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RE: *SSC's Sacramento Weekly Update*

Governor Newsom Signs the 2019-20 State Budget Bill

On Thursday, June 27, 2019, Governor Gavin Newsom signed the \$214.8 billion 2019-20 State Budget that the Legislature passed and sent to him on June 13, 2019.

The Governor also signed over a dozen trailer bills, the implementing language of the State Budget, including [Senate Bill \(SB\) 90](#), the Public Employees' Retirement Budget Trailer Bill, which includes the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) school employer pension relief language. Not among the signed trailer bills, however, is [SB 75](#), the Education Omnibus Budget Trailer Bill. Despite not being signed with the main Budget Bill yesterday, we expect SB 75 to be signed into law shortly.

The State Budget includes a total investment of \$81.1 billion in Proposition 98, an increase of approximately \$3 billion over last year's State Budget. Some of the more significant features of the education budget include an increase of nearly \$2 billion in ongoing Proposition 98 funding for the Local Control Funding Formula reflecting a 3.26% cost-of-living-adjustment; an increase of nearly \$646 million in ongoing Proposition 98 dollars for students with disabilities; and a one-time \$3.15 billion non-Proposition 98 appropriation to provide pension relief for school employers in both the CalSTRS and CalPERS systems.

Additional significant education expenditures in the 2019-20 State Budget include:

- \$300 million in one-time non-Proposition 98 funds for the Full-Day Kindergarten Facilities Grant program
- \$50 million in ongoing Proposition 98 funds for the After School Education and Safety (ASES) program

- \$38.1 million in one-time non-Proposition 98 funds for the Educator Workforce Investment Grant to provide competitive grants for professional learning opportunities for teachers and paraprofessionals
- \$10 million in one-time non-Proposition 98 funds for the development of the California Cradle to Career Data System
- \$36 million in one-time Proposition 98 funds for the Classified School Employees Summer Assistance Program
- \$7.5 million in one-time non-Proposition 98 funding for the Broadband Infrastructure Grant Program to improve broadband infrastructure in schools

The budget also includes, for the first time, a deposit into the Public School System Stabilization Account. While the \$389 million deposit is well short of the 3% of the total K-12 share of the Proposition 98 Guarantee that is required to trigger the cap on district reserves, it is something to keep a close eye on in future budgets.

Senate Education Committee

On Wednesday, the Senate Education Committee, chaired by Senator Connie Leyva (D-Chino), met to consider nearly 20 Assembly measures. The following significant bills passed out of the committee:

- Assembly Bill (AB) 331 (Medina, D-Riverside), which would require all students to complete a semester-long course in ethnic studies to graduate from high school commencing in the 2024-25 school year
- AB 1085 (McCarty, D-Sacramento), which would encourage specified afterschool programs to establish programs designed to educate about and prevent substance use disorders or to prevent harm from substance abuse; and would also authorize the Department of Health Care Services to consider selecting those programs for funding from the Youth Education, Prevention, Early Intervention, and Treatment Account
- AB 1097 (Holden, D-Pasadena), which would require the California Department of Education, by July 1, 2021, to provide a report to the Governor and Legislature on credit recovery programs
- AB 1319 (Arambula, D-Fresno), which would require local educational agencies to allow migrant students to continue their education in the school of origin, regardless of any change of residence during that school year, and would require that a migrant student be immediately enrolled in a new school
- AB 1354 (Gipson, D-Carson), which would require county offices of education to ensure that a student enrolled in a juvenile court school for more than 20 school days has an individualized transition plan and access to specified educational records upon release

Policy committees will have until July 10, 2019, to consider and pass fiscal bills to the Appropriations Committees, while nonfiscal bills have until July 12, 2019, to get to the Floor.

Holiday Break

Like many of you, our office will be closed from July 4, 2019, through July 7, 2019, to celebrate Independence Day. Unless there is breaking news, we will send the next *Update* the week ending July 12, 2019.

Happy Fourth of July from School Services of California, Inc.!

Leilani Aguinaldo
Robert Miyashiro



Note: SB 75 will appropriate \$10 million in one-time non-Proposition 98 funds to develop the California Cradle to Career Data System that will look to track students as they matriculate through the education segments and into the workforce.

California Finally To Move Ahead With ‘Cradle to Career’ Data System

Legislature lays out steps, timetable for linking preschool to workforce education data.

By John Fensterwald and Louis Freedberg

EdSource

June 25, 2019

With \$10 million in funding, an ambitious timeline and a champion in Gov. Gavin Newsom behind it, the Legislature this week passed legislation for a statewide education data system that will follow children from infancy through the workplace.

