



**PASO ROBLES**

JOINT UNIFIED SCHOOL DISTRICT  
THE DISTRICT OF EXCELLENCE

# 2021-22 Budget Development

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PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

JANUARY 26, 2021

# Budget Process

- By January 10 of each year, the Governor must provide a balanced budget proposal to the Legislature for the following fiscal year. (FY July 1–June 30)
- The Legislature has until June 15 to pass the budget
  - Short five months are busy
  - Various committee hearings in broad subjects such as Education, Health and Human Services, and State Administration
- By May 14, the Governor announces an updated revenue forecast, based on changes from January.
- June 30 – Budget is signed into law and becomes the (FY) Budget Bill

# Budget Process

- During this same time, LEA's must adopt a budget
- LEA's funding is determined by Prop 98 (passed in 1988)
- Critical timelines that we must meet
  - March 15 –Certificated notices
  - April – Classified notices
  - June – LCAP and Budget adoption
    - *(June 30 – Budget is signed into law and becomes the (FY) Budget Bill)*
- Today – A review of various elements of State and Federal funding

# Local Control Funding Formula (LCFF)

- July 2013, California dramatically reformed the way it funded school districts (Local Education Agencies - LEA)
- The new law, Local Control Funding Formula (LCFF) replaced a system dating back to the 1970's.....Revenue Limit

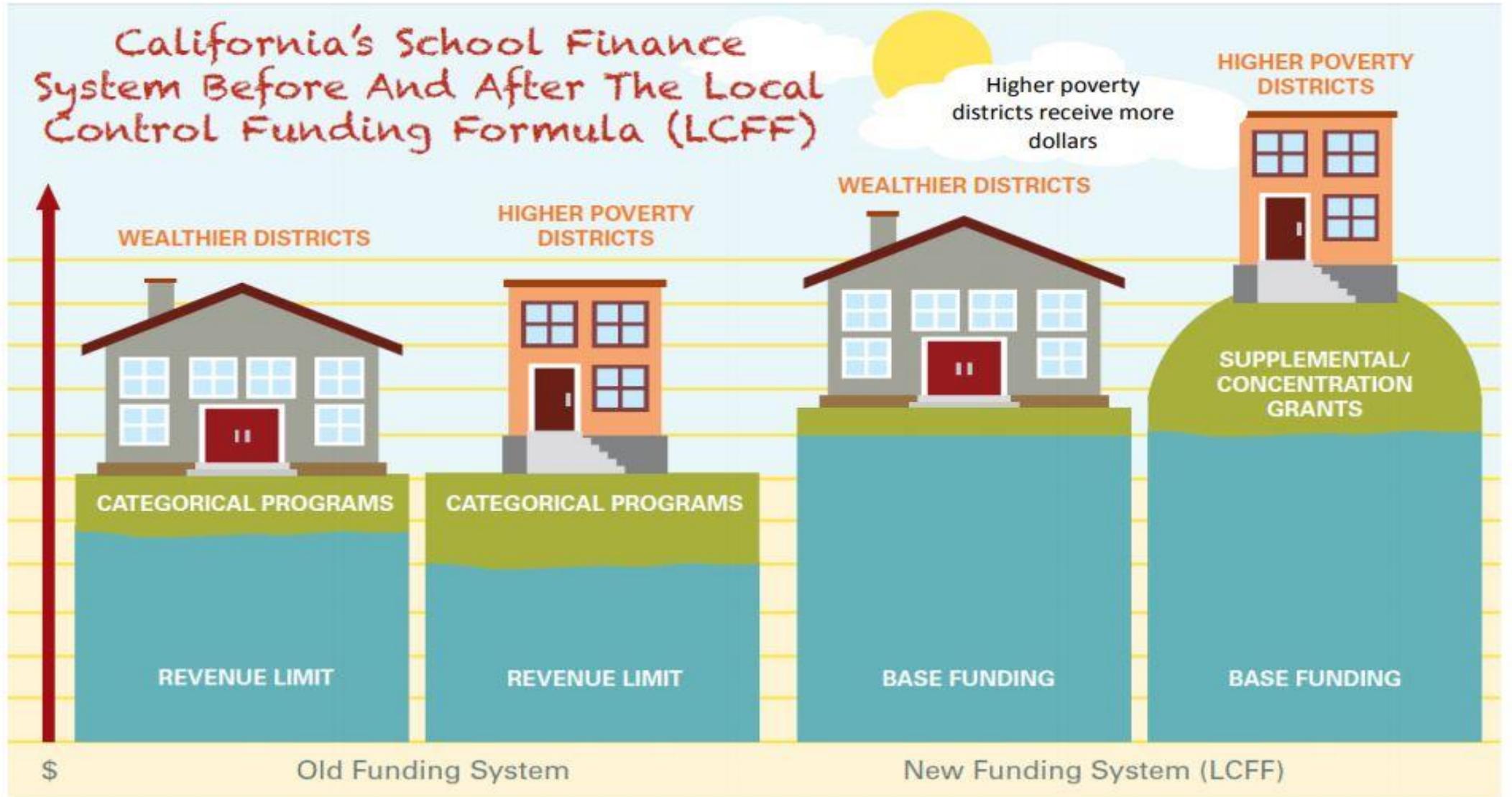
Outdated

Irrational

Unfair

School districts serving more low-income and English learner students often received fewer state resources than school districts serving wealthier communities.

