The background of the slide features three stacks of gold coins on a red surface. The stack on the left is the tallest, reaching about two-thirds of the way up the frame. The middle stack is shorter, and the stack on the right is the shortest, located in the bottom right corner. The coins are gold-colored with a textured, ridged edge.

# Governor's Proposals for the 2021–22 State Budget and K–12 Education

Presented By:

School Services of  
California Inc. Staff

School  
Services  
of California<sup>TM</sup>  
INC.  
*An Employee-Owned Company*

# Themes for the 2021–22 Governor's Budget

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- Across the proposed 2021–22 Budget, the Governor targets state resources to help the state and its residents recover from the health and economic crisis of COVID-19
  - Investments to protect small business
  - Jobs creation package
  - Equitable access to housing, healthcare, and education for Californians
- While we have all been consumed by the pandemic, the state is still recovering from the historic fires of the summer
- Rebuilding the state's financial reserves and fiscal footing is a priority
- On the public education front, Governor Gavin Newsom prioritizes addressing long-standing inequities illuminated by the pandemic
  - Early action initiatives to get young and vulnerable students back in the classroom with targeted academic interventions and opportunities to accelerate learning
  - Increased funding across all segments from early childhood education through the University of California system

# State Budget and Economy

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- The 2020–21 State Budget went from a planned \$5.6 billion surplus to a \$54.3 billion deficit within two months as a result of the historic pandemic. Almost every major economic indicator for both the nation and California took major hits including the Gross Domestic Product (GDP), Unemployment Rates, Nonfarm Employment, S & P 500, etc.
- Six months later, with revenue growth surpassing the original revenue expectations forecasted in the early stages of the pandemic, Governor Newsom's Budget proposal forecasts a dramatic restoration of funding
- Driving revenue growth was the recovery of those hard-hit economic indicators that, in some instances, have fully recovered and even exceed pre-pandemic levels resulting in stronger than estimated revenue from the "Big Three" taxes
- While very welcome, the recovery has not been even for all Californians
  - We didn't get a "V," we didn't get an "L," we got a "K" shaped recovery

# The Education Budget

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- There is much to celebrate in the education budget proposal, especially compared to the 2020–21 May Revision
- And when you compare it to Governor Newsom’s 2020–21 Budget proposal from January 2020—a lifetime ago—you see a lot of similarities
  - The 2021–22 Governor’s Budget clearly addresses the current COVID-19 education reality, but also resurrects proposals from last January that were put on hold because of the economic collapse
    - Community Schools, Mental Health, and School Climate Surveys
    - Early Childhood Education
    - Special Education Preschool
    - Educator Investments
- Among other issues, the Governor and Legislature will need to strike a balance between one-time needs and deferral repayments

- All attention in 2021 will fall under the umbrella of COVID-19 mitigation
  - Economic protection from wrath of COVID-19
    - Small business protection
    - Renters' eviction moratorium
    - Extended jobless benefits
- For public education, pandemic mitigation will include:
  - Safely reopening schools
  - Accelerated and extended learning
  - Employer and employee protections
    - Legal immunity against workplace transmission
    - Extended paid sick leave for employees
  - Integrated services—health, mental health, education



# General Fund Budget Summary

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## Resources & Expenses

Total available resources increase 1.48% in 2021–22, while expenditures increase by 5.53%

## Reserves

The “Rainy Day Fund” reaches \$16 billion, or 9.83% of revenues

## 2021–22 General Fund Budget Summary (in millions)

	2020–21	2021–22
Prior-Year Balance	\$5,359	\$12,203
Revenues and Transfers	\$162,742	\$158,370
<b>Total Resources Available</b>	<b>\$168,101</b>	<b>\$170,573</b>
Non-Proposition 98 Expenditures	\$98,956	\$103,681
Proposition 98 Expenditures	\$56,942	\$60,834
<b>Total Expenditures</b>	<b>\$155,898</b>	<b>\$164,515</b>
Fund Balance	\$12,203	\$6,058
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	\$9,028	\$2,883
Public School System Stabilization Account	\$747	\$2,988
Safety Net Reserve	\$450	\$450
<b>Budget Stabilization Account/Rainy Day Fund</b>	<b>\$12,536</b>	<b>\$15,574</b>

The image features three stacks of gold coins on a red surface. The stack on the left is the tallest, followed by a medium stack in the center, and a short stack on the right. The coins are gold with a textured, ridged edge. The background is dark and out of focus. The title 'The Education Budget' is written in white, bold, sans-serif font across the middle of the image.