The marching order for what Newsom is calling a Cradle to Career Data System is included in a lengthy bill elaborating on the 2019-20 state budget for education. It lays out steps over the next 18 months that will determine what the system will look like, how it will be governed, who will have access to data and how privacy and security will be handled.

As of 2016, California was one of only eight states that either didn’t have or wasn’t building a “longitudinal” data system.

With votes of 31-7 in the Senate and 62-14 in the Assembly, Senate Bill 75 is headed to Newsom for his signature.

California’s community colleges, the University of California, California State University and K-12, through a system known as CALPADS, already have comprehensive, though separate, data operations. But only by linking the systems, tracking students’ student outcomes as they move through school, will legislators, educators, researchers and the public begin to answer fundamental policy questions, such as:

- Are early education investments paying off long-term as students progress through education systems and the workforce?
- Are community college reforms increasing completion rates at CSU and UC?
- How prepared are high school students to succeed in college?
- Which career-technical education programs in high school lead to more college degrees, workplace certifications and higher pay?
- What are the long-term effects of access to state financial aid?

Legislators, college and school administrators and boards of trustees can use answers to these and other questions to implement effective education policies and set funding priorities. Parents can use information to choose programs and schools for their children.

During his eight years in office, former Gov. Jerry Brown opposed collecting more education data and stymied data advocates' efforts to expand and link various databases. Newsom quickly signaled upon taking office he'd be a strong proponent. On the first page of his proposed budget in January, he proposed an initial \$10 million for "critical work" on a longitudinal data system "to better track student outcomes and increase the alignment of our educational system to the state's workforce needs."

Advocates are praising the commitment.

"I'm encouraged we are moving forward and proceeding through the workgroup in a thoughtful and deliberate way," said Hans Johnson, a senior fellow at the Public Policy Institute of California and director of its Higher Education Center. He is also a member of EdSource's board of directors.

"This is long overdue. Finally, California, the center of the tech world, has a government that is catching up to the 21st century," said Arun Ramanathan, CEO of Pivot Learning Partners, a nonprofit that works with districts on school improvement.

Work will begin within weeks under aggressive deadlines laid out in Assembly Bill 75.

By July 15, the State Board of Education, the University of California, California State University and community college systems, the California Student Aid Commission, state workforce and health and human service agencies will name representatives to a workgroup headed by the Governor's Office of State Planning and Research.

The workgroup will seek the perspectives of parents, students, labor unions, social justice organizations, business interests, researchers and privacy experts. Engaging with educators, parents and the public and with California's "best ed tech innovators" is essential, Ramanathan said, "to design a data system that educators can actually use to improve teaching and learning."

By July 2020, the workgroup will report back on what the structure of the data system will look like, who'll manage it and what information it will provide.

By the fall of 2020, just over a year away, community colleges, CSU and UC will begin using a common, statewide student identifier for data about their students and applicants for enrollment.

By Jan. 1, 2021, the Office of State Planning and Research will make recommendations to the Legislature and the state Department of Finance on the next level of critical issues, such as: How will access to data be controlled and authorized? What additional data should be collected? How will the system be expanded to incorporate child care, early education, workforce, financial aid, and health and human services data? How much will it cost to manage and operate the system?

In building out the system, the legislation says linking K-12 and higher education should be the top priority. Phase 2 would involve integrating workforce data, followed by data from early education and preschool and then finally health and human services and other data partners, such as private colleges and universities.

To show the system can be sustained, Johnson said, it will be important to get "big wins" early — to answer basic questions that have frustrated education leaders and the public. Those questions include how many low-income students statewide, by race and ethnicity, qualified for admission to the University of California but never applied?

California, in some respects, is well ahead of states that started their systems from scratch, Johnson said. Over the years, school districts, community colleges and universities have established their own regional data alliances through the nonprofit California Partnership for Achieving Student Success. Cal-PASS Plus is a voluntary cooperative involving all of California's community colleges, most universities and two-thirds of the state's school districts that shares data to shape curricula and policies.

These partnerships have shown that linkages can be made. The biggest challenges, Johnson said, "will be matters of trust and political will, not technology."

Note: The assertion that California is near the bottom in per-pupil spending is based on California's high cost of living relative to the rest of the nation.

Does Spending More on Schools Pay Off?

By Dan Walters
CALmatters
June 23, 2019

As Gov. Gavin Newsom's first budget was being wrought, the perennial issue of spending on K-12 education was thrashed out once again.

The education establishment – professional educators, their unions, their political allies and sympathetic academicians – complained anew that California schools are being shorted the money they need to raise achievement levels of the state's nearly 6 million elementary and secondary students.

The newly elected state schools superintendent, former Assemblyman Tony Thurmond, has postulated that California needs to be spending another \$30 billion a year – roughly \$5,000 more per pupil – to adequately educate its youngsters.

