



BUSINESS SERVICE COUNCIL

THURSDAY, FEBRUARY 28, 2019 | 9:30 AM – 2:45 PM

ACSA SACRAMENTO OFFICE
1029 J Street, 21st Century Classroom | Sacramento, CA 95814

DAWNALYN MURAKAWA-LEOPARD, PRESIDENT

MINUTES Summary

A. Pressing issues

The group discussed concerns about current labor issues being experienced throughout the state. ACSA meets with the Education Coalition on a weekly basis; this has not been discussed in that forum. There has been some thought that special education funding might provide relief to the urban districts that have been most prominently in the news related to labor issues. The public conversations surrounding LAUSD and Oakland are putting pressure on the Governor and the Legislature, especially as county offices approve agreements that will rely on the state to provide additional funding.

It was pointed out that “comparability” is shifting and that we need to learn the new landscape with regards to which districts are similar to each other under the LCFF.

There is legislation (SCA 5, Hill) that has been introduced to lower the parcel tax threshold to 55%. There is concern about communities that would not support parcel taxes and about shifting responsibility for school funding from the state to local communities. If pressure continues for local districts to find local solutions to funding issues, we will face increasing disparities between communities that could lead to a recurrence of the kinds of inequity that led to *Serrano v. Priest* before the enactment of Proposition 13.

The point was made that a goal for ACSA should be to get inside of CTA’s efforts so that we can understand their goals and potentially work together to advocate for statewide reform. The Red For Ed movement generally has a great deal of support, even among legislators who will be feeling the pressure to fund the negotiated agreements that are approved. The Oakland Principals’ action to show their support of the need for additional funding was powerful.

There are also concerns related to declining enrollment and the impact of this issue on school district revenue.

B. ACSA’s 2019-20 Budget Priorities

The biggest point of disagreement between ACSA and the Newsom Administration has to do with the special education funding proposal. In addition, the \$300 million low performing student block grant established with one-time Prop. 98 resources in 2018-19 has been reintroduced as AB 575 (Weber) with the intent of making this a new ongoing categorical program within LCFF.

There is a need to develop a collaborative coalition to support AB 39 (Muratsuchi) to provide a higher target for education funding. AB 39, co-sponsored by ACSA, is a reintroduction of AB 2808 (Muratsuchi) from 2018 that intended to establish new LCFF targets. We have not lived up to the Proposition 98 promise, as described in ACSA’s letter to Governor Newsom.

Another pending issue is an audit request submitted by Assembly Member Weber to examine how three large, geographically distinct districts are utilizing supplemental and concentration grant funding to determine whether those funds are being utilized to provide increased and improved services to the students who should be benefitting. For districts that are 70% or higher, an argument can be made that any expenditure is benefitting the students who are generating the funding; the counter argument is that district-wide expenditures are also benefitting the 30% (or fewer) students who don't generate the funding.

Legislative Analyst's Office: Ken Kappahn, Principal Fiscal & Policy Analyst

Mr. Kappahn commented that the Governor's budget is perhaps the most straightforward budget that they have ever seen.

Mr. Kappahn commented that in past years, the Governor's budget was very conservative and that we have generally seen the scenario improve between January and budget enactment, but that this scenario might not play out in the current year, given recent stock market performance and tax revenue receipts. In addition, the Governor's budget proposal does not include some necessary expenditures. The LAO has advised the legislature that rather than taking the Governor's budget and thinking about how to go beyond them they should look at the Governor's budget and determine what their top priorities might be.

Mr. Kappahn also discussed the Governor's special education proposal, which would provide \$577, \$187M of which is one time and the rest ongoing, for districts that are above average in both UPP and in their Special Education identified population. This would generate \$8000 per student in ongoing revenue and \$4000 on a one-time basis. The LAO points out that this adds another categorical program, creating additional complexity and potentially more "silos" in the special education world, which is already very complex and siloed. The LAO is also concerned related to the incentives that it creates; the Governor's intent is to encourage to districts to provide more services early in order to avoid identification later, but if these efforts are successful it would lower districts' special education count, reducing and potentially eliminating the funding source. In addition, the LAO is concerned that this proposal does not address the funding inequities already in existence under AB 602. The LAO has recommended to the legislature that it should reject this proposal or perhaps pare it down to a more focused and targeted program for investments in three- and four-year-old children with exceptional needs.

