The Governor’s Budget Proposals for 2015-16 continue the positive theme that has existed over the past two years for public education. As the economy has improved, and been aided by the additional $7 billion in annual revenues provided by Proposition 30, Governor Jerry Brown has been able to advance his agenda for public education with authority. Proposition 98 continues to show strong growth, much stronger than the financial resources devoted to the non-Proposition 98 side of the Budget. As a result, much of the Governor’s Budget presentation was devoted to discussion of how the state addresses other needs while providing enhanced funding for education.

But we think that in the longer term, providing additional funding for public education is exactly on point in addressing the pervasive cycle of poverty that has existed in California for decades, but has been growing at record levels through this past long and deep recession. People who have choices do not choose to be poor intentionally; but when encumbered by lack of opportunity or lack of motivation to seize that opportunity, large numbers of California residents are sentenced to a life of poverty. The personal downward spiral, which begins with low personal expectations, lack of support at home, and inadequate support at school starts early, and the effects can last through an entire lifetime unless there is appropriate intervention.

The Governor addresses those interventions in a variety of strands in this Budget. First, the Governor provides additional resources for early childhood education. Then he follows that with increased gap funding for the Local Control Funding Formula (LCFF), funding that benefits all children. And finally he shores up the third leg of the stool, Adult Education, Community Colleges, and Regional Occupational Center/Program (ROC/P)/Career Technical Education (CTE).

We especially want to recognize the Governor’s efforts to maintain Adult Education and CTE in what could have been, without the Administration’s intervention, the final year of their existence. Given that under current law, beginning in 2015-16, funding for these two programs was no longer protected in any way and competed directly with other student needs, it was likely that these programs would have been reduced again as they have been over the past seven years. Our current level of effort in each program is less than half of the level of effort in 2007-08. School Services of California Inc., (SSC) has championed this cause because we believe that after a decade of furlough days, high class sizes, and poorly supported classroom programs, a generation of children have been shortchanged on their fundamental right to a free and appropriate public education. We think that the Governor is absolutely doing the right thing in making sure this generation of students does not also suffer the loss of programs that have traditionally allowed them to catch up. We cannot affect the past, but what we do today affects the future of each and every one of our students, and we applaud the Governor’s keen understanding of that connection.

We detail the numbers below, and for public education they are all good. But we also want to talk about
policy considerations in this Budget. The Governor has again clearly signaled that he is fully committed to LCFF/Local Control and Accountability Plan (LCAP) and that he will stay the course. He also signals, through Proposition 2 and the “rainy day fund,” a recognition that California’s economy remains cyclical and will at some point reverse course. In his presentation, the Governor was also willing to admit that the totally inappropriate and much hated caps on local school district reserves that were also enacted by Proposition 2 deserve additional discussion, and he invites that discussion in his Budget.

As we detail the proposals below, they stand in stark contrast to the negative context in which we began planning for the years 2008-09 through 2012-13. We are in a very different place economically, and that gives us the opportunity to put our children in a very different place; our challenge as educators is to make sure that every child benefits from the uncommon opportunities we have before us today.

Overview of the Governor’s Budget Proposals

Governor Jerry Brown released his 2015-16 proposed State Budget as scheduled on Friday, January 9, 2015, explaining its major themes and initiatives in a press conference which began just after 10:00 a.m. His Budget projects state revenues of $113.4 billion in the Budget year, plus $1.4 billion in carryover funds, to cover $113.3 billion in state expenditures. Confirming what many believe to be a strengthening economy, the Governor’s Department of Finance (DOF) forecasts General Fund revenue s to increase $2.6 billion in the current year above the 2014-15 Budget Act level, and $5.3 billion in 2015-16.

The issue getting significant attention in the media is the standoff between the University of California (UC) and the Governor regarding tuition and state support. Seem ing to ignore, at least for now, the UC’s threat to raise tuition if the Budget does not provide significantly more state support, the Governor’s proposal provides only the expected funding increase of $120 million, which, if ultimately adopted, would trigger a 5% tuition hike in 2015-16.

The Health and Human Services programs (e.g., Medi-Cal, California Work Opportunity and Responsibility to Kids [CalWORKs], and Supplement Security Income-State Supplementary Payment) receive only modest increases to cover anticipated caseload growth, while cities and counties would receive $533 million to pay for prior-year unfunded mandates.