# The Education Budget

# Proposition 98 Supplemental Payment

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The 2020–21 Enacted Budget established an obligation for the state to make supplemental payments to K–14 education that has two components

%  
State  
Revenues

Beginning in 2020–21, spend 1.5% of state General Fund revenues on K–14 education above the Minimum Guarantee, up to \$12.4 billion

Increase  
K–14  
Funding

Beginning in 2022–23, increase K–14 funding to equal 40% of state General Fund revenues in Test 1 years

The Governor proposes a one-time \$2.3 billion payment in 2021–22 while proposing to repeal the supplemental payment policy in the long-term

# Deferrals

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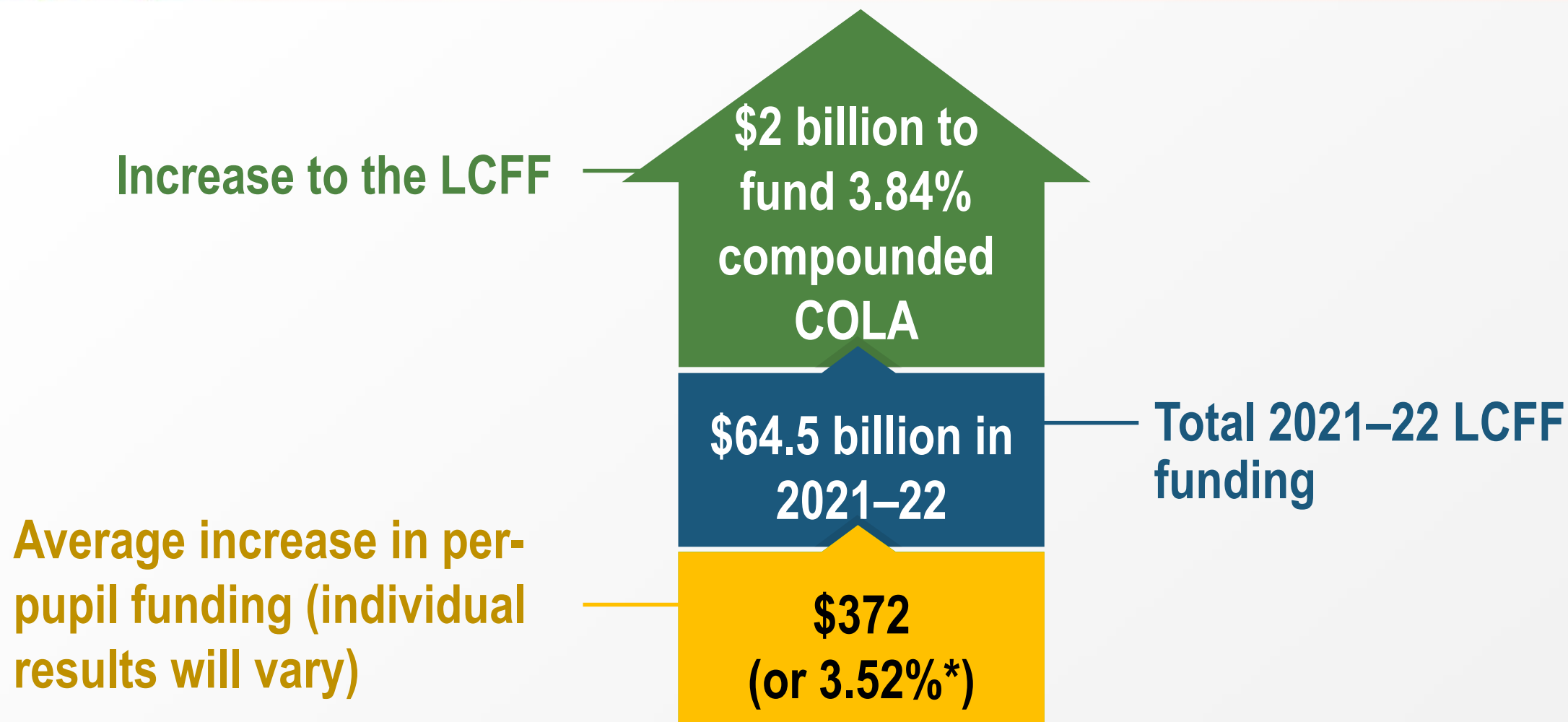
- The 2020–21 Enacted Budget included almost \$13 billion in K–12 LCFF deferrals
- The Governor's Budget proposes paying down a portion of the deferrals—effectively eliminating the on-going deferrals scheduled for February through May 2022
  - Note that this pay down does not impact the deferrals currently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

