families to access full-day wraparound services under the State Preschool Program by eliminating the requirement to demonstrate that the need for care stems from employment or postsecondary enrollment.

- Full-Day Kindergarten: To incentivize the provision of full-day kindergarten throughout the state, the Governor's State Budget invests $750 million in one-time (non-Proposition 98) funding to build new kindergarten facilities, which LEAs have identified as the biggest barrier to providing full-day programs. This investment builds upon the 2018-19 State Budget's $100 million investment for the same purpose and administered by the Office of Public School Construction (OPSC).
- Birth to Three: The Governor proposes to spend over $200 million (non-Proposition 98) in state and federal funds on home visiting programs and child developmental and health screenings as a way to bridge the child readiness gap and ensure positive health and life outcomes for all children.
- Child Care: The State Budget proposes one-time funding (non-Proposition 98) of $490 million for child care facilities ($245 million) and the professional development of child care workers ($245 million, non-Proposition 98) to improve the overall quality of child care.

As part of long-term visioning, the Governor proposes to invest $10 million to develop a child care and universal preschool roadmap for California. The roadmap will address systems capacity issues, workforce development needs, and identify funding options. Additionally, the roadmap may contemplate changes to Transitional Kindergarten (TK) due to its intersection with universal preschool. This work will augment California's federal preschool development grant for which the California Department of Education is conducting a state needs analysis.

School Facilities

The State Budget proposal includes the sale of an additional $1.5 billion in Proposition 51 bonds in 2019-20 to support the State Facility Program, including New Construction, Modernization, Career Technical Education, and the Charter School Facilities programs.

Discretionary Funds

Breaking with his predecessor, Governor Newsom's 2019-20 State Budget does not propose any one-time Proposition 98 discretionary funding for school districts, charter schools, or county offices of education (COEs).

Longitudinal Data System

Governor Newsom is proposing $10 million one-time non-Proposition 98 to plan for and develop a longitudinal data system that would connect student data from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. The funding would be used for initial planning purposes and the initial stages of implementation, once an implementation plan is adopted by the Administration and the Legislature.

Systems of Support

With the latest release of the California School Dashboard in December 2018, 374 school districts have been identified for differentiated assistance. The proposed 2019-20 State Budget provides $20.2 million in additional funding for COEs to work with these identified districts as required by statute. These funds will be distributed consistent with the formula adopted in the 2018-19 State Budget.

Federal Programs

The 2019 federal budget includes minimal increases for federally funded programs. In October 2018, President Donald Trump signed the fiscal year 2019 spending bill that increased education funding nationally by $581 million to an all-time high of $71.5 billion. Title I and Special Education each received a $100 million increase while Head Start was increased by $240 million. Generally, California receives one-tenth of these national figures making the increases insignificant for a state with six million students.

Dartboard Factors

The SSC Financial Projection Dartboard factors presented below are developed by SSC with input from independent state agencies and private economic consulting firms based on the latest information available. These factors are provided to assist school agencies in preparing their upcoming budgets and multiyear projections.

Factor		2018-19	2019-20	2020-21	2021-22
LCFF Gap Closure		100%	—	—	—
Statutory COLA		2.71%	3.46%	2.86%	2.92%
Ten-Year Treasuries		2.87%	3.19%	3.19%	3.20%
California Consumer Price Index		3.58%	3.18%	3.05%	2.92%
Lottery	Base	$151	$151	$151	$151
	Prop. 20	$53	$53	$53	$53

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Pocket Budget 2019-20

A Summary Analysis of the Governor's Proposed 2019-20 State Budget for California's Schools

Prepared by:

School Services of California Inc.™
An Employee-Owned Company

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School Services of California, Inc.

Public Education's Point of Reference for Making Educated Decisions

The 2019-20 State Budget Proposal

On Thursday, January 10, 2019, Governor Gavin Newsom unveiled his first proposed State Budget for the upcoming 2019-20 fiscal year. Governor Newsom enjoys a much more positive financial and economic environment at the release of his first State Budget than his predecessor. Governor Newsom inherits a state that is enjoying a strong economy and an historic budget surplus due primarily to the prudent policies of former Governor Jerry Brown. During Brown's tenure as Governor, public education experienced a massive philosophical and practical shift that has involved significant infusions of revenue over a relatively short period of time, but with equally significant cost pressures. The question on everyone's mind has been: what will our new Governor do with his good fortune?

In Governor Newsom's first State Budget proposal, we see a continued commitment to the Local Control Funding Formula (LCFF) by providing the statutory cost-of-living adjustment (COLA), but nothing more like we saw during the gap closure years and this year's augmented COLA. The additional ongoing Proposition 98 dollars above that required amount are proposed to address specified purposes, and not at the complete discretion of the local educational agencies (LEAs).

