

State Budget Update: The Governor’s 18-19 May Revision to the January Budget Proposal

The annual May revision to the Governor’s January budget proposal provides modest increases to the education funding that Governor Brown proposed in January. This is despite current-year state revenue collections through April that are approximately \$4 billion above what the Governor estimated in January. The intricacies of California’s education budget funding formula established in 1988 when voters approved Proposition 98 put us in a “Test 2” year, meaning we receive the prior-year level of funding from state aid and local property taxes increased for enrollment growth and inflation as measured by the change in per capita personal income. (For more on the basics of Prop 98, see: http://www.lao.ca.gov/2005/prop_98_primer/prop_98_primer_020805.htm)

Meanwhile, expenses continue to grow and increases in revenue are not keeping pace with increases in expenses. School Services of California estimates of the \$20 billion in new funding provided through the Local Control Funding Formula, approximately \$2.8 billion or 14% has been used to fund increases in the employer contribution rates to the California State Teachers’ Retirement System and the California Public Employee’s Retirement System. With employer rate increases continuing well beyond full implementation of the LCFF, one of the key promises of LCFF - to restore purchasing power to ‘07/08 levels - will not be met. Indeed, given the automatic cost increases schools face, developing a plan for FY18-19 that is sustainable into the future is a challenge.

May Revision Highlights

Local Control Funding Formula

The governor continues his January proposal to close 100% of the gap between current funding and LCFF targets, with a 3% COLA¹, in 2018-19. The gap funding/target calculations will no longer apply in 2018-19 and instead every Local Education Agency (LEA) will receive the same fully-funded base grant rates as follows:

	TK-3	4-6	7-8	9-12
LCFF Base Grant Rate	\$8,180 ²	\$7,520	\$7,744	\$9,206 ³

In addition, LEAs will continue to receive Supplemental and Concentration Grants:

- **Supplemental Grant:** an additional 20% for the percentage of high-need students⁴
- **Concentration Grant:** an additional 50% for each high-need student enrolled beyond 55% of total enrollment, but capped at high need percentage of the district in which the charter school is located.

Absent any other funding or formula changes to the LCFF, future years should assume COLA-only increases to the LCFF Base Grant Rates.

Fiscal Transparency

The May Revision refines the Governor’s proposal for fiscal transparency, to specify that his proposed budget summary aligning school district expenditures to LCAP strategies be parent-friendly, include specific information on how supplemental grants are used to increase and improve services for high-need students, and include graphical representation of information, when possible.

One-Time Funds

In January the governor proposed a one-time grant of \$295 per prior year ADA to be used for any discretionary purpose. The May Revision increases this to \$344 per prior year ADA.

SB 740

The May Revision proposes to add \$21.1 million to the current year budget, which if implemented would backfill much of the anticipated shortfall for FY17-18. For FY18-19, the governor proposes adding \$24.9 million to the SB 740 program (down \$3.4 million from his January proposal). ExED will continue to assume a reduction in SB740 funding for this year and future years until the legislature has acted on these proposals.

ExED will continue to monitor state budget developments (including legislative efforts to increase LCFF funding) as the budget process moves forward in advance of the June 15 deadline for state budget adoption.

¹ The COLA applied to state SPED funding, SB 740, state Child Nutrition, and the Mandate Block Grant is 2.71% (up from the 2.51% in January)

² Includes K-3 Class Size Reduction Adjustment

³ Includes 9-12 Grade Span Adjustment

⁴ Unduplicated Pupils - English Learners, Low Income, Foster Youth