



Governor's Proposals for the 2020–21 State Budget and K–12 Education

Presented by

Tim Zearley

Associate Superintendent, Business Services



Themes for the 2020–21 Governor's Budget

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- Last year, Governor Gavin Newsom stirred excitement in the education community with the proposal to help **reduce employer pension liability** while school agencies faced mounting cost pressures in the new cost-of-living adjustment (COLA)-only environment of the Local Control Funding Formula (LCFF)
- This year, we embrace Governor Newsom's commitment to prudence in budgeting in case of an economic downturn
 - However, we must acknowledge that his 2020–21 State Budget (Budget) is bound to create **challenges** as we face **increased** demands on our resources with **few new flexible** resources to do so
- As we prepare to confront tomorrow's challenges it is more important than ever to ensure that local educational leaders are equipped with the resources and tools they need to **maintain** the **commitments** they made to their students, their families, and their communities



The Education Budget

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- Once again, Proposition 98 provides a **ceiling—not a floor—for the education budget**
- With moderate funding growth, the Governor provides **just enough** ongoing resources to keep the LCFF at full implementation
 - The rest of education funding is primarily new or continued **one-time, categorical grant programs**
 - All with laudable goals, but few that provide immediate relief when the cost to keep local educational agencies (LEAs) afloat hovers around **4%**
 - Even the 15% special education base funding increase described in the Budget summary is mostly a repurposing of last year's dollars based on preschoolers with disabilities
- The Governor appears to be building in a buffer with **one-time spending against a future economic downturn**



2020–21 Local Control Funding Formula

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- The State Budget proposes \$1.2 billion towards the LCFF to fund the **2.29% statutory COLA**
 - Which brings LCFF funding to \$64.2 billion (up from \$63 billion in 2019–20)
 - This is **lower** than the **3%** COLA projected at adoption of the 2019-20 State Budget, but **higher** than the LAO's estimate of **1.79%**
- 2020–21 LCFF growth provides an **average increase** in per-pupil funding of an estimated \$231 per ADA, or 2.14% (individual results will vary)
 - The lower 2.14% increase takes into consideration that no COLA is provided for Targeted Instructional Improvement Grant, **Transportation**, or Economic Recovery Target funds



2020–21 LCFF Funding Factors

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- The K–12 COLA is 2.29% for 2020–21 and is applied to the LCFF base grants for each grade span

Grade Span	2019–20 Base Grant per ADA	2.29% COLA	2020–21 Base Grant per ADA
K–3	\$7,702	\$176	\$7,878
4–6	\$7,818	\$179	\$7,997
7–8	\$8,050	\$184	\$8,234
9–12	\$9,329	\$214	\$9,543



2020–21 LCFF Funding Factors

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- Two grade span adjustments (GSAs) are applied as percentage increases against the adjusted base grant, also receiving the benefit of a 2.29% COLA in 2020–21
 - Grades K–3 receive a 10.4% increase for smaller average class sizes
 - Grades 9–12 receive a 2.6% increase in recognition of the costs of career technical education (CTE) coursework

Grade Span	2020–21 Base Grant per ADA	GSA	2020–21 Adjusted Base Grant
K–3	\$7,878	\$819	\$8,697
4–6	\$7,997	–	\$7,997
7–8	\$8,234	–	\$8,234
9–12	\$9,543	\$248	\$9,791



2020–21 LCFF Funding Factors

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- Supplemental and concentration grants are calculated based on the percentage of an LEA’s enrolled students who are English learners, free and reduced-price meal program eligible, or foster youth—the unduplicated pupil percentage (UPP)

Grade Span	2020–21 Adjusted Grants Per ADA	20% Supplemental Grant—Total UPP	50% Concentration Grant—UPP Above 5%
K–3	\$8,697	\$1,739	\$4,349
4–6	\$7,997	\$1,599	\$3,999
7–8	\$8,234	\$1,647	\$4,117
9–12	\$9,791	\$1,958	\$4,896



