



CALIFORNIA
DEPARTMENT OF
EDUCATION

TOM TORLAKSON

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

August 5, 2016

Dear County and District Superintendents, Direct-Funded Charter School Administrators, and County Chief Business Officers:

BUDGET ACT FOR 2016–17

On June 27, 2016, Governor Edmund G. Brown Jr. signed the Budget Act and related trailer bills, putting into place a spending plan for 2016–17 and a revised spending plan for 2015–16. This letter, prepared by the California Department of Education (CDE) fiscal policy staff, provides information on the budget actions that affect kindergarten through grade twelve (K–12), adult education, and early education programs.

Copies of this document, as well as other budget-related documents, are available on the CDE Education Budget Web page at <http://www.cde.ca.gov/fg/fr/eb/>. Official state budget documents are available through the California Department of Finance Web site at <http://www.dof.ca.gov/>.

Overview

California's fiscal outlook remains strong due to continued economic growth and new revenues generated by Proposition (Prop) 30. However, the quarter-cent sales tax provision of the initiative is scheduled to sunset at the end of 2016, and the income tax provisions are scheduled to sunset at the end of 2018. With the anticipated reduction in Prop 30 revenues and significant increases in long-term costs, debts, and liabilities in the coming years, the Governor once again has indicated that an economic downturn is "around the corner." The 2016–17 budget reflects that concern and provides an additional \$2 billion deposit to the state's Budget Stabilization Account/Rainy Day Fund (Prop 2), bringing the balance to \$6.7 billion. The budget continues to pay down the state's long-term debts and liabilities by \$1.3 billion from Prop 2 funds.

While the rate of growth of the state's revenue has slowed down, state revenues continue to increase. The General Fund (GF) revenues for 2016–17 are projected to be \$123.2 billion, a nearly \$5 billion increase over 2015–16. The revised revenue projections for 2015–16 are \$118.5 billion. GF expenditures for K–12 education are \$51.6 billion and total funding for K–12 education, including state, local, and federal funds, is \$88.3 billion.

Proposition 98

The budget package reflects Prop 98 funding for K–14 education of \$71.9 billion in 2016–17, a \$3.5 billion increase over the 2015–16 Budget Act level. This funding reflects state resources of \$51.1 billion and local property tax revenues of \$20.8 billion.

On a per-pupil basis, Prop 98 spending for K–12 education is \$10,643 in 2016–17, up from \$10,203 in 2015–16. When all funding sources are considered, per-pupil spending for K–12 is \$14,799 in 2016–17, compared to \$14,302 in 2015–16.

Mandates

The budget package includes \$1.3 billion in one-time Prop 98 funding for K–12 local educational agencies (LEAs). These discretionary funds can be used for any purpose determined by the LEA's governing board and will reduce the amount of outstanding mandate claims currently on file with the State Controller's Office. Funds can be used for activities such as deferred maintenance, professional development, instructional materials, technology, and the implementation of new educational standards. The estimated rate per unit of average daily attendance (ADA) is \$214.

Additionally, the budget package provides the Mandate Block Grant with an additional \$131,000 Prop 98 funding for 2016–17 to reflect increased LEA participation and to align the mandate block grant funding with revised ADA.

Local Control Funding Formula

The budget package includes a total of \$56.8 billion for Local Control Funding Formula (LCFF) funding, including an additional \$2.94 billion to school districts and charter schools for the fourth year of LCFF implementation. This funding increase will bring LCFF to an estimated 96 percent of the way to full implementation statewide.

While the Department of Finance estimates that the additional \$2.94 billion will close 54.18 percent of the remaining funding gap to achieve full funding for LCFF, this percentage will be revised throughout the year and will be final as of the 2016–17 second principal apportionment in June of 2017. Transition funding provided to school districts and charter schools in the first four years of LCFF implementation, including 2016–17, is about \$15.7 billion, leaving roughly \$2.7 billion of the funding gap remaining to reach full implementation. This puts the state ahead of the originally projected eight-year implementation schedule for LCFF.

Cost-of-Living Adjustment and Growth

The statutory cost of living adjustment (COLA) is very small and rounds to zero. Consequently, the budget includes no funding for COLA. The budget includes growth funding of \$5.3 million for preschool programs and LCFF.

Early Education and Child Care

The budget continues to restore the cuts that have been made to early education and child care programs over the past several years by committing to increasing funding by \$500 million over three years. Total early education and child care funding for 2016–17 is over \$2.6 billion, including \$925 million for California State Preschool, \$470 million for General Child Care, and \$267 million for Alternative Payment Programs, for a net increase of \$126 million among the three programs in 2016–17.

The budget package provides:

California State Preschool Program

- \$7.8 million Prop 98 funding for an additional 2,959 full-day State Preschool Slots in 2016–17 with the intent to provide a total of \$100 million for an additional 8,877 slots phased in over four years.

