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Special Fiscal Report: Governor's Proposals for the 2018-19 State Budget and K-12 Education

Preface

What if life gave each of us a “mulligan” which in golf allows us to replay a shot to see if we can do better? How would we use that “mulligan” to our best advantage?

Well, Governor Jerry Brown got that “mulligan” and used it fully. The opportunity to be Governor at a young age, leaving office in 1974, then holding a variety of elected positions over nearly three decades, then becoming Governor again in 2010 gave Governor Brown the replay he wanted. Equipped with the experience and knowledge gained over a long political life, Governor Brown was clearly ready to put his mark on the state a second time as Governor. However, this was going to be the toughest course he had ever played!

The Challenge

Most of us remember what California looked like when Governor Brown was elected in the middle of the Great Recession: Unemployment rates of 14%, among the highest in the nation; cuts to school funding totaling an ongoing 22%; the worst credit rating of any state in the U.S.; companies moving out of California for greener pastures elsewhere; state revenues that consistently came in lower than projected and left the state so cash-poor that it could not even pay annual apportionments to schools without substantial deferrals; reductions in school staffing of more than 20%, in addition to layoffs, furlough days, increased class sizes, reductions in the school year, and a 20% cut to categorical programs.

And the dysfunction extended far beyond public education. The rancorous environment and partisan bickering in the Legislature led to State Budgets that were consistently months late and filled with gimmicks to try to survive another year. The state General Fund carried a negative reserve that was getting worse, not better. Federal judges were ordering the state to release prisoners to reduce overcrowding. The housing market had collapsed to the extent that the median price of homes was half what it had been four years before. Anyone longing for the bad old days?

The Path to Recovery

Crisis leadership is about defining the key controllable elements of a critical situation and massing resources at those points to bring about positive change. To accomplish that in a situation like Governor Brown inherited, he used his extensive experience in governance, built legislative support often by supermajority, and put his own personal charisma and reputation on the line.

Later on, when the national economic recovery started, the Governor's plan received a needed and expected boost, but for the first three years of his term we remained mired in the Great Recession and there was no external help to be had. California needed to create jobs, opportunities for employers, and a stronger more sustainable tax base, all while supporting the needs of former tax payers who had suddenly become tax receivers. Aided by temporary taxes, spending reductions and difficult policy choices, Governor Brown tackled the problems facing the state.

We are advocates for public education and do not like the fact that during the Great Recession the bulk of the State Budget cuts were taken by education. We felt the same about the classified, certificated, and management staff members in school districts shouldering the sacrifice of lower budgets and fewer jobs. But we also recognize that in order to save the ship you may have to offload the heaviest cargo, so sometimes the gold (in this case, our children's education) must be jettisoned. Moving the needle on California's recovery required bold, immediate actions; and Governor Brown took those actions. There was no guarantee that the Governor's plan would save our state, but the absence of action would guarantee defeat.

The Recovery

Aided by improving national and state economic conditions, California's recovery allowed the Governor to reshape major state institutions. No more property tax diversions to Redevelopment Agencies, a long-term solvency plan for the state's defunct pension plans, greater reliance on the top one-percent of taxpayers, and of course, restructuring of the entire educational delivery model.

Beginning in 2013, and continuing today, we have enjoyed revenues that are higher than those projected by the state in every year. Conservative budgeting has allowed the Administration to avoid the temptation to restore spending too quickly and risk falling back into the downward spiral. The constitutionally required “true-up mechanism” for Proposition 98 is intended to ensure that education will eventually receive at least the minimum guarantee. By paying significant amounts in arrears, each year the Administration created a safety net in case future revenues did not come in as planned.

For public education, reform has come in the form of the Local Control Funding Formula/Local Control and Accountability Plan (LCFF/LCAP). Now in its fifth year, an accumulation of longitudinal data from multiple measures and new testing processes are beginning

to paint a pastiche of the effectiveness of the new system compared to the known deficiencies of the old Revenue Limit/Categorical model. While no new system is expected to be perfect or produce measurable results instantly, five years is, in our opinion, long enough to see evidence either confirming or denying that closure of the achievement gap is occurring. It will take longer to evaluate the full effect of all of the reforms, but after five years we believe there should be at least preliminary indications of success. With each year that passes the evaluation model should become a stronger indicator of progress—or lack thereof.