# LCFF.....continued



# How the Local Control Funding Formula Works (LCAP)



## BASE GRANTS

Every student generates a base grant, which funds basic educational costs, such as teacher salaries, retirement costs, instructional materials, etc.



## SUPPLEMENTAL GRANTS

Every student who **is low-income, learning English, or in foster care** generates 20% more funding above the base grant.

These funds must be spent on increasing and improving services for these high-need student groups in order to improve their achievement.



## CONCENTRATION GRANTS

In districts where at least 55% of students are high-need, those high-need students above the 55% enrollment threshold generate an extra 50% of the base grant.

These funds must also be spent to increase or improve services for high-need students in order to improve their achievement.

# Local Control and Accountability Plans (LCAP)

All school districts must adopt a Local Control & Accountability Plan (LCAP), a 3-year plan for how districts will use state funds to serve all students.



**Each district's LCAP must include the following:**

- ✓ Goals
- ✓ Actions
- ✓ Related expenditures



**LCAPs must include services that target each major student subgroup, including:**

- ✓ Racial/ethnic subgroups
- ✓ Low-income students
- ✓ English learners
- ✓ Students with disabilities
- ✓ Foster youth
- ✓ Homeless youth



**LCAPs must address the 8 State Priorities\*:**

1. Basic Services
2. Implementation of standards
3. Parental engagement
4. Student achievement
5. Student engagement
6. School climate
7. Access to courses
8. Other student outcomes

# Goal of LCFF

- Eliminates “revenue limits” and most state categorical programs, streamlining K-12 funding
  - Categorical programs became a political leverage tool and allowed state legislators to demonstrate tangible response to constituent needs. About 60 programs at the highest point.
- Allocates resources based on student needs
- Shifts responsibility for allocation of K-12 funding from the state to school districts.....”local control”
- Set target level of investment; approximately eight years to reach these targets

## **Goal of LCFF.....continued**

- Upon full implementation.....every district will receive at least as much funding as when the economy peaked in 2007-08..... And most will receive more
- Target was 2020-21
- Target reached 2018-19
  - No additional funding as of this year
- However.....costs to operate our schools continue to rise
  - Utilities
  - Competitive wages
  - Employee Benefits/Retirement/Health Insurance/Etc.
  - Special Education costs

# Proposition 98

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- Proposition 98 (1988) determines the minimum amount that the state must spend on K–12 and community colleges in any fiscal year based on the higher of three distinct “tests”
- The amount of the operative test each year determines the Proposition 98 Minimum Guarantee
- The state can spend less than (or “suspend”) the Minimum Guarantee with a two-thirds vote of the Legislature, which has only happened twice

TEST  
1

K–14 education’s share of state General Fund revenues in 1986–87 (~38%)

