2020-21 Governor's Budget Proposal Increases Investment in K-12 Education

Highlights

On January 10, 2020, Governor Newsom released his budget proposal for the 2020-21 fiscal year. The Governor's Budget is the "kick-off" to the 2020-21 budget cycle which will result in the state budget that will take effect on July 1, 2020. The Governor's Budget Summary and detail can be found at: www.ebudget.ca.gov.

Budget Overview

Even with California's strong economy, continued growth is uncertain due to the instability in global economic markets and the nation's political climate. The budget continues to build reserves and promote a more effective government. State revenue growth is projected to be slower in each of the next four years compared to 2019-20, constraining new spending commitments. Therefore, the majority of the increased revenues are devoted to one-time spending, which enables the state to make significant investments in critical areas while also maintaining reserves, which are expected to reach \$20.5 billion. State General Fund expenditures are expected to increase about 3.4 percent to \$153.6 billion.

K-12 Education

The Proposition 98 funding for K-12 schools and community colleges for 2020-21 is \$84 billion. When combined with more than \$819 million in settle-up payments for prior fiscal years, the budget proposes an increased investment of \$3.8 billion in schools and community colleges. The Proposition 98 funding level for 2020-21 represents an increase of \$3 billion over the 2019-20 level funded in the 2019 Budget Act. The Proposition 98 funding levels for the 2018-19 and 2019-20 fiscal years increased from 2019 Budget Act levels by \$301.5 million and \$517 million, respectively.

Specifically, the 2020-21 budget proposes a \$1.2 billion augmentation to the Local Control Funding Formula (LCFF) to provide a cost of living adjustment (COLA) of 2.29 percent, approximately \$900 million for educator recruitment and training, an increase of nearly \$900 million for special education, \$600 million for targeted grants for the state's neediest schools and innovative community school models, and \$70 million to improve and strengthen school meal programs. For charter schools, the budget includes a COLA of 2.29 percent to the SB 740 Facility Grant Program, increasing the program to \$139.9 million. These and other issues are discussed in more detail below.

Proposition 98

The provisions of Proposition 98 (1988) establish a minimum funding guarantee for TK through community college education based on complex calculations and interactions of a number of economic and demographic variables. The budget contains a Proposition 98 school funding guarantee of \$84.05 billion for the 2020-21 fiscal year. Ongoing Proposition 98 expenditures for TK through grade 12 in 2020-

21 are projected to average \$12,600 per pupil, about \$496 more per pupil than in 2019-20, though individual school funding will vary based on grade span, pupil need, and program.

Proposition 98 Adjustments for the Current Year: Due to the complexity of the Proposition 98 funding guarantee, and the fiscal variables included in its calculation, the Governor's Budget includes revisions to the guarantee for 2019-20. For 2019-20, the guarantee has increased about \$517 million compared to assumptions made last June when the budget was enacted. A further increase of \$301 million is applied to the 2018-19 guarantee. These one-time funds will be used for several one-time proposals discussed below.

Proposition 98 Projection for the Budget Year: The Proposition 98 guarantee in 2019-20 is \$84 billion. This is an increase of about \$2.5 billion over the revised 2019-20 guarantee of \$81.57 billion. The Governor's proposal uses this increase to provide COLA of 2.29 percent to K-12 programs, including the LCFF, and the SB 740 Charter School Facility Grant Program and other education investments discussed below.

Proposition 98 Guarantee 2020-21 Governor's Budget (Dollars in Billions)			
	2018-19	2019-20	2020-21
Total Prop. 98	78.45	81.57	84.05

Local Control Funding Formula (LCFF)

The budget contains about \$1.2 billion Proposition 98 General Fund increase for the LCFF COLA, which brings total LCFF funding to about \$64.2 billion. The budget does not propose any other significant changes or adjustments to the LCFF formula or any increase above the required COLA. The basic architecture of the LCFF remains as originally enacted.

The LCFF provides a base target per-pupil rate for grade level span (TK-3, 4-6, 7-8 and 9-12) and additional grade span adjustments for K-3 and high school average daily attendance (ADA). Each pupil who is identified as an English Learner, or who is eligible for free or reduced priced meals (FRPM), or who is a foster youth, generates an additional supplement. Finally, in addition to the base and supplement, districts and charter schools receive an additional weighted grant if they have a high concentration of high needs pupils overall.

