

The 2019-20 May Revision

Analysis of the May Revision Education Proposals



May 15, 2019

Introduction

The May Revision contains more than 100 proposed changes to education programs. The changes range from large new policy proposals, to major modifications of January proposals, to small adjustments relating to revised student attendance estimates. In this post, we focus on the first two categories of proposals. The post has six sections. The first section provides an overview of the proposals. The next four sections cover specific proposals relating to (1) early education, (2) K-14 education, (3) the universities, and (4) financial aid. The last section covers library-related proposals and a crosscutting proposal relating to education innovation.

Overview

New Policy Proposals Raise Many Important Issues for the Legislature to Consider. The May Revision contains more than a dozen major new policy proposals. Among the most notable of these policy proposals are creating an emergency child care program, creating rapid rehousing programs for homeless college students, and offering loan forgiveness to teachers agreeing to work in shortage areas. Whereas we do not have notable concerns with a few of these new proposals, we think many of them raise important issues for the Legislature to consider. Were the Legislature interested in pursuing these new proposals, we think it has opportunities to improve them.

Modifications to January Proposals Reflect Some Steps Forward, Some Back. The May Revision also contains several modifications to policy proposals the Governor first presented in January. In some cases, we think the modifications are improvements. For example, the May Revision reduces proposed funding for kindergarten facility grants and makes the program more targeted. In other cases, the changes heighten our original concerns. For example, the May Revision increases ongoing funding for special education concentration grants without addressing any of the poor incentives the proposal would create for schools to retain students in special education. In yet other cases, the modifications in the May Revision do not change our overall assessment of the original proposals (as reflected in our [Proposition 98 Analysis](#), [Higher Education Analysis](#), and [spring budget analyses](#)).

Post Highlights New Concerns and Considerations. Figure 1 lists the May Revision proposals that we believe raise new concerns or issues for consideration. The list includes both new policy proposals as well as notable modifications to January policy proposals. The rest of the piece focuses on analyzing these proposals.

May Revision Education Proposals That Raise Notable Concerns or Considerations

Change From Governor's Budget, 2019-20 (In Thousands)^a

May Revision Proposal	Funding Amount	Fund Duration	Fund Source
Early Education			
Starts 10,000 State Preschool slots later in year (April 2020, not July 2019)	-\$93,476	Ongoing	GF
Adds more child care voucher slots	80,463	Ongoing	SF
Makes changes to CalWORKs Stage 1 child care	40,633	Ongoing	FF
Creates emergency child care pilot program	12,842	Ongoing	FF
Provides more detail on facility, workforce, and planning initiatives	TBL	One time	GF
K-14 Education			
Provides additional pension rate relief for school districts and community colleges	150,000	One time	GF
Reduces funding for kindergarten facility grants	-150,000	One time	GF
Increases funding for special education concentration grants	119,008	Ongoing	P98 GF
Funds the Classified School Employee Summer Assistance Program for second year	36,000	One time	P98 GF
Establishes Educator Workforce Investment Grant	33,800	One time	GF
Provides broadband connectivity grants to poorly connected schools	15,000	One time	GF
Adds three staff positions to CCC Chancellor's Office	381	Ongoing	GF
Extends apportionment formula hold harmless protection for a fourth year	TBL	One time	P98 GF
Universities			
Pays down a portion of UC's unfunded pension liability	25,000	One time	GF
Creates student rapid rehousing program at CSU and UC	10,000	Ongoing	GF
Funds UC San Francisco Dyslexia Center pilot program	3,500	One time	GF
Requires Chancellor's Office to study a potential new campus in San Joaquin County	BBL ^b	One time	GF
Funds First Star foster youth cohort at CSU, Sacramento	740	One time	GF
Funds additional UCPath implementation costs at Hastings	594	One time	GF
Student Financial Aid			
Provides loan forgiveness to teachers in shortage areas	89,750	One time	GF
Has CSAC administer new round of grants to incentivize college savings accounts	TBL ^b	One time	GF
Has CSAC administer student loan outreach campaign	TBL ^b	One time	GF
Other			
Introduces several state and local library proposals	10,878	Mix	GF
Funds education innovation grants	10,000	One time	GF

^a Reflects funding amounts in May Revision letter. In some cases, the administration has since revised proposed amounts.

^b Funding provided in Governor's January budget.

