association of california school administrators

The Governor's 2017-18 January Budget Proposal

Just days after the Legislature returned to Sacramento from the fall interim, Governor Jerry Brown released his 2017-18 January Budget Proposal, effectively ending speculation of the administration's revenue projections and priorities for the coming year. The following is ACSA's analysis of the education components of the governor's budget proposal.

Overview

Gov. Brown's budget proposes a **flat funded General Fund budget plan of $122.5 billion, a 0.2 percent decline from the current fiscal year**. As a result, this year's investments in K-12 public education are relatively modest compared to the year-over-year augmentations schools have received since the November 2012 passage of Proposition 30, the temporary income and sales tax initiative. The budget proposes to fund the **Proposition 98 minimum guarantee at $73.5 billion**, a $500 million downward adjustment to the 2016-17 funding levels in an effort to not over-appropriate the minimum guarantee.

As it has become customary in the previous budget proposals, the governor calls for fiscal discipline and restraint while issuing several warnings of risks to the state's economy. Governor Brown's budget recognizes the historic volatility and fluctuations in public school finance largely because of the state's over-reliance on personal income taxes (and capital gains) from its wealthiest taxpayers. As a result, the governor emphasizes there is a heightened "uncertainty" and "unpredictability" of our revenue system.

Compared to the 2016 Budget Act signed last June, the administration notes that the state is experiencing a modest deficit as a result of a **$5.8 billion decline in its revenue forecast for 2015-16 through 2017-18**. To close the budget deficit and rebuild the state's operating reserve, the budget proposes various solutions, including technical adjustments to the Proposition 98 minimum funding guarantee; eliminating one-time uncommitted funds for affordable housing ($400 million) and state office building retrofits ($300 million). The Governor also limits spending proposals to keep spending flat in 2017-18 by pausing rate increases for child care and preschool, as well as not providing the Middle Class Scholarships to any new students.

Consequently, Gov.Brown's budget seeks to achieve a balance between meeting some of the state's priorities with limited ongoing resources, while recognizing the volatility of the state's predominant revenue stream. This "boom and bust" trend in the state's revenues prompted the passage of Proposition 2 by California voters in November, 2014 to set aside money in the state's reserve. By the end of 2017-18, the **state's Rainy Day Fund could have a total balance of $7.9 billion**, or 63 percent of the constitutional goal of having 10 percent of tax revenues in the Rainy Day Fund. Unlike past years, at this point the governor is not proposing any deposits be made to the state's reserves.

State's Fiscal and Economic Outlook

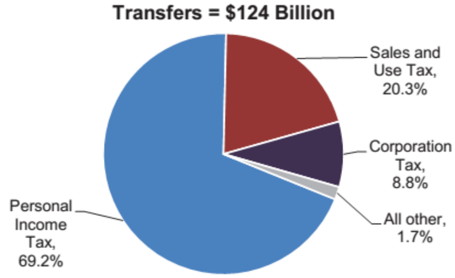
California Economy

Similar to the rest of the nation, this year the state's growth has begun to slow as the economy nears full employment. California's unemployment rate dropped to 5.5 percent in February 2016 and is expected to remain near that level. As noted in the budget's economic outlook, consumer inflation has averaged only 2 percent in California and 1.6 percent in the nation since 2010. The state's consumer inflation is expected to average 2.3 percent in 2016, 2.7 percent in 2017, and 2.9 percent in 2018. The administration notes that the state economy is approaching three years past traditional expansions, and indicates "it would be a historical anomaly for there not to be a recession before 2020." In addition, the administration notes that there are several risks to maintaining the current economic expansion, including rising housing prices, disruptions to international trade, or a stock market correction. Any of these activities could result in California losing up to one million jobs or wages and salaries to fall by more than 5 percent. The administration estimates a moderate recession will drop state revenues by about $20 billion annually for several years.

Revenues

For those who closely monitor the State Controller's monthly cash report, it is no surprise to see the administration lower its General Fund revenue projections. Since the enactment of the 2016 Budget Act, General Fund revenue from the state's three major revenue sources from 2015-16 through 2017-18 is lower than the projections last summer by $5.8 billion, making next year a relatively flat state budget. Over the three year fiscal period, personal income tax (PIT) is down $2.1 billion, sales tax is down $1.9 billion, and corporation tax is down $1.7 billion. As noted in the figure below, 69.2 percent of the state budget is comprised of revenues derived from personal income taxes, making this a highly volatile system as a result of the significant reliance on capital gains and on taxes paid by a small portion of the population. As the budget summary states, "for the 2014 tax year, the top 1 percent of income earners paid 48 percent of personal income tax."