Below are the estimated rates, supplements and multipliers under the LCFF for 2020-21. Grade level rates per ADA are revised annually for inflation, including a 2.29 percent COLA for 2020-21. Actual funding to be received by each school will vary depending on the pupil population.

LCFF Funding Element	LCFF Amounts for 2020-21
Grade TK-3 Base	\$7,878
Grade K-3 Grade Span Adjustment	\$ 819 (10.4% of K-3 target)
Grade 4-6 Base	\$7,997
Grade 7-8 Base	\$8,234
Grade 9-12 Base	\$9,543
Grade 9-12 Grade Span Adjustment	\$ 248 (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 a brief overview of the LCFF and the estimated component rates for 2020-21. However, an additional tool available is an LCFF simulator developed by the state Fiscal Crisis and Management Assistance Team (FCMAT) to assist schools in estimating LCFF funding. The FCMAT simulator is a downloadable interactive spreadsheet that has been updated for the Governor's Budget and can be found at: <https://www.fcmat.org/lcff>.

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, facility grants, and any other funding the school may receive.

K-12 Education Funding Highlights

Cost of Living Adjustment (COLA): The education COLA for 2020-21 is estimated at 2.29 percent. This factor will likely be updated at the May Revision to the budget. The COLA provides about \$1.2 billion more for the LCFF and for several categorical programs that remain outside of the LCFF such as special education, nutrition, mandate block grant and the Charter School Facility Grant Program. The Department of Finance has projected the following COLA estimates for future years, which may assist in long term budget planning:

Year	Estimated COLA
2018-19	3.70%
2019-20	3.26%
2020-21	2.29%
2021-22	2.71%
2022-23	2.82%

Local Control Funding Formula (LCFF): The budget proposes a \$1.2 billion Proposition 98 General Fund increase for the LCFF, which reflects a 2.29 percent cost-of-living adjustment (COLA) and brings total LCFF funding to \$64.2 billion. No additional base adjustments or changes are proposed for LCFF.

Charter School Facility Grants: The budget contains a COLA of \$3.1 million (2.29 percent) for the SB 740 Charter School Facility Grant Program for a total of \$139.9 million. Based on information from the California School Finance Authority (CSFA), we estimate that even with the COLA increase, the program could experience a funding shortfall of \$13 million in the current and budget years. Without new funding, a shortfall would result in schools having their award reduced proportionately to match available funds. We will evaluate program need at the May Revision when more accurate program data is available and advocate for more funding accordingly. More program information can be found at: <http://www.treasurer.ca.gov/csfa/csfgp/index.asp>.

Special Education: In addition to a COLA for special education, the Governor's budget proposes a multi-year process to improve special education finance services and outcomes. In the current year budget,



\$654 million was provided for one-time special education uses. For 2020-21 the budget proposes to use these funds on an ongoing basis to provide a new base rate funding formula that will increase funding for lower funded local education agencies (LEA) and apply a three-year rolling average of LEA ADA for base grants, allocated through the Special Education Local Plan Areas (SELPA). While the details have not yet been made available, this proposal is expected to provide a base grant increase for all but about 100 currently higher-funded LEAs. In addition, the budget includes \$250 million for LEAs to increase or improve services for students with disabilities ages three to five, and funding for workgroups that will lead to funding reforms in the future to support improved equity, inclusion and outcomes.

Quality Teachers: The budget proposal includes a significant additional one-time investment, over \$900 million, to continue and expand on a number of existing teacher recruitment, preparation and professional development programs. We recognize that as a result of AB 1505, many current charter school teachers may choose to begin the transition to become fully credentialed. While none of these proposals explicitly target the transition of charter school teachers to obtain their full credential, eligible charter school teachers may be able to access some of these programs, such as Classified School Employees Credentialing Program, to achieve that goal. The Governor also proposes to suspend accreditation fees for LEAs that administer a teacher preparation or induction program, which may also provide relief for many charter teachers. While the details of these proposals are not yet available, specifically, these one-time investments include:

- \$350 million for Educator Workforce Investment Grants, competitive grants to LEAs to provide training in high priority topics such as special education, social emotional learning, non-discrimination and support for English Learners, and \$18 million for the California Collaborative for Educational Excellence to support these efforts system-wide.
- \$193 million for the Workforce Development Grant Program to address workforce shortages in high-need subjects.
- \$175 million to expand the Teacher Residency Program that provides one-year intensive teacher preparation in high-need subjects and communities.
- \$100 million for the Teacher Credential Award Program for \$20,000 stipends for teachers providing four years of service in a high need subject at a high need school.
- \$64.1 million to expand the Classified School Employees Credentialing Program for grants to transition classified staff to fully credentialed teachers.
- \$15 million for grants to LEAs for teachers to gain supplementary credential authorization for computer science.
- The Governor also proposes to suspend accreditation fees for LEAs that administer a teacher preparation or induction program.

School Improvement: The budget contains new grants designed to improve student achievement and encourage innovative integrated service models. The details of these programs are not yet available, but include:

- \$300 million for formula-based Opportunity Grants to the lowest performing schools and districts to support improvement efforts through the statewide system of support.
- \$300 million for competitive Community Schools grants to LEAs to implement integrated service models, including wrap-around services, collaborative leadership development and community engagement.

School Nutrition: The budget includes \$60 million to increase funding for school nutrition programs to about \$0.335 per meal and \$10 million in one-time funds for training for food service workers to promote healthier meals.

Early Education: The Governor proposes a major shift in State administration of early childhood services with the establishment of a new Department of Early Childhood Development that would combine early childhood services of the Departments of Education (except start preschool) and Social Services into a new Department. The budget would provide \$8.5 million in transition resources toward the new department that would be effective July 1, 2021. In addition, the Governor proposes:

- 2.29 percent COLA for provider reimbursement rates in State Preschool and General Child Care.
- \$75 million to expand the Inclusive Early Education Expansion Program to provide grants for facilities for preschool programs for students with disabilities.
- A net increase of \$53.8 million for caseload adjustments to CAIWORKs child care.
- \$10.3 million from the Cannabis Funds for 621 new General Child Care slots.

K-12 Average Daily Attendance (ADA): Department of Finance’s statewide K-12 ADA projections are provided in the following table:

Year	Estimated K-12 ADA	Change
2018-19	5,912,934	-0.79%
2019-20	5,905,605	-0.12%
2020-21	5,886,490	-0.32%

Minimum Wage Increase: Another issue that schools should consider in longer range budget planning is the increase in the minimum wage over the next few years to reach \$15.00 per hour. Schools will need to plan for both the wage increase, and related benefits related to wages for minimum wage employees. Some local jurisdictions may have increases not reflected here, so schools should also monitor any local action on minimum wage. The following table shows the increase in the minimum wage under state law.

Year	Minimum Wage for Employers with less than 26 Employees	Minimum Wage for Employers with 26 or more Employees
January 1, 2020	\$12.00	\$13.00
January 1, 2021	\$13.00	\$14.00
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00

Legislative Analyst’s Office Response

The State’s Legislative Analyst’s Office (LAO) has provided an initial response to the Governor’s plan. The complete LAO summary is available at www.lao.ca.gov. Overall, the LAO states that the state budget is in good shape and the Governor’s proposal is generally sound. The LAO notes however, that the Legislature may want to consider whether the Governor’s proposed contributions to reserves are sufficient and also notes that the Governor’s Budget includes a large array of proposals across many priorities and recommends that the Legislature consider whether to accept this approach or dedicate



larger sums to a smaller number of priorities. The LAO will provide a more detailed analysis of each program area, including education, in the coming weeks.

Next Steps

The Governor's Budget is only the first step in enacting the state budget. The Legislature must act on this proposal, and will no doubt have its own priorities and ideas for managing the state's finances. The Department of Finance is expected to release more programmatic details in the Budget Trailer Bill around February 1. The Legislature will begin holding budget hearings in early spring, and economic assumptions, including the COLA, will be updated in mid-May. The Legislature must adopt a budget by June 15. CCSA will provide regular updates in our ***Capitol Update*** newsletter as the budget moves forward, and we will keep you informed on how you can participate in advocating for positive budget outcomes for charter schools.