February 23, 2017

The Honorable Anthony Portantino
Chair, Senate Budget and Fiscal Review
Subcommittee #1
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Kevin McCarty
Chair, Assembly Budget Subcommittee #2
State Capitol, Room 6026
Sacramento, CA 95814

RE: 2017-18 Governor's Budget Recommendations

Dear Senator Portantino and Assembly Member McCarty:

On behalf of the Association of California School Administrators (ACSA) and our more than 18,000 county office, school district, and school site education leaders, we are pleased to provide our budget positions and recommendations on Governor Brown's January 2017-18 budget proposal.

ACSA looks forward to working with the Legislature and the Brown administration on this and other important issues through this year's budget and policy discussions.

Concerned with Downward Adjustment of $1.8 billion to Proposition 98 Minimum Guarantee and the June 2017 Deferral

ACSA applauds the governor and the Legislature for the investments in public education over the past four years to restore many of the deep cuts education endured during the Great Recession. While we are pleased to see the governor propose $73.5 billion for the Proposition 98 minimum guarantee in 2017-18, **we are concerned with the proposed $1.8 billion downward adjustment to the 2015-16 through 2017-18 funding levels in an effort to avoid over-appropriating the minimum guarantee**. As a result, the governor proposes to defer an $859 million payment for the Local Control Funding Formula (LCFF) from June 2017 (the 2016-17 fiscal year) to July 2017 (the 2017-18 fiscal year). The shifting of payments into 2017-18 serves to save the state money in the current year. **We are concerned with this technical adjustment and accounting mechanism and urge the Legislature to reject the deferral or, at the very least, exhaust other one-time options before deferring this LCFF payment**. Per the Legislative Analyst's Office (LAO's) budget analysis, there may be unspent funds available in 2016-17 for certain programs.

While this funding is greatly appreciated, California must continue to invest in public education and establish a robust level of funding that matches the expectations and goals established by the state to support a competitive workforce. School districts, with the collaboration and input from their local stakeholders, have developed multi-year strategic plans to consider goals, actions and services to support student growth and achievement. While there is much hope and promise placed in the Local

Control and Accountability Plans (LCAPs), there is not sufficient funding to support all of the locally identified needs. Districts would benefit from increased investments to public education for a variety of purposes, including but not limited to: scaling up high school programs for a full range of college and career preparation options for all students; additional support for English language learners; a broad range of professional development opportunities for new and veteran teachers; and to implement other strategies designed to enhance student achievement and close the achievement gap. For these reasons, we urge the governor and the Legislature to reconsider the reduction in Proposition 98 funding by $1.8 billion.

When Proposition 98 was approved in 1988, California voters confirmed in California's constitution that public education is the top priority for state funding and **Proposition 98 was meant to be a floor, not a ceiling**. One explicit educational goal at the heart of Proposition 98 was that California's annual per-student expenditures would equal or exceed the average annual per-student expenditures among the top 10 states across the nation. Close to 30 years following the adoption of Proposition 98, the state remains far from achieving that goal. According to the Education Week *Quality Counts* 2017 survey results, the **average per-student spending for the top 10 states in the country was $16,677, yet California's K-12 per-student expenditures adjusted for regional cost differences in 2014 was $8,694**. California even trails behind the national average in per-pupil spending of $12,156, thus placing California 46th in the nation despite a commitment toward restoring funding to public education.

To this end, ACSA looks forward to discussing sustainable revenue options to support K-12 public education for our current and future generations that will support our workforce needs and contribute to the state's economy.

SUPPORTS $744 MILLION IN ON-GOING FUNDING FOR CONTINUED INVESTMENT IN LCFF

ACSA supports the continued allocation of $744 million in ongoing funds through the LCFF. The legacy of this signature education funding reform and its success will largely depend on timing and an appropriate level of funding provided to school districts to implement academic services and enrichment programs for the state's six million students. The Brown administration estimates this investment will bring the total formula implementation to 96 percent of the LCFF funding target. As the state approaches these funding levels, ACSA encourages the Legislature and the governor to start considering what will occur when local educational agencies (LEAs) reach their full implementation targets.

SUPPORTS THE $287 MILLION APPROPRIATION IN ONE-TIME DISCRETIONARY FUNDING

Consistent with a core principle of local decision-making, ACSA supports the $287 million in one-time Proposition 98 funding for LEAs to use at local discretion to support locally determined needs and priorities. We support the appropriation of a per Average Daily Attendance (ADA) amount of approximately $48 per pupil.