The Capstone

Apologizing for the lengthy history and foundation, we can now turn our attention to 2018-19 and the Governor's final State Budget. According to all of our most reliable sources, revenues for 2018-19 are again projected to be higher than the state has previously estimated. The Governor's proposals for 2018-19 include the Administration's revenue and expenditure estimates and planned program decisions based upon those estimates. We detail major program and budgetary effects later in this *Special Fiscal Report*.

Specifically, the Governor proposes significant actions in the following areas:

- **Proposition 98 Funding:** The proposed 2018-19 Governor's Budget includes Proposition 98 funding of \$78.3 billion for 2018-19. The current-year Proposition 98 level increases by \$700 million to \$75.2 billion and when combined with more than \$100 million in settle-up payments for prior years, the Budget proposes an increase of \$4.6 billion in K-14 education over 2017-18.
- **Local Control Funding Formula:** The Governor's Budget proposes nearly \$3 billion to fully fund the LCFF, including a 2.51% cost-of-living adjustment (COLA), two years ahead of the initial implementation timeline.
- **Discretionary Funds:** The Budget proposes \$1.8 billion in one-time Proposition 98 General Fund money for school districts, charter schools, and county offices of education (COEs) to use at local discretion, which would be counted by the state as offsetting mandate reimbursement claims for these entities.
- **Career-Technical Education (CTE):** The Budget proposes an ongoing increase of \$200 million to establish a K-12 specific component of the California Community College's Strong Workforce Program to encourage the establishment and support of K-12 CTE programs that are aligned with needed industry skills. The Administration also proposes an ongoing increase of \$12 million to fund local industry experts who will provide technical support to LEAs operating, or proposing to operate, CTE programs.

All of these issues and more are detailed below and will be further expanded in our presentation of our Governor's Budget Workshop on January 16 and 17, 2018.

The Legacy

Stepping back to the big picture for a moment, it would be inappropriate and misleading to judge this Governor, or any leader, on short-term results. The body of work accumulated by Governor Brown over these past two terms have had a profound effect on the state's prospects for the future. Who had ever heard of the word "subsidiarity" before the Governor's Budget Proposals for 2009-10? Now we see that on the basis of that single word a new philosophy of distribution of governmental functions was born.

Cities, counties, prisons, jails, school districts and community colleges have all been affected by subsidiarity. Under the Governor's direction, governmental functions have purposefully been pushed downward to make local control much more local. Time will tell if subsidiarity really produces the expected results, but it was the genesis for major reform.

Clearly the centerpiece of the Governor's reform effort is public education. The Governor placed his confidence in Dr. Michael Kirst, in our opinion one of the most talented educators in the history of our country, as Chair of the State Board of Education (SBE). Given the opportunity to paint his life's work across the landscape of California, Dr. Kirst led the way. How many times have we held on to a failing system because we had nothing else to replace it? Dr. Kirst, backed by a very strong SBE, provided the leadership to cut loose the old and embrace the new.

As we mentioned earlier, the LCFF/LCAP model is still evolving. There are never any guarantees that a new system will realize its full potential. But failure to try guarantees failure. Measured against that standard, the LCFF/LCAP model provided a reasonable risk/reward ratio. But a distribution model can only do so much. At full implementation of the LCFF, California will retain among the lowest per-pupil funding rates in the nation. Distribution and equity can help, but quantity of dollars brings a quality all its own. It isn't only about dollars, but resources do count and even with the recovery, California still spends much less than other states—that too will be part of every Governor's legacy until it is corrected.

Overview of the Governor's Budget Proposals

On Wednesday, January 10, 2018, shortly after 10:00 a.m., Governor Jerry Brown unveiled his final proposed State Budget for the upcoming 2018-19 fiscal year. He completed his "prepared" remarks on his State Budget proposal in about five minutes and then turned to questions from the press.