There was discussion around the Governor's budget proposal related to pension relief. STRS has projected an increase in rates followed by a reduction to "flat line" at 18.1% and the governor's proposal was an effort to avoid the short term increase. The LAO believes that the 18.1% projection is optimistic. The LAO's estimate is that the long term reduction would lower rates by 0.4% rather than 0.5% over a 30 year period. The unfunded liability for CalSTRS is \$100B, 2/3 of which is assigned to districts, so \$3B would address a small portion of this.

There is some discussion of the idea that the cost of COLA increases to the LCFF should not outpace growth in the Prop. 98 Minimum Guarantee. In 10 of the past 30 years, the state has not funded the full COLA. The LAO believes that the commitment should be to fund at least the guarantee but that additional funding beyond that should be given on a case-by-case basis. It was pointed out that while this would help the state control costs, it would create uncertainty for school districts and that the “cost” for the state is also a revenue for districts.

The LAO’s analysis is that the projected 3.46% COLA for 2019-20 is on target.

Mr. Kappahn asked for Council members’ feedback on the Governor’s \$750 million non-Prop. 98 General Fund proposal to fund facilities for full day kindergarten. There was some indication that the decision is influenced by what other neighboring districts are doing and that the match is not unavailable in districts without full-day programs to transition.

Assembly Budget and Senate Budget Fiscal Review Committees Staff

Christian Griffith, Chief Consultant, Assembly Budget Committee

Katie Hardeman, Consultant, Assembly Budget Subcommittee on Education Finance #2

Elisa Wynne, Deputy Staff Director, Senate Budget and Fiscal Review Subcommittee #1

There is not a lot of growth in Proposition 98. The Assembly Democrats has released a budget blueprint that included recognition of the pension issues facing school districts; the Assembly is likely to be supportive of the Governor’s pension proposals. The Assembly’s priorities also include the low performing student block grant (ensuring support for students who don’t receive supplemental and concentration grant funding but who are still falling behind), early education, and fiscal relief for districts that are struggling fiscally. The Senate seems supportive of the pension funding as well; people are still looking at the special education funding and there are questions to be resolved. The entire Senate committee is new; areas of interest include CTE as well.

The budget committee has a responsibility to monitor the fiscal health of school districts and is hearing a great deal about this from throughout the state.

The budget reflects \$19B surplus, of which only \$3B is ongoing. \$2.7B of the \$3B is proposed to be expended in the Governor’s budget, none of which is proposed to be provided to schools. It does not appear that Prop. 98 is going to be sufficient to take care of education needs. LAUSD came to Sacramento and shared that they were very happy about their negotiated agreement but that it will create a \$500M deficit annually and that this will deplete their reserves without relief from the state. Oakland is striking over a 3% raise which doesn’t seem outrageous but creates similar problems to those outlined by LAUSD.

There was a great deal of discussion related to what the legislature can do to provide fiscal relief to school districts. There appears to be a reluctance to support higher LCFF targets because it would create ongoing obligations that the state might not be able to uphold. However, there was an acknowledgement that LAUSD cannot fail and that a solution for LAUSD should not only address LAUSD’s agreement and budget that projects future insolvency but should also provide relief to all districts, even those that have not yet been pushed into approving agreements that are not affordable. There was some discussion about using health care and/or pensions as a

vehicle to provide some relief to school districts.

The Assembly recognizes that special education is already underfunded, so adding additional requirements is challenging. There is a Senate proposal (SB 217, Portantino) that would provide \$4,000 in funding for three- and four-year-old students with IEP's in general education early education funding in order to provide some relief for school districts and also incentivize students with special education needs to enroll in education settings. On the Assembly side, AB 428 (Medina) would attempt to address AB 602 equalization.

