

MARCH 7, 2019

Overview of Education Proposals

PRESENTED TO:

Senate Budget and Fiscal Review Subcommittee
No. 1 on Education
Hon. Richard D. Roth, Chair



LEGISLATIVE ANALYST'S OFFICE

Governor's Early Education Proposals

<i>Non-Proposition 98 General Fund Increases (In Millions)</i>	
One-Time Initiatives	
Kindergarten facility grants	\$750
Child care workforce development grants	245
Child care facility grants	245
Child care and preschool expansion and improvement plan	10
Subtotal	<u>(\$1,250)</u>
Ongoing Commitments	
10,000 additional full-day State Preschool slots	\$125
CalWORKs child care caseload and cost of care increases	103
Annualization of 2018-19 budget actions	70 ^a
Non-CalWORKs child care COLA and slot adjustment	59
Subtotal	<u>(\$357)</u>
Total	<u>\$1,607</u>
^a Includes \$27 million Proposition 98 General Fund. COLA = cost-of-living adjustment (3.46 percent).	



Governor's Proposition 98 Proposals

<i>Ongoing Commitments Unless Otherwise Noted (In Millions)</i>	
K-12 Education	
COLA and attendance adjustments for LCFF	\$2,027
Special education grants (\$187 million one time)	577
COLA for select categorical programs	187
Full-year cost of previously approved preschool slots	27
COLA and attendance adjustments for COEs	9
School district accounting system replacement project (one time)	3
Subtotal	(\$2,830)
California Community Colleges	
COLA for apportionments	\$248
College Promise fee waivers for second-year students	40
COLA for select student support programs	32
Enrollment growth for apportionments	26
Student Success Completion Grants caseload adjustment	11
Legal services for undocumented students	10
Subtotal	(\$367)
Accounting Shifts	
Three K-12 initiatives shifted to Proposition 98 budget (one time)	\$8
Preschool costs shifted to non-Proposition 98 budget	-297
Subtotal	(\$289)
Total	\$2,908
COLA = cost-of-living adjustment (3.46 percent); LCFF = Local Control Funding Formula; and COEs = county offices of education.	



Governor's Higher Education Program Proposals

*Non-Proposition 98 General Fund Increases Unless Otherwise Noted
(In Millions)*

One-Time Initiatives	
CSU deferred maintenance and child care centers	\$247
UC deferred maintenance	138
CSU food and housing insecurity initiatives	15
UC extended education programs	15
Longitudinal education data system	10
Innovation grants for certain campuses	10
CSAC Grant Delivery System Modernization Project	6
CCC student outreach	5
Outreach related to student borrowing	5
Hastings deferred maintenance	1
Subtotal	(\$452)
Ongoing Commitments	
CCC apportionments COLA (P98)	\$248
CSU compensation and operational costs	193
Cal Grants for student parents	122
UC compensation and operational costs	120
CSU 2019-20 enrollment growth (2 percent)	62
UC student success initiatives	50
CSU Graduation Initiative	45
CCC College Promise expansion (P98)	40
UC graduate medical education	40
CCC select student support programs COLA (P98)	32
CCC 2019-20 enrollment growth (0.55 percent, P98)	26
UC food and housing insecurity initiatives	15
Competitive Cal Grants	10
CCC legal services for immigrant staff and students (P98)	10
UC 2018-19 enrollment growth	10
CSU legal services for immigrant staff and students	7
UC student mental health	5
Hastings operations	1
Subtotal	(\$1,036)
Total	\$1,488

CSAC = California Student Aid Commission; COLA = cost-of-living adjustment (3.46 percent);
and P98 = Proposition 98 funding.



Governor's Capital Outlay Proposals

<i>(In Millions)</i>			
College	Project	2019-20 State Cost	Total Cost
CCC Projects (12 New Projects)			
San Bernardino	Technical replacement building	\$2	\$76
Redwoods	Physical education replacement building	5	61
American River	Technical replacement building	1	58
Saddleback	New Gateway Building	2	52
Alameda	Auto and diesel technologies replacement building	1	34
Los Angeles City	Theater arts replacement building	1	30
Merced	New science and industrial technologies complex	0.4	26
Santa Monica	Art replacement complex	1	22
Rio Hondo	Music/Wray theater renovation	1	20
Sequoias	Basic skills replacement center	1	17
Fresno	Child development replacement center	1	17
Butte	Technology building renovation	1	11
Subtotals		(\$18)	(\$423)
CSU Projects (11 New Projects)			
Systemwide	Infrastructure improvements	\$359	\$464
San Francisco	Science replacement building	101	150
San Bernardino	College of Arts and Letters building renovation and addition	104	111
Chico	Butte Hall renovation	80	90
Sonoma	Stevenson Hall renovation and addition	83	86
Dominguez Hills	New Innovation and Instruction building	52	80
Channel Islands	Gateway Hall renovation and new instruction building	65	71
Fullerton	Visual Arts Complex renovation	50	66
Northridge	New Sierra Annex building	45	50
San Diego	Dramatic Arts building renovation and new theater building	33	37
Maritime Academy	Mayo Hall renovation and addition	19	19
Subtotals		(\$991)	(\$1,224)
UC Projects (7 New Projects)			
Systemwide	Deferred maintenance	\$35	\$35
Santa Barbara	New classroom building	80	97
Irvine	New Student Wellness and Success Building	13	70
Santa Cruz	New Kresge College academic building	47	53
Riverside	Pierce Hall renovation	13	23
Agriculture and Natural Resources	Renovation of research and extension centers	19	19
Berkeley	University Hall seismic renovation	6	17
Subtotals		(\$213)	(\$314)
Totals		\$1,222	\$1,961



Early Education Assessment and Recommendations

Kindergarten Facility Grants Are Not Furthering Core State Objective

- Building upon a 2018-19 initiative, the Governor proposes an additional \$750 million for kindergarten facility grants. The stated purpose of the initiative is to promote more full-day programs.
- Given most applicants for the initial round of grants in 2018-19 already run only full-day kindergarten programs, we recommend against funding more grants at this time. If more grants are desired, we recommend creating a more targeted program.