General Child Care and Alternative Payment Programs

- An increase to the Regional Market Rates to the 75th percentile of the 2014 survey as of January 1, 2017, with a two-year hold harmless.
- An increase to the Licensed Exempt Rates from 65 percent to 70 percent of the Family Child Care Home Rate as of January 1, 2017.
- An increase to the Standard Reimbursement Rates by 10 percent across the board, effective January 1, 2017.
- \$1.4 million in one-time funding for Los Angeles Trade-Tech Community College to provide job training, mentoring, and college courses through the Early Care and Education Apprenticeship Pilot Program.

Career Technical Education

The budget package provides \$300 million in Prop 98 funding for competitive matching grants to continue the Career Technical Education Incentive Grant Program (CTEIG). This builds upon the \$400 million provided in the 2015 Budget Act. In addition, the budget package adopts trailer bill language to grant the State Superintendent of Public Instruction (SSPI), in collaboration with the Executive Director of the State Board of Education, additional flexibility in determining the amount of funds provided for each CTEIG applicant. The trailer bill language also allows the SSPI to reduce the following year's grant if, upon review, it is determined that the grant recipient failed to comply with the match requirements.

The required local match to qualify for CTEIG funding is as follows:

- 2015–16 fiscal year = \$1.00 local: \$1.00 CTEIG funds;
- 2016–17 fiscal year = \$1.50 local: \$1.00 CTEIG funds;
- 2017–18 fiscal year = \$2.00 local: \$1.00 CTEIG funds.

College Readiness Block Grant

The budget package includes \$200 million in one-time Prop 98 funding to establish the College Readiness Block Grant program, which will provide additional support to prepare high school pupils, particularly unduplicated pupils (low-income, English learner, and foster youth), for higher education. Grants will be allocated to eligible school districts, county offices of education (COEs), and charter schools based upon the number of unduplicated high school pupils enrolled in the 2015–16 fiscal year, with a minimum grant amount of \$75,000 per LEA. To be eligible to receive a grant, schools must be accredited or in the process of obtaining accreditation from the Accrediting Commission for Schools, Western Association of Schools and Colleges. The grants must be expended or encumbered by June 30, 2018, and may be used for the following:

- Providing professional development opportunities for teachers, administrators, and counselors to improve pupil A-G course completion rates, pupil college-going rates, and college readiness of pupils.
- Counseling services to pupils and their families regarding college admission requirements and financial aid programs.
- Developing or purchasing materials that support college readiness.

- Developing comprehensive advising plans to support pupil completion of A-G course requirements.
- Implementing collaborative partnerships between high schools and postsecondary educational institutions that support pupil transition to postsecondary education.
- Providing subsidies to unduplicated pupils to pay fees for taking advanced placement exams.
- Expanding access to coursework or other opportunities to satisfy A-G course requirements to all pupils.

As a condition of receiving funds, grant recipients must report to the SSPI by January 1, 2017, on how they will measure the impact of the funds received on their unduplicated pupils' access and matriculation into institutions of higher education.

Teacher Recruitment

The budget package provides \$35 million in one-time funding for the Commission on Teacher Credentialing for several programs aimed at recruiting teachers and streamlining teacher preparation programs. Of these funds, \$20 million Prop 98 is for a program to recruit classified employees into the teaching profession; \$10 million non-Prop 98 is for grants to colleges and universities to develop or improve four-year integrated teacher credential programs; and \$5 million Prop 98 is available to create the California Center on Teaching Careers to recruit qualified individuals into the teaching profession.

Multi-Tiered System of Support

The budget package provides \$20 million in one-time Prop 98 funding to the Orange COE to allocate as grants to LEAs for the purpose of implementing academic and behavioral support aligned to the Multi-Tiered System of Support framework. This funding builds upon the \$10 million provided in the 2015 Budget Act to develop and disseminate best practices for school-wide systems of learning and behavioral supports.

Adult Education

The budget package provides \$5 million in one-time Prop 98 funding to be expended over a three-year period (2016–17 through 2018–19) for the California Community

Colleges Chancellor's Office and the CDE to contract with a community college district, school district, COE, or adult education consortium to provide statewide leadership for consortia members.

The budget continues to provide \$500 million in Prop 98 funding for the adult education block grant. Each participating LEA will receive the same amount it received in the prior budget year. The budget package also includes trailer bill language which requires the fiscal agent for each adult education consortium to develop a process to apportion funds within 45 days of receiving the funds from the state. The trailer bill language prohibits requiring consortium members from being funded on a reimbursement basis.

High Speed Network

The budget package provides \$8 million in Prop 98 funding to fund the operations of the K–12 High Speed Network.

