

# **The Common Message**

**45-Day Revision Edition**

**2018-19 Adopted Budget**



**BASC**  
Business and Administration  
Steering Committee

<b>Writers and Contributors</b>		
<b>Topic</b>		
<b>Background</b>	Committee	
<b>Introduction</b>	Committee	
<b>Key Guidance and Considerations/Elements of Adopted Budget</b>	Janet Riley, Merced	
<b>Planning Factors/MYP Chart/COLA/Funded Gap/LCFF</b>	Janet Riley, Merced	
<b>Low Performing Students Block Grant</b>	Kate Lane, Marin	Michael Simonson, San Diego
<b>One-Time Discretionary Funding</b>	Janet Riley, Merced	
<b>Early Childhood Education</b>	Robbie Montalbano, El Dorado	Josh Schultz, Napa
<b>Career Tech Ed</b>	Josh Schultz, Napa	Misty Key, Ventura
	Scott Anderson, San Joaquin	Barbara Henderson, Sutter
<b>Other Grants</b>	Dean West, Orange	
<b>Summary</b>	Janet Riley, Merced	

# Sources

Association of California School Administrators
Bob Blattner and Associates
Bob Canavan, Federal Management Strategies
California Association of School Business Officials
California Collaborative for Educational Excellence
California Department of Education
California Department of Finance
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
Ball/Frost Group, LLC
K-12 High Speed Network
Michael Hulsizer, BASC Liaison & Kern County Superintendent of Schools
National Forest Counties and Schools Coalition
School Services of California
Schools for Sound Finance (SF2)
Small School Districts' Association
Statewide LEC Co-chairs
WestEd

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Gray shading indicates sections are to be customized by COEs before sending to school districts.

## Background

Since May 2008, county office chief business officials have crafted common messages to give guidance to school districts on assumptions for budget and interim reports. The goal of the Business and Administration Steering Committee (BASC) is to provide county office chief business officials with a consistent message, based on assumptions used by the California Department of Finance, which can be used in providing guidance to school districts.

The BASC would like to thank the state Department of Finance (DOF), the State Board of Education, the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team, as well as our colleagues in education listed in the sources section for providing BASC and our local educational agencies (LEAs) the most up-to-date information at the time of the Common Message writing.

Purpose: The BASC Common Message is intended as guidance and recommendations to county offices of education (COEs). Each COE will tailor the guidance to the unique circumstances of the LEAs located in their county. Even within a county, COE situational guidance may vary considerably based on the educational, fiscal and operational characteristics of a particular district. Districts and other entities seeking to understand the guidance applicable to a particular LEA should refer to the information released by the COE in the county where the LEA is located.

## Introduction

This edition of the Common Message contains information related to the Adopted Budget for 2018-19 and is intended to provide guidance for LEAs to use in developing their 45-day budget revisions. This document only relates to changes made with the Adopted Budget and does not include all of the detail found in the May Revision Common Message document. A more comprehensive summary and analysis of grant programs and out-year impacts of the 2018-19 Adopted Budget will appear in the first Interim Common Message.

## 45-Day Revision/Adopted 2018-19 Budget Key Guidance

On June 27, 2018, Governor Jerry Brown signed his eighth consecutive on-time budget. This budget, like the previous six budgets, significantly increased educational spending. The budget will fully fund the Local Control Funding Formula (LCFF) by providing an additional \$3.556 billion and includes continuous appropriation language to fund future year COLA adjustments.

The 2018-19 budget Act reflects a prudent approach by using \$13.8 billion to fill the Rainy Day Fund (Proposition 2) and by using mostly one-time spending to fund additional initiatives.

The Budget Act incorporates general fund revenues as proposed at May Revision (estimates prepared by Department of Finance), and property tax estimates of Legislative Analyst's Office. This combination of revenue results in an estimated \$155 million in additional non-Prop. 98 revenue for spending in 2018-19 than was proposed with the Governor's May Revision.

While the final 2018-19 Budget Act increases education funding over the May Revision, LEAs should continue to be cautious. Projected increases in 2018-19 general fund and Prop. 98 are based on higher revenues from personal income capital gains. The historical volatility of state revenues, the significant economic risks on the horizon, and the known cost pressures from statutorily scheduled employer pension contribution increases all point to the need to maintain reserves and fiscal flexibility.

## Significant Changes Since May Revision

**LCFF Gap Funding:** Increases LCFF funding by \$3.556 billion. This increase funds the 2.71% statutory cost-of-living adjustment (COLA), and adds a \$570 million augmentation.

