

May 14, 2019

The Honorable Holly Mitchell, Chair
Senate Budget Committee
State Capitol, Room 5050
Sacramento, CA 95814

The Honorable Phil Ting, Chair
Assembly Budget Committee
State Capitol, Room 6026
Sacramento, CA 95814

The Honorable Richard Roth, Chair
Senate Budget Sub. 1 on Ed. Committee
State Capitol, Room 2080
Sacramento, CA 95814

The Honorable Kevin McCarty, Chair
Asm. Budget Sub. 2 on Ed. Committee
State Capitol, Room 2136
Sacramento, CA 95814

Re: 2019-20 May Revision to the Governor's Budget

Dear Legislative Budget Leadership:

The California Teachers Association appreciates the increased overall funding Governor Newsom proposes in his May Revision, reflecting a continued commitment to education. CTA thanks both houses of the Legislature for your continued efforts to support public education as you finalize 2019-20 budget priorities.

The following comments reflect CTA's budget priorities regarding TK-higher education, related propositions, pensions, and tax related issues:

TK-12 Funding

While the Governor and Legislature have noted Proposition 98 (Prop. 98) levels have never been higher; CTA continues to ask all parties to reflect on the overall lack of adequate funding for California's educational system compared to the needs of its students. Despite California's current educational funding levels, many school districts across the state struggle to serve the needs of students, parents, and communities, as the overall costs far outpace the level of funding they receive from both state and federal sources.

Proposition 98

CTA appreciates the Governor's proposed total Prop. 98 funding level at \$81.1 billion, a \$3 billion increase from the adjusted 2018-19 level of \$78.1 billion. Updated projections place Prop. 98 under Test 1 for 2019-20 fiscal year. Due to Prop. 98 Test 2 being operative for fiscal years 2017-18 and 2018-19, CTA is appreciative that the statutory Test 3(b) cut of \$271 million has been eliminated and continues to ask for the repeal of this statute.

CTA supports the 3.26 percent Cost-of-Living-Adjustment (COLA) and additionally supports a COLA for categoricals outside of the local control funding formula, including special education, child nutrition, State Preschool, youth in foster care, the mandate block grant, American Indian education centers, and the American Indian early childhood education

program. CTA continues to ask that a COLA be provided for transportation, which would provide an augmentation of \$17 million to the home-to-school transportation program. The lack of a COLA for transportation has not only encroached upon numerous local school districts' budget whose communities rely on districts providing public transportation, but this lack of COLA has had a disproportionate impact on areas impacted by wildfires, such as Paradise, whose transportation costs have tripled.

CTA supports the Governor's proposal adjusting the current certification process, which will ensure funding levels for prior years will not be retroactively changed due to unanticipated or late-discovered revenue or average daily attendance (ADA) drops in previous fiscal years.

Public School System Stabilization Account

Due to several specific factors taking place, the Public School System Stabilization Account (PSSSA) is being triggered for the first time, shifting \$389.3 million from Prop. 98 to this account. While these funds are included in overall Prop. 98 funding, these funds will not be available for use to serve California's students for current need but will be held until an emergency is declared by the Governor and ratified through majority vote legislation.

CTA agrees with the Governor that this historic trigger is frustrating and will be hard for parents, teachers, and students to understand why this is taking place when numerous school districts are facing crippling costs reducing programs, and services to students. It will be important to help schools and communities to understand how California ranks 44th in the nation in per-pupil funding with school districts in financial crisis, cutting programs and services, yet the state is forced to shift a significant amount of funds into a rainy day fund.

Wildfires

CTA supports the Governor's proposal to backfill property tax revenue losses to K-14, which impacts \$21 million in 2019-20 to reflect adjustments in property tax backfill estimates for basic aid school districts due to wildfires in 2017 and 2018.

CTA also continues to support AB 297 (Gallagher), which protects schools devastated from the recent Camp Fire by providing three years of fiscal support by holding their ADA harmless from reductions due to displacement. Due to the severity of this fire, school districts will need additional time to literally rebuild from scratch. It is imperative our impacted school system can rebuild in a manner that will ensure it can support the long-term needs of the community, which may likely be a younger population in the long-term. By rebuilding together, we can ensure all teachers can continue to support the students they serve, which is imperative for not only the physical, but the mental well-being of students and teachers alike.

Special Education

CTA supports additional ongoing funding proposed in the May Revision, totaling \$696.2 million to provide increased fiscal support to districts serving disproportionately high numbers of special education students and unduplicated students who are low-income, foster youth, and English language learners.

Additionally, CTA continues to support providing additional equalization funding and encourages support of AB 428 (Medina), which would provide increases in categorical funding for California's

special education students. This critical measure creates a funding mechanism for special education preschool programs, equalizes special education to the 95th percentile, provides a supplemental grant for higher cost special education students, and delinks special education funding from district ADA in recognition of declining enrollment in districts while special education students are increasing.