Operative test for 2021–22, and has been for the last three fiscal years

TEST  
2

Prior-year funding adjusted for ADA and changes in per capita personal income

This test is usually operative in a strong economy

TEST  
3

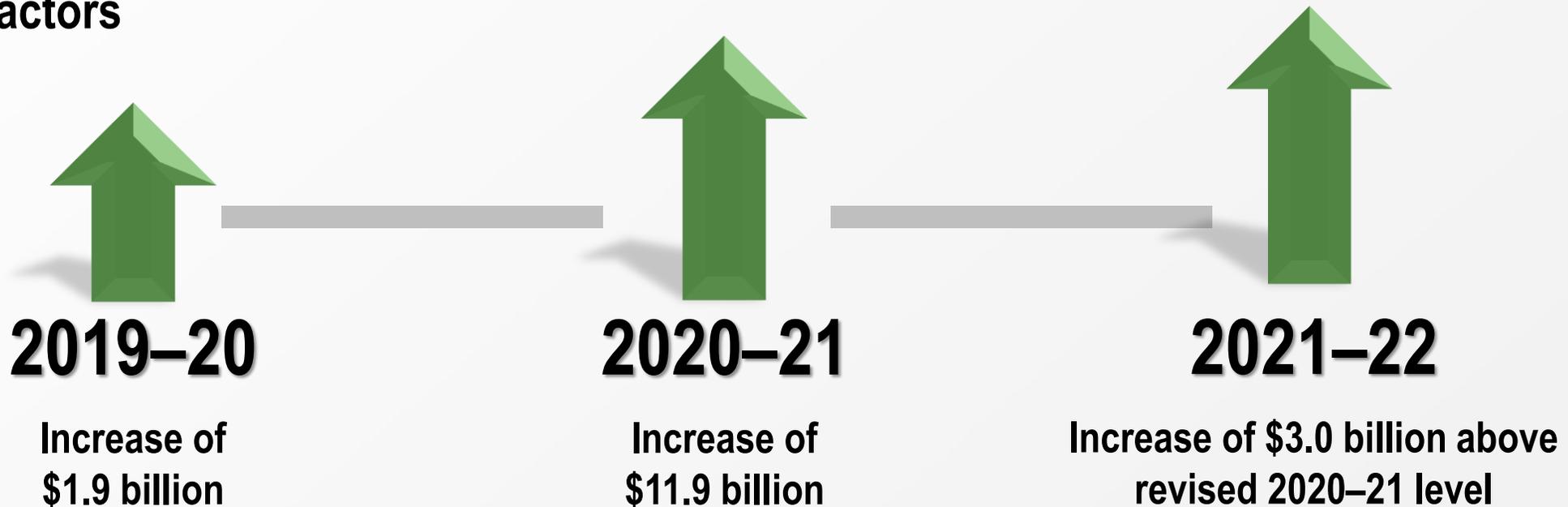
Prior-year funding adjusted for average daily attendance (ADA) and changes in per capita General Fund revenue + 0.5%

This test is usually operative in a weak economy

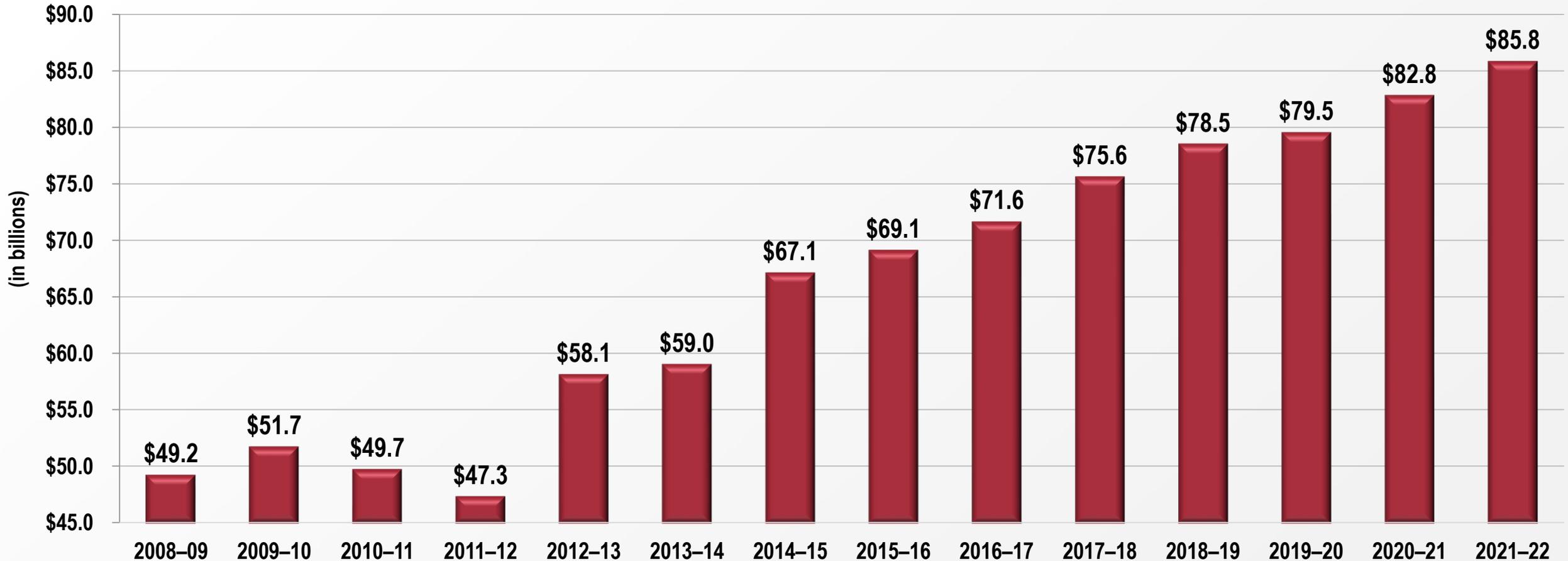
# Proposition 98

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- The K–14 education budget covers a period of three fiscal years
  - The Minimum Guarantee for the prior- and current-fiscal years is adjusted as part of the annual budget process—referred to as the “true up”—to ensure the state meets its annual constitutional obligation
  - The budget year Minimum Guarantee is based on current estimates of state revenue and other factors