SUPPORTS THE GOVERNOR'S CONTINUED INVESTMENT IN THE CAREER TECHNICAL EDUCATION INCENTIVE GRANT

ACSA supports the governor's proposal to continue the plan to provide additional resources for the CTE Incentive Grant. The proposed $200 million will assist in providing resources to maintain career-focused programs that will help students develop the skills, technical knowledge, and realworld experience needed to compete in California's workforce, while establishing several outcome measures for career and technical education programs.

SUPPORTS ALL PROPOSED FLEXIBILITIES FOR EARLY CHILDHOOD EDUCATION (ECE) PROGRAMS

ACSA appreciates and **supports the governor's entire proposal to provide additional flexibility in ECE programs** to encourage alignment between the California State Preschool Program (CSPP) and Transitional Kindergarten. ACSA concurs with the administration's assessment that the different administrative and programmatic requirements do not facilitate flexibility at the local level, and that simplification is necessary. Each of the proposals has its own merits and will allow more flexibility for blending and braiding funding; as a result, these modifications to the CSPP program will allow more program options and ensure that parents have access to care in the hours and settings that best meet their needs.

One of the most important flexibilities proposed is to exempt LEA providers from the additional and duplicative requirements per Title 22 regulations. We support this proposal since school sites already have to comply with more strict Title 5 regulations, health and safety provisions of the Field Act, and other local school board policies that ensure the health and safety of all children.

Other provisions we support include:

- Alignment of homeless youth definition
- Adult-to-child ratio flexibility
- Explicit authority for TK/K differential instruction minutes
- Serving children ages 3-4 with special needs (after all income-eligible three- and four-year old children are served)
- Authorization for child care and CSPP providers to use electronic applications

While it is not addressed in the budget proposal, **we strongly urge the Legislature and the administration to immediately adopt the use of the most current state median income (SMI) data when determining family eligibility, with a provision that requires the state to annually update SMI for current data**. Re-benching the SMI to the most recent year will enable California to be in alignment and in compliance with the Child Care and Development Block Grant Act of 2014 corresponding regulations enacted in summer 2016. Furthermore, as incomes rise as a result of the minimum wage increase, school districts have had to turn away families who no longer qualify under the current income guidelines that have not been revised since the 2007-08 levels. Low-income families will continue to face barriers in accessing available preschool slots until the income eligibility thresholds are adjusted to reflect changes to the state's minimum wage. **We believe that the 70th percentile of the SMI ceiling continues to leave too many of our neediest children unserved, and we urge the Legislature and the administration to revisit this issue this budget year.**

Lastly, we acknowledge that many school districts participating in CSPP are struggling to keep pace with employee salaries and benefits. We are concerned that the 2017-18 budget does not provide a cost-of-living-adjustment (COLA) for preschool, and that the Standard Reimbursement Rate (SRR) increases will be delayed. While we understand the projected revenues are lower, the increased rates are necessary in order for programs to continue to meet demand and expectations.

URGES THE EXPEDITIOUS ISSUANCE OF THE $7 BILLION K-12 SCHOOL FACILITY BOND

ACSA remains very concerned with delaying the issuance of general obligation bonds until changes to the K-12 audit guide and the new front-end agreements become effective. Voters approved Proposition 51 to ensure the state's children have the best and safest environments for learning and the state has the responsibility to distribute bond funds authorized by voters this past November.

While the governor proposes to issue $594 million from Proposition 51 bonds and $61 million from prior bonds, this amount is modest compared to the $2 billion in projects on the approved and acknowledged lists maintained by the Office of Public School Construction. Though required by state law, the governor did not provide an out-year schedule of anticipated school bond sales in his five-year statewide infrastructure plan. **We urge your budget subcommittees to request additional information from the Department of Finance on how the administration plans to address the backlog of school facility projects, as well as the size and time of the corresponding Proposition 51 bond sales**.

Lastly, while we support efforts to ensure facility bond expenditures be included in the K-12 audit guide, we are **concerned with the administration's trailer bill language proposing to use an LEA's share of Proposition 98 funds to pay for ineligible bond expenditures resulting from a school facilities audit**. We are also questioning whether audit claims are adjudicated and by whom, and urge clarification on the specifics for implementation for inclusion in the audit guide.

URGES THOUGHTFUL CONSIDERATION AND VETTING OF SPECIAL EDUCATION SCHOOL FINANCE SYSTEM

ACSA looks forward to engaging in discussions with the administration and other stakeholders on the current special education finance system. As part of these conversations, the state needs to acknowledge how woefully underfunded special education is, and consider the importance of improving per-student funding rates in an effort to improve services for students with disabilities. Since there are numerous outstanding questions related to a very complex system, we believe it will be imperative that these discussions occur through the policy committee process and that no changes be made in the 2017-18 fiscal year. ACSA and its members appreciate the administration's commitment to engaging stakeholders and looks forward to actively participating in public deliberations.