**One-Time Funding:** \$1.092 billion in one-time discretionary funding (\$184 per ADA) for school districts, charter schools and COEs.

**K-12 Strong Workforce Program:** \$164 million in ongoing funding to establish a K-12 component of the Strong Workforce Program.

**Career Technical Education (CTE) Incentive Grant Program:** \$150 million in ongoing funding.

**Low-Performing Students Block Grant:** \$300 million in one-time funding to be distributed on a per-student basis to LEAs serving low-performing students who do not qualify for supplemental LCFF grants.

## Planning Factors for 2018-19 and MYPs

Key planning factors for LEAs to incorporate into their 2018-19 budgets and MYPs are listed below and are based on the latest information available.

Planning Factor	2018-19	2019-20	2020-21
Statutory COLA (DOF)	2.71%	2.57%	2.67%
LCFF Funding % including \$570M Augmentation	3.70%		
LCFF Gap Funding Percentage (DOF)	100.00%		
LCFF Gap Funding (in millions)	\$3,556		
STRS Employer Statutory Rates (statute until 2020-21)	16.28%	18.13%	19.10%
PERS Employer Projected Rates (April 17, 2018)	18.062%	20.8%	23.5%
Lottery – Unrestricted per ADA (did not change)	\$146.00	\$146.00	\$146.00
Lottery – Prop. 20 per ADA (did not change)	\$48.00	\$48.00	\$48.00
Mandated Cost per ADA for One-Time	\$184.00		
Mandated Block Grant for Districts – K-8 per ADA (increase by COLA 2.71%, etc.)	\$31.16	\$31.16	\$31.16
Mandated Block Grant for Districts – 9-12 per ADA (increase by COLA 2.71%, etc.)	\$59.83	\$59.83	\$59.83
Mandated Block Grant for Charters – K-8 per ADA (increase by COLA 2.71%, etc.)	\$16.33	\$16.33	\$16.33
Mandated Block Grant for Charters – 9-12 per ADA (increase by COLA 2.71%, etc.)	\$45.23	\$45.23	\$45.23
State Preschool (CSPP) Part-Day Daily Reimbursement Rate	\$29.90	\$29.90	\$29.90
State Preschool (CSPP) Full-Day Daily Reimbursement Rate	\$48.28	\$48.28	\$48.28
General Child Care (CCTR) Daily Reimbursement Rate	\$47.98	\$47.98	\$47.98
<b>Routine Restricted Maintenance Account</b>  All LEAs that received ANY School Facility Program funding are required to deposit 3% into their Routine Restricted Maintenance Account in the year in which the LCFF is fully implemented.  If district received Prop. 51 funds in 2017-18, the minimum 3% RRMA contribution is required in 2018-19.	Greater of: Lesser of 3% or 2014-15 amount or 2%	Equal or greater than 3% of total GF expenditures	Equal or greater than 3% of total GF expenditures

# Early Childhood Education

## Child Care and State Preschool

The enacted state budget includes all of the Governor's May Revision proposals for early childhood education, including:

- A 2.71% COLA on for both Prop. 98 and non-Prop. 98 direct service programs.
- A further 2.795% standard reimbursement rate increase.
- Permanent extension of the regional market reimbursement rate hold harmless.
- Full year implementation of 2017 Budget Act investments including the final round of the increased 2,959 full-day State Preschool slots, to begin April 1, 2019.
- Increases in CalWORKs Stage 2 and Stage 3 child care funding to reflect increases in the number of CalWORKs child care cases and cost of care.
- The creation of the new one-time \$167 million Inclusive Early Education Expansion Program.

The final compromise included additional proposals from the Legislature:

- Funding for 2,100 ongoing additional alternative payment child care slots (\$19 million non-Prop. 98), and 11,307 temporary additional AP slots through June 30, 2022 (\$409.2 million limited-term federal funds).
- Increases to the adjustment factors for infants and toddlers served in a child day care center or a family child care home. Adjustment factors for children with special needs were also increased (\$40.2 million non-Prop. 98, increasing to \$80.3 million in future years).
- The creation of a new county office Inclusive Early Care Pilot Program (\$10 million one-time).
- \$5 million one-time for licensed child care teacher professional development.
- \$5 million one-time for the California Child Care Initiative Program.

- \$6 million for other one-time quality activities, with priority given to activities that support state compliance with federal consumer education requirements.