The Governor led off with a statement that he was presenting a solid State Budget that prepares California for the future. Repeating the theme that has remained consistent throughout his second stint as Governor, Brown warned of the dire consequences of a recession, especially given the state's volatile tax system. He noted that there have been ten recessions since World War II and that we must prepare for the eleventh. As a result, he is again highlighting the need to build up the state's Rainy Day Fund and referenced last year's Department of Finance (DOF) analysis of the devastating impacts of even a normal recession—a loss of \$20 billion in revenues a year for three years.

He also highlighted his crowning achievement in K-12 education, implementation of the LCFF and his proposal to reach full funding of the targets in 2018-19. He indicated that with regard to subsidiarity (which was a central theme for the LCFF), from his point of view, "The age

of micromanagement from Washington and Sacramento is over.”

During the Q&A period, the Governor was asked by former Sacramento Bee columnist Dan Walters about his proposal to aggressively fund the Rainy Day Fund. The Governor responded with, “I thought you retired,” which got a big laugh. He then went on to say, “This is about steady as you go or exuberance followed by regret and pain,” noting the effects of the dot-com bubble under the Davis Administration and the fiscal aftermath inherited by former Governor Arnold Schwarzenegger.

In addition to significant proposals in Proposition 98, some of the major initiatives of the Governor’s State Budget include:

Full Funding of the Rainy Day Fund: Proposition 2, approved by California voters in 2014, established a constitutional goal of reserving 10% of tax revenues in a Rainy Day Fund. The Governor’s Budget proposes a \$3.5 billion supplemental payment in addition to the constitutionally required transfer to the Rainy Day Fund for 2018-19. The two payments would bring the total Rainy Day Fund to \$13.5 billion, which hits the 10% goal.

Higher Education: The Budget proposes an LCFF-style funding formula for the California Community Colleges and the establishment of a wholly online community college in California. The online college would provide access to higher education for those who do not currently access the California community college system. Additionally, the Budget increases state support for the University of California and the California State University by \$92.1 million, to avoid a tuition increase in 2018-19.

Health Care Expansion: Amidst growing uncertainty at the federal level, the Governor’s Budget provides funding to increase health care coverage to low-income Californians under the federal Affordable Care Act (ACA).

Transportation Infrastructure: The Budget reflects the first full year of funding under the Road Repair and Accountability Act of 2017 (Senate Bill 1), which provides stable, long-term funding for both state and local transportation infrastructure. This act provides \$55 billion in new funding over the next decade, split evenly between state and local projects. For 2018-19, the Budget includes \$4.6 billion in new transportation funding.

In closing his press conference, the Governor responded to a question about the changes he has seen in California since first becoming Governor in 1974. He noted the influence of Proposition 13, which inserted Sacramento decision making into the affairs of local government. He also said that there was more bipartisanship in the Legislature four decades ago, noting that both Republicans and Democrats elected the leadership of their houses. With regard to the State Budget, the Governor pointed out that prisons now account for 9% of the Budget compared to 3% during his first term as Governor in the late 1970s. He did acknowledge, however, that a Governor has a greater impact now than 40 years ago.

The Economy and Revenues

Economic Outlook

While acknowledging the continued strength of both the state and national economies, and the subsequent increased revenues they produce, the Governor still has his eyes on ensuring California is prepared for the next inevitable downturn. In both his State Budget proposal and press conference, the Governor calls our attention to the fact that by the end of 2018-19 this recovery will match the longest recovery in post-war history. The previous periods of balanced State Budgets were all followed by large State Budget shortfalls, and the effects on California of the passage of the new federal tax bill, among other federal policies, are still largely unknown.

