

Business Services Report



State Budget Presentation

February 13, 2020

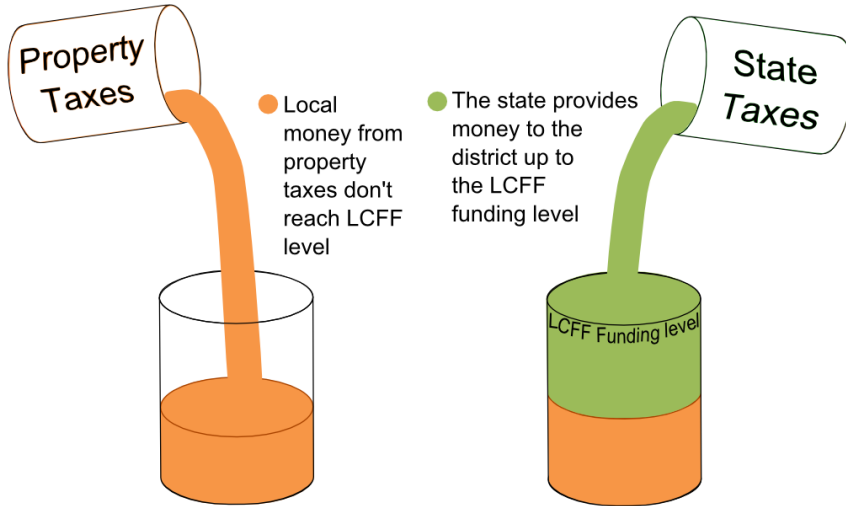
Relevance of State Budget to School District / LEAs

- The Governor presented his proposed State budget for 2020-21 on January 10, 2020
- 90% of California School Districts / LEAs including RCSD receive funding from the State through the LCFF funding formula
- Districts with higher property taxes than LCFF target (Basic aid school districts) keep the excess taxes
- Districts with lower property taxes than their LCFF target (LCFF districts) receives State support in addition to property taxes in order to make their LCFF target

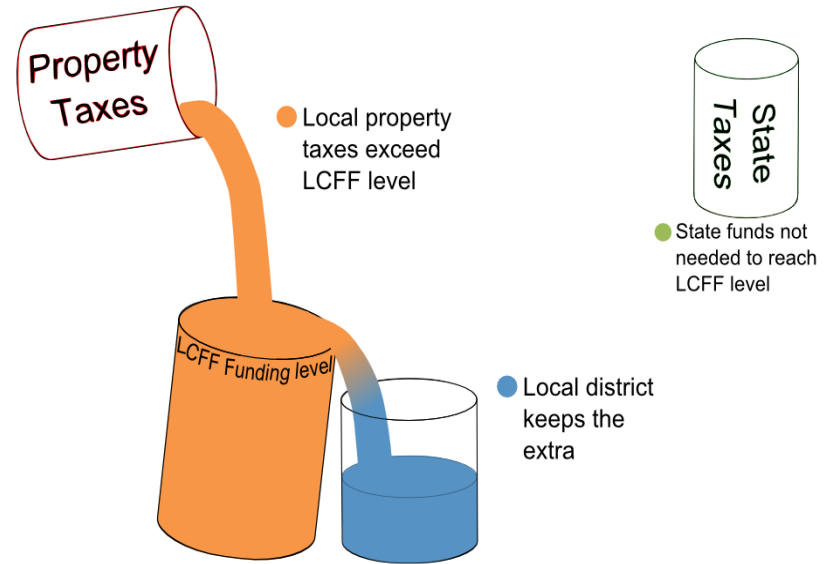
LCFF vs. Basic School Districts

LCFF districts

District Funding Under LCFF =



Basic Aid School Districts

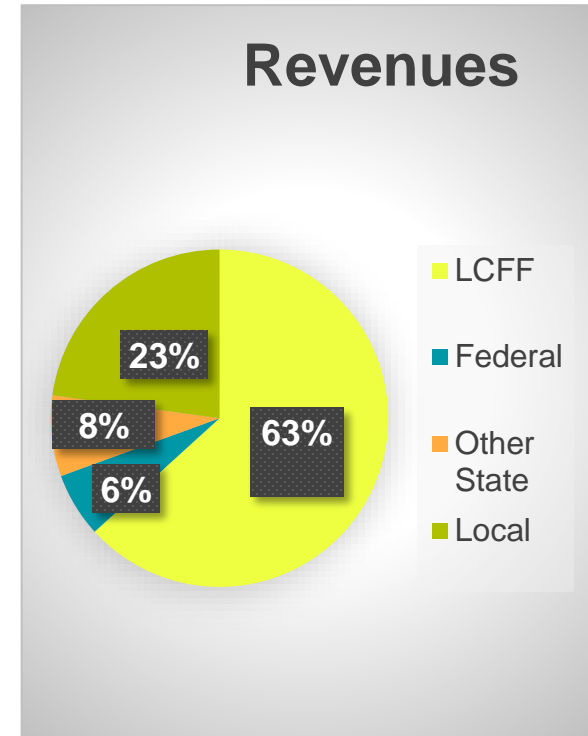


RCSD Budget 2019-2020

- Revenues

TOTAL	<u>\$40,872,022</u>	
LCFF	25,764,436	Guaranteed by State
FEDERAL	2,514,632	Title I, II, III, and IV
Other STATE	3,152,384	Special Ed, Lottery etc. Mostly restricted
LOCAL	9,296,848	REF, RDA, Leases