ENCOURAGES COST OF LIVING ADJUSTMENT (COLA) BE ADDED TO THE K-12 MANDATE BLOCK GRANT

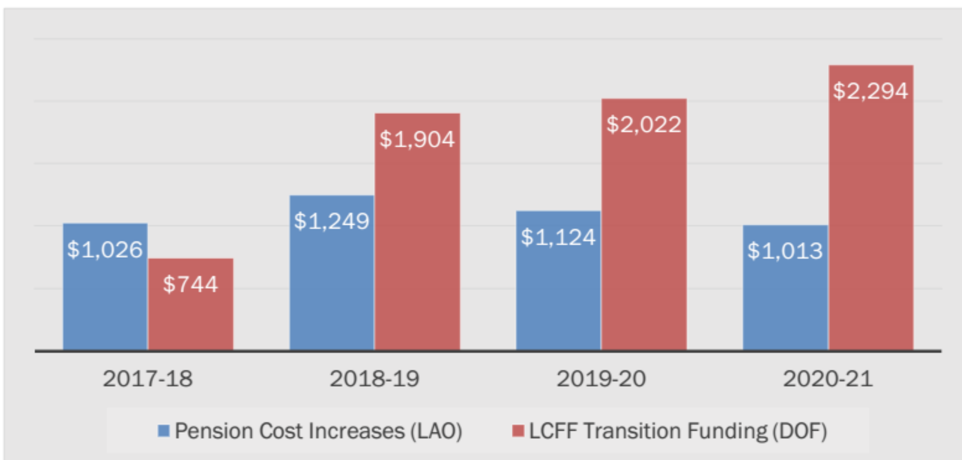
The Mandate Block Grant established in 2012 has not been adjusted to reflect inflation and the increased administrative costs associated with complying with more than three dozen mandated activities. We request the Legislature and the governor consider providing a statutory COLA, or at the very least, increase the per student amount (currently $28 per K-8 and $56 per high school students).

ENCOURAGES CONVERSATION ON INCREASING EMPLOYER PENSION CONTRIBUTIONS

LEAs throughout the state are experiencing increased costs to their annual budgets for a number of reasons, including higher energy bills and fuel costs, increased minimum wage provisions and increases to their pension obligations. School employer pension increases are due to statutory rate hikes, low investment returns and increasing life expectancy. ACSA is committed to preserving the current defined benefit retirement system while protecting the solvency of district budgets. Equally as important, school districts fully support the sustainability of a fully-funded pension system, as it is necessary to ensure a secure retirement for educators who have devoted their careers to public service by supporting our children in the classrooms.

While the issue of higher employer contribution rates is not addressed in the governor's budget, ACSA encourages the Legislature to explore this issue through budget discussions and analyze the impact of projected increases on districts' budgets and the student services they are able to provide. As the LAO's 2017-18 budget analysis suggests, the projected $6.4 billion increase in pension costs from 2013-14 through 2020-21 would equate to approximately 30 to 40 percent of the increase in school funding over the same period. In the more immediate future, "districts are likely to find pension rate increases more challenging to accommodate in 2017-18," at a time when student enrollment is flat or declining and most districts are close to reaching their full LCFF implementation targets. As the LAO indicates in their 2017-18 budget analysis report, total district pension contributions are expected to increase by about $1 billion ($782 million for CalSTRS and $244 for CalPERS) in 2017-18, yet the LCFF funding amount for the coming year may only be $744 million as proposed by the governor. Below is a table to illustrate the projected increases through 2020-21.

Pension Cost Increases vs. Proposed New, On-Going K-12 Funding (in millions)



ACSA looks forward to engaging in discussions throughout the course of budget deliberations with the goal of crafting a final budget that will continue to invest in California's diverse student population. Should you or members of your staff have any questions regarding our positions, please contact me at malvarez@acsa.org or (916) 329-3861.

Regards,

Martha Alvarez

Martha Alvarez
Legislative Advocate
Association of California School Administrators

cc: Members, Assembly Budget Subcommittee #2
Members, Senate Budget and Fiscal Review Subcommittee #1
The Honorable Edmund G. Brown, Jr.
Karen Stapf Walters, State Board of Education
Jeff Bell, Department of Finance
Katie Hardeman, Assembly Budget Committee
Misty Feusahrens, Office of Assembly Speaker Anthony Rendon
Robert Becker, Assembly Republican Caucus
Elisa Wynne, Senate Budget and Fiscal Review Committee
Kimberly Rodriguez, Office of Senate Pro Tem Kevin de Leon
Cheryl Black, Senate Republican Caucus