Governor Unveils the 2017-18 State Budget –

Takes Prudent Approach in the Face of Declining Revenues

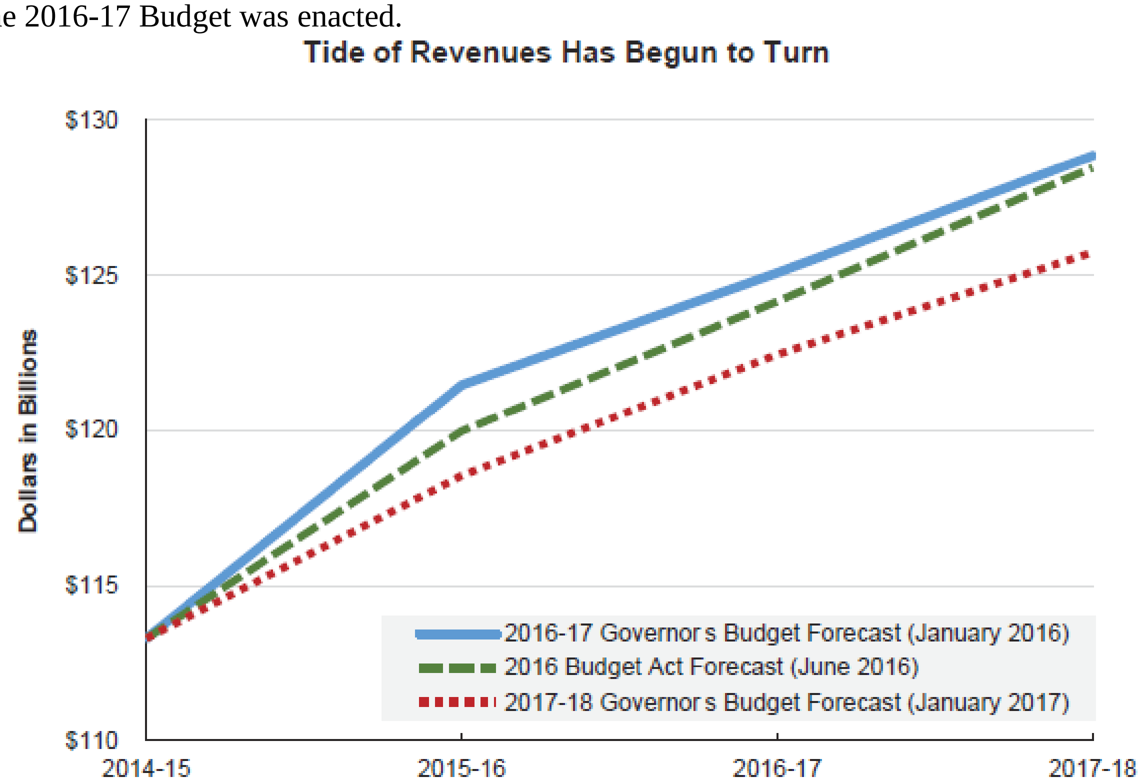
Overview

On January 10th Governor Brown unveiled the proposed 2017-18 State Budget. Stating that California has the highest "progressive tax system in the nation" and that with our revenue structure, we must always be prudent due to the volatility. Stating that we must take corrective action in order to ensure that our budget does not fall out of balance the Governor outlined a series of action in the 2017-18 Budget that will address significant reduction in the overall budget and up to $5.8 billion between the 2015-16 and 2017-18 fiscal years. Moreover, the Governor points out that the current 2016-17 budget, absent corrective action, would face a deficit of almost $2 billion. Accordingly, the January budget proposes a number of one-time spending delays and deferrals to General Fund spending commitments in order to "rebalance the budget."

Despite the spending corrections noted above, the Governor's 2017-18 Budget does increase the K-14 education (Proposition 98) spending guarantee to $73.5 billion and provides a slight $744 million net LCFF gap funding increase for school districts in 2017-18 above current year LCFF funding levels. However, this represents a significant reduction in LCFF gap funding from the $2.2 billion 2017-18 LCFF gap funding estimate provided by the administration just this past June.

