State News

December 2019 DOF Finance Bulletin

- The U.S. unemployment rate of 3.5% tied its lowest rate in five decades and California set a new record with an unemployment rate of 3.9%. The U.S. GDP grew in the third quarter by 2.1%, an increase over the projected growth of 1.9%, primarily as a result of an increase in personal consumption growth.
- Real estate and building activity continue on a positive trajectory.
- GF revenues for November fell short by $148 M, and YTD revenues are below the forecast by $56 M.
- Withholding receipts were $714 M below estimates in November

DOF released estimates for the out-year COLA percentages applied to the LCFF and categorical programs.

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<tbody>
<tr>
<td>COLA</td>
<td>3.26%</td>
<td>2.29%</td>
<td>2.71%</td>
<td>2.82%</td>
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2019-2020 AB 602 Funding Update

SELPA Special Education Funding Exhibit Changes Detail

- Consolidates Base, COLA, and Growth sections. This includes funding at the SELPA’s rate for the base, growth or decline ADA adjustment, and COLA (lines B-1 through B-16).
- Adds new section to calculate funding at the statewide target rate (lines C-1 through C-8).
- Adds new section to determine a funding entitlement for a SELPA (lines D-1 through D-7).
- The special education local revenues will be deducted from a SELPA’s funding entitlement (line D-1) and not from the SELPA’s base funding as in prior years.

SELPA Special Education funding exhibits will also incorporate the recent changes to the following Education Code sections as amended by SB 75:

<table>
<thead>
<tr>
<th>Program</th>
<th>Prior</th>
<th>New</th>
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<tbody>
<tr>
<td>COLA Funding <em>(EC 56836.08(b)<a href="B">1</a></em></td>
<td>Based on prior year reported ADA</td>
<td>Based on prior year SELPA funded ADA (greater of prior or prior prior year SELPA ADA)</td>
</tr>
<tr>
<td>Program Specialists &amp; Regionalized Services Funding <em>(EC 56836.24)</em></td>
<td>Based on prior year SELPA funded ADA (greater of prior or prior prior year SELPA ADA)</td>
<td>Based on SELPA funded ADA (greater of current or prior year SELPA ADA)</td>
</tr>
<tr>
<td>Out-of-Home Care Funding <em>(EC 56836.165(d)(5)</em></td>
<td>Continue to use group home and foster youth data that was used for the funding for the 2016-17 fiscal year</td>
<td></td>
</tr>
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See updated Ed Code and Draft 19-20 Apportionment Exhibit Here. School Services has updated the AB602 Template and is providing an in depth tutorial at Coalition.

PPIC Report on Special Education

Focus on challenges of achieving outcomes and funding issues.
Governor's Budget Proposal 2020-2021 Write ups

DOF Governor's Budget Summary  Special Ed Content starts on page 77. See also pg 64-65 and pg 74
California Budget and Policy Center First Look
ACSA's Summary
Ed Trust West Response
SSC Summary
Lighthouse Summary by Alice Kessler
DHCS Highlights and Medi-Cal related content
California Alliance Summary

Governor's Budget Proposal for 2020-2021  Budget Proposal Language SB 808

General Fund and Prop 98 increased, which opens up spending, building budget reserves and paying down long-term liabilities. Governor focused on special education, addressing the teacher shortage, improving teacher quality, and accountability/transparency measures for the LCFF in education portions of budget.

Highlights of 2020-21 Budget Proposal

- $153.1 B in General Fund (GF) expenditures in 2020-21
- $84 B Prop 98 Guarantee
- $21 B total budget reserves, including $18 B in the Prop 2 reserve
- 2.29% COLA applied to LCFF and some categorical programs
- $900 M for teacher recruitment and professional development
- Special education reform and additional funding
- $70 M for school nutrition
- $4 M in one-time Prop. 98 for dyslexia research, training and a statewide conference.

Revenues and Budget Reserves

California's economy continues to grow, but slow downs are anticipated. DOF projects $152 B in total 2020-21 GF revenues, and revised 2019-20 revenue estimates upwards. DOF forecasts a moderate recession which could mean a drop in annual revenues of tens of Billions of dollars.

The budget includes $21 B in reserves by the end of 2020-21. In addition to the BSA, the Governor allocates $1.6 B to the Special Fund for Economic Uncertainties (the budget reserve), maintains the $900 M Safety Net Reserve, and adds $110 M to the Prop 98 reserve to bring the total to just under $500 M.

Proposition 98 and LCFF

The DOF calculates the 2020-21 Prop 98 Guarantee to be $84 B, an increase of almost $3 B. DOF estimates increases in the 2018-19 and 2019-20 guarantees totaling about $819 M, with the balance of the increase attributed to 2020-21.