There is interest in understanding the fiscal implications of state preschool funding. The legislature would like data showing what the "gap" is between the funding that is provided and the cost of providing preschool programs.

It is likely that there will be a number of Charter school related policy bills, and that this issue may not come into the budgetary process in a significant way this year.

There was a discussion about how to provide clearer information to Assembly staff; Mr. Griffith indicated interest in sitting down with districts to go through scenarios that go more than three years out and to have a true off the record conversation about fiscal pressures.

Department of Finance and Governor's Office |

Jessica Holmes, Assistant Program Budget Manager for K-12

Jennifer Johnson, Deputy Legislative Secretary, Office of the Governor

The Governor does not see special education issues as a one-year issue and feels that it will take multiple years to address the issues facing the state. The Governor's office is looking at a variety of perspectives and approaches as it moves forward. There are close to 2600 bills that have been proposed by the Legislature, and the Governor's team is working to cull through all of these proposals. The Governor has asked his team to look at alignment from early education through higher education.

What happens with the education budget will depend a lot on what happens with Proposition 98. Because of ongoing declining enrollment – for a long time it was a race to 6 million students but now we are declining. This makes it difficult to move into Test 2 or Test 3 scenarios; we will be in a Test 1 situation, which makes us very sensitive to state revenue changes. The Governor's office is watching closely to try to understand whether the economy has reached its peak and is now in decline, or whether it will continue to grow. The state has fully paid off the \$11B maintenance factor, which means that the state no longer has obligations to use new revenue to provide education funding to address this. The state is also planning to pay off settle up dollars in 2019-20. All of this means that there is concern related to whether or not there will be additional funding available within Proposition 98.

Education and Health and Human Services represent 80% of the budget. If AB 39 were to pass, the question would be where the revenue would come from. The conversation about whether or not the Governor is supportive of AB 39 is probably "Yes, and . . ." It is not lost on the Governor that this is a need, but how this revenue can be provided is an open question.

The Governor is interested in finding ways for Education and Health and Human Services to work together. He has appointed Nadine Burke Harris as the Surgeon General.

The Governor was not involved in any way in the labor negotiations in LA or in Oakland. 30% of Oakland's ADA attends charter schools. This, combined with declining enrollment has created a lot of the fiscal issues that they are facing. LA has some similar numbers. The Governor's office is looking at ways to strengthen schools' fiscal position. There is work happening on the fiscal distress model, with FCMAT review and county oversight. LAUSD's insolvency will be to the tune of \$1B. Oakland faces challenges related to an outstanding state loan. The Governor is working to sustain the commitment to LCFF and to limit categorical programs, with the understanding that unrestricted funding puts more pressure on districts to provide funding for salary increases.

Shifting funds to special education would mean taking funds out of LCFF, and there will be both winners and losers. The Senate's special education funding looks different from the Governor's, and the Assembly might have different priorities. There are a number of possible pathways – shifting AB 602 funding, equalizing it, changing SDC funding models, etc. – and the end result in the budget probably won't look exactly like anything that is out there right now.

Update on ACSA/CSBA Full and Fair Funding Campaign Efforts

Edgar Zazueta, Senior Director, State Governmental Relations, ACSA

Mr. Zazueta shared that there is no better opportunity than the 2020 election to put school funding measures onto the ballot. He shared a powerpoint presentation that he has shared with other groups. California's EL, Free/Reduced Lunch, Poverty, Homelessness, and Special Education rates are higher than the national average and, according to the NEA's 2017 numbers, is 46th in the nation in cost of living adjusted per pupil expenditures. California also has less staff than other states and more pupils per teacher.

ACSA and CSBA have worked together to measure voter opinions on school funding. There appears to be a willingness to invest in education. 78% of voters believe that there is great or some need for more funding for schools on a statewide basis, and 70% feel the same way about their local schools. However, less than one-third of voters believe that schools receive less than the national average (and one-third believe that schools receive more than the national average).