Special Education

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- To understand the 2020-21 State Budget proposal for special education remember:
 - The 2019-20 State Budget included \$645 million in new resources:
 - \$152 million to bring the lowest-funded Special Education Local Plan Areas (SELPA) up to the statewide target rate of **\$557.27 per ADA**
 - \$493 million in flexible, **one-time** funding to school districts based on the count of three-, four-, and five-year-olds with Individualized Education Programs (IEPs)
 - **These two pots were funded with ongoing state money, but future, specific allocation to districts was dependent upon further discussion**
- The 2020-21 State Budget proposes to use this \$645 million in an **on-going** manner to increase special education base rates
- Additionally, the budget proposes \$250 million in **one-time** funding to school districts based on preschoolers with disabilities



Special Education—Base Rates

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- For the 2020–21 fiscal year, the Budget proposes to use the \$645 million from the 2019–20 State Budget to add to the existing AB 602 base funding for a new special education base formula that uses a three-year rolling average of LEA ADA (but still allocated to SELPAs)
 - While future formula discussions may include other factors, this formula is strictly based on a statewide per-ADA amount
 - With the information currently available, we estimate this would equal between **\$640 and \$680 per ADA**
 - Most LEAs will see an increase in base funding
 - Approximately 100 LEAs with base rates higher than the proposed base rate will be held harmless
- **This is great news—an acknowledgement by policy makers that special education funding should be increased and equalized across the state**



Special Education—Funding Based on Preschoolers with Disabilities

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- Like the 2019–20 State Budget, Governor Newsom proposes to provide funding to school districts based on the three-, four-, and five-year-old preschoolers with disabilities that they serve
 - The 2020–21 allocation of \$250 million would be **one time**
 - Based on the latest data, we would estimate the **per-pupil rate at \$4,570**
- **Unlike** the 2019-20 State Budget, the Administration specifies that districts will be required to allocate these funds to **increased or improved services**
 - In the current year, while the dollars were apportioned based on pupil count, **they were not required to be used for any specific purpose**



School Employer Pension Relief

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- The enacted 2019–20 State Budget Act included a \$3.15 billion one-time (non-Proposition 98) investment to provide short and long-term pension relief for the employers' contribution of the CalSTRS and CalPERS
- Because of last year's investment, there was some cautious optimism that Governor Newsom would use a portion of the state's surplus on another round of pension relief funding on behalf of LEAs
 - However, the Administration decided to invest the surplus funds in other priority areas such as green technology, homelessness, and housing
- While there is currently no proposal to provide additional pension relief for K-14 schools, LEAs **will continue** to benefit from the relief provided in last year's State Budget Act:
 - \$850 million to buy down employer contribution rates in fiscal years 2019–20 and 2020–21
 - \$2.3 billion to reduce employer contribution rates long-term



CalSTRS Employer Contribution Rates

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- CalSTRS employer contribution rate is scheduled to increase to 18.40% in 2020–21, up from 17.10% in 2019–20
- Remember that CalSTRS employer contribution rate increases are in **statute** and are being phased in over a seven-year period **(2014–15 through 2020–21)**
 - **Starting in 2021–22**, the funding plan provides the CalSTRS Board **limited authority** to adjust the employer contribution rate to fully fund the remaining unfunded liability through 2045
 - **Any adjustments are limited to 1% annually**



CalPERS Employer Contribution Rates

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- All CalPERS-adjusted employer contribution rates below reflect the application of SB 90 (Chapter 33/2019)
 - The \$904 million contribution from the state to reduce employer contribution levels by 0.9% in 2020–21 and 0.3% in the subsequent years
- Subsequent to SB 90, CalPERS finalized its actuarial valuation as of June 30, 2018, which resulted in the latest estimates below

Year	Employer Contribution Rate*
2019–20	19.721%
2020–21	22.80%
2021–22	24.90%
2022–23	25.90%