GF = General Fund; SF = special fund; FF = federal funds; P98 GF = Proposition 98 General Fund; BBL = budget bill language; CSAC = California Student Aid Commission; and TBL = trailer bill language.

K-14 Education

Below, we analyze the May Revision proposals relating to (1) pension rate relief for school districts and community colleges, (2) kindergarten facility grants, (3) special education concentration grants, (4) the Classified School Employee Summer Assistance program, (5) the Educator Workforce Investment Grant, (6) school broadband connectivity grants, (7) new staff at the Chancellor's Office, and (8) the community college apportionment funding formula. (The May Revision also contains a proposal to allow school districts to use surplus property for teacher housing.)

CalSTRS Rate Relief

In our February [Proposition 98 Analysis](#), we analyzed the Governor's proposal to allocate \$700 million (non-Proposition 98 General Fund) for school and community college pension rate relief in 2019-20 and 2020-21. In that analysis, we noted that the administration's proposal comes when school funding is at a historically high level and growing. We acknowledged that districts view rising pension costs as one of their most significant fiscal challenges, but noted that those challenges would be more severe if the state were to enter a recession. We recommended setting aside the funding proposed by the Governor but not adjusting district contribution rates until the next economic downturn. The May Revision builds upon the January proposal by providing an additional \$150 million for pension rate relief specifically in 2019-20. Although this proposal would reduce pressure on district budgets next year, we continue to think that rate relief would be even more effective at promoting fiscal stability if the state were to designate it for tight fiscal times.

Chancellor's Office Staffing

Funds Three New Positions. The May Revision provides \$381,000 (ongoing non-Proposition 98 General Fund) for three new positions at the Chancellor's Office—two accountant positions and one position to assist with monitoring the fiscal health of community college districts.

Continue to Have Concerns With Transparency Regarding Recent Augmentation. We have no specific concerns with the positions included in the May Revision. However, we continue to have concerns with the lack of transparency regarding how the Chancellor's Office is using the \$2.6 million in General Fund staffing augmentations it received over the past two years. To date, the Chancellor's Office has not been able to report on the new positions hired with those funds (indicating that a recent reorganization has made tracking of positions more difficult). Given this information is not available, we are concerned that any further augmentations for staffing might not be used for their intended purposes.

If Authorizing New Positions, Consider Adding Provisional Language and Reporting Requirements. The Legislature could authorize the new positions proposed in the May Revision without adding funding, effectively encouraging the Chancellor's Office to fill the unspecified staff positions funded last year with the specific positions requested this year. Regardless of whether new funding is provided, we recommend the Legislature add provisional language to any new positions stating their specific purpose, thereby helping to ensure the Legislature's objectives are met. The Legislature also may want to consider requiring the Chancellor's Office to report on how it has spent recent budget augmentations and how it has reorganized its operations to better support community colleges. Better staffing information would help the Legislature in assessing future budget change proposals.

Funding Formula Hold Harmless Provision

Extends A Hold Harmless Provision Through 2021-22. Last year's budget package included numerous hold harmless provisions to provide more funding stability for community college districts in transitioning to a new apportionment formula. Most notably, for 2018-19, 2019-20, and 2020-21, community college districts are to receive no less than their total apportionment

amount in 2017-18, adjusted for cost of living each year of the period. The May Revision proposes to extend this hold harmless provision for a fourth year (through 2021-22).

No Need to Extend Provision Now. In January, the administration proposed changes to the community college apportionment formula that generally are intended to make community college funding more stable. (Specifically, the administration proposed to postpone the scheduled changes in certain funding rates and cap year-over-year growth in the student success allocation.) Given these proposed changes (or related variants of these proposals currently being considered that also promote greater funding stability), we see no strong rationale for why the hold harmless provision needs to be extended for an additional year at this time. Moreover, colleges already have a hold harmless provision in place for 2019-20 and 2020-21 under existing law, such that no urgency exists for deciding now whether to keep the hold harmless provision in place for a fourth year.

Consider Extending Hold Harmless Provision in the Future. We recommend the Legislature make no changes to the existing hold harmless provisions at this time. In our conversations, DOF has indicated that it will spend the summer and fall gathering more information about how colleges are responding to the new formula and likely will consider further changes to the formula in the 2020-21 budget. After receiving the benefit of this additional information, the Legislature could then consider whether extending the hold harmless provision for a fourth year is warranted. Extending the hold harmless provision will come at an added cost to the state in 2021-22 (likely increasing costs by tens of millions).