With the details to be worked out over the course of Budget negotiations with the Legislature, the Governor’s Budget calls for a plan to reduce the state’s unfunded liability for retiree health care costs and a new way to fund school facilities. The Budget Proposal also continues the Governor’s effort to build a high-speed rail project, connecting northern and southern California.

During his press conference, the Governor was asked about whether he would support extending the higher tax rates under Proposition 30. The Governor responded, “I said that it’s a temporary tax and that’s my position.”

The Governor was also asked about what he would like to see regarding the court’s Vergara decision. He acknowledged that this is a contentious issue and welcomed any suggestions for improvement over the current system. He also made reference to a niece who recently secured tenure and was grateful, noting the challenges she faces on her $50,000 salary. However, the Governor went on to suggest that the important issue was not the process of terminating staff but instead should be the need for recruiting, training, and retaining teachers. He also seemed to de-emphasize the value of tenure, noting that charter school teachers do not receive tenure and they function “pretty darn well.”
Finally, while not a headline-grabbing policy initiative, the Governor’s Budget proposes to add $1.2 billion to the state’s newly revised “rainy day fund,” for a total of $2.8 billion pursuant to Proposition 2, the voter-approved initiative championed by the Governor last November.

**The Economy and Revenues**

**Economic Outlook**

The Governor’s Budget presents a more rosy picture for the U.S. and California economies, far better than the early years of the recovery which officially began in 2009. Just last year, the outlook was for a slow economic recovery, but recent developments point to growing strength.

As evidence of this strength, the Governor’s DOF points to an improving jobs market, increases in business investment, and a stronger outlook for housing. The Budget forecast assumes that the Federal Reserve will begin to raise interest rates in the second half of 2015 as the economy heats up.

At the national level, the DOF projects real gross domestic product growth at 2.6% in 2015, increasing slightly to 2.8% in 2016. The U.S. unemployment rate falls from 6.2% in 2014 to 5.7% in 2015 and 5.5% in 2016. These forces, however, are partially offset by slow growth the nation’s major trading partners, including China, Japan, and the European Union (EU). In fact, there is growing evidence that several EU countries are slipping into a deflationary environment, with falling prices and falling consumer spending. This situation will reduce U.S. exports to these countries.

These risks notwithstanding, the broader economic outlook bodes well for the nation and the state. Economists at the University of California, Los Angles had estimated that the fall in oil from an average of $100 per barrel to $75 per barrel at the time their forecast was developed translates into a savings of about $67 billion for U.S. consumers over the course of a year. Oil is now trading around $50 per barrel, suggesting an even greater boost to consumers and the economy.

The Governor’s Budget anticipates steady growth for the California economy, with the state’s unemployment rate falling to 6.3% by the end of 2015. The Budget notes that the state added an average of 22,000 jobs per month through the first three quarters of 2014, and this trend is expected to continue into 2015. Along with this improvement in the labor market, the Budget projects improving personal income, up 4.5% in 2015 and 5.2% in 2016.

**State Revenues**

The Governor’s Budget acknowledges a significant improvement in the state revenue outlook when compared to the assumptions contained in the 2014-15 Budget Act. For 2013-14, the Budget identifies an additional $490 million in General Fund revenue and an additional $2.6 billion in the current year. The revenue outlook for the Budget year is very encouraging. The Budget Proposal reflects a 4.9% increase in revenues, equal to an additional $5.3 billion above the revised current-year level.

These annual gains are attributable to stronger-than-expected performance of the personal income tax receipts from both capital gains and wages. The Governor’s Budget notes that the Standard & Poor’s index was expected to reach 1,900 at the end of 2014, but by mid-December was over 2,050, helping to explain the strong performance of the personal income tax. Capital gains revenue generated from the rising stock market, however, is very volatile and difficult to forecast.

Another area of caution is the lagging performance of the sales and use tax. The Governor’s Budget notes
that this tax is expected to bring in $1.4 billion less than originally forecast for the 2014-15 and 2015-16 fiscal years. Through November 2014, this tax has increased 5.9% after adjusting for a one-time accounting error.

Like last year, the DOF’s long-term revenue forecast is strikingly similar to the Legislative Analyst’s Office (LAO’s) forecast released in November 2014. By 2018-19, the DOF forecasts General Fund revenues of $121.4 billion from the three major taxes (the income tax, the sales and use tax, and the corporation tax). The LAO forecasts $120.9 billion, a difference of just 0.4%.