In light of these realities, Governor Brown proposes another State Budget based on the implementation of prudent fiscal practices that provide a balanced State Budget while continuing to plan and save for the future. While the economy continues to expand, even a moderate recession could significantly impact state revenues for several years to come. To ensure the state is ready for a potential slow down, the Governor’s State Budget proposes fully funding the Rainy Day Fund and allocating the majority of the revenue surplus to one-time expenses. The State Budget is clear that fully funding the Rainy Day Fund may not eliminate the need for spending reductions should a recession or federal policy changes come to pass, but it should allow for the softening of potential cuts and/or shortening of the length of time any potential cuts would be effective.

At the national level, the stock market has reached an all-time high with no signs of slowing down. All three major indices reached new levels the first week in January, with the Dow Jones surpassing 25,000 for the first time. In spite of the Federal Reserve’s continued interest rate hikes, housing prices continue to rise and mortgage rates remain historically low. Wages are increasing and the unemployment rate for both the nation and California dropped to 4.6% and 4.1%, respectively, further narrowing the gap between the two. In addition, the country added 228,000 jobs in November 2017 and, as previously noted, the Governor’s State Budget anticipates modest growth for the California economy.

State Revenues

The Governor’s State Budget presents a rosy picture, with revenues higher than projections. Total state revenues are higher year over year, and the economy continues to grow, though modestly. The higher revenues, as expected, are due largely to an increase in personal income tax collections with sales and use tax also seeing an increase over those estimated by the DOF in the adopted 2017-18 Budget Act.

The Legislative Analyst’s Office (LAO) forecast released in November 2017 also estimated a significant increase in General Fund revenues. The LAO continued to provide two long-term estimates—one based on an economic growth scenario and another based on a mild recession scenario. Under the economic growth scenario, the State Budget will retain a surplus, with increases in revenues from the personal income

tax driving the majority of the growth, while the recession scenario reflects a roughly \$80 billion revenue loss, compared to the growth scenario, over the three fiscal years between 2019-20 and 2021-22.

Proposition 98

Adopted by state voters in 1988, Proposition 98 sets in the State Constitution a series of complex formulas that establish the minimum funding level for K-12 education and community colleges from one year to the next. This target level is determined by prior-year appropriations that count toward the guarantee and (1) workload changes as measured by the change in average daily attendance (ADA), and (2) inflation adjustments as measured by the change in either per capita personal income or per capita state General Fund revenues, whichever is less. Over the last several years, Proposition 98 has provided significant gains to schools as funding cuts endured through the Great Recession have been restored.

Current-Year Minimum Guarantee

For the current year, the Governor’s State Budget acknowledges that revenues are higher than projected in the adopted 2017-18 Budget Act, resulting in the increase of the current-year minimum guarantee. For the current year, the Proposition 98 guarantee is now estimated at \$75.2 billion, up approximately \$700 million from the enacted level.

Proposition 98 also requires the state to account for state funding that falls below the long-term target established by Test 2 (i.e., adjustments required by annual changes in per capita personal income). This cumulative shortfall is termed Maintenance Factor. The Governor’s State Budget notes that as of the end of 2017-18, the Maintenance Factor will be down to \$228 million, as the Budget proposes a payment of \$1.12 billion in the current year.

2017-18 Minimum Guarantee

For 2018-19, the Governor’s State Budget proposes a Proposition 98 guarantee of \$78.3 billion, an increase of \$3.1 billion year over year. The guarantee is based on Test 3, the change in per-capita General Fund revenues, plus 0.5%, and the change in K-12 ADA, which is expected to decline in the budget year. The Governor’s State Budget notes that an additional \$92 million in Maintenance Factor will be created—due to it being a Test 3 year—totaling just over \$320 million at the end of 2018-19.

Cost-of-Living Adjustment and Average Daily Attendance

The estimated statutory COLA for K-12 education programs in 2018-19 is 2.51%, 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, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education program, all of which are proposed to receive the statutory COLA.

Statewide, ADA is expected to decrease in 2018-19 by 17,163 ADA from 2017-18 levels to an estimated ADA of 5,944,090.