Lack of Data Makes Prioritizing Child Care Workforce and Facility Funding Challenging

- The Governor proposes \$500 million one time to improve the child care workforce and facilities, but the state currently lacks basic information about these areas.
- We recommend funding studies in these areas. The Legislature could set aside some amount of one-time funds this year and then apportion those funds beginning in 2021-22 (once the results of the studies are available).

Proposed Preschool Expansion Is Ambitious, Removing Work Requirement Could Have Unintended Consequences

- Given logistical challenges, we suggest a slower ramp up (adding 2,500 rather than 10,000 new full-day preschool slots in 2019-20).
- We also recommend not removing the work requirement for families to qualify for full-day slots, as doing so could result either in substantially higher program costs or, absent additional funding, fewer children served.



Proposition 98 Assessment and Recommendations

Cost-of-Living Adjustments (COLA) Account for Bulk of New Spending

- Of \$2.9 billion in net new spending, \$2.5 billion is for providing COLA to various Proposition 98 programs.

Proposition 98 Budget Might Be Tighter by May

- A couple of big tax collection months are ahead. Some signs suggest state tax revenue could come in somewhat below the administration's January estimates.
- If state revenue comes in under projections, the minimum guarantee will drop.

Begin Setting Priorities

- If budget condition is tighter come May, funding any Proposition 98 augmentations beyond COLA could be difficult.
- Whereas the Governor prioritizes augmentations for special education and the College Promise program, the Legislature could begin thinking about its highest priorities.

Better Position Schools to Address Future Downturn

- Reduce ongoing spending commitments and increase one-time spending.
- Avoid using one-time funds for ongoing programs.
- Take different approach to helping districts with pension costs.



Higher Education Assessment and Recommendations

Link Augmentations to Priorities

- The Governor's basic approach to building the higher education budget is constructive.
- We recommend building upon this approach and linking augmentations to legislative priorities.

Consider Recruitment and Retention Data When Funding Compensation Increases

- The Governor provides augmentations to cover compensation and other operational costs at each of the segments, but he treats the segments as well as employee groups within some of the segments differently.
- The Legislature could encourage California State University (CSU) and University of California (UC) to commission a staffing analysis that examines recruitment and retention data, including a comparison with peer institutions, and take the results into account when making funding decisions.

Link Enrollment Targets With Policy Objectives

- The Governor has no explicit guiding factors for setting enrollment growth targets.
- At a minimum, we recommend considering demographic changes, alignment with the Master Plan eligibility pools, the number of denied eligible students, and the number of redirected students.



Higher Education Assessment and Recommendations

(Continued)

Refine Student Improvement Initiatives

- The Governor funds student improvement initiatives at all three segments.
- We recommend refining the initiatives by linking funding with explicit performance expectations.
- We also recommend rejecting the proposed cap on California Community Colleges (CCC) outcomes-based funding as well as requiring UC to develop an expenditure plan for its initiative.

Take Time to Develop Vision for Addressing Students' Living and Mental Health Issues

- The Governor takes different approaches to addressing student food, housing, and mental health issues at the three segments.
- The Governor's proposals raise important new issues for the state. We recommend taking time to develop a vision for how best to address these issues.

Likely Shared Interest in Promoting Tuition Predictability

- The Governor proposes to keep tuition flat in 2019-20. He also signals interest in discussing with CSU and UC how to better promote fiscal certainty for students but does not set forth an explicit plan.
- The Legislature could consider specific ways to promote tuition predictability, including building higher reserves, sharing a portion of 2019-20 cost increases with nonfinancially needy students, and developing a share-of-cost policy.



Capital Outlay Assessment and Recommendations

Continue Apportioning Proposition 51 Bond Funds for School Facilities

- The Governor proposes to provide \$1.5 billion for school facilities in 2019-20.
- This is almost triple the amount allocated in each of the past two years. Given the backlog of project applications, we think providing the \$1.5 billion is warranted.

Consider Approving More CCC Projects

- The Governor approves 12 of the 39 projects submitted by the CCC Chancellor's Office, prioritizing life safety projects and projects with significant local matches.
- We recommend approving a greater number of community college projects to accelerate the release of Proposition 51 bond funds. In selecting projects, we recommend using a clear, agreed-upon set of standards.

Build Upon Governor's CSU and UC Capital Outlay Approach

- The Governor is somewhat selective in approving university requests—approving 11 of the 18 projects submitted by CSU but all 7 projects proposed by UC.
- We recommend approving only projects that are justified and have reasonable associated costs.

Refine Governor's Approach to Addressing CSU and UC Deferred Maintenance

- Governor designates bulk of one-time CSU and UC funds for deferred maintenance.
- We recommend approving funding but adding accountability provisions.