Figure REV-04
2017-18 General Fund Revenues and Transfers = $124 Billion



Source: Department of Finance

In forecasting the economic growth over the next few years, the administration indicates the total General Fund revenue from the three largest taxes is expected to grow from $113.7 billion in 2015-16 to $138.1 billion in 2020-21. The average year-over-year growth rate for this period is 4 percent, as noted in more detail in the chart below.

Long-Term Revenue Forecast - Three Largest Sources
(General Fund Revenue - Dollars in Billions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Average Year-Over-Year Growth
Personal Income Tax	$78.9	$83.1	$85.9	$89.1	$93.2	$97.5	4.2%
Sales and Use Tax	24.9	25.0	25.2	26.2	27.2	28.1	2.9%
Corporation Tax	9.9	10.4	10.9	11.3	11.9	12.5	4.8%
Total	**$113.7**	**$118.5**	**$121.9**	**$126.7**	**$132.3**	**$138.1**	4.0%
Growth	4.1%	4.2%	2.9%	3.9%	4.4%	4.4%	

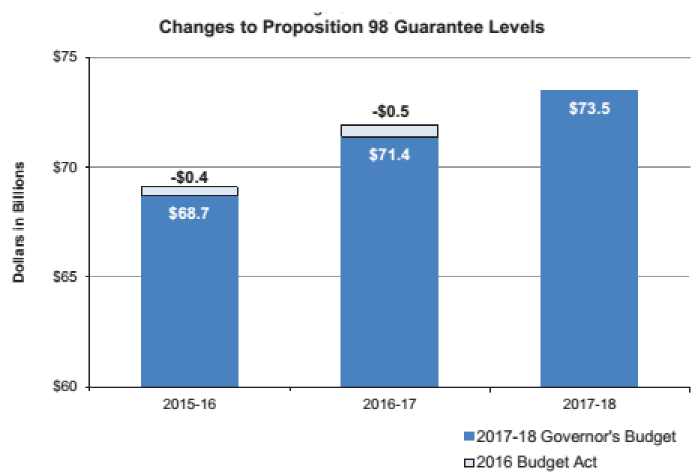
Note: Numbers may not add due to rounding.

Source: Department of Finance

Education Budget

Proposition 98

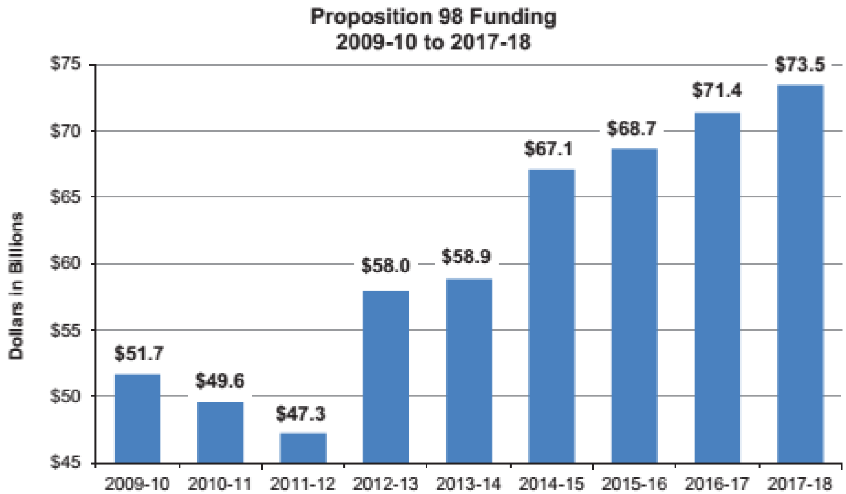
The Proposition 98 minimum guarantee is a complex formula that relies on General Fund tax collections, as well as other factors including average daily attendance, population and per capita personal income. Since the General Fund revenue estimates from 2015-16 through 2017-18 have been lower by $5.8 billion during this three year period, Gov. Brown proposes to lower the Proposition 98 minimum guarantee by more than $1.8 billion. As illustrated in the figure below, this includes reductions of $506 million to the 2016-17 guarantee and $953 million to the 2017-18 guarantee when compared to the 2016 Budget Act projected levels in an attempt to not over-appropriate above the constitutionally minimum required level. While it is not mentioned in the budget summary, as a result of the lower minimum guarantee, the administration is proposing a one-time, short-term deferral of $859 million that would be a portion of the June 2017 apportionment now given to LEAs in addition to their July 2017 apportionment. The shifting of payments into 2017-18 serves to save the state money in the current year to avoid over-appropriating the minimum guarantee.