Local Control Funding Formula

The Governor’s 2018-19 Budget proposal fully implements the LCFF two years earlier than originally projected with an infusion of nearly \$3 billion. The LCFF provides funding to transition all LEAs toward target funding levels, and provides supplemental revenues through percentage weighting factors to increase or improve services for students who are not English language proficient, who are from low-income families, or who are in foster care.

LCFF Target Entitlements for School Districts and Charter Schools

The target base grants by grade span for 2018-19 are increased over 2017-18 by 2.51% to reflect the estimated statutory COLA:

Grade Span	2017-18 Target Base Grant Per ADA	2.51% COLA	2018-19 Target Base Grant Per ADA
TK-3	\$7,193	\$180	\$7,374
4-6	\$7,301	\$183	\$7,484
7-8	\$7,518	\$189	\$7,707
9-12	\$8,712	\$219	\$8,931

In addition, the 2018-19 Transitional Kindergarten (TK)-3 grant increase for the class-size reduction (CSR) grade span adjustment is \$767 per ADA, and the grade 9-12 base grant per ADA is increased by \$232 in recognition of the need for CTE courses provided to students in the secondary grades.

School districts and charter schools are entitled to supplemental increases equal to 20% of the adjusted base grant (includes CSR and CTE funding) for the percentage of enrolled students who are English learners, eligible for the free and reduced-price meals program, or in foster care. An additional 50% per-pupil increase is provided as a concentration grant for each eligible student enrolled beyond 55% of total enrollment.

LCFF Transition Entitlements and Gap Funding

The difference between an LEA’s current funding and its target entitlement is called the LCFF gap, and it is this gap that is funded with the additional dollars dedicated each year to implementation of the LCFF. For 2018-19, the Governor’s Budget proposes to spend almost \$3 billion to move from 97% implemented to fully close the LCFF funding gap—two years ahead of the intended 2020-21 implementation date.

The table below shows the DOF’s LCFF gap percentages through 2018-19:

District and Charter School LCFF Funding and Gap Closure Estimates (Dollars in Millions)					
	2014-15	2015-16	2016-17	2017-18	2018-19
LCFF Funding	\$4,722	\$5,994	\$2,942	\$1,362	\$2,883
Gap Closure %	30.16%	52.56%	56.08%	44.97%	100.00%
COLA	0.85%	1.02%	0.00%	1.56%	2.51%

Pupil transportation and Targeted Instructional Improvement Grants continue as separate add-ons to the LCFF allocations and do not receive a COLA.

Fiscal Transparency

Citing expressed concerns about the direct services being provided to the students that generate LCFF dollars, the Governor’s Budget proposes requiring LEAs to show how their budget expenditures align with the strategies detailed in their LCAPs for serving students that generate supplemental grants. Additionally, the Governor proposes calculating and reporting on a single website the total amount of supplemental and concentration funding provided to each LEA under the LCFF.

County Offices of Education

COEs receive funding under a similar formula, with funding provided in recognition of direct instructional services for pupils in juvenile court schools and community schools and an allocation for countywide services based on the number of school districts and total ADA within the county. As of 2014-15, the LCFF for COEs is fully implemented and, therefore, LCFF increases for COEs in 2018-19 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 2.51% increase. COEs that are more than 2.51% above their LCFF target will receive no additional funding through the formula in the budget year.

COE funding for 2018-19 is increased under the Governor’s Budget proposal by a net of \$6.2 million to account for a COLA on LCFF entitlements and changes in ADA.

Community-Funded School Districts

School districts with property tax revenues that exceed the formula funding levels will continue to retain their local tax growth, and will receive a minimum state aid allocation that is reduced by the cuts incurred during the recession which, under the LCFF, are carried forward into future years for these districts.

System of Support

Full funding of the LCFF is coupled with additional investments in the final phase of implementation of the LCFF, namely the accountability provisions. With the development and official launch of the California School Dashboard, the focus is now on making sure that LEAs are using their dollars to demonstrate improvements in student performance.

The state’s new accountability system includes a statewide system of support tasked with providing varying levels of assistance for LEAs. The Dashboard has been used to identify school districts—for the first time under LCFF—that require differentiated assistance because one or more of their student groups have low performance across multiple state priorities.