**Deferrals  
(in billions)**



# 2021–22 LCFF

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

# 2021–22 LCFF Funding Factors

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- The Governor's Budget proposes a 3.84% compounded COLA for 2021–22, which is applied to the LCFF base grants for each grade span
- Two grade span adjustments (GSAs) are applied as percentage increases to the base grants
  - 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	3.84% Compounded COLA	2021–22 Base Grant per ADA	GSA	2021–22 Adjusted Base Grant per ADA
K–3	\$7,702	\$296	\$7,998	\$832	\$8,830
4–6	\$7,818	\$300	\$8,118	-	\$8,118
7–8	\$8,050	\$309	\$8,359	-	\$8,359
9–12	\$9,329	\$358	\$9,687	\$252	\$9,939

# 2021–22 LCFF Funding Factors

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- Supplemental and concentration (S/C) grants are calculated based on the percentage of a local educational agency's (LEA) enrolled students who are English learners, free and reduced-price meal program eligible, or foster youth—the unduplicated pupil percentage (UPP)

Grade Span	2021–22 Adjusted Base Grant per ADA	20% Supplemental Grant per ADA—Total UPP	50% Concentration Grant per ADA—UPP Above 55%
K–3	\$8,830	\$1,766	\$4,415
4–6	\$8,118	\$1,624	\$4,059
7–8	\$8,359	\$1,672	\$4,180
9–12	\$9,939	\$1,988	\$4,970

# Supplemental and Concentration Accountability

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AB* 1835 (Weber, D-San Diego)	Action	2021–22 Governor's Budget	Analysis
<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>
*Assembly Bill (AB)			

# Transitional Kindergarten and Full-Day Incentive Funding

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- The Governor's Budget includes one-time funds to incentivize expanded transitional kindergarten (TK) and full-day kindergarten programs



- \$250 million to cover upfront costs of voluntarily expanding TK programs
- \$50 million to train TK and kindergarten teachers in
  - Inclusive instruction
  - English learner support
  - Social-emotional learning
  - Trauma-informed and restorative practices



- \$200 million (non-Proposition 98)
  - Construct and retrofit existing facilities
  - Support expanded TK
  - Support full-day kindergarten programs

# 2021–22 Child Care and Preschool

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- While the Governor's Budget does not pay for the 2020–21 foregone COLA to provider reimbursement rates, it proposes to apply the 1.5% COLA in 2021–22 to general child care and state preschool rates

General Child Care	
Rate	2021–22 Amount
Regional Market Rate (RMR)	The greater of: <ul style="list-style-type: none"><li>75th percentile of the 2016 RMR survey</li><li>RMR ceiling as of December 31, 2017</li></ul>
Standard Reimbursement Rate	\$50.28 daily (\$12,570 annually)
State Preschool Program	
Part Day	\$31.33 daily (\$5,483 annually)
Full Day	\$50.60 daily (\$12,649 annually)

# Special Education—Base Funding

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- **Governor Newsom continues to prioritize students with disabilities, often citing his own experience with dyslexia**
- **The base special education funding formula, which provides \$625 per ADA for most Special Education Local Plan Areas, will receive the estimated statutory COLA of 1.5%**
  - **Bringing the new base funding rate to \$634.38**
    - **Unfortunately, the Newsom Administration is not proposing to make up for the 0% COLA in the current year**
  - **At this time, no further structural changes are proposed to the AB 602 funding formula**

# Special Education—Early Intervention Grant

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- **Additionally, the Governor proposes \$300 million in ongoing funds for the Special Education Early Intervention Grant**
  - **These grants were also provided in the 2019–20 Enacted Budget**
    - **In that year, funding was sent to LEAs of residence based on the number of preschoolers with disabilities**
      - **The funding was not restricted to serving these students**
  - **While not yet in print, the language will be similar, but will focus on evidence-based services that directly support the school readiness of infants, toddlers, and preschoolers with a targeted focus on providing services in inclusive settings, as practicable**
  - **Based on the latest data available, utilizing the same funding methodology as in 2019–20, SSC estimates that LEAs will receive roughly \$5,900 per resident preschooler with disabilities**

# Special Education—Other Funds

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- **Three other small pots of funds will support special education:**
  - **\$5 million one-time to establish professional learning networks to increase local educational agency capacity to access federal Medi-Cal funds**
  - **\$250,000 for a lead COE to provide guidance for Medi-Cal billing within the statewide system of support**
  - **\$500,000 one-time for a study to examine certification and oversight of non-public school special education placements**

# Community Schools, Mental Health, and School Climate

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**\$264.9 Million  
Community Schools**

Expand existing networks of community schools and establish new community schools with priority given to those in high-poverty communities

**\$450 Million  
Mental Health Programs**

Investment in three mental health programs to respond to mental health needs of students and families that have been exacerbated by the COVID-19 pandemic

**\$10 Million  
School Climate Surveys**

A COE will be chosen to assist LEAs with conducting school climate surveys to assess community needs under COVID-19