**Proposition 98**

Proposition 98, adopted by state voters in 1988, sets in the State Constitution a series of complex formulas that establish the minimum funding level for K-12 education and the community colleges from one year to the next. This target level is determined by prior-year appropriations that count toward the guarantee and (1) workload changes as measured by the change in average daily attendance (ADA), and (2) inflation adjustments as measured by the change in either per capita personal income or per capita state General Fund revenues, whichever is less. For California public education in 2014-15 and 2015-16, these factors are yielding significant gains under the constitutional guarantee.

**Current-Year Minimum Guarantee**

For the current year, the Governor’s Budget acknowledges that the strengthening economy is boosting the minimum guarantee above the level adopted in the 2014-15 Budget Act. For the current year, the Proposition 98 guarantee is now estimated at $63.2 billion, up $2.3 billion from the enacted level. This increase is based on rising state General Fund revenues and funding under Test 1 of Proposition 98 (i.e., 39.47% of state revenues must be allocated to K-14 education on top of the amount provided by the local property tax).

Proposition 98 also requires the state to account for state funding that falls below the long-term target established by Test 2 (i.e., adjustments required by annual changes in per capita personal income). This cumulative shortfall is termed Maintenance Factor. As of June 30, 2014, the state owed K-14 education approximately $6.4 billion in Maintenance Factor payments and was expected to make payments of $3.8 billion in 2014-15 and $725 million in 2015-16, resulting in $1.9 billion at the end of the Budget year.

**2015-16 Minimum Guarantee**

For 2015-16, the Governor’s Budget proposes a Proposition 98 guarantee of $65.7 billion, an increase of $2.5 billion, or 4%, from the revised current-year level. The guarantee is based on Test 2, the change in per capita personal income, which is estimated at 2.91%, and the change in K-12 ADA, which is expected to be flat in 2015-16.

Over the course of the “Budget window,” the Governor’s Budget proposes “increased investment of $7.8 billion” for K-12 education and the community colleges under Proposition 98.

**Local Control Funding Formula**

The Governor’s 2015-16 Budget continues implementation of the LCFF with an infusion of $4.048 billion in additional Proposition 98 revenues. The new formula provides funding to move all school districts and charter schools toward a system of school finance that allocates similar amounts per ADA as base grants within four grade spans, and provides additional percentage increases, or “weights,” for class-size reduction (CSR) in grades Transitional Kindergarten (TK)-3, CTE for grades 9-12, and supplemental/concentration
grants on behalf of students who are not English language proficient, who are from low-income families, or who are in foster care.

The 2015-16 version of the 2021 target for base grants by grade span is increased over 2014-15 by 1.58% to reflect application of the estimated statutory cost-of-living adjustment (COLA):

<table>
<thead>
<tr>
<th>Grade Span</th>
<th>2014-15 Target Base Grant per ADA</th>
<th>1.58% COLA</th>
<th>2015-16 Target Base Grant per ADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>TK-3</td>
<td>$7,011</td>
<td>$111</td>
<td>$7,122</td>
</tr>
<tr>
<td>4-6</td>
<td>$7,116</td>
<td>$112</td>
<td>$7,228</td>
</tr>
<tr>
<td>7-8</td>
<td>$7,328</td>
<td>$116</td>
<td>$7,444</td>
</tr>
<tr>
<td>9-12</td>
<td>$8,491</td>
<td>$134</td>
<td>$8,625</td>
</tr>
</tbody>
</table>

In addition, the 2015-16 TK-3 grant increase for CSR is $741 per ADA, and the grade 9-12 grants are increased by $224 to provide resources for CTE.

School districts and charter schools are entitled to supplemental increases equal to 20% of the base grant plus CSR/CTE adjustments for the percentage of enrolled students who are English learners, eligible for the free and reduced-price meals (FRPM) program, or in foster care. An additional 50% per-pupil increase is provided as a concentration grant for each eligible student enrolled beyond 55% of total enrollment.

The LCFF target entitlement is the full funding level for each local educational agency (LEA), in today’s dollars, that the state intends to provide at some point in the future under the formula. It is not the amount an LEA will receive in 2015-16, which is based on the difference, or “gap,” between the current-year LCFF funding level, the LEA’s target entitlement, and the proportion of the gap that can be funded with the LCFF increase.