The Governor’s proposed Budget invests \$55.2 million in ongoing funding for COEs to work with districts identified for differentiated assistance. COEs are required to work with identified school districts to determine the causes of poor student performance and to connect school districts with resources as needed. Recognizing that certain COEs are better poised to work with their districts as required under the

system of support, the 2018-19 State Budget includes \$4 million ongoing for a competitive grant for eight COEs to serve as leads to provide training, resources, and support for other COEs to do the work to support their districts.

Finally, the Budget has invested an additional \$6.5 million of ongoing funding for the California Collaborative for Education Excellence to work with COEs to provide assistance to school districts as part of the state system of support.

Special Education

The Governor proposes modest one-time and ongoing funding for special education programs. In addition to applying a 2.51% COLA increase, the Governor proposes \$100 million in one-time funding for programs to increase and retain special education teachers (see Teacher Workforce Development section below).

The 2018-19 State Budget proposal also contains \$10 million in ongoing funding for SELPAs to work with COEs to provide technical assistance to LEAs to improve student outcomes as part of the statewide system of support.

The Governor proposes \$167 million, of which \$125 million is ongoing, to establish an “Inclusive Education Expansion Program” aimed at increasing availability of programs for children ages 0 to 5, aimed at improving school readiness and long-term academic outcomes for low-income children and children with exceptional needs.

The State Budget also contains proposals that revise special education budget transparency and accountability by requiring SELPAs to complete a SELPA local plan template that aligns the services and resources noted in the local plan with the goals identified in their member district’s LCAP and to summarize how a SELPA’s planned expenditures and services align with the improved student outcome strategies noted in the SELPA’s plan.

Teacher Workforce Development

The Governor’s Budget proposes \$100 million in one-time funding for Teacher Workforce Development targeted to special education educators. The Administration notes that two-thirds of school districts have been identified as having poor special education performance.

Specifically, the Administration proposes:

- \$50 million one-time funding to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs aimed at preparing and retaining special education teachers
- \$50 million one-time funding to provide competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need

This infusion is focused on special education and comes on the heels of successive years of funding to address the teacher shortage in California in the areas of professional development, classified employee credentialing grants, and four-year credentialing programs.

Career-Technical Education

The Governor’s 2018-19 State Budget proposal includes \$200 million in ongoing funding to establish a K-12 specific component of the community college-administered Strong Workforce Program. The Governor notes the new funding is aimed at encouraging “the establishment and support of K-12 CTE programs that are aligned with needed industry skills.” The Governor proposes an ongoing increase of \$12 million to fund local industry experts who will provide technical support to LEAs operating, or proposing to operate, CTE programs. The Governor notes, “This proposal creates a predictable, targeted, and sustained funding stream to support an industry and student-focused infrastructure for workforce development collaboration at the state, regional, and local levels.”

Discretionary Funds

The Governor’s Budget proposes \$1.8 billion in one-time Proposition 98 funds for school districts, charter schools, and COEs to use at the discretion of local governing boards. This equates to approximately \$295 per ADA. These funds, like prior years, would be counted by the state as offsetting prior-year mandate reimbursement claims on a dollar-for-dollar basis. The 2018-19 State Budget Summary notes that this infusion, coupled with past years’ payments, reduces the amount owed to LEAs for mandates from a recent high of \$6 billion to less than \$1 billion.

Child Care and Preschool

Maintaining a three-year agreement with the Legislature to increase investments in child care and preschool, the Governor’s Budget proposes to increase reimbursement rates and fund the final tranche of state preschool slots. Specifically, the 2018-19 State Budget proposes to:

- Increase the Standard Reimbursement Rate by 2.8%, for a total General Fund and Proposition 98 investment of \$47.7 million—\$16.1 million and \$31.6 million, respectively
- Provide an ongoing \$34.2 million to convert the temporary Regional Market Rate (RMR) “hold harmless” provision to a permanent provision, beginning in 2019-20
- Fund an additional 2,959 full-day State Preschool slots, beginning in April 2018
- Fulfill the fiscal year 2017-18 increase to the RMR to the 75th percentile of the 2016 regional market rate survey, beginning January 1, 2018

