

Legislature adopts state budget for 2018-19

On June 27, Gov. Brown signed the \$139 billion 2018-19 California State Budget. This represents an \$11.6 billion dollar increase over the revised 2017-18 budget and includes a total investment in Proposition 98 of \$78.4 billion.

Education fares well in the 2018-19 budget as is evidenced by the full-implementation of the Local Control Funding Formula (LCFF) for K-12 two years ahead of schedule, additional slots for preschool, COLA for adult education, two one-time initiatives for classified employees, and additional money for the University of California system.

For community colleges, the budget provides approximately \$800 million in new Proposition 98 resources of which \$300 million are one-time funds. It also introduces the new Student-Focused Funding Formula and a new online-only community college.

The budget introduces two new policies relating to the certification and true-up of Prop 98. Certification is now assigned to the Director of Finance, and a review period will be provided for the legislature, state agencies and public to examine. The true-up will adjust how guaranteed increases and decreases are handled as a result of final calculations.

Gov. Brown continued to be fiscally conservative by fully-funding the Rainy Day Fund up to \$13.8 billion which included \$2.6 billion additional dollars beyond the amount required under the Constitution. The budget also creates two new reserve accounts: 1) the Safety Net Reserve which is for CalWORKs and Medi-Cal with \$200 million allocated for CalWORKs; and 2) the Budget Deficit Savings Account into which the \$2.6 billion additional dollars for the Rainy Day Fund will be held until May 2019 to insure that it can be funded based on updated revenues.

Education Budget

Child Care and State Preschool

COLA	2.71% statutory
CalWORKs	Adjusts CalWORKs spending up by \$105 million over the revised 2017-18 level due to major policy changes enacted last year.
Non-CalWORKs and Preschool Programs	\$54 million to fund COLA. Additional federal money will create 11,307 new Alternative Payment slots starting July 1, 2018. If California receives this money in 2019-20, the additional slots will last for an additional two years. State funding will provide an additional 2,959 slots beginning April 1, 2018 as part of the 2016-17 budget agreement.
Early Education Expansion Grants	\$167 million Prop 98 funds for one-time competitive matching grants (\$1 for every \$2 received) to increase access to inclusive early education programs. Grants may be used for training, facility renovations and equipment.
Quality Improvement Activities	\$26 million one-time federal funds including \$10 million for a three-year pilot program for children with special needs and \$5 million for the Child Care Initiative Project to recruit and train license-exempt providers to obtain licenses. In addition the budget provides \$5 million for professional development for licensed childcare teachers.
Transitional Kindergarten	\$55 million additional for T-K programs.

K-12 Education

COLA	2.71% statutory
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Local Control Funding Formula (LCFF)	\$3.7 billion ongoing augmentation to LCFF that meets and surpasses the target amount and in doing so creates an effective COLA of 3.7%.
Proposition 98	\$67.9 billion to Prop 98 for K-12
Categorical Programs	2.71% statutory COLA to the remaining categorical programs: special education, K-12 mandates block grant, Child Nutrition, Foster Youth Services Coordinating Program, Adults in Correctional Facilities, American Indian Education Centers and the American Indian Early Childhood Education program.
Discretionary Funds/Mandate Reimbursement	\$1.1 billion in one-time discretionary funds that local educational agencies (LEAs) may use for any educational purpose. There is one caveat to this money: if an LEA owes funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, that money will be deducted from the discretionary allotment. As in previous years, this money is to count toward K-12 mandates backlog.
Career Technical Education (CTE)	\$150 million ongoing extends the CTE Incentive Grant program indefinitely. In addition, the budget provides \$150 million ongoing to support high school CTE through the Community College Strong Workforce Program. These are matching grants, and the recipients must match two local dollars for every one dollar of grant money.
County Offices of Education (COE)	2.71% statutory COLA to the 24 (out of 58) COEs that have LCFF allocations equal to their LCFF targets. Those COEs already above their LCFF target do not receive this COLA. There is some additional money allocated to COEs for district support, alternative education and existing add-ons. There is also an allocation of \$54 million ongoing for COEs to provide low-performing districts with technical assistance.
Special Education	2.71% COLA, estimated at \$14.24 per average daily attendance (ADA) ongoing. In addition, the budget provides \$100 million to implement programs to attract and retain Special Education teachers: \$50 million one-time for the Local Solutions Grant Program to develop solutions that address local needs for special education teachers and \$50 million for teacher residency programs.
Low-Performing Students	\$300 million one-time for districts to help certain low-performing students measured by their results on the English Language Arts and Math Smarter Balance Assessments. Ineligible students include English learners, low-income, foster-youth and students with disabilities. This will be handled as a block grant.
Teacher Workforce	\$25 million for bilingual and STEM (science, technology, engineering and math) teacher residency programs.
Classified Employees	\$100 million to fund two one-time initiatives for classified employees: 1) \$50 million for Classified School Employee Summer Assistance Program which will allow some ten-month classified employees to set aside salary which will be supplemented by the state to be allocated over twelve months; and 2) \$50 million for employee training and professional development with an emphasis on school safety plans.

Adult Education

Adult Education Program (Formerly Adult Education Block Grant Program [AEBG])	Total of \$527 million for adult ed – this is an increase of \$27 million of which \$22 million is a 4.3% COLA which makes up for no COLA in 2017-18 (1.6%) and 2.7% for 2018-19.
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Community College

COLA	2.71% statutory COLA
Student-Focused Funding Formula	\$175 million ongoing and \$35 million one-time dollars to transition to a new funding formula. In the future, COLA will be applied to the funding rates for each component of the formula. In 2018-19, the formula will have a base allocation (70%) still dependent on the number of full-time equivalent students (FTES), a supplemental allocation to benefit low-income students (20%) and a student success allocation based on student outcomes

	(10%). The percentage of the base allocation reduces over the subsequent two years so that in 2020-2021 it represents 60% of the funding and the student outcomes raises to 20%. No district is to receive less money in 2018-2019, 2019-2020 and 2020-2021 than they did in 2017-18.
Student Success and Support Program, Student Success for Basic Skills Program, and Student Equity Program	Combines these three programs into one with the caveat that no district would receive less in 2018-19 and 2019-20 than they received in 2017-18.
Online College	\$100 million to start up and \$20 million ongoing to create a new online-only community college. Start-up funding may be spread over a seven-year period. When the college has enrolled students, it will receive apportionments similar to all other community college districts. In addition, the budget provides \$35 million in competitive grants for existing community college districts to develop online programs and courses.
Full-Time Faculty	\$50 million ongoing to hire more full-time faculty requiring a district to increase the percentage of their instruction taught by full-time faculty.
Part-Time Faculty Office Hours	\$50 million one-time for part-time faculty office hours. Districts must provide a one-to-one match for state funds. This is in addition to the ongoing office-hours apportionment of \$12.2 million.
California College Promise	\$46 million Prop 98 dollars to support the implementation of the California College Promise which provides fee waivers for all resident first-time, full-time students during their first year.

University of California

General Fund Increase	\$92 million increase in unrestricted General Fund support – uses may include salary increases, benefit cost increases and other operating cost increases.
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CalSTRS and CalPERS

CalSTRS	CalSTRS employer contribution rate is 16.28%. Employee contribution rate for post-Public Employee's Pension Reform Act (PEPRA) increased from 9.205% to 10.205% effective July 1, 2018. Pre-PEPRA employees continue to pay 10.25%.
CalPERS	CaPERS employer contribution rate is 18.062%. Employee contribution rate for new employees went from 6.5% to 7.0% effective July 1, 2018. Classic members continue to pay 7.0%.

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