The proposed $4 billion LCFF increase is expected to close the 2015-16 funding gap for each school district and charter school, compared with their 2014-15 funding level adjusted for changes in ADA, by 32.19%, an average per pupil increase of 8.7% ($675 per ADA). Actual percentage and per-ADA increases for individual school districts and charter schools can vary significantly from this average, depending on the LEA gap between current funding and the LCFF full implementation target.

Pupil transportation and Targeted Instructional Improvement Grants will continue as separate add-ons to the LCFF allocations, which do not receive a COLA; and categorical programs, such as Child Nutrition and Special Education, remain outside of the new formula.

School districts with property tax revenues that exceed the formula funding levels will continue to retain their local tax growth, and will receive a minimum state aid allocation that is reduced by the cuts incurred during the recession which, under the LCFF, are carried forward into future years for these districts.
County offices of education (COEs) receive funding under a similar formula, but in two parts: one in recognition of direct instructional services for pupils in juvenile court schools and community schools, and a second allocation for countywide services based on the number of school districts and the total ADA within the county. With the $25.9 million increase provided to COEs in 2014-15, the LCFF for COEs is fully implemented in the current year. This means that LCFF increases for COEs in 2015-16 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 1.58% increase (those COEs that are more than 1.58% above their LCFF target will receive no additional funding through the formula in the Budget year.)

The Governor’s Budget includes two distinct appropriations for COEs, as follows:

- A modest state appropriation of $109,000, exclusive of revenue generated from local property taxes, to provide a COLA to the COEs that are funded by the LCFF. Notably, COEs that remain funded by their 2012-13 “hold harmless” levels through the LCFF minimum state aid provision will not benefit from the COLA increase as their total funding exceeds the LCFF target entitlement.

- As part of a $1.1 billion appropriation of one-time Proposition 98 revenue, the Budget proposes a $20 million appropriation to COEs for activities related to LCAP review considered integral to Common Core implementation. These funds will be distributed on the basis of countywide ADA and the number of districts within the COE’s jurisdiction.

Funding for most categorical programs was consolidated into the LCFF in 2013-14. Those categorical programs still funded outside the LCFF, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Centers, and the American Indian Early Education Program are provided with the estimated 1.58% COLA in the Governor’s Budget.

The implementation plan for LCFF continues to assume that it will be fully funded by 2020-21.

**Deferrals**

The Governor’s Budget proposes $900 million in one-time Proposition 98 funds in 2014-15 to eliminate all remaining outstanding deferral debt for K-12, and an additional $94.5 million to completely eliminate the California Community Colleges (CCC) deferral. At their peak, the inter-year deferrals for K-12 had reached a high of $9.5 billion, or about 20% of annual payments to schools. The CCC deferrals had peaked at $961 million in 2011-12.

To be clear, while dollars used to finally eliminate the deferrals count toward Proposition 98 expenditures for the state’s purposes, they do not initially provide more spending authority to schools.

**Special Education**

The proposed State Budget provides $59.1 million for an estimated 1.58% COLA and $15.3 million for enrollment growth. In addition, it is expected the Statewide Special Education Task Force will soon unveil recommendations to guide future statewide Special Education policy.

**Child Care and Preschool**

The Governor’s Budget proposes to increase funding by a total of $21.5 million ($9.2 million from Proposition 98 and $12.3 million in non-Proposition 98 General Fund) to provide for the 1.58% statutory (COLA) for capped child care programs in 2015-16. The COLA for capped child care programs was suspended from 2008-09 through 2014-15.
Workload adjustments are proposed for the CalWORKs Stage 2 and 3 programs in 2015-16 to reflect adjustments in the number of cases, as well as an increase in the cost per case.

In 2015-16, the Governor proposes an increase of $33.6 million ($14.8 million from Proposition 98 General Fund and $18.8 in million non-Proposition 98 funds) to support 4,000 full-day wraparound preschool slots. These slots were created as part of the 2014 Budget Act and will be effective June 15, 2015. The $33.6 million reflects the difference in the full-year cost for these slots in 2015-16.