Governor's 2016-17 Budget Proposals

Earlier this morning, Governor Brown released his 2016-17 Budget Proposals. The Governor began his press conference by reporting that state revenue collections over the past six months indicate the "tide has begun to turn". More specifically, while state revenues continue to increase, "the trajectory of General Fund revenue growth" has declined from estimates used by the administration last June when the 2016-17 Budget was enacted.



The Governor's budget summary reports that the revenue forecast for the three year period 2015-16 through 2017-18 is now $5.8 billion or 1.6% lower than projected last June. The administration provides two major reasons for the revenue projection downgrade. First, reduced overall wage growth in California is a result of lower-income workers making up a much larger share of new workers entering the labor force. Second, reductions in General Fund tax collections since June--five of the past seven months have fallen short of monthly revenue estimates.

As a consequence, the Governor points out that the current 2016-17 budget, absent corrective action, would face a deficit of almost $2 billion. Accordingly, Governor Brown proposes a number of one-time spending adjustments, delays and suspensions to General Fund spending commitments in order to "rebalance the budget", including a $1.7 billion downward adjustment of K-14 (Proposition 98) spending levels over a three-year period. Other major "budget solutions" to allow the State to manage the lower revenue collections include:

- Eliminate the $400 million set-aside for affordable housing that was never allocated and a
- Eliminate a $300 million spending transfer to modernize state office buildings.
- Delaying $226.8 million in scheduled child care rate increases until 2018-19.
- Eliminating Middle Class Scholarships to new students, and
- Postponing "a variety of spending proposals (including those to implement new legislation) from state departments that otherwise were justified".

The incoming Trump administration has suggested it will pursue significant policy changes to Medicaid, trade, immigration and tax policy that will impact California. The Governor's budget, however, assumes a continuation of existing federal policy because: "*at this point, it is not clear what those changes will be or when they will take effect*". The Governor's budget summary does acknowledge that "*many of these proposed changes being discussed by the President-elect could have serious and detrimental effects on the state's economy and budget*."

The Governor proposes expanding the state Rainy Day/Budget Stabilization Fund by $1.156 billion in 2017-18 to bring the total balance in the reserve fund to $7.9 billion or 63% of the constitutional target.