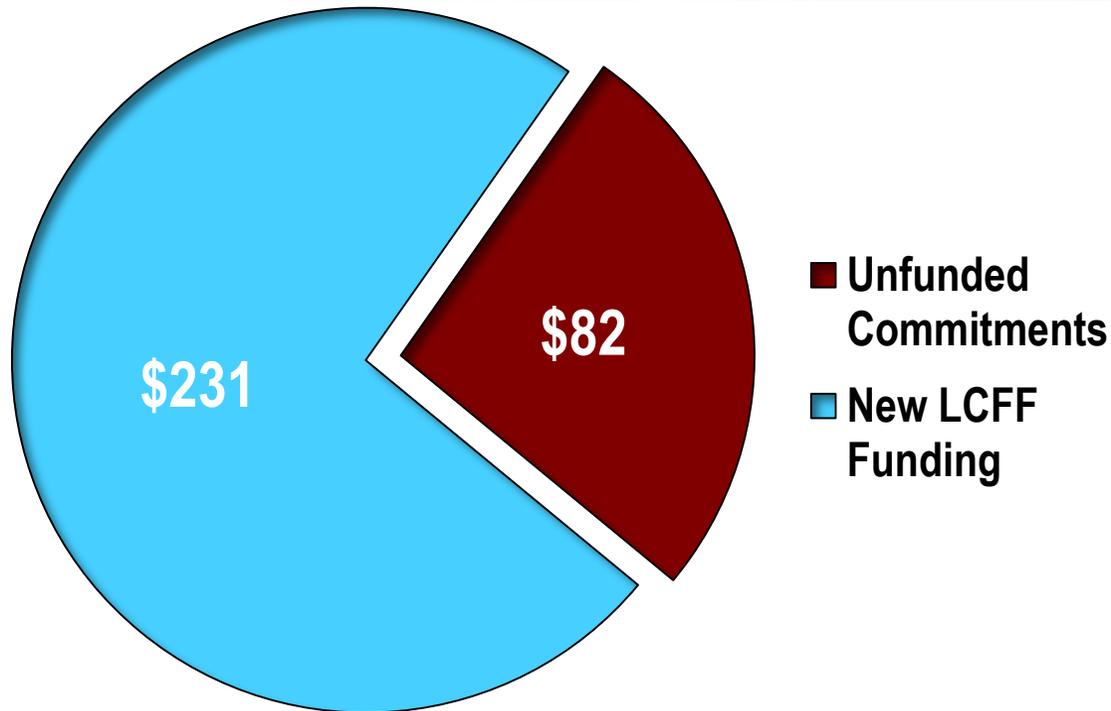
Year	Employer Contribution Rate*
2023–24	26.60%
2024–25	27.00%
2025–26	26.80%
2026–27	26.70%

*Actual for 2019–20 and estimated for future years



2020–21 Funding Commitments

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	Rate	Per ADA
COLA Only	2.29%	\$231
Total Commitments		-\$313
Remaining New Funds		-\$82