Also of note, due to the reauthorization of the federal Child Care and Development Block Grant (i.e., General Child Care, Migrant Child Care, Alternative Payment, CalWORKs Stage 3, and child care quality programs) there are several new federal requirements for these funded programs that states must implement in order to continue to receive these funds:

- Annualized licensing inspections
- Health and safety inspections for nonfamily license-exempt providers
- Allowing for extended income eligibility
- Providing additional funding for child care quality activities
- Restructuring professional development for child care providers and staff
- Increasing local child care program information provided to families

Though states will have several years to implement the changes, it is not anticipated that the Block Grant funds will be sufficient to maintain current service levels and also cover the associated costs of the new requirements, resulting in an increased state contribution—which will likely bring new challenges to the state over the next few years. A net decrease of $14.9 million in federal Child Care and Development funds is expected in 2015-16 to reflect a reduction of available carryover funding.

**Charter Schools**

The Governor’s Budget Proposal includes an increase of $59.5 million in Proposition 98 funding to support the projected charter school ADA growth. In addition, the Governor proposes making changes to the Charter School Facility Grant program, which provides assistance in paying the rent and lease expenditures for charter schools that lease facilities. The existing program provides funding to charter schools either serving or located in attendance areas where at least 70% of the students qualify for FRPM. The Governor proposes lowering the attendance area FRPM threshold to 55%, the same as the concentration grant under the LCFF, and providing additional funding to support the expansion of this program.

**Discretionary Funds**

The Governor’s Budget Proposal includes more than $1.1 billion in prior-year mandated cost reimbursement funds as discretionary one-time Proposition 98 funding to further investments in the implementation of Common Core. Funds would be provided to school districts, charter schools, and COEs and could also help support implementation of newly adopted English language development standards and California’s Next Generation Science standards, as well as support expenditures that occur due to the evolving accountability structure of the LCFF. As mentioned above, off the top of the $1.1 billion, $20 million would be provided to COEs, distributed on the basis of countywide ADA and the number of school districts within the COE’s jurisdiction with the balance of the funds going to school districts and charters schools on the basis of ADA.

**School Facilities**

While the Governor’s Budget does not identify funding for a school construction state assistance program,
the Administration recommends foundational tenets for the next program. These tenets are anchored in the belief that the ongoing fiscal capacity of the state to fund school facilities as it has through the Leroy F. Greene School Facility Program is no longer sustainable, and that the capacity for local school districts to fund their construction needs was greatly enhanced with the passage of Proposition 39 in 2000 that reduced the voter-support rate for local General Obligation bonds from an arduous two-thirds vote to 55%.

The Budget outlines two broad principles for the next school facilities proposal that align closely to the tenets of the LCFF, which are (1) enhanced local control and flexibility and (2) targeting resources to areas of need. The Governor proposes to achieve these principles by doing the following:

**Local Control and Flexibility**

- Enhance access to local property wealth by increasing the statutory Proposition 39 caps of $30 or $60 per $100,000 in assessed valuation to, at a minimum, match the rate of inflation experienced since the passage of Proposition 39.
- Reform developer fees to provide the authority to levy, subject to negotiation, a single fee for specific projects at a level higher than current Level II fees but less than Level III fees.
- Expand the use of routine restricted maintenance account (RRMA) funds to include the ability to pool the funds over multiple years and use them for new construction and modernization projects, if necessary.

**Targeting Resources to Areas of Need**

Arguing that the tradition of funding projects on a first-come, first-served basis disproportionately advantages larger districts with dedicated facilities staff, the Budget proposes a program that instead targets funds to districts with low per-pupil assessed values with needs that cannot be met with local resources. Additionally, the Budget identifies health and safety projects and severely overcrowded schools as a priority for state resources. Finally, the Budget proposes to move away from a one size fits all per-pupil grant program to a program that uses a sliding scale to determine the level of state and local shares of project costs based on the local capacity to fund a project.

As mentioned in a previous section, the Budget also proposes to enhance support to charter schools that serve a significant percentage of low-income students by permanently reducing the current FRPM eligibility for state facility assistance to 55% (the percent that determines the LCFF’s concentration grant funding). Anticipating that the lower criteria will generate more need for a charter facility program, the Budget identifies the potential need for additional funding to support the program expansion.

**Facilities Investments**

The Governor’s Budget continues last year’s investments to meet the state’s obligations under the Emergency Repair Program. Additionally, the California Clean Energy Jobs Act (Proposition 39) was approved by voters in 2012 to support the implementation of energy efficiency measures, including the construction or modernization of buildings in a manner that uses less energy, purchasing energy efficient equipment, and undertaking renewable energy projects. The Budget proposes a 2015-16 appropriation to fund energy efficiency projects.