*71% of total RCSD revenues are guaranteed by the State (LCFF & Other State)



LCFF Guarantee and Property Tax

- To reach the LCFF target, property taxes are counted first
- State provides the balance

RCSD experience

	2018-19	2019-20
LCFF target	<u>28,060,739</u>	<u>25,764,436</u>
Property Taxes (after ERAF)	8,459,512	0
State Support	19,601,227	25,764,436

*Due a backdated adjustment in property taxes structure by State auditor / controller, In 2019-20 total LCFF target is expected to come from state

This has repercussions in cash flow as Property taxes and LCFF revenues are disbursed differently

Backdrop to State Budget

- 11th year of continued economic growth (slide on the horizon ???)
- First full year budget for current Governor (Three areas of interest (SPED, Teacher shortage and development, Early learning))
- Economic Changes
 - Inverted yield curves
 - Interest rate reductions
 - Trade tensions
 - Slowing global economic growth
- Declining student enrollment for the State as a whole
 - State has experienced a decline in enrollment and this trend is expected to continue
 - Lower birth rates
 - Net out-migration
 - The above is applicable to many charter schools as well



Backdrop to State Budget (cont.)

- Staffing levels and Compensation

- Reduced class sizes requires hiring more teachers and classified staff
- More pressures for increased compensation

- Special Education

- Better systems to identify students with disabilities
Students with autism in 1997-98: 1 in 600
Students with autism in 2018-19: 1 in 50
Similar situation in other areas requiring SPED
- Additional cost pressures to provide these service

****Governor showed interest in SPED reforms since the beginning of his term in the office and provided additional money in 2019-20**

Background to State Budget (cont.)

- Higher Property and Liability Insurance
 - Natural disasters fire, floods to many districts
 - AB 218 expands the liabilities for sexual assault and molestation
- New legislation on charter schools – largest comprehensive reform since 1992
 - Two year moratorium on new non-classroom charters
 - Authorizers could weigh in fiscal and community impacts in **new** petitions that substantially undermines / duplicates existing services and programs
 - Little ground for charters to appeal to State Board of Education
 - Clearer grounds for closing down poorly performing charters
 - Credentialing requirements for charters
 - Transparency and audits requirements

2020-2021 State Budget Summary: General Fund

Summary of Funds	
	\$ in Billion
Total All Funds	222
Projected GF revenues (2020-21) in Budget Act Jun 2019	148
Projected GF revenues January 2020	153
Prop 2 “Rainy Day” mandatory transfer Half to Budget Stabilization Account Half to pay down state debts	4
Total General Fund Reserves	21

Major Sources of Revenue	
Personal Income Tax	\$103 B
Sales and Use tax	\$28 B
All other sources	\$22 B
Total	\$153B

Proposed Education Budget for 2020-21

- Proposition 98 guarantee - \$84 billion out of the \$153 billion
 - Prop 98, passed by voters in 1988, establishes the minimum funding level for Schools and community colleges
 - A complex formula determines this number
 - Factors considered include: Last year allocations, Change in ADA, Inflation adjustment - per capita personal income / per capita GF revenues. Three tests, 2020-21, is Test 1 year
 - An increase of 2.9 billion over 2019 Budget act
 - LCFF augmentation \$1.2 million
- Cost of Living Adjustment (COLA) is applied to LCFF base grants and other programs including SPED, Child nutrition, Preschool etc.
- COLA in Jan 2020 is 2.29%. It was 3.0% in Budget act of June 2019
- For RCSD, this will result in lower LCFF revenues by approximately \$155,000 for 2020-21 than was in the multi-year projection

Base Grants for 2020-21 (Dollars Per Student)

Grade span	Jan 2020 Governor's proposal	Jun 2019 projection	Variance
TK-3	7,878	7,993	(115)
4-6	7,997	8,053	(56)
7-8	8,234	8,292	(58)
9-12	9,543	9,609	(66)
Add-ons to base grant are			
Grade Span for TK-3			10.4%
Supplemental for unduplicated Count			20%
Concentration unduplicated beyond 55%			Up to 22.5% of base

RCSD unduplicated count as % of enrollment	
2013-2014	98%
2019-2020	94%

*Unduplicated count is for Foster Youth, Low Income Students, and English Language Learners