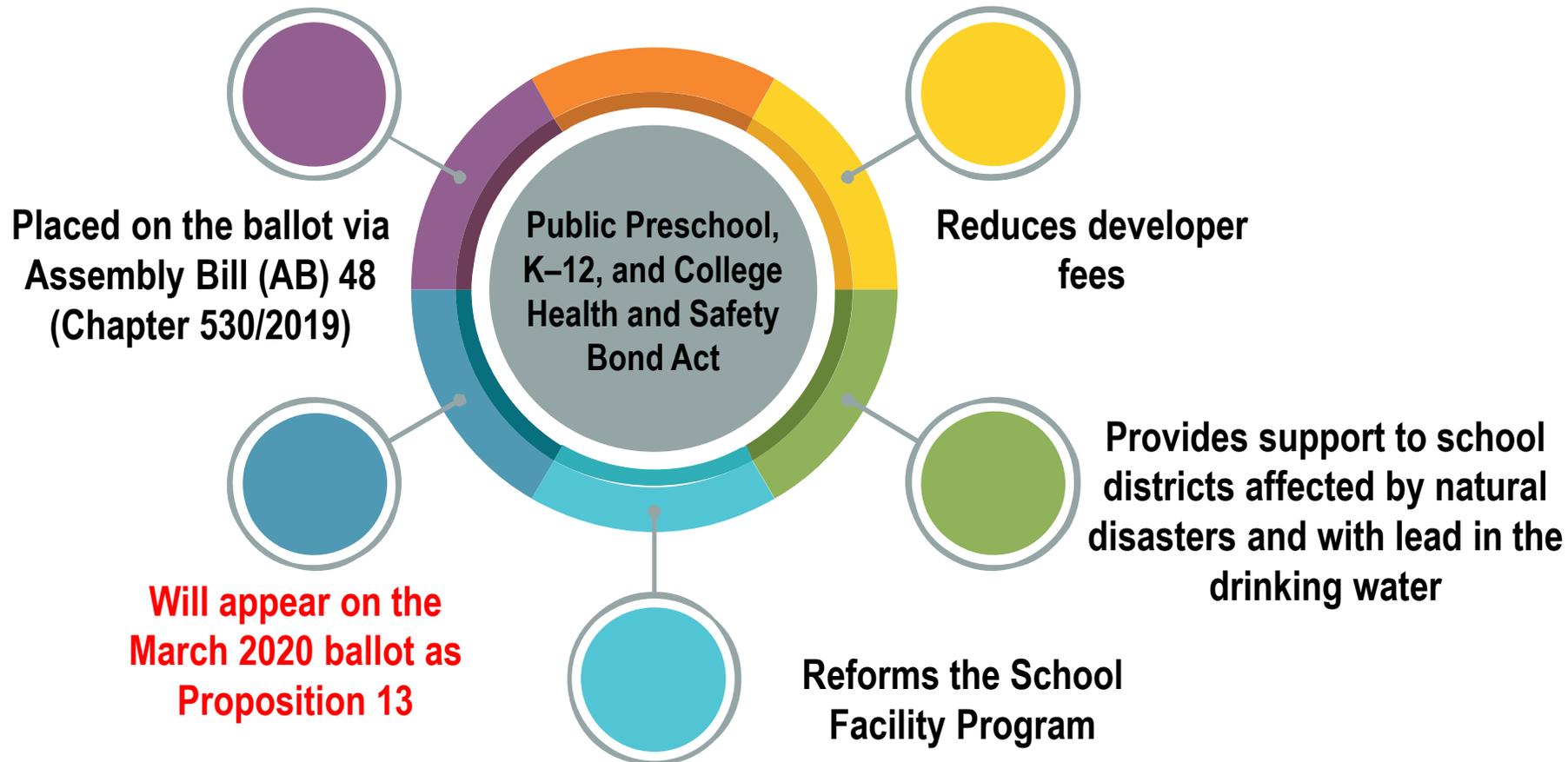
- **New revenues only cover three-quarters of the costs committed to servicing the salary schedule**
 - **Commitments do not include any increases to health and welfare benefit costs, increases related to special education, or the impact of declining enrollment**



School Facilities Funding

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- The State Budget does not include any significant new initiatives for school facilities, but does address the following:



BONDS
Sale of an additional \$1.5 billion in Proposition 51 bonds

PRESCHOOL
Funding for the construction of preschool facilities



What's Not in the Budget?