- **Emergency Repair Program**: A one-time appropriation of $273.4 million to retire the state’s obligation under the Williams settlement agreement.
- **Proposition 39 Energy Efficiency**: A total of $368 million.
- $320.1 million and $39.6 million for K-12 and community colleges, respectively, for energy efficiency projects.
- $5.3 million for K-12 technical assistance support from the Conservation Corps
- $3.0 million for job-training programs administered by the Workforce Investment Board

**Routine Restricted Maintenance Account**

Starting in 2008-09, school districts had the ability to reduce the amount deposited into an RRMA. The exemption allowed a district to reduce its contribution from 3% of General Fund expenditures to 1% or below, given certain conditions. The exemption will expire on June 30, 2015, and beginning with the 2015-16 fiscal year, school districts are once again required to contribute the minimum amount equal to or greater than 3% of the total General Fund expenditures. The Governor proposes providing greater flexibility for the use of these funds. As previously mentioned above, rather than requiring that these funds be used solely for routine maintenance, the Governor’s Budget Proposal would allow school districts to pool these funds over multiple years for the modernization and/or construction of school facilities.

**Federal Programs**

On December 16, 2014, President Barak Obama signed a continuing resolution, Public Law 113-235, which contained funding for most of the required appropriations bills, including education, through September 30, 2015. The legislation provides either the same level of funding or small increases to most education programs. Nationally, Special Education programs will receive a $25 million increase for Part B state grants in fiscal year 2015, a 1.1% increase over fiscal year 2014. California’s share is an estimated $2.5 million to $2.75 million that will be included in the 2015-16 State Budget discussions. Additionally, no new funding is provided for Race to the Top programs; however, language was added to the School Improvement Grant program directing the U.S. Department of Education to give states flexibility to develop their own improvement strategies.

**CalSTRS and CalPERS**

Employer costs for retirement benefits for both the California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) are projected to nearly double over the next several years. The 2015-16 State Budget Proposal does not address these cost increases for school districts or COEs; however, the Governor does propose site-based allocation increases for the CCC partly in recognition of increased expenses in the area of retirement benefits.

**Adult Education**

In the 2013 Budget Act, $25 million was added for Planning Grants for consortia of community colleges and school districts in 70 regions. The Governor’s Budget proposes $500 million for the Adult Education Block Grant to fund programs in basic skills, citizenship, English as a Second Language, and CTE programs that provide pathways to high-demand jobs. The Block Grant further promotes collaboration through workforce investment boards, social services, and correctional rehabilitation agencies that benefit from Adult Education.

The Budget Proposal requires that each consortium designate an allocation board for planning and allocating funds. Each committee will then coordinate with partners to ensure integration of funding streams and resources for Adult Education. The consortia will report to the Chancellor and the State Superintendent of Public Instruction (SSPI) on progress toward meeting the goals of their Adult Education plans and to jointly
approve the allocation of funds. Similar to the LCFF, Adult Education programs serving the highest needs will have priority. Distributions will be sent to providers based on the recommendations of the allocation committees. Administration costs for the Block Grant will be capped at 5%.

For the initial year (2015-16) funding will be provided directly to the K-12 school districts in the same amounts as their maintenance of effort (MOE) requirement for Adult Education as jointly determined by the Chancellor and SSPI. Future allocations will be distributed based on the local allocation committees.

**Career Technical Education**

With the expiration of the MOE for ROC/Ps at the end of the current fiscal year, the Governor’s Budget Proposal includes $250 million in one-time funding in each of the next three years for a CTE Incentive Grant Program. The program is designed to provide funding for LEAs, working in partnerships, to offer regionalized CTE programs. Unlike the Career Pathways Trust Grants of the previous two years, the CTE Incentive Grant Program is a matching grant program. Accountability measures for funding eligibility will include demonstration of positive results in several outcome areas, such as graduation rates, course completions, industry certifications, employment, and college entrance.

**K-3 Grade Span Adjustment**

The formula for providing funds to lower class sizes in grades K-3 is not proposed to change. The Governor’s Budget proposes funding the LCFF gap at 32.19%, up from 29.56% in the current year and the 20.68% planned for 2015-16. School districts (excluding charter schools) will need to prepare to further reduce class sizes in these grade levels by 32.19% of the difference between the current-year class size and the school site average 24 students per class target, unless the collective bargaining exception applies to your district. Remember that the Governor’s Budget proposed gap closure percentage should be used for planning staff and class loading purposes, but ultimately districts will be required to make the progress of the gap percentage identified in the upcoming Governor’s May Revision, which could be higher or lower than 32.19%.