Source: Department of Finance

Despite these adjustments, the overall K-14 funding level will continue to grow by a projected $2.1 billion in year-to-year-growth from the revised 2016-17 guarantee to the projected 2017-18 guarantee. Reflecting the changes noted above to the minimum guarantee, total per-pupil expenditures from all sources are estimated to be $14,822 in 2016-17 and $15,216 in 2017-18. **Ongoing K-12 Proposition 98 per-pupil expenditures are estimated to be $10,910 in 2017-18, an increase of $331 per-**

pupil over the level provided in 2016-17, and significantly higher than the $7,011 per pupil in 2011-12. The budget also provides $400 million in settle-up payments that will result in one-time resources to schools and community colleges for local investments and priorities. The following chart displays the evolution of Proposition 98 funding over the past decade.



Major 2017-18 Proposed Budget Fiscal Provisions

Below is a table of the more significant education spending proposals:

Prop. 98 Minimum Guarantee	$73.5 billion
LCFF – Reduces 23% Gap Funding, includes COLA	$744 million
Prop. 98 Per Pupil Spending	$10,910
Prop. 98 Discretionary Grants (one-time)	$287 million
1.48% COLA for remaining categorical programs*	$58.1 million
Prop. 39 Energy Efficiency Grants (K-12, one-time)	$422.9 million
Career Technical Education Incentive Grant Program (one-time)	$200 million
Proposition 47 grants to reduce K-12 truancy and support dropout prevention efforts	$10.1 million

*COLA adjustments are for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Child Education Program.

Local Control Funding Formula (LCFF)

Enacted in June 2013, the LCFF has provided more than $15.7 billion to local educational agencies since its inception. Since much of these increases were provided in recent years ($5.9 billion in 2015-16 and $2.9 billion in 2016-17), the proposed 2017-18 appropriations are modest in comparison. Specifically, for the fifth year of LCFF implementation, the governor **proposes $744 million to continue the administration's commitment to fully fund LCFF by 2020-21**. This investment closes an additional 23.67 percent of the remaining LCFF gap, bringing the total formula implementation to 96 percent. It is important to note that the LCFF "funding target" of 100 percent is a moving target that will be adjusted whenever a cost-of-living-adjustment is applicable. With that said, the Department of Finance estimates there is less than $2.5 billion left to reach full implementation levels. Since Gov. Brown is termed out of office at the end of 2018, it is likely that he will continue to prioritize ongoing Proposition 98 funds towards LCFF.

The administration's projections for the remaining LCFF gap funding closure and Cost-of-Living Adjustments are as follows:

District and Charter School LCFF (Dollars in Millions)						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
LCFF Funding	$5,994	$2,942	$744	$1,904	$2,022	$2,294
Remaining LCFF Gap Closed	52.56%	55.28%	23.67%	53.85%	68.94%	100%
COLA	1.02%	0.00%	1.48%	2.40%	2.53%	2.66%

Source: Department of Finance

The governor's budget proposal also notes the important interplay between the LCFF and the state's new accountability system that emphasizes local accountability, fiscal flexibility and improved student outcomes. The governor notes that the shift toward a multiple measure system gives policymakers the opportunity to create a system that provides a more accurate picture of school performance and the disparities among student groups. For additional information about the new accountability system, visit ACSA's new webpage at www.acsa.org/accountability.

Mandate Repayments and One-Time Funding

The governor's budget, both for general and education purposes, is careful to avoid using one-time revenue to fund ongoing commitments. He proposes one-time funds be appropriated as **$287 million in discretionary one-time Proposition 98 grants** for school districts, charter schools and county offices of education, which will be distributed on the basis of Average Daily Attendance (ADA). The Department of Finance's initial estimate translates to approximately $48 per ADA. All of these one-time funds will offset any applicable mandate reimbursement claims owed to local educational agencies. With this appropriation, the outstanding mandate debt would be approximately $1 to 1.5 billion for K-12 schools.