**Increased
LCFF Targets**

**Payments to
Reduce
CalSTRS and
CalPERS Costs**

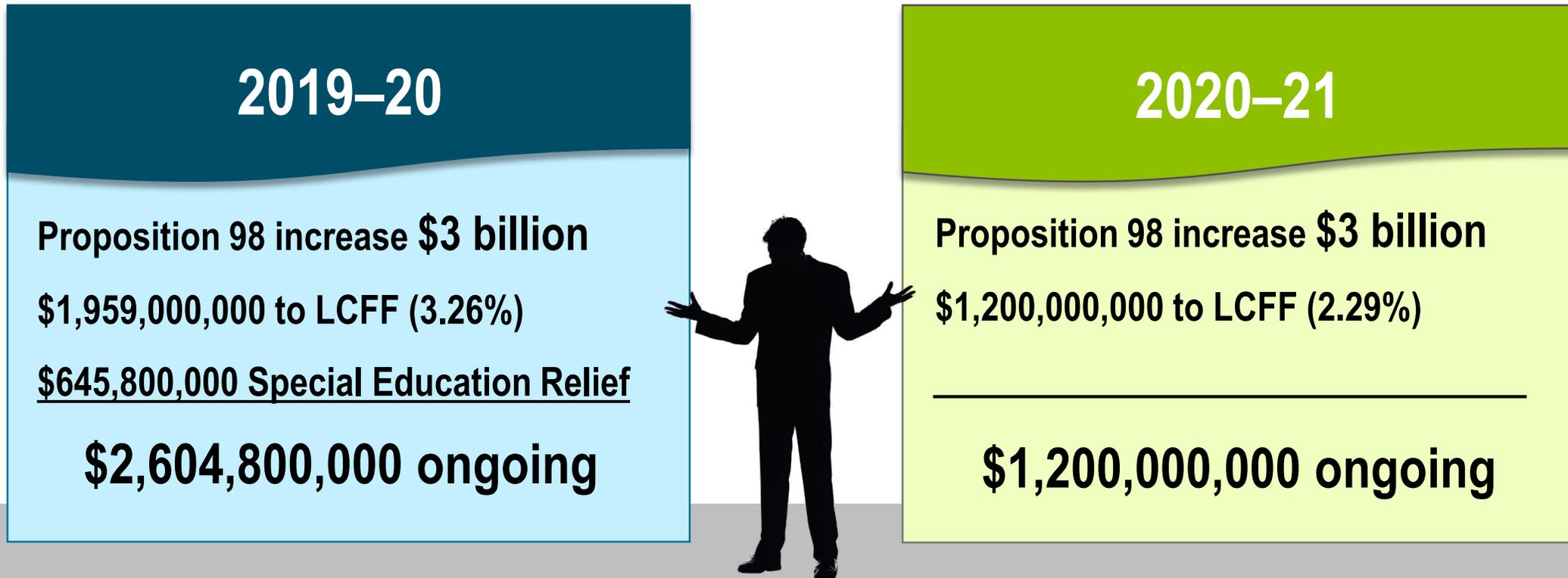
**One-Time
Discretionary
Grants**



Multiyear Projections

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How much fiscal relief does \$3 billion provide?



What a difference a year makes in ongoing operations relief, not to mention the non-Proposition 98 funded pension relief we received in 2019-20



SSC Dartboard

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● The complete SSC Dartboard is available on our website at <https://www.sscal.com/tools-resources/dartboard>

■ Accumulation of assumptions from various sources

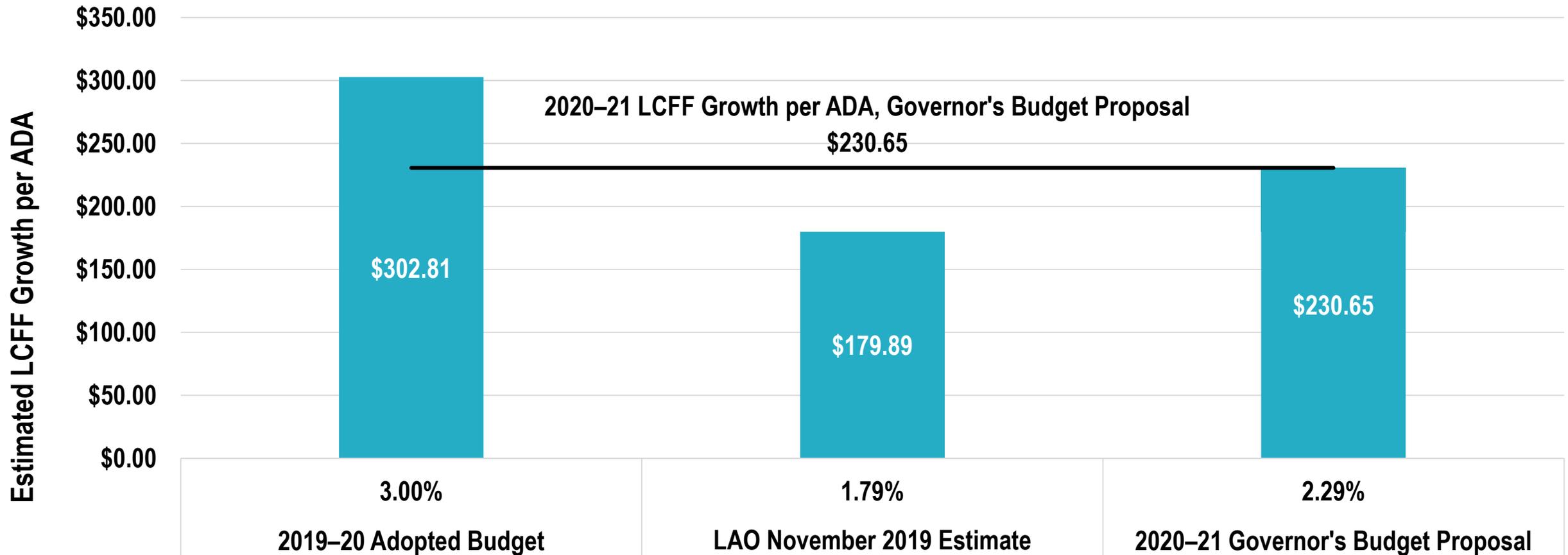
Factor	K-3	4-6	7-8	9-12
2020-21 Base Grants	\$7,878	\$7,997	\$8,234	\$9,543
GSA's	\$819	–	–	\$248
2020-21 Adjusted Base Grants	\$8,697	\$7,997	\$8,234	\$9,791