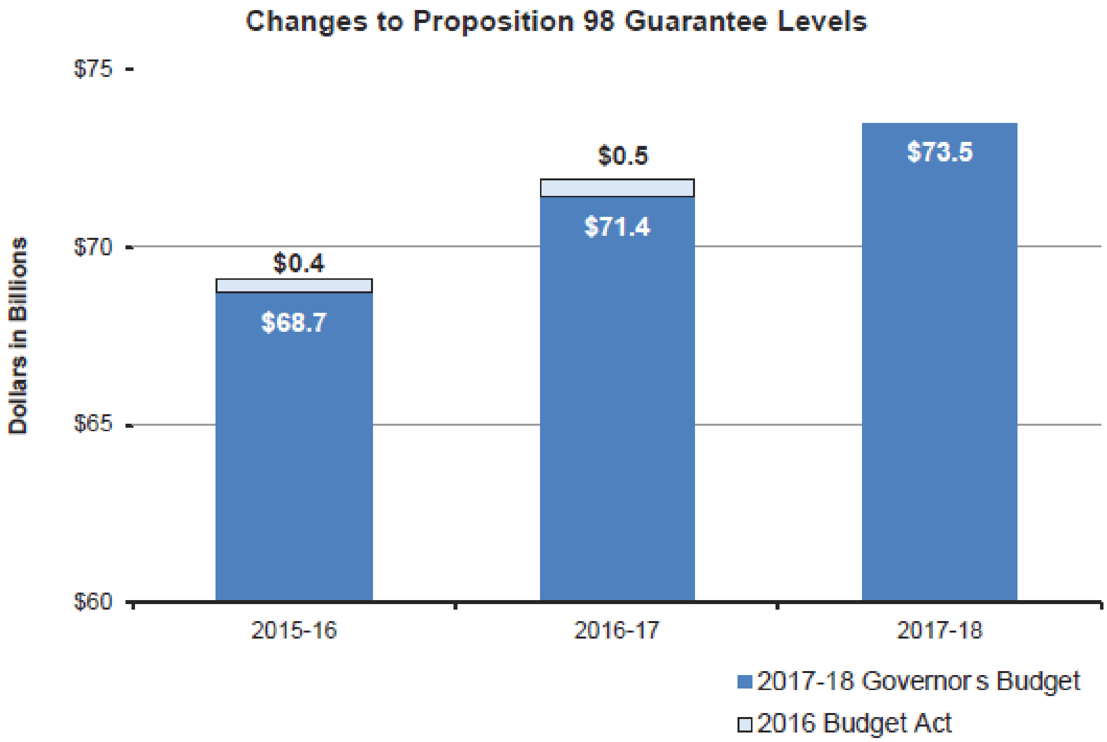
Key Education Budget Elements

Despite the spending corrections noted above, the Governor's 2017-18 Budget does increase the K-14 education (Proposition 98) spending guarantee to $73.5 billion and provides a slight $744 million net LCFF gap funding increase for school districts in 2017-18 above current year LCFF funding levels. The revised proposal is just enough to ensure that the 1.48% statutory COLA will be covered for school districts, county offices and charters. However, this represents a significant reduction in LCFF gap funding from the $2.2 billion in LCFF gap funding that was projected for 2017-18 by the administration this past June.

As a result of the $5.8 billion reduction in General Fund Revenue for budget years 2015-16, 2016-17 and 2017-18, $1.8 billion in adjustments to the K-14 (Proposition 98) guarantee spending levels are proposed by the Governor. Specifically, for the three-year period, the Governor proposes the following adjustments in K-14 (Proposition 98) spending from the levels approved when the current budget was enacted last June:

- $400 million reduction in the 2015-16 Proposition 98 guarantee
- $506 million reduction in the 2016-17 Proposition 98 guarantee
- $953 million addition to the 2017-18 Proposition 98 guarantee

The 2017-18 K-14 (Proposition 98) spending level is now projected to be $73.5 billion, a $2.1 billion increase from the adjusted 2016-17 level of $71.4 billion.



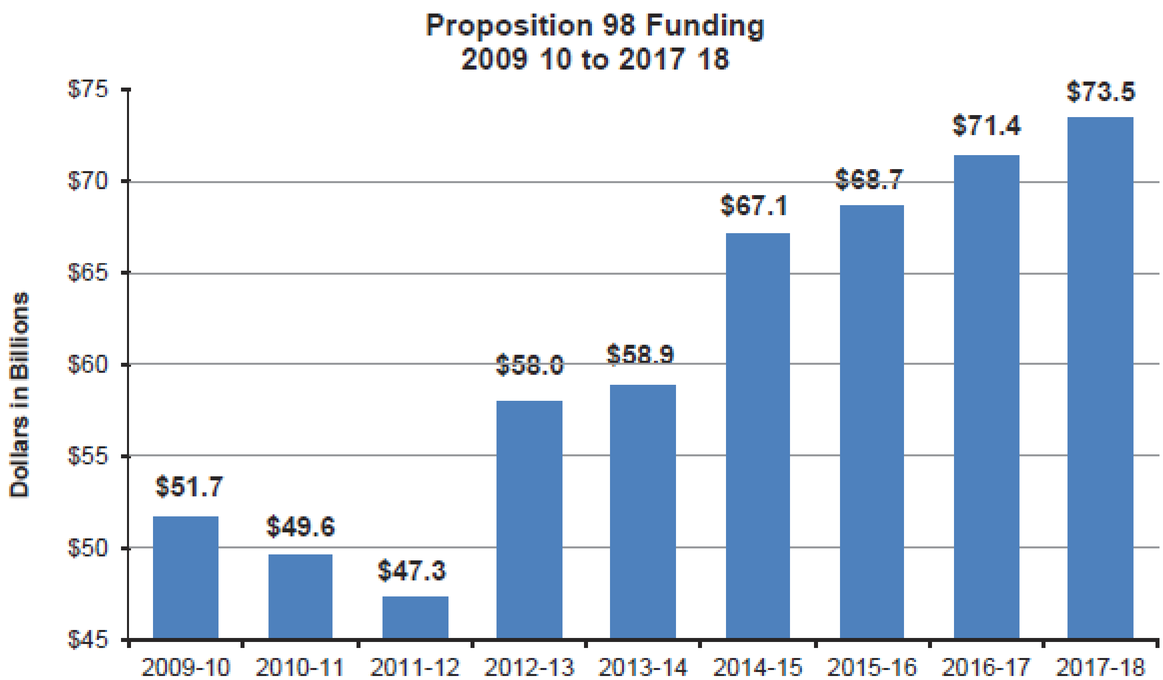
Additionally, to accommodate the $1.8 billion three-year reduction to K-14 (Proposition 98) spending that was authorized in the 2016-17 Budget, the Governor proposes the following adjustments in prior, current and budget year spending:

- A shift of $859.1 million in Local Control Funding Formula expenditures from June 2017 to July 2017. This "deferral" is intended to" maintain 2016-17 programmatic expenditure levels as the Governor's Budget proposes to immediately repay this deferral in July of 2017. The Governor does not intend to carry this deferral forward as his budget proposes to make a make a second payment on (pay-in-full) these same LCFF expenditures in the 2017-18 budget year.
- A shift of $310 million of one-time discretionary funding expenditures provided in the 2015-16 budget to 2016-17 as a result of the reduction to the Proposition 98 guarantee in 2015-16.

After making the above adjustments to K-12 spending and reducing the state's Proposition 98 spending obligation, the Governor is able to propose $744 million in LCFF gap funding for school districts and charter schools in 2017-18, thereby meeting the revised 1.48% statutory obligation of the state. Late today, the Department of Finance released updated LCFF gap closure percentages and COLA projections for the budget year through 2020-21.

2017-18 January Budget LCFF Gap Closure and COLA Revised Estimates					
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Transition Funding	$2.942 billion	$744 million	$1.904 billion	$2.022 billion	$2.294 billion
Gap Closure	55.28%	23.67%	53.85%	68.94%	100%
COLA	0.00%	1.48%	2.40%	2.53%	2.66%

The Proposition 98 spending level for 2017-18 will now exceed the levels reached just prior to the great recession in 2007-08 by over $15 billion and by $26.2 billion from 2011-12—the lowest level of funding for schools during the recession.



Major K-12 Budget Adjustments

The 2017-18 Budget proposes the following significant adjustments:

School District Local Control Funding Formula – The budget proposes additional growth of more than $744 million in Proposition 98 General Fund for school districts and charter schools in 2017-18 to continue their transition to full implementation of the Local Control Funding Formula.

One-Time Discretionary Funding – The budget proposes an increase of $287 million in one-time Proposition 98 General Fund for school districts, charter schools and county offices of education to use at local discretion. This allocation builds on the more than $4.9 billion in combined one-time funding over the last three budgets, providing substantial resources to local schools to support critical investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance. All of the funds provided will offset any applicable mandate reimbursement claims for these entities.

Career Technical Education Funding - The Budget provides $200 million for the Career Technical Education Incentive Grant Program, the final installment of funding for this three-year program initiated in the 2015 Budget Act. Commencing with 2018-19, schools will support the full cost of these programs within their Local Control Funding Formula allocations.

One-Time Local Control Funding Formula Cost Shift - The Budget proposes to shift $859.1 million in Local Control Funding Formula expenditures from June 2017 to July 2017. This deferral is necessary to maintain 2016-17 programmatic expenditure levels in light of the reduction to Proposition 98 funding for 2016-17 compared to the 2016 Budget Act. The Budget proposes to immediately repay this deferral in 2017-18.

Shift One-Time Discretionary Funding - The Budget proposes to shift $310 million of one-time discretionary funding expenditures attributable to the 2015-16 fiscal year to 2016-17 as a result of the reduction to the Proposition 98 guarantee in 2015-16.

Instructional Quality Commission - To prioritize funding for other purposes, the Budget delays the current deadlines for the Commission to revise the content standards for visual and performing arts and world language, develop standards for computer science, and create a model curriculum in ethnic studies. Further, the Budget delays the current deadline for the Superintendent of Public Instruction to convene a computer science strategic implementation advisory panel.

County Offices of Education Local Control Funding Formula - An increase of $2.4 million Proposition 98 General Fund to support a cost-of-living adjustment and average daily attendance changes for county offices of education.

Charter School Growth – The budget provides an increase of $93 million Proposition 98 General Fund to support projected charter school average daily attendance growth.

Special Education – the budget makes a decrease of $4.9 million Proposition 98 General Fund to reflect a projected decrease in special education average daily attendance.