## Proposition 98 Funding Over Time 2008–09 to Governor's 2021–22 Estimate



# Proposition 98 Reserve Deposit

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- When voters passed Proposition 2 (2014), the state created the Public School System Stabilization Account (PSSSA) that requires the state to make a deposit into education's rainy day fund when four conditions are met
- The Governor proposes deposits of \$747 million for 2020–21 and \$2.2 billion for 2021–22, for an account total of \$3.0 billion



## Maintenance Factor

**Met**

Proposition 98 Maintenance Factor prior to 2014–15 is fully paid



## Test 1

**Met**

Minimum Guarantee is determined by Test 1



## ADA and COLA

**Met**

Proposition 98 Minimum Guarantee is sufficient to fund ADA and the higher of the Local Control Funding Formula (LCFF) COLA or the Minimum Guarantee COLA



## Capital Gains

**Met**

Capital gains exceed 8% of General Fund revenues

# Cap on District Reserves

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- Proposition 2 also created a policy tying deposits into the PSSSA to maximum amounts local school districts could maintain in their reserves
- The proposed deposits into the education rainy day fund amount to approximately 3.9% of the K–12 portion of Proposition 98, which would trigger the cap on district reserves for the 2022–23 fiscal year



Cap on reserves is effective when the amount in the education rainy day fund is at least 3%



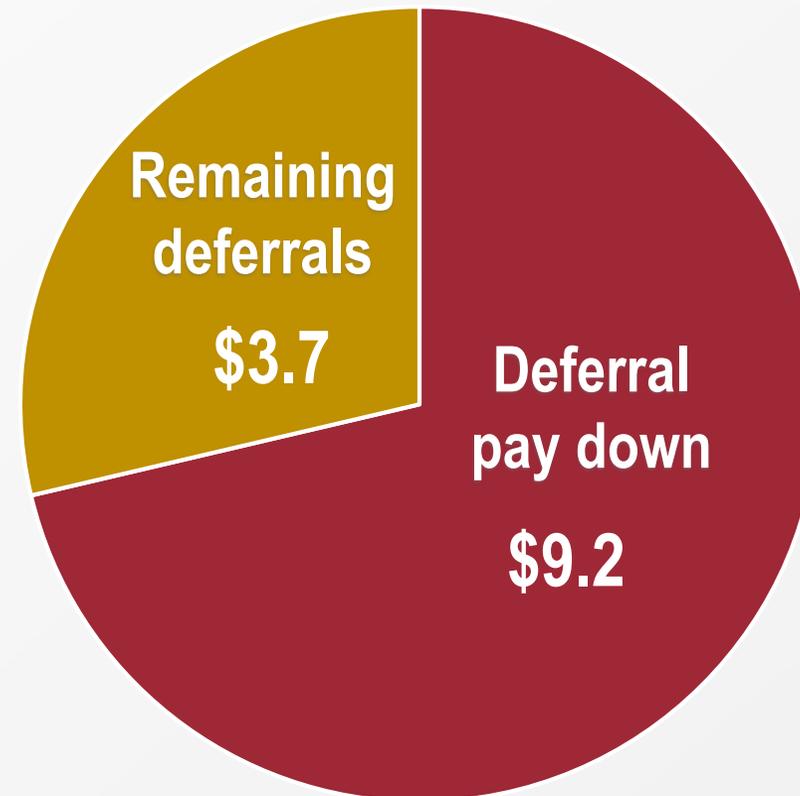
Local reserves in adopted or revised budget cannot exceed 10% of combined assigned and unassigned general fund balances



Basic aid and districts with fewer than 2,501 ADA are exempt from the reserve cap

- The 2020–21 Enacted Budget included almost \$13 billion in K–12 LCFF deferrals
- The Governor’s Budget proposes paying down a portion of the deferrals—effectively eliminating the on-going deferrals scheduled for February through May 2022
  - Note that this pay down does not impact the deferrals currently scheduled for February through June 2021!
    - The repayment schedule for these deferrals remains the same

**Deferrals  
(in billions)**





# 2021–22 LCFF

Increase to the LCFF

\$2 billion to fund 3.84% compounded COLA

\$64.5 billion in 2021–22

Total 2021–22 LCFF funding

Average increase in per-pupil funding (individual results will vary)

\$372 (or 3.52%\*)

\*The lower 3.52% increase takes into consideration that no COLA is provided for Targeted Instructional Improvement Grant, Transportation, or Economic Recovery Target funds