* RCSD LCFF revenues will be impacted by a lower Unduplicated count and ADA mix



Additional Proposed State Funding and Reform

- **Special Education**
 - Multiyear reforms plan
 - Proposal to replace the existing AB602 with a new funding formula
 - \$900 million total addition
 - Base rate increase from \$557 to \$640-\$680 (Estimated addition for RCSD = \$193K)
 - \$250 million to serve 3-5 years old with exceptional needs
- **Teacher Recruitment and Training**
 - Approximate allocation \$900 million
 - \$350 million to expand Educator's Workforce Investment Grant
 - \$193 million Workforce development grant for teacher shortage in high need areas
 - \$175 million for Teacher Residency Program
 - \$100 million to provide \$20,000 stipend for teachers who participate in CTC Award Program and complete four years of teaching in high-need subject / school
 - \$64 million for Classified Employees Credentialing Program
 - Suspension of accreditation fees for LEAs with teacher preparation program

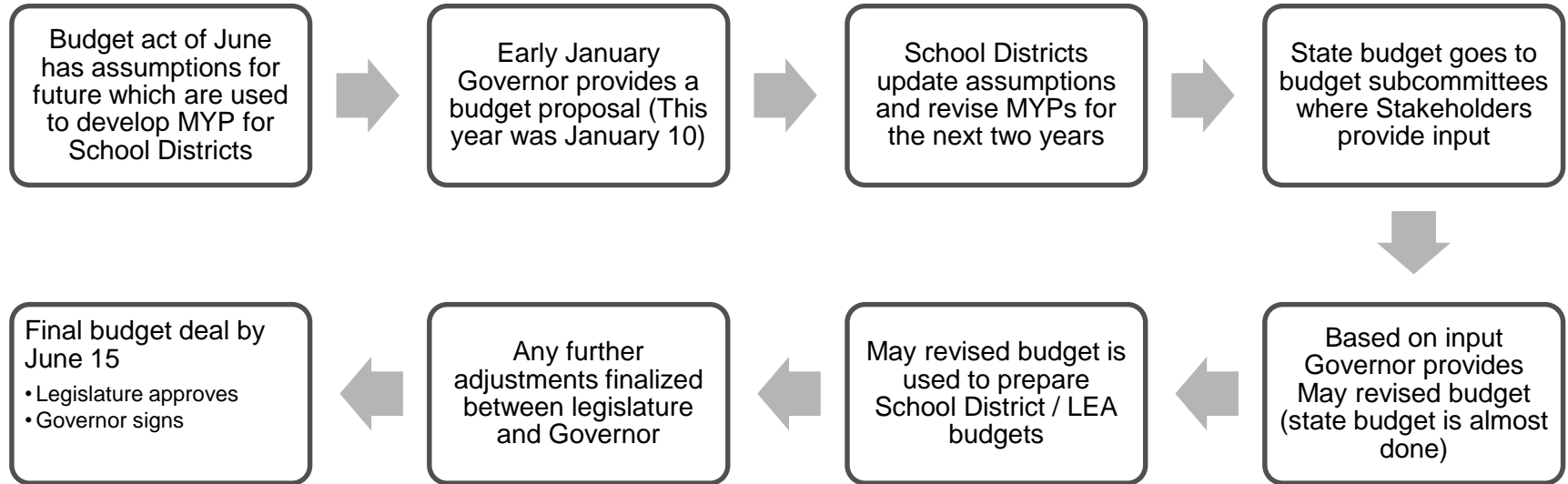
Additional Proposed State Funding and Reform (cont.)

- **School Nutrition**
 - \$70 million to improve and strengthen school meal programs
 - Increase reimbursement from current \$0.245 to \$0.33. Estimated addition for RCSD \$49,000
 - \$10 million for training food workers
 - \$10 million for Farm to School Grant
- **Early Learning and Achievement Gap**
 - \$220 million for various early learning programs
 - \$300 million opportunity grants for low performing schools / districts
 - \$300 million to address persistent achievement gap in community schools
- **School Facilities**
 - AB48 has placed a \$15 billion GO Bond on March 3, 2020 ballot. \$9 B is for K-12 facilities construction
 - Kindergarten and preschool facilities to modify part day kindergarten programs to full day

State Programs Discontinued

- The 2019-20 budget act provided \$3.15 billion (non-prop 98) to retirement funds (CALSTRS and CALPERS).
 - This reduced the retirement obligations to Districts.
 - No such relief proposed for 2020-21.
 - Lots of discussion in this area
- Since last year the State has discontinued Discretionary funds at a per pupil rate of \$35.

What's Next: Budget Development Process



Federal Budget

- Funding appropriations bill has increased funding for almost all federal programs including Title I, Title II, Title IV and some other programs in which RCSD participates by approximately 1.5%



New revenue Initiatives in the Pipeline

- Schools and Communities First initiative
 - Will require commercial property values to be assessed at least every three years
 - No change in residential property
 - Estimated additional revenues \$7.5 B – 12.0 B.
 - After adjustment K-14 share is \$2.6B – 4.6 B
 - **Target November 2020 ballot**
- CSBA / ACSA full and fair funding campaign
 - Increase taxes on net corporate income over \$1 million by up to 5%
 - Increase personal income taxes for earnings over \$1 million by 3%
 - Estimated to raise \$15 billion for K-14
 - **Target 2022 ballot**



Thank You

Questions