CTA supports increased funding for the public education of all California students, particularly our students with special needs. CTA believes the state and federal government should provide adequate funds for education to allow school districts to fulfill the goals of quality education and providing the necessary resources in classrooms to meet the individual needs of all students.

Charter Schools

CTA supports the Governor's proposal to stop privately-managed charter schools from blocking certain students from attending their schools based on student characteristics and academic performance. CTA supports the creation of a complaint process for parents to report to an authorizer if there is a violation. CTA also supports the collection of data which would offer transparency to parents and the community for what our educators have reported as a pervasive problem in charter schools. Charter schools are part of the statewide public school system, and any practices serving to weed out certain children or families – whether intentional or unintentional – are not acceptable and must be eliminated.

Retaining and Supporting Well-Prepared Educators

CTA supports the Governor's May Revision proposal to create a system of support to recruit and retain qualified teachers in school districts with high rates of under-prepared teachers by providing \$89.8 million for loan assumption for newly credentialed teachers in high-need schools, \$44.8 million for training and resources for classroom educators to build capacity around inclusivity, and \$13.9 million in federal funds for professional learning opportunities for administrators to support California's diverse student population.

Computer Science

CTA supports the May Revision proposal to provide a total of \$15 million one-time Prop. 98 funds to increase broadband infrastructure to California's schools. School librarians need secure and broad access to broadband. Additionally, California's accountability system relies on school district capacity for digital technology.

CTA believes the California Department of Education has existing capacity to provide technical assistance to districts to implement the computer science standards recently adopted by the State Board of Education and does not believe an additional \$1 million in funding is meritorious at this time given the multitude of additional needed curriculum needs.

Full-Day Kindergarten Expansion

CTA supports the May Revision proposal to provide \$600 million one-time Prop. 98 funds for the expansion of part-day to full-day kindergarten programs.

CTA continues to urge the Governor and Legislature for the inclusion of mandatory kindergarten, requiring all students to attend kindergarten prior to the first grade.

Model School Library Standards

CTA continues to support a \$200,000 budget augmentation to update the Model School Library Standards (MSLS) for California Public K-12 Schools, which sets a vision for strong school library programs.

May Revision Significant Adjustments

CTA supports and appreciates the AB 1840 adjustments, which provide \$3.6 million one-time Prop. 98 funds for and increase to the Inglewood Unified School District and \$514,000 one-time Prop, 98 funds for the Oakland Unified School District.

CTA supports providing an additional \$36 million one-time Prop. 98 funds for the Classified School Employees Summer Assistance Program.

Facilities and Bond Funds

CTA continues to support the Governor's budget proposal that would release \$1.5 billion in Proposition 51 funds, reflecting an increase of \$906 million over the prior year, to support school construction projects, as well as an additional \$1.2 million in ongoing Proposition 51 funds, and State School Site Utilization Funds to support the increased workload associated with these increases.

Community Colleges

CTA supports the 3.26 percent overall COLA, as well as the COLA provided for various categorical programs. CTA continues to advocate that part-time categorical programs providing office hours, health care, and parity should also receive a COLA as these faculty are key to providing student access and success. By supporting part-time categorical programs, California is providing support to the bulk of the faculty population within the community college system.

Student Centered Funding Formula

CTA continues to support holding the Student Centered Funding Formula at its current ratio of 70-20-10 to further explore limits and definitions within this formula and appreciates the extended hold harmless provision and cap of a ten percent annual increase in the Student Success Grant. CTA continues to oppose the Student Success Incentive Grant included in the formula, which was designed to provide additional funding based upon the number of students receiving degrees and certificates, as well as the number of students who complete a degree or certificate in three years. CTA continues to believe the Student Success Incentive Grant and urges the inclusion of faculty centered metrics, as faculty provide direct access and support to students to help them on their career path.

Full-Time Faculty

CTA continues to support providing additional funding to increase the number of full-time faculty to meet and exceed the 75/25 percent full-time faculty provisions of AB 1725.

Part-Time Faculty

CTA urges the Governor and Legislature to provide additional funding for part-time parity, office hours, and health care. California's part-time community college faculty have not received adequate support in these key areas, which are tied to student success. CTA believes providing increases to part-time faculty will further reduce the lack of overall economic support part-time faculty receive.

California State University

CTA supports the Governor's proposal of providing an additional two percent for enrollment. CTA supports the request of the California Faculty Association to ask that student headcount be part of this requirement. By using the average ratio of full-time-equivalent-students to headcount, this would provide an equivalent increase of 8,571 students by headcount.

CTA supports the California Faculty Association's request that \$35 million be provided to hire new tenure track faculty above current levels, plus the amount resulting from the \$25 million provided in last year's budget.

CTA supports the California Faculty Association's request for \$20 million to reach a ratio of 1,500 students to one full-time equivalent counselor, \$18 million for hiring and \$2 million for new reporting requirements, including tracking student suicides.

CTA supports the California Faculty Association's request to provide \$3.3 million to Project Rebound to continue supportive services and equitable educational opportunities for the successful reintegration of formerly incarcerated students.