Foster Youth

The budget package amends statute to stipulate that the funding formula for the Foster Youth Services Coordinating Program provide a base grant amount of \$75,000 for each participating COE or consortium of COEs that provided services to at least one foster youth in the prior fiscal year. Of the remaining funds, 70 percent is to be allocated based upon the number of foster youth in the county and 30 percent based upon the number of school districts located within the county.

State Special Schools

The budget package includes \$1.7 million in one-time non-Prop 98 funding to construct a new middle school activity center at the California School for the Deaf in Fremont. The funding is in addition to the \$3 million for deferred maintenance projects at the three State Special Schools campuses.

California Collaborative on Educational Excellence

The budget package provides \$20 million in one-time Prop 98 funding to the California Collaborative on Educational Excellence for statewide professional development training on the use of the evaluation rubrics by LEAs. In addition, \$4 million is provided

to implement a pilot program to provide assistance to LEAs to improve student outcomes. \$5.6 million was re-appropriated for the pilot program.

Charter Schools

The budget package adopts trailer bill language to clarify that charter schools must complete a Local Control Accountability Plan (LCAP) in addition to an annual update. The trailer bill language also requires the charter authorizing agency to review the charter's LCAP with its update to ensure compliance.

Additionally, the budget includes \$20 million in one-time Prop 98 funding for charter school start-up costs in 2016 and 2017. The maximum grant award for an eligible applicant operating a classroom-based charter school is \$575,000. Eligible applicants operating a non-classroom-based charter school may receive a maximum grant of \$375,000.

Proposition 39: California Clean Energy Jobs Act

The budget increases Prop 39 allocations to \$398.8 million, a total increase of \$85.4 million for K–12 schools (including the State Special Schools), in 2016–17. The increase reflects an increased projected revenue in 2016–17 tied to the corporate tax changes enacted by Prop 39.

Proposition 47: Safe Neighborhoods and Schools Act

Prop 47 (approved by voters in 2014) reduces the penalties for certain non-serious and non-violent crimes. Savings resulting from Prop 47 are to be transferred into the Safe Neighborhoods and Schools Fund. A portion of this fund, 25 percent, is to be invested in K–12 schools to reduce truancy and support dropout prevention. The budget package provides an estimated Prop 47 savings of \$9.9 million in ongoing Prop 98 funding to K–12 schools. The budget also provides \$18 million in one-time supplemental funding to further support dropout and truancy prevention programs. (Note: At the time of this writing, the details of the program have not yet been finalized. For additional information, please refer to Senate Bill 527 [Liu] and Assembly Bill 1014 [Thurmond]).

Mathematics Readiness Challenge Grant

The budget package provides \$6.4 million in one-time federal funds for the California Mathematics Readiness Challenge Grant. The purpose of this grant is to provide in-depth professional learning opportunities in mathematics for collaborative teams of

secondary mathematic educators, their school-site administrator, and faculty from their partner institution(s) of higher education to support the implementation and evaluation of grade twelve experiences that are designed to prepare pupils for placement into college-level courses in mathematics. Grants of approximately \$1.3 million will be awarded to five eligible partnerships.

Safe Drinking Water

The budget package provides \$9.5 million in one-time Prop 98 funding to the State Water Resources Control Board to establish a grant program, in consultation with the CDE, to improve access to and the quality of drinking water in public schools and preschools and day care centers located on public school property. Priority for projects will be given to schools within (or serving pupils from) small, disadvantaged communities and to projects that will increase access to safe drinking water at schools. Grants may be used to install water bottle filling stations, drinking water fountains that remove contaminants, and point-of-entry treatment devices for drinking fountains.

Exploratorium and Special Olympics

The budget package provides \$3.5 million ongoing Prop 98 funding to the San Francisco Unified School District to contract with the Exploratorium in San Francisco for purposes of supporting professional development and leadership training for education professionals; expanding access to quality Science, Technology, Engineering, and Mathematics learning opportunities; and supporting statewide implementation of the Next Generation Science Standards. The budget also includes \$1 million in one-time Prop 98 funding to the Los Angeles COE to expand the Special Olympics in schools.

Budget and Trailer Bills

The Budget Act and trailer bills are as follows:

- Budget Act: Senate Bill 826, Chapter 23, signed June 27, 2016
- Education omnibus trailer bill: Senate Bill 828, Chapter 29, signed June 27, 2016
- Higher education: Assembly Bill 1602, Chapter 24, signed June 27, 2016

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If you have any questions regarding the 2016–17 budget package, please contact the Government Affairs Division by phone at 916-319-0821. You may also contact Debra Brown, Director of the Government Affairs Division, by e-mail at dbrown@cde.ca.gov.

Sincerely,



Tom Torlakson

TT:atp
2016-05567

NOTICE: The guidance in this letter is not binding on local educational agencies or other entities. Except for the statutes, regulations, and court decisions that are referenced herein, this letter is exemplary, and compliance with it is not mandatory. (See *Education Code* Section 33308.5.)