Local Property Tax Adjustments – There is a decrease of $149.2 million Proposition 98 General Fund for school districts and county offices of education in 2016-17 as a result of higher offsetting property tax revenues. A decrease of $922.7 million in Proposition 98 General Fund for school districts and county offices of education in 2017-18 as a result of increased offsetting local property tax revenues.

School District Average Daily Attendance – There is a decrease of $168.9 million in 2016-17 for school districts as a result of a decrease in projected average daily attendance from the 2016 Budget Act, and a decrease of $63.1 million in 2017-18 for school districts as a result of further projected decline in average daily attendance for 2017-18.

Cost-of-Living Adjustments – The budget proposes an increase of $58.1 million Proposition 98 General Fund to support a 1.48-percent cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and charter schools are provided within the increases for school district Local Control Funding Formula implementation noted above. The budget also proposes to forgo COLA increases for child care providers.

Proposition 39 - Proposition 39 was approved in 2012 and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to $550 million per year, to be used to support energy efficiency. The budget proposes $422.9 million to support school district and charter school energy efficiency projects.

Mandate Block Grant – there is an increase of $8.5 million Proposition 98 General Fund to reflect the addition of the Training for School Employee Mandated Reporters program.

Proposition 47 - Proposition 47 was approved in 2014 and reduced the penalties for certain non-serious and non-violent property and drug offenses. It also requires a portion of any resulting state savings to be invested into K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The Budget provides $10.1 million to support investments aimed at improving outcomes for public school pupils in K-12 by reducing truancy and supporting pupils who are at risk of dropping out of school or are victims of crime, consistent with the provisions of Proposition 47

Proposition 56 - Proposition 56 was approved in 2016 and increases the cigarette tax by $2.00 per pack of cigarettes and an equivalent increase on other tobacco products. After making specified allocations, Proposition 56 requires 2 percent of the remaining revenue to be used for school programs that prevent and reduce the use of tobacco and nicotine products by young people. The Budget provides $29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools.

Additional Program Reforms and New Expenditure Proposals

Accountability System Implementation

The new school accountability system which uses multiple measures of student success provides a more complete picture of how schools are meeting the needs of California's diverse student population than a single test score. The initial phase of the new accountability tool recently adopted by the State Board of Education includes a concise set of state and local performance measures that address the state priorities under the Local Control Funding Formula. The new accountability tool promotes equity by highlighting any disparities among student groups, furthering the state's commitment to the highest need students and closing achievement gaps. An important part of the new accountability system is a web-based tool developed by the California State Board of Education that will help identify strengths and areas in need of improvement. This new tool will be referred to as the California School Dash Board and had previously been generally referred to as "the rubrics." County offices of education, the state Department of Education and the California Collaborative for Educational Excellence will provide technical assistance and intervention for school districts, county offices of education, and charter schools identified as needing additional support. County offices of education will continue to play a critical role within California's emerging system of support for schools, often serving as the first line of assistance within this new structure.

Special Education

Over the last few years, the state has spent a generous amount of time taking a comprehensive look at California's special education program and finance system.

The first examination was through the California Statewide Special Education Task Force was formed in 2013 to examine the state of special education in California, analyze and consider best practices within the state and nation, and ultimately propose recommendations for improving the system. The task force was composed of parents, advocates, teachers, administrators, and experts in the field. In response to the recommendations of the task force, the 2015 Budget included over $60 million Proposition 98 General Fund to implement select program changes and make targeted investments to improve service delivery and outcomes for all students with disabilities.

Just recently in November 2016, the Public Policy Institute of California (PPIC) released its report on Special Education Finance in California. The report includes the following recommendations to better align special education finance with the principles of the Local Control Funding Formula:

- Provide special education funding directly to school districts as part of a district's Local Control Funding Formula allocation.
- Preserve the current census‐count methodology for distributing funding, and develop ways to distribute funding more equitably throughout the state.
- Eliminate the current requirement for local educational agencies to join Special Education Local Planning Areas, and develop new ways to encourage regionalized services and cost pooling arrangements, particularly for small districts and charter schools.
- Ensure the early education needs of children with disabilities are met.