Proposition 98

Proposition 98 minimum guarantee has declined from the enacted 2018-19 State Budget for both 2017-18 and 2018-19 due to lower-than-anticipated average daily attendance (ADA) and a year-over-year decline in General Fund revenue growth from 2017-18 to 2018-19.

For 2019-20, the State Budget proposes a Proposition 98 guarantee of $80.7 billion, an increase of $2.8 billion year over year. The guarantee is projected to be based on Test 1—funding based on education's proportion of the General Fund in 1986-87.

Cost-of-Living Adjustments and ADA

The estimated statutory COLA for K-12 education programs in 2019-20 is 3.46% and is applied to the LCFF base grant targets, as well as other education programs that are funded outside of the LCFF. Those programs include Special Education, Child Nutrition, Preschool, Foster Youth, American Indian Education Centers, the American Indian Early Childhood Education program, and the Mandate Block Grant, all of which are proposed to receive the statutory COLA.

Statewide, ADA is expected to continue declining—from $5.935 million in 2018-19 to $5.928 million in 2019-20.

Local Control Funding Formula

The Governor's 2019-20 State Budget proposal includes an increase of $2 billion in Proposition 98 for the LCFF reflecting the 3.46% COLA. This brings LCFF funding to $63 billion.

LCFF Target Base Grant for School Districts and Charter Schools

The target base grants by grade span for 2019-20 are increased over 2018-19 by 3.46% to reflect the estimated statutory COLA:

Grade Span	2018-19 Target Base Grant per ADA	3.46% COLA	2019-20 Target Base Grant per ADA
TK-3	$7,459	$258	$7,717
4-6	$7,571	$1262	$7,833
7-8	$7,796	$270	$8,066
9-12	$9,034	$313	$9,347

Special Education

Acknowledging the rising cost of Special Education services, Governor Newsom proposes $576 million (of which $186 million is one-time) to support expanded Special Education services and school readiness supports at LEAs with high percentages of both students with disabilities and unduplicated students. Eligible LEAs may use these grants to fund supplemental services not currently included in an individualized education program for a student with disabilities and for preventative services that may reduce the need for additional services in future years.

Noting that school districts were most likely to be identified as needing support because of poor performance on student outcome indicators for students with disabilities, this funding can also be used to adopt strategies to improve Special Education student outcomes identified through the statewide system of support and/or other activities to build upon or expand local multi-tiered systems of support efforts.

CalSTRS Payments

Governor Newsom's proposed State Budget recognizes the growing burden of pension rate increases that LEAs face. A total of $3 billion in one-time non-Proposition 98 funds will be used to buy down California State Teachers' Retirement System (CalSTRS) employer contribution rates in 2019-20 and beyond and to reduce employers' long-term unfunded liability. Based on current assumptions, a $700 million investment would be used to decrease the statutory CalSTRS employer contributions in 2019-20 of 18.13% to 17.1% and in 2020-21 from 19.1% to 18.1%. The remaining $2.3 billion would be applied toward employers' long-term unfunded liability (which is expected to translate to an estimated reduction in the employer contribution rate beyond 2020-21 of approximately half a percentage point).

The proposed State Budget also includes additional payments to address the state's share of the CalSTRS liability. In addition to the statutorily required $3.3 billion state CalSTRS contribution, $1.1 billion will go toward the state' share of the CalSTRS Defined Benefit Program. This is expected to be the first installment of an estimated $2.9 billion to be paid to CalSTRS through 2022-23 for the state's portion of the unfunded liability.

Finally, Governor Newsom proposes an infusion o $3 billion into the California Public Employees' Retirement System (CalPERS) as a supplemental pension payment in 2018-19, which follows on a $6 billion supplemental payment made to the system in 2017-18.

Early Childhood Education: Child Care, Preschool, and Kindergarten

Governor Newsom's first State Budget includes significant new investments in children and young learners as a critical part of his "California for All" vision. Many of his proposals leverage one-time funding as a way to ensure that the state does not overcommit itself while building the essential components of the early care and education (ECE) infrastructure. Governor Newsom's ECE budget includes the following key investments:

- Universal Preschool: The State Budget propose instituting universal preschool for all low-income four-year-olds over a three-year period, and includes a first-year investment of $124.9 million in non-Proposition 98 funding for new full-day preschool slots for community-based providers. The State Budget also proposes to shift $297.1 million in non-LEA part-day slots from Proposition 98 to the non-Proposition 98 portion of the State Budget to enable community-based providers greater flexibility to draw down full-day, full-year funding for state preschool slots. Finally, the State Budget proposes to remove a barrier for