In addition, the budget trailer bill (AB 1808) reaffirms the proposal in the 2017-18 budget to allow licensing flexibility for State Preschool programs operated by an LEA. The bill requires the CDE to adopt regulations for California State Preschool programs under Title 5, on or before July 1, 2019, related to outdoor shade, drinking water, restrooms, supervision of children, and maintenance of indoor and outdoor space. In addition, the Uniform Complaint Procedures section of the bill adds related provisions establishing a process for complaints related to the preschool health and safety requirements.

## **One-Time Discretionary Funding**

The 2018-1 Budget Act provides \$1.092 billion (\$184 per ADA estimated) in one-time Prop. 98 funding for school districts, charter schools and COEs. The funds are intended to offset any mandate reimbursement claims.

The Budget Act includes the Governor's proposal to require individual LEAs to repay any outstanding balances owed to the federal government related to overpayments of federal Medi-Cal Administrative Activities (MAA) and LEA Billing claims, with these one-time discretionary funds. Moreover, because these individual LEA outstanding balances will not be certified until late fall. The first installment of these one-time discretionary apportionments will not occur until January, and the final in May 2019.

As in prior years, the Budget Act calls for these funds, once apportioned, to be used at local discretion to support critical investments such as "content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance."

## **Low-Performing Students Block Grant: \$300 Million One-Time**

The budget includes a one-time block grant to help address the achievement gap for all students. The funding will be distributed on a per-pupil basis to school districts, charter schools and COEs for pupils that are identified as low-performing on the latest available state English language arts or mathematics assessments and who are neither identified for special education services nor identified as low-income, English learner or foster youth. "Low-performing" is defined as not meeting specified achievement standards on state English language arts or mathematics assessments. All measures – low-performing, eligible for special education services, and identification as low-income, English learner or foster youth – should be for the same fiscal year.

To determine eligibility, districts will, therefore, subtract low-income, EL, foster youth and special education students from their low-performing population, and the remainder is the count that is eligible for this block grant.

These block grant funds may be expended through 2020-21 and shall be used for evidence-based services that directly support pupil academic achievement, including, but not limited to, professional development activities for certificated staff, instructional materials, or additional supports for pupils.

As a condition for receiving grant funds, the LEA shall develop a plan describing how the funds will increase or improve evidence-based services for the identified pupils to accelerate increases in academic achievement, and how the effectiveness of the services will be measured. The plan shall include information regarding how the services align with and are described in the LEA's local control and accountability plan. Finally, the plan shall be discussed and adopted at a regularly scheduled board meeting of the LEA's governing body. The proposed code does not identify an application deadline or prescribe an application process. We anticipate these details will be forthcoming from CDE as the process to administer the block grant is developed.

Grant recipients must also satisfy two reporting requirements: the first due on or before March 1, 2019 regarding the adopted plan and the second due on or before November 1, 2021 regarding the implementation of the plan including strategies used and whether the plan was successful in reducing the academic achievement gap for the target pupils.

## **Career Technical Education**

The enacted state budget reflects a compromise among several career technical education (CTE) proposals discussed in the Legislature during the budget process. The Governor originally proposed \$214 million in ongoing funding to establish a K-12 component of the Strong Workforce Program – allocated by regional consortia through a competitive grant process – to create, support, or expand CTE programs at the K-12 level that align with the workforce development efforts occurring through the existing Strong Workforce Program administered by the California Community Colleges. The Budget Act contains \$164 million in ongoing funding (including \$14 million for technical assistance and administrative costs) for the Strong Workforce Program and \$150 million in ongoing funding for the CTE Incentive Grant, administered by the CDE.

Both funding sources require a funding match. The K-12 component of the Strong Workforce Program requires either a one-to-one match or a two-to-one match depending on the structure of each recipient's program. The CTE Incentive Grant requires a two-to-one match.

The budget trailer bill (AB 1808) maintained the following adjustments and clarifications to the K-12 Strong Workforce Program Proposal made in May:

- Funding will be allocated through the Community College Chancellor's Office to existing regional consortia based on the following factors in each region: the unemployment rate (33%), the region's total average daily attendance for students in grades 7 to 12 (33%), and the proportion of projected job openings (34%).
- Specifies that grant decisions for the K-12 component are made exclusively by the K-12 Selection Committee specified in the trailer bill language.
- Expanded and clarified technical assistance roles within the program.
- Provide resources to consortia for administering the regional grant process, including resources to support the K-12 Selection Committee duties.

## Other Grants

The budget included one-time funding to meet additional education needs. Additional budget guidance will be provided at first interim.