The education community was not sure how many if any of the PPIC recommendations would end up the Governor's Proposed Budget. The Governor's Proposed Budget does not "embrace" any of the PPIC recommendations, instead it states that "the Administration will engage stakeholders throughout the spring budget process for feedback on the current special education finance system and the recommendations included in these recent evaluations.

The following principles, which are consistent with the Local Control Funding Formula and apply to all students, including students with disabilities, will be central in these discussions:

- School funding mechanisms should be equitable, transparent, easy to understand, and focused on the needs of students.
- General purpose funding should cover the full range of costs to educate all students.
- School districts should be provided the flexibility to establish goals and design innovative ways of delivering services to all students.
- School districts are responsible for planning and implementing programs that lead to continuous improvement, measured by academic outcomes."

In the Child Care section of the Governor's proposed budget, the administration is recommending that "children with exceptional needs whose families exceed income eligibility guidelines access to part-day state preschool if all other eligible children have been served. This allows part-day state preschool providers the flexibility to fill unused slots with other students who would benefit from early intervention or education."

K-12 Facilities

The budget addresses the recently approved Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51) authorizes $7 billion in state general obligation bonds for K-12 schools to be allocated through the current School Facilities Program in place as of January 1, 2015. As the State Allocation Board and the Office of Public School Construction begin to consider allocation of Proposition 51 resources, the Governor wants to be sure that some of the shortcomings within the existing program that were recently documented in the audit findings issued by the Office of State Audits and Evaluations in a 2016 audit of Proposition 1D School Facilities Program expenditures. In that audit, it was determined that 1,533 projects representing over $3 billion in Proposition 1D funds have been completed without ensuring the bond funds were appropriately expended. The audit found instances in which school districts inappropriately used school facilities bond funding to purchase vehicles, tractors, tablets, golf carts, mascot uniforms, and custodial/ cleaning supplies. To ensure appropriate usage of all School Facilities Program bond funds and effective program accountability and oversight, the Administration will work with the State Allocation Board and the Office of Public School Construction to revise policies and regulations to implement front-end grant agreements that define basic terms, conditions, and accountability measures for participants that request funding through the School Facilities Program. To complement this front-end accountability, the Administration will introduce legislation requiring facility bond expenditures to be included in the annual K-12 Audit Guide. Independent auditors will verify that local educational agencies participating in the School Facilities Program have appropriately expended state resources.

Once these measures are in place to verify that taxpayers' dollars are appropriately used, the Administration will support the expenditure of Proposition 51 funds. It is not clear how much time the proposed compliance with the Governor's audit requirements will delay facilities projects.

Teacher Workforce

In 2016-17, the Governor placed a significant focus on teacher recruitment and preparation. The Integrated Teacher Preparation Program supports the creation of pathways that allow university students to graduate with a bachelor's degree and a preliminary teaching credential within four years. These programs will increase the number of teacher candidates graduating annually and could save each teacher candidate approximately $20,000 by eliminating the cost of an additional year of school. The Classified School Employee Teacher Training grants, awarded to 25 local educational agencies, will support 1,000 classified school employees earning a teaching credential. The California Center on Teaching Careers will recruit individuals into the teaching profession by providing outreach and referral services, both online and at six regional centers across the state.

Additionally, the Commission is engaged in a variety of initiatives to align educator preparation with new K-12 content standards, improve the availability of statewide teacher workforce data, and increase the state's supply of credentialed teachers. Specific activities include:

- Updating teacher and administrator standards to reflect adoption of Common Core and the Next Generation Science Standards.
- Creating an online dashboard of information on teacher supply and demand and educator preparation.
- Extending the validity period for teacher licensing exams.
- Establishing the Teaching Permit for Statutory Leave to authorize long-term substitutes for teachers on extended leave.

The 2017-18 Budget does not provide any additional funds beyond those from the prior year budget.

Career Technical Education and Workforce Investment

The Administration is continuing its commitment to invest in programs designed to support instructional pathways and workforce experiences that build knowledge and skills, lead to credentials, and result in gainful employment, workforce development and job creation.

Career Technical Education Incentive Grant Program - The proposed Budget provides $200 million for the Career Technical Education Incentive Grant Program; this is the final installment for this three-year program which was initiated in the 2015 Budget Act. The Career Technical Education Incentive Grant program is the largest of its kind in the nation, investing $900 million over a three-year period. Commencing with 2018-19, schools will support the full cost of these programs within their Local Control Funding Formula allocations.