Factor	2019-20	2020-21	2021-22	2022-23
Statutory COLA	3.26%	2.29%	2.71%	2.82%



2020–21 LCFF COLA Volatility

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Statewide Average Reserves

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- **2017–18 statewide average reserve levels are slightly down from the prior year**
 - **Close to the 17%, or two months of expenditures, as recommended by the Governmental Finance Officers Association**

2017–18 Average Unrestricted Net Ending Fund Balance		Change From Prior Year
Unified School Districts	16.98%	-0.27%
Elementary School Districts	20.20%	-0.88%
High School Districts	15.63%	-1.01%

- **Average unrestricted net ending balance is based on ending fund balance for the General Fund, plus the ending balance for Fund 17 (Special Reserve Fund for Other Than Capital Outlay) as a percentage of total General Fund (including restricted programs) expenditures, transfers, and other uses**



Late Start Times

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- **SB 328 (Chapter 868/2019) authored by Senator Anthony Portantino (D-San Fernando Valley) was signed into law on October 13, 2019**
 - **Requires LEAs that operate middle and high schools to begin the school day no earlier than 8:00 a.m. and 8:30 a.m., respectively**
 - **Effective July 1, 2022, or the expiration of a collective bargaining agreement that is operative on January 1, 2020, whichever is later**
- **The school day represents the current school day as defined for apportionment purposes and for instructional minute requirements**
 - **No prohibition to continue “zero” period so long as it is not calculated as part of the school day**
- **SB 328 exempts rural school districts, but rural is yet to be defined**
 - **Expectation is this will be defined during the 2020 legislative year**



Late Start Times

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- **May significantly impact operations of an LEA that is not already in compliance**
 - **Transportation department**
 - **Maximizing routes and drivers will be of utmost importance especially if current routes commingle primary and secondary students**
 - **After school programs such as athletics and clubs must be considered as secondary grades may be in school later in the day**
 - **Food services department**
 - **Later start times may push back breakfast, which will impact the lunch period**
 - **Review of staff schedules may be necessary**
 - **Consider that breakfast and lunch require a minimum of 10 and 20 minutes, respectively, to eat after the food is served**
 - **Reducing the time of the meal breaks to accommodate the later start time may not be an option**



Closing Thoughts

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- **Governor Newsom is making his mark and distinguishing himself in his proposed 2020–21 State Budget**
 - **While respecting former Governor Brown’s education reform by maintaining the LCFF at “full funding” through providing the COLA, he is creating and maintaining several one-time education programs under his watch**
 - **And while many of these programs are intended to improve LEA operations over the long term, Governor Newsom provides minimal, immediate relief from the myriad cost pressures that school districts face**