### **Ongoing funding for Statewide and Regional Support**

\$10 million – Special Education Resource Leads – Special Education Local Plan Areas (SELPAs) in the State System of Support (competitive grants)

Provides \$10 million in ongoing Proposition 98 funding to incorporate SELPAs into the state system of support through the establishment of special education resource leads who will work with county offices to improve pupil outcomes.

### **Onetime funding for Statewide, Regional, and Local Support**

\$50 million – Classified School Employees Professional Development Block Grant Program

Section 134 of AB 1808 provides \$50 million in one-time Prop. 98 funding for the Classified School Employee Professional Development Block Grant Program.

Under this program, LEAs will receive a one-time grant based on the number of classified school employees employed by the LEA in the immediately preceding fiscal year. First priority for the funds is the implementation of school safety plans, but they may be expended for any purpose described in EC Section 45391. The CDE will be required to apportion these funds to school districts, county offices of education, and charter schools as block grant funds.

#### \$50 million – Classified School Employees Summer Assistance Program

Section 133 of AB 1808 provides \$50 million in one-time Prop. 98 funding for the Classified School Employee Summer Assistance Program. Under the provisions of the program LEAs have the ability to elect to participate.

#### \$50 million – Special Education Teacher Residency Grants (competitive grants)

Commission on Teacher Credentialing for the 2018-19 fiscal year to establish the Teacher Residency Grant Program to provide one-time competitive grants to develop new or expand existing teacher residency programs that recruit and support the preparation of special education teachers. Any combination of school districts, COEs, charter schools, regional occupational centers or programs operated by a joint powers authority, or nonpublic, nonsectarian schools may apply for grant funding. The program would require a grant recipient to:

- Provide a 100% match of grant funding
- Demonstrate a need for special education teachers

A candidate in a teacher residency program sponsored by a grant must agree to work as an education specialist serving a caseload of pupils who receive special education services in a special education setting, must serve five years and agree to reimburse funds if they do not meet the commitment.

#### \$25 million – Other Teacher Residency Programs (teacher shortage areas such as STEM and bilingual education (competitive grants)

The Commission on Teacher Credentialing is to establish the Teacher Residency Grant Program for the 2018-19 fiscal year to provide one-time competitive grants to develop new or expand existing teacher residency programs that recruit and support the preparation of bilingual education, science, technology, engineering, or mathematics teachers. Similar to program requirements as above with focus on bilingual education, science, technology, engineering, or mathematics teachers, as applicable.

#### \$100 million - Facilities Grants for Full Day Kindergarten Expansion (competitive grants)

The Budget Act provides these funds for constructing or retrofitting existing school facilities “for the purpose of providing full-day kindergarten classrooms.” The State Allocation Board will award grants to school districts that lack the facilities to provide full-day kindergarten or that lack facilities that satisfy the design requirements required for new kindergarten classrooms *“as specified in paragraph (2) of subdivision (h) of Section 14030 of Title 5 of the California Code of Regulations.”*

Grant priorities are:

- The school district is financially unable to contribute some or all of the local match and meets financial hardship requirements.
- The school district is located in an underserved community with a high population of pupils who are eligible for free or reduced-price meals.

Except for school districts that meet the requirements for financial hardship, a school district that applies for a grant must provide 50% of the cost of the project, and a school district that applies for a retrofit project must provide 40 percent of the cost of the project. These grants must supplement, not supplant, existing funding available for school facilities construction.

#### **\$15 million - Multi-Tiered System of Support (MTSS)**

Expand the state's MTSS framework to foster a positive school climate in both academic and behavioral areas. In performing this work, the Orange County Department of Education, jointly with Butte County Office of Education, will contract with a California postsecondary educational institution to develop and identify evidence-based resources and activities designed to help local educational agencies across the state to create a positive school climate, as well as implement a pilot program to assist local educational agencies in creating a positive school climate.

#### **\$15 million – ASES: Kids Code Grant Program**

CDE to provide one-time grant funds to eligible after school education and safety programs that focus on computer coding as part of their curriculum. Funds are to be available for the 2018-19, 2019-20, and 2020-21 fiscal years.

#### **\$12.3 million - Fire-Related Property Tax Backfill**

Backfilling special education programs and basic aid districts for fire-related property tax revenue reductions to LEAs in areas impacted by the wildfires that began in northern California in October 2017 and in southern California in December 2017.

## **Summary**

As stated in the Introduction, this edition of the Common Message contains information for LEAs to utilize in preparing their 2018-19 45-day revised budgets. It is imperative for LEAs to stay well-informed, consider the impact of proposed and potential changes, both fiscal and programmatic, and adapt accordingly.