Community Colleges and Workforce Opportunities - The Governor's proposed Budget provides budget allocations for several community college programs that strengthen workforce development and foster job creation. These proposals are:

- *Strong Workforce Program* - The proposed Budget includes $248 million Proposition 98 General Fund for the Strong Workforce Program. This program builds upon federal Workforce Innovation and Opportunity Act of 2014 (WIOA) funds and provides access to more regionally aligned, career technical education and workforce development programs/courses. It will also strengthen programmatic collaboration among workforce investment boards, CCCs, local education agencies, and county human services agency employment and workforce development programs. These efforts promote greater employment opportunities and earnings potential for participating students.
- *Adult Education Block Grant Program*— The Budget includes $500 million ongoing Proposition 98 General Fund to support the Adult Education Block Grant Program. This program coordinates representatives from local educational agencies, community colleges, and other regional education, workforce, and industry partners to promote the educational opportunities offered to students and adult learners. Through this program, students and adult learners can access courses to complete their high school diplomas or general education equivalent, English as a Second Language courses, and pathways courses that lead to additional career opportunities.
- *Apprenticeship Programs* - The Budget includes $54.9 million ongoing Proposition 98 General Fund and approximately $13 million Employment Training Fund for apprenticeship programs. There are over 265 apprenticeship programs sponsored by local educational agencies, community colleges, and the Labor and Workforce Development Agency's (Labor Agency) Employment Training Panel which support training to approximately 74,000 apprentices. These programs offer interested Californians a clear pathway to obtain classroom instruction and on‑the‑job training skills leading to gainful employment, while also providing California businesses with well‑trained employees.
- *Economic and Workforce Development Program* - The Budget includes $22.9 million ongoing Proposition 98 General Fund to support this program. This program provides funding for targeted investments in economic and workforce development, focusing on priority and emergent industry sectors, providing short‑term grants to support industry‑driven regional education and training.

Child Care

The Budget makes changes in Child Care Reimbursement Rates and additional State Preschool Slots as are outlined below:

- Pause and extend for one year the expected reimbursement rate increases that were part of 2016 budget deal - The Governor's Budget "pauses" the additional expected reimbursement rate increase that was expected to be made in the 2017-18 fiscal year. The 2016 agreement was intended to in part address the increasing state minimum wage over three years. The budget summary notes that the reimbursement rate increases will be implemented over four years and that the 2016 Budget Act increase are consistent with the cost of state minimum wage increases through 2017-18.

- Pause addition of new full day preschool slots - The Governor's Budget proposes to pause the addition of 2,959 full-day state preschool slots that were planned to begin April 1, 2018.

Policy proposals for child care and preschool - The Governor's Budget includes six policy proposals (two related to child care and four related to state preschool). The summary states that these policies are intended to address some multiple program eligibility and administrative requirements.

Two child care policy proposals:

- Authorize the use of electronic applications for child care subsidies, making it less burdensome for eligible families to access care and more efficient for providers to process applications.
- Align the state's definition of homelessness with the federal McKinney-Vento Act for purpose of child care eligibility. Many providers receive both federal and state funds and different definitions of homelessness can be confusing.

Four preschool policy proposals

- Allow children with exceptional needs whose families exceed income eligibility guidelines access to part-day state preschool if all other eligible children have been served. This allows part-day state preschool providers the flexibility to fill unused slots with other students who would benefit from early intervention or education.
- Eliminate licensing requirements for state preschool programs utilizing facilities that meet transitional kindergarten facility standards, specifically K-12 public school buildings.
- Allow state preschool programs flexibility in meeting minimum adult-to-student ratios and teacher education requirements, allowing for alignment with similar transitional kindergarten requirements.
- Simplify the process by which school districts can align program minutes for state preschool and transitional kindergarten students.

Significant Adjustments

Full-Year Implementation of Budge Act Investments - An increase of $50.5 million non-Proposition 98 General Funds and $23.5 million Proposition 98 General Fund to reflect full-year cost of new policies implemented part-way through the 2016-17 fiscal year. These costs are associated with an update of the Regional Market Reimbursement Rate to the 75 percentile of the 2014 regional market rate survey (beginning January 1, 2017), and an increase of 2,959 slots for full-day State Preschool (beginning April 1, 2017).