Projects a 2020-21 COLA of 2.29%. This COLA would generate $1.2 B in increase to LCFF and $122.4 M increase to categoricals. There are no additional increases to LCFF base grants proposed. Projections of the 2020-21 COLA varied -early estimates were as high as 3.0%. LAO in its November Fiscal Outlook projected a COLA of 1.79% for 2020-21. LEAs will have to consider possible changes in the COLA as they build budgets.

Teacher Recruitment and Professional Development

Budget proposal includes ~$900 M investment in educator recruitment and PD. The Governor’s proposals target high-need areas of math, science and Special Education, and improve teacher preparedness, especially for the most vulnerable students. The Governor targets increasing teacher diversity, which research shows is critical to improving student outcomes. The proposal includes the following ONE TIME investments:

- $350 M to augment the Educator Workforce Investment Grant program
- $18 M for CCEE to assist LEAs in improving student outcomes in state priority areas
● $193 M for the Workforce Development Grant Program to address workforce shortages in high-need subjects
● $175 M to expand the Teacher Residency Program
● $100 M for the CTC Award Program
● $64.1 M to expand the California Classified School Employees Credentialing Program
● $15 M for grants to LEAs to support the preparation of about 10,000 K-12 teachers to earn a supplementary authorization on their credential to teach computer science

Special Education
The 19-20 Budget included $645 M to raise the special education base rate for SELPAs to the state average and provide funding for 3-5 year olds with exceptional needs with future funding contingent on reforms in 2020.

The Governor proposes a multi-year process to reform the state’s special education system. As part of the initial phase, he proposes a new special education base formula using a three-year rolling average of LEA ADA. The funding would continue to be allocated through SELPAs, and SELPAs would be funded at a new statewide target rate for base special education funding, calculated by using the prior year funds of $645 M for base rate increases. (School Services is estimating this new base rate will be between $640 - 680) Most SELPAs will see an increase in their base rate, as it is projected much higher than the current $557.18. Any LEA whose current base rate is higher than the new proposed rate will be held harmless.

The Governor is proposing $250 M for LEAs to provide services to 3-5 year olds with exceptional needs. This funding will be allocated on a per-pupil basis, based on the number of eligible children served by the LEA. This funding will likely be more restrictive than the funding provided last year.

Governor’s preview of what reforms may include:
● A new sped funding formula to support equity, inclusive practices and early intervention services
● Family and student engagement actions, including whole-child and family wrap-around services
● Refined funding, accountability, and service delivery for specialized services, like OOH, NPS placements, and the State Special Schools
● Incorporation of recommendations from the Master Plan for Early Learning and Care into the K-12 infrastructure of early intervention services for young children with exceptional needs

The Budget keeps in place all other AB 602 categorical funding sources until a finalized funding formula is adopted. To help inform the future phases, the Governor’s January budget also provides funding for studies to look at various aspects of our current special education system, including:
● $500,000 one-time Prop 98 for a study of current SELPA governance and accountability structure
● $600,000 one-time Prop 98 for two workgroups to study improved accountability for special education service delivery and student outcomes

Trailer Bill language anticipated around February 1, and should identify specifics related to the above proposals. DOF has indicated they will work to include specifics about both the new base formula calculation and the initial phases of the reforms identified.

Mental Health
Governor’s budget reduces barriers to care and enhance services for young people and students. One proposal provides $300 M in one-time funds into community school grants to support student wrap-around programs, including social services, early screening and intervention, and mental health services. The grants could fund PD for mental and behavioral health, trauma-informed care, and SEL. Governor proposes to increase funding for the Educator Workforce Investment Grants would provide PD opportunities for mental health interventions.
School Nutrition
Governor proposes additional state funding to improve the quality of subsidized school meals and encourage participation in school nutrition programs. The budget adds $60 M for school meals, which the Governor stated would increase the current 24.5 cent reimbursement rate by 40%. The budget also includes $10 M to provide training for school food service workers to promote healthier and more nutritious meals.

School Facilities
The Budget allocates $1.5 B in Prop 51 bond funds to support school construction projects -- more than double the amount allocated in 2018-19.

Budget proposes $75 M in Prop 98 GF (which builds off of the $177 M included in the 1819 Budget) to support the Inclusive Early Education Expansion Program, which provides funding to LEAs to construct or modify preK facilities to serve students with exceptional needs or severe disabilities. Almost $300 M is available to support eligible LEAs to construct new, or retrofit existing, facilities to expand access to full-day K programs.

Early Learning and Early Childhood Programs
Child Care
- $53.8 M increase in non-Prop 98 for CalWORKs Stages 2 and 3 Child Care
- $50 M in ongoing funds shifted from General Fund to Cannabis Fund to support 3,000 General Child Care slots
- $10.3 M from Cannabis Fund for additional 621 General Child Care slots

Universal Preschool
- A total increase of about $127 M in ongoing non-Prop 98 funds for 2020-21, including both a $31.9 M increase for 10,000 new non-LEA State Preschool slots that will open in April 2021, and $95.6 M to fully fund non-LEA State Preschool slots created in April, 2020.