K-14 Mandate Backlog Payments (Dollars in Thousands)					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**Total**
K-12					
2014-15 Budget Act	400,500				400,500
2015-16 Budget Act		3,205,137			3,205,137
2016-17 Budget Act			1,280,846		1,280,846
2017-18 Governor's Budget				287,296	287,296
Total K-12	**400,500**	**3,205,137**	**1,280,846**	**287,296**	**5,173,779**
Per ADA (in whole dollars) [1/]	***$67***	***$529***	***$214***	***$48***	
1/ The per pupil calculation uses prior year ADA and FTEs data.					

Special Education

The administration intends to hold stakeholder meetings this spring to gather input on the existing special education finance system and get feedback on the recommendations made by the 2015 Statewide Special Education Task Force and included in the Public Policy Institute of California (PPIC) November 2016 report on special education finance. The report found that state special education funding has not kept pace with the increase in students identified with special needs and the costs associated with providing specialized services. It also identified large funding disparities among Special Education Local Planning Areas (SELPAs) and recommends the state consider the future role of SELPAs since the current system does not align with LCFF principles.

The administration specified that these stakeholder discussions will be consistent with the LCFF and apply to all students, including students with disabilities and center around the following principles:

- School funding mechanisms should be equitable, transparent, easy to understand, and focused on the needs of students.
- General purpose funding should cover the full range of costs to educate all students.
- School districts should be provided the flexibility to establish goals and design innovative ways of delivering services to all students.
- School districts are responsible for planning and implementing programs that lead to continuous improvement, measured by academic outcomes.

To review the task force's recommendations, visit the San Mateo County Office of Education website and view the PPIC report here. The administration anticipates engaging stakeholders in the coming weeks with the goal of concluding stakeholder engagement in time for the May Revise. If the administration were to pursue reforms, it is not expected any modifications to the existing funding structure would occur in 2017-18 as local educational agencies would require additional time to transition.

School Facilities

In November, voters passed Proposition 51 to raise $9 billion for K-community college school facilities with $7 billion allocated to K-12. Language in Proposition 51 clearly prohibits the legislature from making any changes to the existing state school building program for projects funded from this bond. Approximately $2 billion in unfunded projects at the Office of Public School Construction will likely be the first priority for funding once bonds are sold.

While the legislature is prohibited from making changes to the program, reforms can still be made through policy and regulation changes. The governor's 2017-18 budget references a 2016 state audit of prior school facilities bond expenditures and lack of transparency for use of these funds. Legislation will be introduced to require facility bond expenditures be included in the annual K-12 Audit Guide. In addition, the administration plans on revising a number of policies and regulations for districts that request funding through the State School Facilities Program. Specifically, the administration will work with the State Allocation Board and Office of Public School Construction to revise policies and regulations to "implement front-end grant agreements that define basic terms, conditions, and accountability measures for participants that request funding through the School Facilities Program." Both the audit requirement and changes in policies and regulations will need to be completed prior to the issuance of any school bonds.

Early Childhood Education

Noting that funding for California's pre-kindergarten education has historically been spread among a patchwork of programs and funding sources, the governor's budget proposes program flexibilities "that foster administrative efficiencies and better align child care and early childhood education programs to create a more rational system for both providers and the families they serve." While additional details will be made available in the budget trailer bill language, below are examples of the policy changes proposed:

- Authorizes the use of electronic applications for child care subsidies.
- Allow children with exceptional needs whose families exceed income eligibility guidelines access to part-day state preschool if all other eligible children have been served. This allows part-day state preschool providers the flexibility to fill unused slots with other students who would benefit from early intervention or education.
- Align the state's definition of homelessness with the federal McKinney-Vento Act for purposes of child care eligibility. Many providers receive both federal and state funds and different definitions of homelessness can be confusing.
- **Eliminate the Community Care Licensing (CCL) requirements for state preschool programs utilizing facilities that meet transitional kindergarten facility standards, specifically K-12 public school buildings**. By providing the flexibility to use Field-Act approved facilities, LEA and non-LEA state preschool providers may be able to take up expansion slots by avoiding the delays in obtaining a licensing permit. For non-LEA state preschool providers, LEAs would likely have to resolve to accept any health/safety liability in order for the private provider to utilize this flexibility; otherwise, the private provider would be subject to CCL licensing and annual visit requirements. For non-structural health and safety requirements that are part of Title 22 and the site visit review, the administration may propose to use existing complaint-resolution processes to address them.
- **Allow state preschool programs flexibility in meeting minimum adult-to-student ratios**
  and teacher education requirements, allowing for alignment with similar transitional kindergarten requirements. If a state preschool provider opts to use a credentialed teacher (rather than a permitted teacher), the program can utilize a 2:24 ratio model, for example, in which 1 teacher is credentialed and supported by an aid or permitted teacher. The impending budget trailer bill language will also offer that for programs participating in QRIS with rankings of 4 or higher, the state will grant full student-to-teacher ratio flexibility.
- **Simplify the process by which school districts can align program minutes for state preschool and transitional kindergarten students**. If an LEA state preschool provider opts to increase preschool instructional minutes to equal Transitional Kindergarten minimum instructional minutes (an increase of about 5,000 minutes annually), the LEA would not have to seek a waiver from the State Board of Education to deliver a Transitional Kindergarten program that has different instructional minutes from kindergarten programs