California State Teachers' Retirement System

CTA continues to support and appreciate the Governor's leadership in now proposing \$3.15 billion one-time, General Fund dollars for an extra payment on behalf of school and community college districts to the California State Teachers' Retirement System (CalSTRS) to reduce long-term employer liabilities. Of this amount, \$850 million would be provided to buy down the employer contribution rates in 2019-20 and 2020-21 by close to one and a half percent. This critical assistance to employers would provide additional economic support at the local level for districts that have still not fully recovered from the recession.

The final \$2.3 billion would be provided to pay down school and community college districts' long-term unfunded obligations, saving school employers approximately \$6.9 billion over the next three decades.

Additionally, CTA continues to support the Governor's proposal to utilize 2018-19 Prop. 2 dollars for an extra state payment of \$1.8 billion to pay down the state's share of the CalSTRS unfunded liability, resulting in a state cumulative savings of \$7.4 billion over the next three decades.

Paid Family Leave

CTA supports the Governor's proposal to expand the maximum duration of Paid Family Leave from six to eight weeks, effective July 2020. By providing additional parental and caregiver bonding time

to California's youngest children, California would be leading by its core values. CTA applauds this proposal and believes it is a step in the right direction.

Federal Tax Conformity

While the overall result of the federal Tax Cut and Jobs Act was to provide a significant tax cut to corporations and wealthy investors at the federal level, several provisions in the measure provide guidance for tax policy that should be adopted in California. While California does not, and should not, adopt all federal tax policies, such as 529 accounts for private schools, there is a broad recognition that, where appropriate, conformity to reasonable federal tax policy provides consistency and simplicity in tax filing.

CTA continues to support the following federal tax conformity proposals proposed by Governor Newsom:

- Conform to the elimination of excessive business losses: This provision will ensure wealthy investors cannot use passive losses to shelter all future income;
- Conform to limitation on fringe benefits for executives: Congress has recognized these are large untaxed benefits for executives and eliminated deductibility (for example, sports boxes, private jets);
- Conform to limit on like-kind exchanges: Congress has eliminated the ability to avoid all tax on gains from sales of collectible items, and limited real estate exchanges to domestic sales;
- Small business accounting changes: Small business should not have to carry two sets of books for state and federal tax compliance;
- Limit deductibility of excess executive compensation: Congress added additional high-level executives beyond Chief Executive Officer's to the limit on excessive compensation. California has regularly conformed with these limits;
- Conform to loss limitations: Congress recognized carry-backs are destabilizing fiscally and carrying losses forward should not be able to eliminate all taxes for profitable corporations. Conformity will stabilize this area, which has changed many times in California.

CTA urges the support of additional federal tax conformity regarding business and corporation taxes including:

- Limit like-kind exchanges on out-of-state transactions: Congress eliminated the ability to avoid tax on out-of-country exchanges. California should conform by requiring capital gains tax on out-of-state exchanges;
- Conform to limitations on deduction of interest expenses: California has always followed federal rules on treatment of interest. These improved rules limit the tax advantages to using excessive debt to shelter business income;
- International provisions: California currently receives only some of the international income called for by Congress and must tighten its laws to limit international tax avoidance. For repatriated profits, it should apportion those based on where those profits are generated, using payroll, property and sales to make sure California receives its share of repatriated profits, potentially realizing hundreds of millions of dollars.

CTA urges the consideration of specifying any programs relying on these funds be based upon the total amount of funds received as the May Revision summary notes, "The revenue estimates for

these conformity provisions are subject to a high level of uncertainty as it is difficult to anticipate taxpayer behavior in response to changes such as these.”

Tax Credits

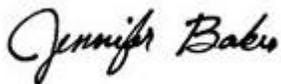
CTA has joined several educational organizations to form the Education Tax Coalition, which is seeking better oversight and transparency around California’s tax policy, particularly around tax credits. Tax credits have been created to provide an economic benefit to California as well as to create incentives to achieve particular goals and outcomes.

California has consistently advanced tax credits and exemptions to accomplish market and policy goals. While these expenditures have been put in place with the goal of achieving certain policy objectives, they have the effect of reducing revenue to the General Fund, which in turn reduces Prop. 98 funding by approximately forty cents on each dollar.

Prior to the creation of new tax credits, or the extension of existing credits, CTA continues to urge the Legislature to evaluate the economic impact of tax credits and the implications of a reduction to the General Fund, resulting in reductions in Prop. 98 funding.

CTA thanks you for your consideration of our perspectives and appreciates the opportunity to share our positions on the budget and related items.

Sincerely,



Jennifer Baker
Legislative Advocate

cc: Governor Gavin Newsom
Jennifer Johnson, Deputy Legislative Secretary, Office of Governor Newsom
Senate President pro Tempore Toni Atkins
Members of the Senate Budget Committee
Assembly Speaker Anthony Rendon
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Keeley Bosler, Department of Finance Director
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