# Supplemental and Concentration Accountability

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<b>AB* 1835</b> <b>(Weber, D-San Diego)</b>	<b>Action</b>	<b>2021–22 Governor’s Budget</b>	<b>Analysis</b>
<p>Would have required LEAs to calculate and report unspent S/C funds</p> <p>Unspent funds would retain designation to be used in future years</p>	<p>Vetoed by Governor with a promise to address the concerns through the 2021–22 Budget process</p>	<p>If enacted, an LEA’s responsibility to use S/C funds to “increase or improve services continues until fulfilled”</p> <p>Also increases the scrutiny of review by the COE</p>	<p>Greater responsibility will fall on COEs to ensure the appropriate expenditure of S/C funds, though it is unclear what additional oversight requirements will be added</p> <p>The goal is to prevent LEAs from sweeping unspent S/C funds</p>
<p>*Assembly Bill (AB)</p>			

# What's Not in the Budget?

- While the Governor's Budget proposal seems to have everything plus the kitchen sink, there are several items that LEAs would have liked to see proposed:
  - COVID-19 liability coverage for LEAs
  - UPP hold harmless for those LEAs seeing a drop in their official number of low-income students
  - Additional CalSTRS and CalPERS employer rate reduction
  - More discretionary dollars and less tied up in restrictive programs

The image features three stacks of gold coins on a red surface. The tallest stack is on the left, the medium stack is in the center, and the shortest stack is on the right. A semi-transparent black horizontal band is overlaid across the middle of the image, containing the title text in white. The background is dark, and the lighting highlights the metallic texture of the coins.

# Pandemic Funding—Past, Present, and Future

# Current Federal and State Pandemic Funding

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- 2019–20 and 2020–21 resulted in historic levels of funding to combat the COVID-19 pandemic
  - Nearly \$7 billion in federal and state resources were allocated to LEAs

	ESSER <sup>1</sup>	GEER <sup>2</sup>	CR <sup>3</sup>	Senate Bill (SB) 117	Proposition 98
Resource	3210	3215	3220	7388	7420
Funding	\$1.47 billion	\$355 million	\$4.44 billion	\$100 million	\$540 million

<sup>1</sup>Elementary and Secondary School Emergency Relief (ESSER)

<sup>2</sup>Governor's Emergency Education Relief (GEER)

<sup>3</sup>Coronavirus Relief

- For contextual purposes, annual funding for special education, and Title I, Part A, are approximately \$3.7 billion and \$1.8 billion, respectively

# New COVID-19 Federal Stimulus Package

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- On December 27, 2020, President Trump signed the \$2.3 trillion Consolidated Appropriations Act, 2021 into law, which includes:
  - The \$900 billion COVID-19 relief package, which earmarks \$82 billion for education, \$7 billion to expand broadband access, \$10 billion for childcare, and continued funding for school meal programs
    - The bill also includes an extension of the CARES Act Coronavirus Relief Fund expenditure deadline from December 30, 2020, to December 31, 2021
  - The \$1.4 trillion omnibus spending plan, which will keep the government funded through September 30, 2021—the end of the federal fiscal year

# What's Not Included in the Federal COVID-19 Relief Package

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## Aid for State and Local Governments

- Supported by Democrats
- But Republican opposition kept aid out of the final stimulus bill

## COVID-19 Liability Protections for Businesses and Schools

- Supported by Republicans
- But Democratic opposition kept liability protections out of the bill

# Funding for Reopening Schools

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- **Governor Newsom is calling for swift and early action by lawmakers to appropriate at least \$2 billion in one-time Proposition 98 funds to aid in the safe reopening and operation of in-person instruction for K–12 students**

## Funding Formula (per ADA)

**Base Grants = \$450 (February reopening)  
= \$337.50 (March reopening)**

**Additional grants above base grant based on LEA's relative share of LCFF**

**Funding based on TOTAL ADA less students enrolled in independent study**



# Safe Schools for All—What It Is and What’s Required

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- The Safe Schools for All proposal establishes a grant program to incentivize LEAs to reopen school for in-person instruction, inclusive of hybrid models

## COVID-19 Safety Plan

- Conforms with California Department of Public Health (CDPH) school guidance
- Incorporates Cal/OSHA Emergency Standards

## Labor Agreement

- Documentation of collective bargaining agreement or memorandum of understanding (MOU) conforming with COVID-19 Safety Plan

## Offer In-Person Instruction

- By February 16 for TK–2 and all students with disabilities, foster youth, homeless youth, and students without access to technology
- By March 15, expand to grade 5 or 6

## COVID-19 Testing

- All students and staff of in-person instruction
- In accordance with CDPH testing cadence