Other Changes
- Proposes to establish the Department of Early Childhood Development under California Health and Human Services Agency (CHHS)
- $10 M one-time GF for development of an ACES training program and public awareness campaign

Fiscal Accountability/Transparency
Citing concerns highlighted in the recent state audit around LEA use of supplemental and concentration grant funding, the Governor’s budget proposes $600,000 one-time Prop 98 to “further improve and strengthen LCFF fiscal accountability.” This funding would be used to create an online portal to house statewide LCAP information collected from LEA LCAPs. The Governor is also proposing to co-locate the SARCs with the Online LCAP portal so the public can easily compare the two accountability tools. The Governor is planning to identify other ways to strengthen accountability around LEAs’ responsibility to provide additional or improved services to their unduplicated pupils.

Grants to Address the Achievement Gap
Just under one-third of the state’s school LEAs were identified for differentiated assistance in the 2019 Dashboard, prompting the Governor to propose $300 M in one-time dollars to address the persistent achievement gap. The money is proposed to be used for both Opportunity Grants for the lowest performing schools and LEAs, and to support the work of the CCEE in its role within the Statewide System of Support. How the $300 M is split between these efforts is not specified, but the Governor provided clarity that the CCEE funds could be used for:
- Improving the school and school LEA review process;
- Expanding educational leadership training; providing expert assistance to support local improvement plan implementation, and
- Evaluating state and local continuous improvement efforts.
Other items
The Governor proposes to use $50 M in one-time GF money to strengthen pre- and post-disaster work for schools, county election offices, and food storage reserves.

New Vaping tax of $2 per 40 milligrams of nicotine. If approved, this new tax would generate approx. $30 M and funds would be allocated to programs designed to prevent teens from vaping, as well as health care workforce programs.

Federal News
Federal Appropriations Bill HR 1865 - funds education components through end of FY2020. The $1.4 trillion package includes increased funding for all the major education programs, including:
- $12.8 B for Part B Grants, an increase of $400 M above the 2019 enacted level and President’s budget request.
- $20.1 M for Special Olympics education programs, an increase of $2.5 M above the 2019 enacted level.

The President’s budget initially proposed to eliminate this program.

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<thead>
<tr>
<th>Education Program</th>
<th>FY19</th>
<th>FY20 Final</th>
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<tbody>
<tr>
<td>ESSA Title I-A</td>
<td>$15.86 billion</td>
<td>$16.3 billion</td>
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<td>ESSA Title II-A</td>
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<td>ESSA Title IV-A</td>
<td>$1.17 billion</td>
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<td>21st Century Community Learning Centers</td>
<td>$1.22 billion</td>
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<td>State Assessments</td>
<td>$378 million</td>
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<td>Impact Aid</td>
<td>$1.44 billion</td>
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<td>Perkins CTE</td>
<td>$128.9 billion</td>
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<td>CTE State Grants</td>
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<td>TRIO</td>
<td>$1.06 billion</td>
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<td>IDEA State Grants</td>
<td>$12.36 billion</td>
<td>$12.7 billion</td>
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<td>IDEA Preschool Grants</td>
<td>$391 million</td>
<td>$394.12 million</td>
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<td>IDEA Infants and Families</td>
<td>$470 million</td>
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<tr>
<td>Data Systems</td>
<td>$32 million</td>
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<tr>
<td>Charter Schools</td>
<td>$440 million</td>
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<tr>
<td>Magnet Schools</td>
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<td>$107 million</td>
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<thead>
<tr>
<th>Health and Human Services</th>
<th>FY19</th>
<th>FY20 Final</th>
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<tbody>
<tr>
<td>CCDBG</td>
<td>$5.27 billion</td>
<td>$5.826 billion</td>
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<tr>
<td>Head Start</td>
<td>$10.06 billion</td>
<td>$10.613 billion</td>
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<tr>
<td>Preschool Development Grants</td>
<td>$250 million</td>
<td>$275 million</td>
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The OSEP IDEAs That Work website includes resources, links, and other important information relevant to OSEP’s research to practice efforts.

The Center for Appropriate Dispute Resolution in Special Education
Center for IDEA Early Childhood Data Systems
National Technical Assistance Center on Transition
Center on Great Teachers & Leaders at American Institutes for Research
National Center on Intensive Intervention at American Institutes for Research
State Implementation & Scaling-up of Evidence-based Practices Center
National Deaf Center on Postsecondary Outcomes
National Center for Systemic Improvement
National Center on Accessible Educational Materials
IDEA Data Center
Center for IDEA Fiscal Reporting at WestEd
Center on Positive Behavioral Interventions and Supports