It should be noted, however, that the proposal does not increase funding available to early childhood education programs. On the contrary, as a result of the lower than expected General Fund revenue growth as previously discussed, and a more constrained budget environment, the administration proposes to pause the additional 2,959 State Preschool slots that were anticipated to be available in spring 2017. The budget proposal also does not contain a COLA for the State Preschool Program or for child care.

<u>State Preschool</u>
Full-day: $10,115/student per year ($40.46/student per day)
Part-day: $4,385.50/student per year ($25.06/student per day)

<u>Child Care</u>
Standard Reimbursement Rate: $10,050/student per year, or $40.20/student per day, which represents a 5% full-year increase rather than the 10% increase agreed to in last year's budget.

Regional Market Rate: 75th percentile of the 2014 survey or RMR ceiling as of December 31, 2016

The other major adjustments related to CalWORKs child care are as follows:

- A $35.8 million increase in non‑Proposition 98 funds for Stage 2 CalWORKs child care to reflect an increase in both the number of Stage 2 cases and the cost per case. Total cost for Stage 2 is $505 million.
- A $1.6 million increase in non‑Proposition 98 General Funds for Stage 3 CalWORKs child care to reflect increases in both the number of CalWORKs Stage 3 cost per case, despite a decline in the number of cases. Total cost for Stage 3 is $302.5 million.

Career Technical Education

Enacted in the 2015 Budget Act, the Career Technical Education (CTE) Incentive Grant provides $900 million over a three-year period with $400 million committed in 2015-16, $300 million in 2016-17 and $200 million in 2017-18 to support transitional education and workforce development initiatives. Next year will be the final appropriation for this grant program and, beginning with the 2018-19 school year, schools who received grant funding will be expected to support CTE programs within their LCFF allocations. While there are legislators who may wish to re-establish a categorical program, it is unlikely that this governor would support the effort, particularly at a time when state revenues are lower than expected.

Proposition 47 – Truancy and Dropout Prevention Grant Program

California voters approved Proposition 47 in November 2014, a ballot initiative that changed some non-violent drug and property charges from felonies to misdemeanors and established the Safe Neighborhoods and Schools Fund. The goal of Proposition 47 is to reduce the daily inmate population in California and prevent new admissions to the prison system, while saving money to be invested in K-12 truancy and drop-out prevention, victim services, and mental health and drug treatment. For 2017-18, the budget proposes $10.1 million to programs that improve student outcomes, including K-12 truancy prevention and support for pupils who are at risk of dropping out of school or are victims of crime. These funds will be included in the Proposition 98 calculation, as the funds will be extended for direct services and other support for students.

In September 2016, Gov. Brown signed AB 1014 (Thurmond) and SB 527 (Liu) for the purposes of implementing the Learning Communities for School Success Grant Program. The California Department of Education has begun planning for the implementation of the program with a Request for Proposal process expected to begin in early 2017. School districts and community organizations are encouraged to immediately start identifying priorities and begin planning for this competitive grant program now. For additional details on program eligibility, see this fact sheet.

Other Budget Items

Charter Schools – Proposes an increase of $93 million to support projected charter school ADA growth.

Proposition 39 – The budget proposes $422.9 million to support school district and charter school energy efficiency projects in 2017-18. It is important to note, however, that next year will be the last appropriation from this five-year grant program. For information regarding final project completion reports, visit http://www.energy.ca.gov/efficiency/proposition39/.

Special Education – Decreases special education funding by $4.9 million to reflect a projected decrease in special education ADA.