- Make a modest adjustment to California Work Opportunity and Responsibility to Kids Stage 2 and Stage 3 to reflect caseload and estimated costs of care
- Provide \$125 million in one-time Proposition 98 funding and \$42.2 million in federal Temporary Assistance for Needy Families funds to create the Inclusive Early Education Expansion Program to increase the availability of early education and care for children ages 0 to 5, targeting children in low-income areas

The Governor also acknowledges the operation of state-approved pilot programs in 13 counties that authorizes providers in those counties to earn their full contracts through greater program flexibility. His proposal commits to working with providers in those counties to help streamline requirements.

School Facilities

In light of last summer’s action by the SAB to approve a Grant Agreement required by all applicants of the School Facility Program, alongside impending changes to facility project expenditure audits as part of the K-12 annual audit, the 2018-19 State Budget proposes to authorize a total of \$640 million in Proposition 51 bond authority.

Additionally, the Budget proposes an ongoing appropriation of \$28.3 million to the Charter School Facility Grant Program (CSFGP), which assists charters with the payment of rent and lease obligations, to reflect anticipated program participation.

The 2018-19 Governor’s State Budget includes no additional investments in the Clean Energy Jobs Creation Fund (Proposition 39) as fiscal year 2017-18 was the final year of the five-year program approved by the voters in 2012.

Federal Programs

At the federal level, there remains continued uncertainty regarding federal appropriations for public education programs. In December 2017, Congress passed a Continuing Resolution (CR) that funds all discretionary funding at current levels until January 19, 2018. There are rumors that the CR will be extended through mid-February to allow Congress to work out deals on immigration and health care issues.

In his 2018-19 State Budget proposal, Governor Brown notes that, “California’s relationship with the federal government has never been more uncertain.” The Budget proposal does not factor in the ramifications of the recently enacted federal tax bill, nor any additional proposed federal cost shifts resulting from the repeal of the ACA or other federal entitlements. The Governor indicates the May Revision will include a preliminary analysis of the proposed impact of the tax cuts and any enacted cost shifts on the state’s economy and revenues.

In Closing

In closing, remember that the Governor’s Budget proposals mark the beginning of the process, not the end. We expect the Legislature to push back on the Governor’s priorities and especially his revenue estimates. As the various proposals are considered by legislative committees, we can expect both confrontation and compromise; in our opinion, the Governor continues to win on the issues most important to him.

There was a time, not so long ago (certainly during Governor Brown’s political lifetime), when California was the envy of the world. We had the best public education system in the world. The best jobs, the best homes, the best weather, the best beaches, and we even had Disneyland! Employers came here for our educated work force and created high-paying jobs in aerospace, medicine, manufacturing, agriculture and construction. We were leaders in all those areas.

Then came Proposition 13 and the erosion of our infrastructure began. Our education system suffered immediate damage and we dropped from the top 5 to the bottom 10 states by any measure. The roads lasted, but not forever. The jobs first stopped coming to California, then started leaving. High-paying technical and professional jobs left and were replaced by lower-paying service industry jobs. More of California’s governmental and education expenditures were funded by volatile sales and income taxes as opposed to the more stable property tax. By the 1980s, for the first time in our history, the population of tax receivers was growing faster than the economy itself.

We, and all of our readers, care about public education because we know it is the great equalizer. Not just economics, or safety, or social justice, or human dignity—but all of them are dependent upon an education system that builds our country one student at a time. No one Governor or one State Budget can be expected to address all of our needs, but every State Budget should be expected to make progress on the ones we hold most dear. We think this State Budget continues to advance those choices and priorities.

We also think Governor Brown is going out on top. He didn’t address every issue, perhaps not even to his own satisfaction, but he was our Winston Churchill and he “never gave up” on California, even in our “darkest hour.” Perhaps that is his greatest legacy.

—SSC Staff