Through polling, they are looking at various issue: full and fair funding (combination of corporate, income, and oil severance taxes), individual revenue ideas, and split roll (existing measure puts 40% of the total raised towards schools). Measures to give more authority to local districts do not poll well. CTA and SEIU have both voted to formally support the split roll initiative; ACSA has not yet taken a position.

Themes of school safety, community college partnerships, job training, career tech, accountability, national rankings, 21st century jobs, and STEM are positively received. ACSA believes that there is opportunity presented by the 2020 ballot. They note that the viability of the split roll proposal is likely to be determined by the capacity of supporters to explain the measure in ways that voters understand.

There is a belief that even if there is a crowded ballot, voters will consider supporting everything.

There was some fear that there would be a 2020 measure to go after defined benefits pensions, but this does not look like it will happen.

If we campaign, we can't make it just about our liabilities, and we will need to make it a student-centered effort.

AB 218 (Gonzalez Fletcher) Damages: Childhood Sexual Assault: Statute of Limitations

Laura Preston, Legislative Advocate, ACSA

Ms. Preston shared information about this bill, which would extend the statute of limitations to bring a civil action against an employer, including districts, public agencies, and others, where there has been a claim against an employee for alleged sexual abuse. ACSA is taking an "opposed unless amended" position, in particular asking for the removal of the proposal for treble damages, the preservation of the requirement that the entity knew or had reason to know about the assault and the elimination of a three-year revival window, among other things. This is a very difficult piece of legislation to oppose, and no one will want to vote against it, so the focus of the effort needs to be on making the legislation less onerous for districts.

Bills with Fiscal Appropriations

Martha provided a summary of legislation with budget appropriations. It is likely that ACSA will be neutral on many of the bills. However, it might be important to consider opposing bills that create new categorical funding, if that continues to be a priority.

She also shared information about ACSA's involvement with the new California Education Tax Policy Coalition, providing a handout sharing that group's principles and mission statement. An estimated \$88B has been given out in tax credits to corporate entities over the past decade. There has not been an analysis of the efficacy of the credits. The Coalition's goal is to sunset the credits, among other things.

She also shared information about the Governor's early education proposals. ACSA is looking for input from members on this issue. CASBO is supporting the \$750 million in one-time non-Prop. 98 General Fund funding for facilities for full day kindergarten. They are taking a "support if amended" position on AB 197 (Weber), which would require full day kindergarten by 2020-21; they are asking for additional time for implementation.

The Council discussed its position related to categorical funding. The Council continues to support the allocation of locally controlled funding rather than the creation of new categorical programs, when they are inside Proposition 98. However, if the discontinuance of categorical programs would result in a net revenue loss to districts that are relying on them this is problematic. If new categorical programs must be created, they should be outside of Proposition 98. As long as efforts are being made outside of Proposition 98, schools are happy to take their fair share of those funds. The Council is supportive of non-Proposition 98 efforts to relieve Proposition 98 pressures.

22% of districts that provide kindergarten provide partial day programs. The \$750 million proposed in the Governor's budget will support an estimated 1400 retrofitted and 750 new classrooms for full day kindergarten. Many districts already made the investment to build full-day programs, contributing their own investment and continuing to bear the facilities burden (in the form of overcrowding). The impact to state bond eligibility is also a concern. The effort is to incentivize full day program rather than to look at reducing revenues for districts that are providing less instructional time to students. In addition, while kindergarten is not compulsory, kindergarten attendance is reflected on the dashboard. CASH is supportive with amendments

requested to revise the allocation formula and to eliminate the eligibility penalty. There was a request to find ways to support all kindergarten programs for all districts. There is some suggestion that other lobbyists might be requesting that these funds be used for other purposes.

Martha will schedule an optional call in about 2 weeks to further discuss kindergarten facility funding as well as special education proposals.