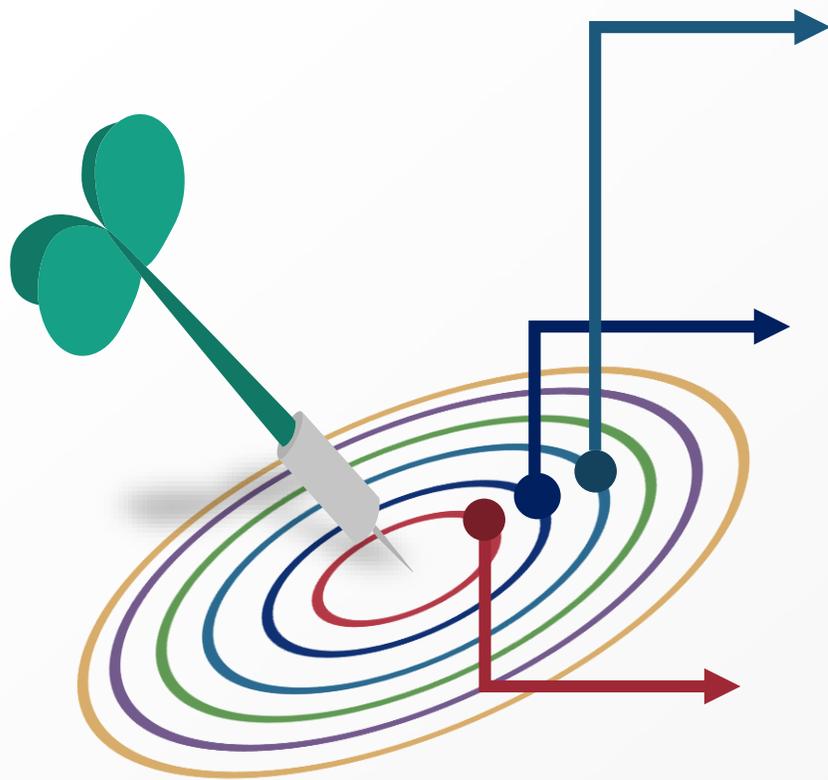
## Certify Technology

- Verify that all students in distance learning have access to a computing device, software, and high-speed internet to participate in online learning



# Budget Impacts on Local Agency Operations

# Multiyear Projections



**Multiyear projections (MYP) are required by AB 1200 and AB 2756**

**Projections are anchored in reliable information as of the date of the projection—they are NOT forecasts**

**Projections will change any time the underlying factors change**

# SSC Financial Projection Dashboard

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## LCFF PLANNING FACTORS

Factor	2020–21	2021–22	2022–23	2023–24	2024-25
DOF Estimated Statutory COLA	2.31%	1.50%	2.98%	3.05%	N/A
DOF Estimated Funded COLA	0.00%	3.84%*	2.98%	3.05%	N/A
SSC Estimated Statutory COLA	0.00%	3.84%*	1.28%	1.61%	1.90%

\*Calculated by compounding the unfunded COLA of 2.31% from 2020–21 and the estimated statutory COLA of 1.50% in 2021–22

- **SSC Estimated Statutory COLA was calculated by SSC’s independent economist**
- **In most years, the SSC estimates and the Department of Finance (DOF) estimates are very close, so we only include the DOF calculation on the dashboard**
- **Due to the large difference in the estimates, we have included our estimate for your consideration**

# 2021–22 ADA Impacts

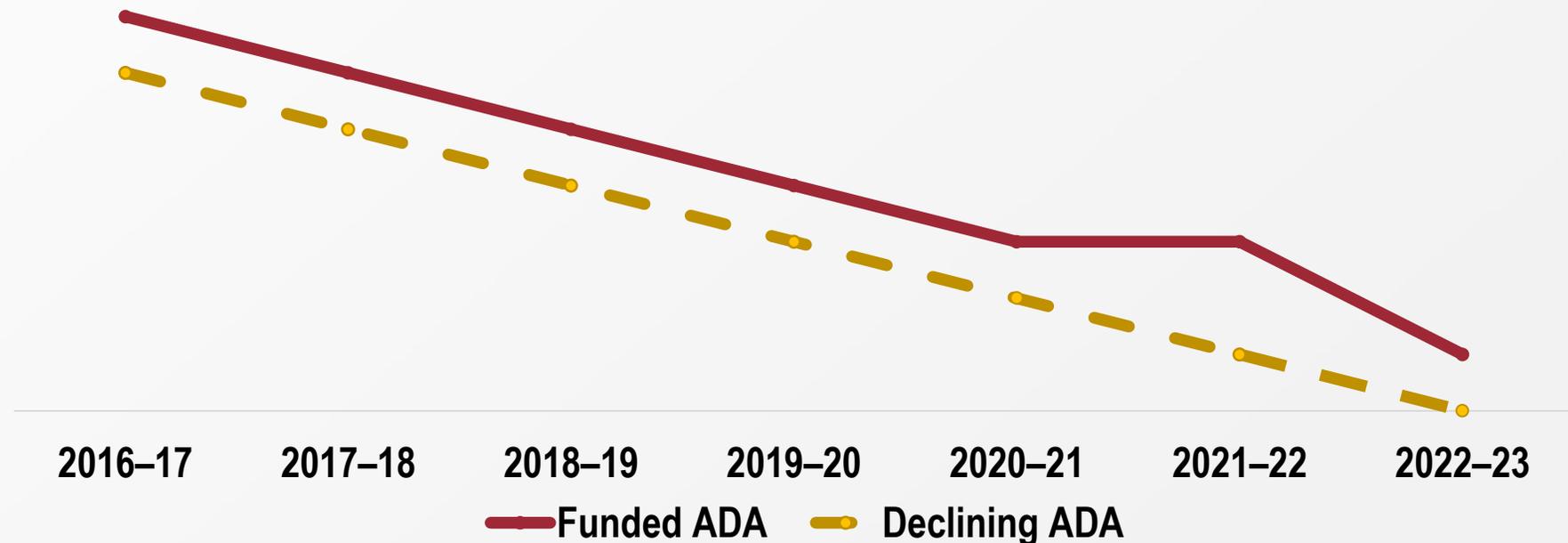
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- The Governor's Budget proposal does not include an ADA hold harmless provision for 2021–22
- However, since the state is not collecting attendance for 2020–21, school districts will be able to use the higher of their 2019–20 or 2021–22 ADA in 2021–22