Adult Education – While not specifically mentioned in the governor's budget summary, the budget continues support for adult education with approximately $500 million in Proposition 98 funds.

Cost-of-Living Adjustments (COLA) – Provides an increase of $58.1 million to support a 1.48 percent cost-of-living adjustment for categorical programs that remain outside of the LCFF. These include Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program. The COLA for school districts and charter schools are provided within the increases for LCFF.

Local Property Tax Adjustments – Proposes a decrease of $149.2 million in Proposition 98 General Funds for school districts and county offices of education in 2016-17 as a result of higher offsetting property tax revenues. In addition, a decrease of $922.7 in Proposition 98 General Funds for school districts and county offices of education in 2017-18 as a result of increased offsetting local property tax revenues.

Average Daily Attendance – Proposes a decrease of $168.9 million in 2016-17 for school districts as a result of a decrease in projected ADA from the 2016 Budget Act, and a decrease of $63.1 million in 2017-18 for school districts as a result of further projected decline in ADA next year.

***Not in the Budget*: Increased Pension Obligations –** While the issue of increased employer pension contributions is not completely acknowledged in the governor's budget, it is important that this issue be considered as part of this year's budget conversations. On December 21st, 2016, the CalPERS Board unanimously voted to lower its assumed rate of return on its investments from 7.5 percent to 7.0 percent. A reduction in assumed investment earnings increases CalPERS' unfunded liability. The difference must be made up through increased employer and employee contribution rates. The proposal that was adopted by the CalPERS Board increases employer contribution rates significantly higher than the amounts districts were anticipating. The CalPERS rate hikes coincide with increasing CalSTRS employer contribution rates, which are expected to reach 19.1 percent by 2020-21. The revised projected rates, using the lowered assumed rate of return, climb dramatically over the next seven years.

CalPERS – Updated Projected School Employer Contribution Rates:

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Projected School Employer Contribution Rate	15.8%	18.7%	21.6%	24.9%	26.4%	27.4%	28.2%

While it is not anticipated that mitigating the increased employer pension contributions will be a priority for either the legislature or the governor, the Legislative Analyst Office reported in November 2016 on the impending increased pension costs rising through 2020-21. As noted in its five-year economic forecast, compared with 2013-14 levels, total district contributions to CalSTRS and CalPERS are anticipated to be nearly $6 billion higher annually by 2020-21. Given the magnitude of pension contribution increases, ACSA will examine all options to mitigate their impact on local educational agencies. The CalPERS and CalSTRS funds must be viable so the systems can pay out future retirement benefits, but their viability cannot be at the expense of student programs and services.

ACSA Perspective and What's Next

Despite the slower growth in revenues, the governor continues to make investments in public education, both in terms of supporting LCFF implementation and paying down past debts. He is also staying the course in funding CTE incentive grants and staying committed to funding adult education.

The governor and his staff have been very clear that he is not supportive of any initiatives outside of his own priorities, particularly in light of the budget constraints.

It is important to remember that this is just a proposal, and there are more than six months to go before the 2017-18 State Budget is finalized. The governor's proposed budget and, more specifically, his commitment to fiscal restraint and resistance to new policy priorities from the Legislature will face both policy and budget committee scrutiny in the coming months. Over the next five months leading up to the constitutional deadline of June 15th, the state Legislature will initiate the formal and public deliberation process to discuss the governor's budget proposal and craft their own alternatives. It is unlikely that the governor will be open to much movement on the creation of any new programs and the enactment of universal preschool, in particular, could face considerable resistance from his administration.

It will not be a surprise if the California Legislature and the governor direct their attention to the national political landscape, as there are several policies with significant fiscal implications that could negatively impact the state. These include an impending threat to repeal the Affordable Care Act that could cost the state more than $20 billion in federal subsidies and result in an estimated loss of 334,000 jobs, potential tax cuts to the highest income-earners as well as changes to immigration and climate change policies that could disrupt communities throughout California.

Public education is in the strongest position it has been in a decade and our students are the beneficiaries of the good work we've done in our schools, our communities, and inside the State Capitol. But ACSA acknowledges that there is more work to be done. As student advocates, ACSA believes the improvements and increases to funding are critical. In early January 2017, Education Week's *Quality Counts 2017* rankings listed California with a letter grade of F compared with a national average of D across the spending indicators. We must recognize that those levels are not enough to meet increased expectations and student needs. The governor's Local Control Funding Formula has placed additional responsibility on local decision making which empowers all of us to be more effective leaders. It forces all of us to recognize the successes and challenges we have in our districts and how pursuing long-term investments to stabilize public education is crucial for current and future students.