Pause Child Care Funding Increases in 2017-18 and pause new full-day State Preschool Slots.

- Maintain reimbursement rates for child care providers at the 2016-17 level, pausing rate increases in 2017-18. This includes maintaining the Regional Market Reimbursement Rate at the 75 percentile of the 2014 regional market rate survey, maintain the Standard Reimbursement Rate at the full-year equivalent rate provided in the 2016-17 (a 5 percent increase over the prior year), and forgoing 2017-18 cost of living adjustments for child care providers.
- Pause 2,959 additional full-day State Preschool slots planned to begin on April 1, 2019.
- In total, these proposals save $121.4 million non-proposition 98 General Fund and $105.4 million Proposition 98 General Fund.

Stage 2 CalWORKs
An increase of $35.8 million non-Proposition 98 General Fund in 2017-18 to reflect increase in both the number of CalWORKS Stage 2 cases and the cost per case.
Total cost of Stage 2 is $505 million.

Stage 3 CalWORKs
An increase of $1.6 million non-Proposition 98 General Fund in 2017-18 to reflect an increase in the cost per case, despite a decline in the number of CalWORKS Stage 3 cases.
Total cost for Stage 3 is $302.5 million

Federal Child Care and Development and TANF Funds.
A net increase of $4.8 million federal Child Care and Development and $120.1 million federal TANF funds in 2017-18.
Total federal funding is $736.6 million

What Happens Now?

Today's budget release launches the six-month process of enacting a new state spending plan for 2017-18. Aside from a larger-than-anticipated reduction in state revenue projections and a resulting re-benching of K-14 spending levels, the Governor's budget contained few surprises for school leaders. The Governor maintained his commitment to fiscally conservative revenue projections and resistance to new policy priorities that would create additional spending pressure. The Governor continued to prioritize LCFF implementation and refused to propose new education programs. Perhaps the most sobering feature of the January Budget was the Governor's acknowledgment that if the policy and budget reforms embraced by the President-elect become a reality, the impact on California could be serious and detrimental.

While acknowledging further deterioration in the condition of PERS and STRS pension funds, the Governor did not propose additional increases to employer (or employee) contributions beyond those already scheduled. However, if history is a lesson, school leaders should not be surprised if adjustments to future employer contribution levels are seriously considered at or after the May Revision.

The Governor and his Finance Director each made it clear in their press conference that they intend to pursue changes in the business of school construction and modernization before any Proposition 51 bond funds are made available to schools. Given the clear need for school facility improvements, we can expect Legislative activity in this area soon. The question is how much can be changed via legislation given that the language of Prop 51 requires the use of the current program to allocate projects.   However, the regulatory process can be altered by the SAB.

While the Governor acknowledges the good work of the special education Task Force and PPIC on the issues surrounding special education policy and finance, it seems clear the reforms proposed for SELPAs and the funding system is, at best, a two-year proposition. Additionally, while there will be considerable input from stakeholders, unless the Governor decides to infuse new funds into equalizing the special ed formula, it is not likely that any real changes will be forthcoming in 2018-19.

The Governor's revenue and spending estimates are significantly lower than those made by the Legislative Analyst last November and reflect both the Governor's inherent fiscal conservatism and three months of additional deterioration in state revenue collections. Democrats, once again, will be hard pressed to make a case for additional spending, unless a turnaround in state revenue collection occurs this spring. Still, Legislative Democrats have made it clear that they intend to seek spending augmentations for transportation, housing and, perhaps in health care spending to protect Californians who might otherwise be negatively impacted by Republican threats to repeal the Affordable Care Act.

Absent further general fund revenue deterioration in the first quarter of 2017, school leaders can expect the overall spending levels proposed by the Governor to be approved by the Legislature. There will be no appetite in the Legislature to further reduce K-14 spending. On the other hand, Legislative Democrats can be expected to express great concern over the Governor's proposal to delay previously agreed upon increases in child care spending. If additional revenues (either within or outside of Proposition 98) become available in May, restoring the $200 million in child care augmentations will be among the highest priorities of Legislative Democrats.

As always, we will keep you informed as the process moves forward.