**Proposition 2 and Proposition 98 Reserves**

With California’s improving economic conditions and the passage of Proposition 2, the state’s “Rainy Day Fund,” the Governor’s Budget proposes an additional deposit into the state’s reserve and anticipates that, by the end of the year, the “Rainy Day Fund” will have a balance of $2.8 billion.

Recall that Proposition 2 also established a state reserve specifically for education, the Proposition 98 reserve that, among other things, institutes a cap on local school districts’ reserve at specified levels in any fiscal year following a deposit into the Proposition 98 reserve.

The law required certain conditions to be met before the state could make a deposit into the Proposition 98 reserve, including:

- Extinguishing the existing Maintenance Factor
- Requiring that the Proposition 98 Minimum Guarantee be determined using Test 1
- Fully paying increases in student enrollment and funding the COLA

The Governor’s Budget stipulates that it does not anticipate economic conditions requiring a deposit into the Proposition 98 Reserve for 2015-16 through 2018-19. However, the Administration recognizes concerns from education stakeholders about the impact of capping local reserves on LEAs’ ability to maintain fiscal
solvent and exercise prudent multiyear budgeting practices. Responding to these concerns, the Budget promises to “engage in a dialogue ... in the coming months to protect the financial security and health of local school districts.”

**Technology Infrastructure**

The Governor proposes $100 million to build on last year’s investment to assist those LEAs most in need of securing internet connectivity and infrastructure in order to administer the computer-based assessments called for under Common Core. The first round recipients of more than $27 million in Broadband Infrastructure Improvement Grants were announced on January 7, 2015. Approximately 300 sites were identified as lacking online capacity to administer last year’s field tests, and approximately 227 school sites were awarded funding. A list of grant recipients can be found on the Broadband Infrastructure Improvement Grant Program webpage. The new funding will focus on further upgrading internet infrastructure throughout the state.

**Teacher Preparation and Beginning Teacher Induction**

The 2015-16 Governor’s Budget Summary indicates that the state’s oversight of the educator preparation system is not effective in validating the degree to which teacher candidates are adequately prepared. The Budget Summary goes on to state that the performance assessment that all teacher candidates must pass before the granting of the preliminary credential is outdated and not aligned to the current expectations of teacher performance. Also, there is no assessment to determine if candidates for the administrative services credential are prepared to be school principals. The Administration is proposing that an Accreditation Advisory Panel be convened to provide recommendations to the Commission on Teacher Credentialing (CTC) regarding teacher preparation. The Budget proposes $5 million be allocated over a two-year period for this purpose, as well as support the development of a new program assessment data system, develop candidate and employer surveys, and increase transparency and access to information about the quality and effectiveness of teacher preparation programs. An additional $5 million over a two-year period is proposed to support the updating of the Teacher Performance Assessment and to develop an Administrator Performance Assessment.

It should be noted that the Budget makes no proposals related to beginning teacher induction but indicates that the state’s induction program, Beginning Teacher Support and Assessment, is “cumbersome and expensive” and directs the CTC to evaluate the current induction requirements and identify options for reforming new teacher induction. The Budget Summary indicates that the Administration will be engaging stakeholders in the coming weeks around the LEAs’ responsibilities for induction, what their responsibility should be, and if other beginning teacher supports, such as mentoring, should be provided.

**Close**

The Governor’s Budget Proposals do not mark the end of the Budget cycle—they mark the beginning. The Legislature will have a lot to say about the Governor’s priorities, especially with all the new revenues streaming in. This would be the third year in a row that the Governor has made public education his highest priority. In his press conference announcing his Budget, the Governor made the valid point that education took more than its fair share of reductions during the last recession. We predict the Legislature will push for improvements in other areas of the Budget, as they did the last couple of years. The Governor will again be tested, but he has proven that he can stand his ground.

We will be raising our planning factors in the SSC Dartboard and in our SSC Simulator to reflect that
2015-16 funding will equal 32.19% of the remaining LCFF gap for each district. This amount is ongoing and will dramatically affect many districts’ ability to fund programs, and for some, to eliminate past deficit spending.

We look forward to seeing you at our Governor’s Budget Workshop next week. We will fully develop all of the topics summarized here and many more. This is going to be a great year for public education.

—SSC Staff

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