Moreover, a responsibility rests with lawmakers to confront the growing impact of pension obligations on school budgets. Last month, the Sacramento Bee reported that school districts will pay an additional $500 million to make up for lower investment returns. That is in addition to a 2014 CalSTRS bailout from the Legislature that is costing the state, school districts and teachers billions in additional contributions.

Moving forward, it is also imperative that all of us remind stakeholders that the November passage of Proposition 55 maintains existing funding for our students; it does not increase funding since it does not go into effect until 2018-19 and it will not be until then that we know its benefits to the state budget. It is also important to note, for context, that K-14 education will once again be perceived as a "winner" in the governor's proposed budget. The state faces additional cost pressures on the non-Proposition 98 side, with limited available resources to begin to address the hundreds of billions of unmet need. This unfortunate reality could surface as the education community amplifies the call for more adequate and long-term investments in K-12 public education.

Last month, Assembly Budget Chair Phil Ting (D – San Francisco) unveiled his "Assembly Blueprint for Responsible Budget Priorities," which focuses on "strengthening California's fiscal health, protecting the state from harm inflicted by the federal government, and making responsible investments in Californians." Assemblymember Ting proposes several budget investments for 2017-18:

- Taking the next step in improving Early Education by expanding access and requiring Full-Day Kindergarten throughout the entire state
- Establishing a program framework for phasing in "Debt Free College Education"
- Assisting areas of the state still not recovered from the Great Recession
- Expanding the Earned Income Tax Credit to serve more working families
- Providing funding to assist with affordable housing and homelessness prevention

In the final 2016-17 budget compromise, the Legislature adopted trailer bill language directing the California Department of Education (CDE) to develop a differentiated funding rate for full-day and part-day kindergarten programs, with the goal of incentivizing schools to provide full-day kindergarten programs by 2018-19. To date, CDE has not released this report, yet the new Budget Blueprint makes a reference to making this a priority. Lastly, Assembly Speaker Anthony Rendon (D – Paramount) is expected to establish a Blue Ribbon Commission on Early Care and Education to improve services for children 0-3, and to develop options for establishing universal pre-kindergarten for all four-year-olds. Providing additional investments for childcare and early childhood education could continue to be a budget priority for Assembly Democrats in the coming year.

Unlike its Assembly counterparts, the Senate has not released highlights of potential budget proposals. The Senate has a newly appointed Budget and Fiscal Review Committee Chair, Senator Holly Mitchell (D – Los Angeles), since longtime Chair Mark Leno (D – San Francisco) was termed out of the Legislature in December 2016. The Senate also has a newly minted Senate Budget Subcommittee on Education Chair, Senator Anthony Portantino (D – La Canada Flintridge), as former chair Senator Marty Block (D – San Diego) was also termed out. While the governor's January revenue projections are modest, it is possible that the Senate Democrats could re-introduce proposals to address California's looming teacher shortage. In the 2016-17 budget cycle, Senator Ben Allen (D – Santa Monica), a member of the Senate Budget Subcommittee on Education and the new chair of the Senate Education Committee, introduced a $60 million one-time Proposition 98 proposal to re-establish a teacher residency program. The Senate also unsuccessfully supported a similar budget appropriate to re-instate the Assumption Program of Loans for Education (APLE), last funded in 2012-13 to encourage outstanding students, district interns, and currently credentialed teachers to seek and teach in specified K-12 teaching positions. The Senate may also be interested in exploring the potential challenges with the implementation of Proposition 58 (bilingual education), which passed by California's voters with overwhelming support in November 2016. This initiate does not go into effect until July 2017, yet school districts have started to raise concerns regarding the need for more bilingual education teachers, and additional funding for professional development and training for current teachers who do not have a Bilingual, Cross-cultural, Language and Academent Development (BCLAD) credential.

As a major education stakeholder, ACSA will be actively engaged in the budget discussions with the administration to ensure a budget that serves all of our public school students. Throughout this legislative season, ACSA will keep you apprised of all budget negotiations until the budget is completed in June.

For additional information on the budget, or to share anecdotes of how the proposed budget will impact your school district or county office of education, contact Martha Alvarez, ACSA Legislative Advocate, at malvarez@acsa.org.