Assemblyman Kevin McCarty, a Sacramento Democrat, arose on the Assembly floor during its debate on the budget to decry that "We're still 41st in per-pupil spending," even though Newsom included a handsome increase for schools in his budget.

The exchanges raised two questions that deserve exploration:

—Are we, in fact, 41st in the nation in school funding?

—Would significantly increasing school spending result in better academic outcomes?

The first would seem to be easy to answer, but as with all comparisons, it depends on definitions and context.

The assertion that we are near the bottom is based on adjusting spending for the cost-of-living and since California has very high costs, arguably the highest in the nation, whatever we spend will be pushed downward in rankings.

In unadjusted dollars, according to the Census Bureau's most recent annual report on school finances, we were 21st in per-pupil spending in 2017 at \$12,143 from all sources, including federal funds, slightly below the national average of \$12,201.

The District of Columbia topped the list at \$23,091, followed by New York at \$21,974, Connecticut at \$19,322 and New Jersey at \$18,920.

Utah was dead last at \$7,179, with Idaho (\$7,486) and Arizona (\$8,003) slightly higher.

With virtually stagnant enrollment, California has increased overall spending and thus per-pupil spending by about 50% in recent years and Newsom's first budget raises the latter to \$17,160.

Using the 2017 Census Bureau rankings as a guide, California is likely in the top 10 in per-pupil spending now – albeit unadjusted for the cost-of-living. Even with such an adjustment, we're at least in the middle ranks of states.

The second question is even trickier. The advocates of pushing California's school spending into the top ranks imply that were we to spend \$5,000 more per pupil per year, we would see a miraculous improvement in our – at best – mediocre academic outcomes.

But another comparison – how students perform on the federal government's National Assessment of Educational Progress (NAEP) testing – is not encouraging.

There is simply no correlation between money and achievement in side-by-side comparisons of 8th-grade reading scores, an important benchmark because reading comprehension is vital to success in all subjects, particularly for students about to enter high school.

The District of Columbia spends the most but its 2019 reading score of 247 is 18 points under the national average and one of the nation's lowest. New York is second in spending but its reading score, 263, is not only two points under the average, but identical to California's.

No. 3 Connecticut and No. 4 New Jersey are both markedly above average, but so are No. 51 Utah and No. 50 Idaho.

The inescapable point is that money is clearly not the only factor in educational outcomes, and perhaps not even the most important one. There are socioeconomic, cultural, familial and other forces at play and we shouldn't make money the sole approach to our educational dilemma. It's much more complicated than that.

State Revenues Beat the Forecast by More Than \$600 Million

By Robert Miyashiro
School Services of California, Inc.'s Fiscal Report
June 24, 2019

State General Fund revenues for May 2019, the eleventh month of the current fiscal year, beat the forecast by \$603 million, or 6.7%. This is a significant gain, especially since the forecast was updated with the release of the May Revision last month.

The Department of Finance's (DOF) June *Finance Bulletin* reports that personal income tax revenues, the largest of the three major taxes, exceeded the forecast by \$383 million, or 7.3%, and the sales and use tax beat expectations by \$247 million, or 9.3%. The corporation tax, the third largest of the big three taxes, was off the mark by \$135 million, or -23%. All other minor taxes and revenue sources came in a net \$108 million ahead of projections.

Monthly collections that immediately follow a revised forecast are often close to the forecast level. Over the last three fiscal years, revenue collections for May averaged \$65 million above the forecast level, or about 0.8%. The significant gain above the forecast for May 2019 is attributable to strength in both payroll withholding and other receipts, such as capital gains payments, as well as greater than expected sales of taxable goods.

The DOF report also notes that with a Gross Domestic Product (GDP) of \$3.0 trillion, California's economy ranks 5th if compared to other national economies, larger than the United Kingdom's and just behind Germany's. In 2018, the state's GDP grew 3.5%, outpacing the national GDP, which grew 2.9%.

On the labor front, the state continues to add jobs at a strong pace, with 19,400 nonfarm jobs created in May. This follows a revised upward gain in April of 48,600 jobs. The state's unemployment rate fell 0.1% in May to 4.2% compared to the national unemployment rate of 3.6%.

The *Finance Bulletin* also notes that building activity may be slowing. Residential building permits for the first four months of 2019 averaged 114,000 units, down 4% from the same period in 2018. Permits for single-family units were down 6.1% in April compared to year-ago levels, while permits for multi-family units were essentially unchanged.

Home prices, however, hit an all-time high in May. The median price of a single-family residence was \$611,190 in May, surpassing the previous high of \$602,920 set in April. Compared to one year ago, the May median price was up 1.7%, while the interest rate on a 30-year fixed home loan averaged 4.07%, the lowest rate in nearly a year and a half.