Legislature Finalizes Budget Agreement – Passes Key Trailer Bills

On June 19, the legislature passed a revised budget bill and a series of budget trailer bills to implement the budget agreement finalized earlier this week between the Governor and Legislative leaders. Not surprisingly, the foundation of that agreement is the use of the Department of Finance’s general fund (GF) revenue estimates for 2015-16: $115.4 billion—an approximately $3 billion less than the GF estimate of the Legislative Analyst. Both houses passed the revised budget bill (also known as the budget Bill Jr.) which is SB 97 and the omnibus trailer bill, including the key education policy changes, which is AB 104. The vote on SB 97 was 30 to 7 in the Senate and 52 to 26 in the Assembly.

For K-14 spending, the agreement tracks closely with the Governor’s May Revision proposals. Significantly, the final K-14 (Proposition 98) spending level is the same as May Revision: $68.4 billion. Attached is a side-by-side comparison of May Revision and Legislature proposals with the final budget agreement.

The most significant changes from the May Revision that were included in the final budget include:

1. **Local Control Funding Formula (LCFF)** – The final budget provides $5.994 billion in LCFF gap funding. This reflects a $181 million decrease from the $6.1 billion proposed in the Governor’s May Revision.

2. **K-12 Mandate Funding** – The compromise agreement provides $3.058 billion in one-time, fully discretionary payments to districts, county offices and charters for mandates. This is a $450 million reduction from the Governor’s $3.5 billion May Revision proposal. The funds, which will be allocated on a per student basis, are suggested to be used for Common Core related purposes.

3. **Professional Development** - Provides $500 million in one-time funding for Educator Effectiveness, pursuant to trailer bill language contained in AB 104. $10 million of this total is provided to the K-12 High Speed Network to provide professional development and training related to network management and infrastructure. $490 million is to be used for the following:
   o Beginning teacher and administrator support and mentoring
   o Professional development, coaching, and support services for teachers who have been identified as needing improvement and additional support.
   o Professional development for teachers and administrators that is aligned to the state academic content standards.
   o Training on mentoring and coaching certificated staff and training certificated staff to support effective teaching and learning.

As a condition of receiving funds, LEAs must develop and adopt expenditure plans. Funds may be expended through the 2017-18 fiscal year.
• **Adult Education** – Approval of the Governor’s $500 million adult education proposal with trailer bill amendments that:
  o Cap the amount of funding provided to school districts for adult education on the basis of the 2014-15 maintenance-of-effort certification at $375 million,
  o Specify that joint powers agencies may participate as adult education consortia members,
  o Reduces the role of the Executive Director of the State Board of Education,
  o Allow older adult programs to be eligible for funding within each the consortium. Other eligible programs include: basic skills including high school diploma, citizenship, ESL, workforce preparation, adults with disabilities, career technical education, apprentice and pre-apprentice training programs.

• **Career Technical Education** – Adopts the Governor’s $400 million Career Technical Education competitive grant proposal in 2015-16. The legislature had wanted to have funds allocated on a per ADA basis. In the end, the compromise was the addition of additional specificity in the criteria for awarding the grants and ensures that small school districts will receive grants based on competition with other similar sized districts. Those eligible to apply for the grant funds include school districts, charter schools, county offices of education, and regional occupation programs where the member districts of the JPA have authorized the participation. In addition, the AB 104 trailer bill includes language as follows:
  1. Provide competitive grants in three district size/ADA related spans (0-140, 140-550, over 550).
  2. Require higher weighting of applicants who do not have a CTE program, serve low income, English learner, and foster youth students, have a high dropout rate, or are located in areas with high unemployment rates. (Specific criteria for prioritizing grant applications is attached.)
  3. Provide $350,000 General Fund for three years (until June 30, 2018) and 2.0 positions to support the Career Technical Education Incentive Grant Program.

• **Preschool and Child Care** - An increase of $100 million in preschool (Proposition 98) and $165 million in non-Proposition 98 child care funding above the Governor’s May Revision. Language that would require that child care employees be unionized was not included in the agreement.

• **Foster Youth Alignment Services** - $25.379 million pursuant to legislation to be enacted in 2015 that aligns existing foster youth service requirements to LCFF.

• The budget trailer bill (AB 104 also includes trailer bill language as follows:

  **LCAP Rubrics** – Extends the State Board of Education deadline to adopt LCAP evaluation rubrics to October 1, 2016.

  **Routine Restricted Maintenance** (RRM) – Allows for the phase in of the 3% requirement (2% through 2016-17 and 3% by 2017-18), and add language to allow funds to be used for drought-related purposes.
Transitional Kindergarten Enrollment – Allows LEAs, including charter schools, to enroll students in transitional kindergarten who do not meet the current age requirements. The language specifies that the LEA would not be able to claim ADA for serving these students until the student reaches five years of age.

Homeless Students Definition – Amends Education Code Section 52052 to include “homeless youth” among the list of subgroups of pupils (at least 15 pupils) for whom a school or school district shall demonstrate comparable improvement in academic achievement as measured by the API.

Independent Study – Amends EC 51745.6 to allow Independent Study Programs to calculate a pupil-to-teacher ratio based on the ADA of their total students, rather than by grade span.

Mandate Audits – Specifies that in the case of a Controller’s audit of a mandate claim by an LEA where an audit exception is found, no LEA will be required to remit and funding back to the state to pay for disallowed costs identified. Instead, the amount of the exception will be repaid as a part of a future mandate claim.

Transportation JPAs – The trailer bill attempts to clarify the role of transportation joint powers agencies and the ability that local districts have to shift the funds within the JPA for other purposes or to keep them within the JPA. For funds previously received directly from CDE, the JPA may identify the member local LEAs and transfer entitlement to those funds to any of the local districts by reporting to the State Superintendent on or before September 30, 2015. For the 2015-16 fiscal year, the SPI shall add the reassigned amounts. We will be seeking additional clarification on this TB language.

In the coming days we will be providing additional details on the specific programmatic actions authorized and funded by the 2015-16 State Budget.