■ School districts that received growth funding in 2020–21 retain the higher ADA

- School districts with declining enrollment school district should align staff to actual student counts and prepare for 2022–23

## MYP for Declining Enrollment Districts



# COLA—What a Difference a Year Makes

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- The pandemic did not have the draconian financial impacts projected in June 2020, but LEAs still have not been made whole
  - The zero COLA in 2020–21 has likely fallen into a black hole as a one-time loss for LCFF, and an ongoing loss for other categorical programs

## Comparison of Statutory and Funded COLA 2020–21 and 2021–22

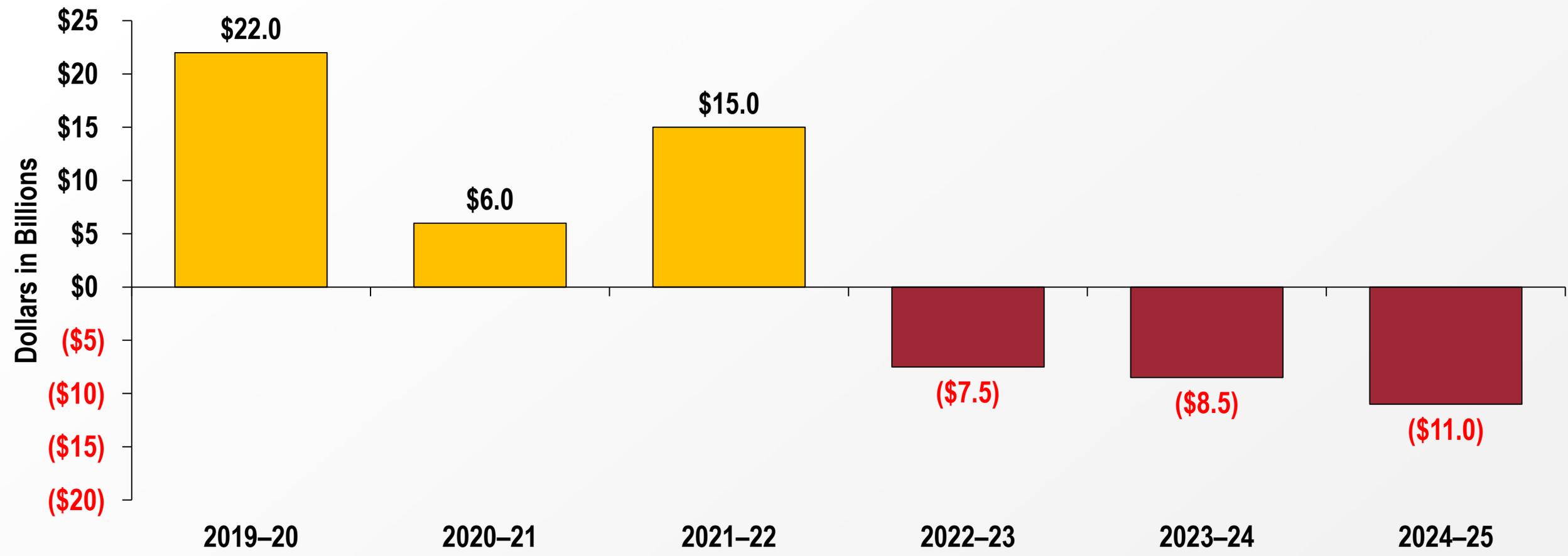
	2020–21	2021–22	Applied to
<b>Statutory COLA</b>	<b>2.31%</b>	<b>1.50%</b>	<ul style="list-style-type: none"> <li>• 3.84% applied to LCFF</li> </ul>
<b>Funded COLA</b>	<b>0.00</b>	<b>3.84%</b>	<ul style="list-style-type: none"> <li>• 1.50% applied to special education and other categorical programs (e.g., MBG)</li> </ul>



# Out Year COLA Risk?

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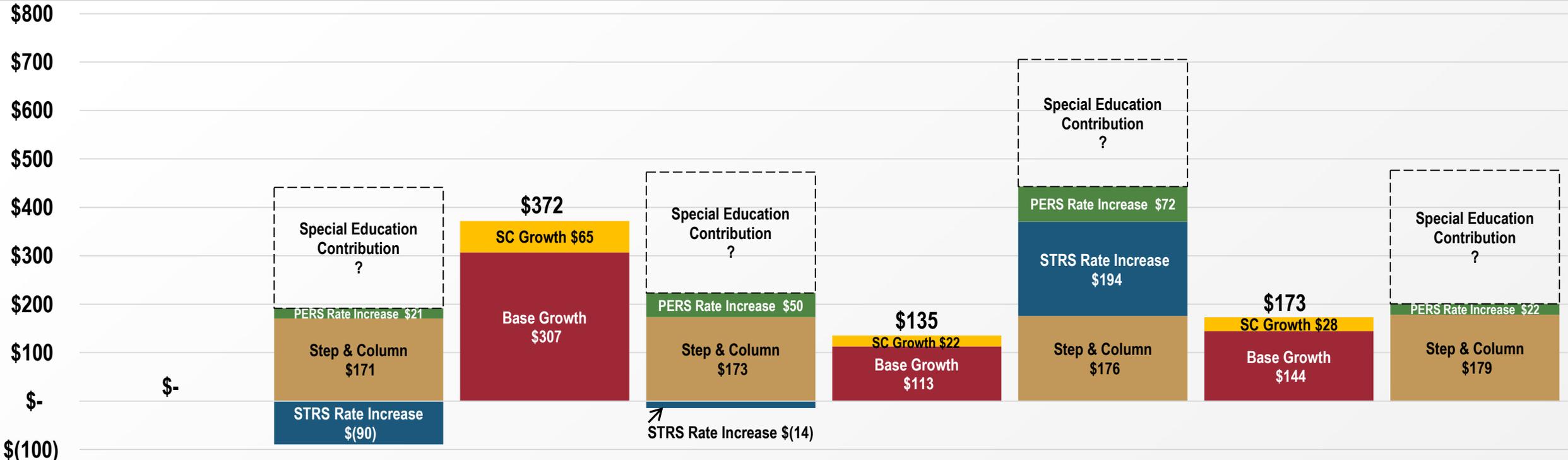
## Budget Projects Surplus and Future Shortfalls<sup>1</sup>



<sup>1</sup>Budget shortfalls or surplus, measured by the annual Governor's Budget  
Source: 2021-22 Governor's Budget Summary, page 3

# Per-ADA Growth in Revenues and Expenditures

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Year	Category	COLA
2020-21	Expenditures	
	LCFF Growth Revenues	0% COLA
2021-22	Expenditures	
	LCFF Growth Revenues	3.84% Compounded COLA
2022-23	Expenditures	
	LCFF Growth Revenues	1.28% COLA
2023-24	Expenditures	
	LCFF Growth Revenues	1.61% COLA

# Federal Funds

<b>Local Education Agency</b>	<b>SB 117 COVID Code 7388</b>	<b>CARES - ESSER Code 3210</b>	<b>GEER Fund Res. Code 3215</b>	<b>CR Fund Res. Code 3220</b>	<b>GF Res. Code 7420</b>	<b>Grand Total</b>
Paso Robles Joint Unified	\$ 113,442.00	\$ 1,134,167.00	\$ 433,331.00	\$ 3,568,108.00	\$ 535,057.00	\$5,784,105.00
	<b>COVID-19 New Fed Funding</b>	<b>ADA</b>	<b>State Reopening \$ for Feb \$450</b>	<b>Total New Funds 2021</b>		
Paso Robles Joint Unified	\$ 4,759,873.00	6867	\$ 3,090,150.00	\$ 7,850,023.00		
	<b>ADA</b>	<b>Estimated Biden CARE III Allocation</b>				
Paso Robles Joint Unified	6867	\$ 7,564,590.34				

# Budget Process – Recommendation

- At 2<sup>nd</sup> Interim, transfer allowable expenses to various COVID Revenues to offset General Fund expenditures.
  - Goal is to increase the General Fund reserve
  - Recommended by SLOCOE
- Continue to follow the path to right-size staffing based on enrollment
- Continue to consider recommendation of the 7-11 Committee
- Allocate ESSER II funds for HVAC/indoor air quality facility projects
- Resolution 21-12 – Confirming Commitment to Meet Financial Obligations
  - Recommended reduction FY 2021-22 = \$1,000,000
  - Recommended reduction FY 2022-23 = \$1,500,000