# Educator Professional Development

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- Recognizing the extraordinary challenges faced by teachers, administrators, and classified staff during the COVID-19 pandemic, the Governor's Budget includes investments of more than \$540 million one-time Proposition 98 funds to support:

**Professional  
Learning**

**Teacher  
Effectiveness**

**The Teacher  
Pipeline**

- In contrast, the 2020–2021 Enacted Budget included \$900 million one-time Proposition 98 funds to invest in the educator workforce

**This year's proposal narrows the focus, addressing targeted areas which will require additional educator and student support, and subject areas or programs that are significantly impacted by the pervasive teacher shortage**

# Educator Professional Development

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- The Governor's Budget includes \$315.3 million to support educator professional learning and teacher effectiveness

**\$250 million for the Educator Effectiveness Block Grant which provides resources to expedite professional development in accelerated learning, re-engaging students, restorative practices, and implicit bias training**

**\$50 million to create statewide resources and professional development on social-emotional learning and trauma-informed practices**

**\$8.3 million for the California Early Math Initiative—professional development which provides teachers with math teaching strategies for pre-K through third grade**

**\$7 million to the University of California Subject Matter Projects to provide professional development targeted on learning loss in core subject matter content areas**

**\$5 million to support professional development and materials for LEAs who are offering courses on ethnic studies**

# The Teacher Pipeline

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- The Governor's Budget includes \$225 million in continued support and expansion of existing teacher pipeline programs such as the Teacher Residency program and the Classified School Employee Credentialing program
  - Support is focused on students enrolled in teacher preparation programs and are committed to working in high-need fields and at schools with high rates of under-prepared teachers
  - Students enrolled in teacher preparation programs such as special education, bilingual education, and STEM\*
  - Funding supports pathways for classified staff who aspire to become credentialed teachers

**\$100 million continued investment in the Golden State Teacher Grant Program**

**\$100 million to support the Teacher Residency Program**

**\$25 million to the Classified School Employees Credentialing Program**

\*Science, technology, engineering, and mathematics

# Mandate Block Grant

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- All school districts, charter schools, and COEs are eligible to participate in the Mandate Block Grant (MBG), notwithstanding the applicability of state mandates on their operations
- Like other educational programs outside of the LCFF, the MBG is only receiving the 2021–22 estimated, statutory COLA of 1.5%—therefore, the 2021–22 rates are as follows:

Grade Span	School Districts	Charter Schools	COEs
K–8	\$32.66	\$17.11	\$33.76
9–12	\$62.87	\$47.57	\$63.97

- The Governor’s Budget makes no changes to the mandates recognized for funding under MBG
  - However, the Education Mandated Cost Network was successful in getting the Public School Restrooms: Feminine Hygiene Products (AB 10 [Chapter 687/2017]) approved as a mandate
    - Until it is included in the MBG, school districts can submit claims for reimbursement

# What's Not in the Budget?

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- 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 Rest of the Budget

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**\$372 million for  
administration of  
COVID-19 vaccine**

**\$777.5 million  
for a California  
Jobs Initiative**

**\$14 billion for economic  
recovery and relief  
programs from  
COVID-19**

**\$1 billion for forest  
health and fire  
prevention strategy**

**\$1.75 billion for housing  
and homelessness  
initiatives**

**\$1.5 billion to  
achieve the state's  
zero-emission  
vehicle goals by  
2035 and 2045**

# 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

# Current Federal and State Pandemic Funding

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- The additional funds, while welcomed, created a heightened level of urgency to ensure compliance with spending regulations and spending deadlines



\*Extended to December 31, 2021, by Coronavirus Response and Relief Supplemental Appropriations (CRRSA)

# Coronavirus Relief Funds Deadline Update

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## CARES Act

CARES Act required  
CR Funds to be incurred by  
December 30, 2020

## CRRSA Act

Recently approved federal  
stimulus known as the CRRSA Act  
extended the deadline for  
incurring expenses to  
December 31, 2021

## State Restrictions

Current trailer bill language, if  
approved, will require LEAs with  
unspent CR Funds to spend in full  
compliance with federal law by  
May 31, 2021

By March 1, 2021, LEAs with  
unspent CR Funds must complete  
re-certification with respect to  
May 31 deadline

CR Funds not expended by  
May 31, 2021, will be swept

# 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

# Proposed State Expanded Learning Time and Academic Intervention Grants

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- Finally, the Governor calls on the Legislature to take early action to address learning loss with a one-time Proposition 98 infusion of \$4.6 billion
- Few details provided with the 2021-22 Governor's Budget

## Who?

- Low-income students
- English learners
- Foster and homeless youth

## What?

- Expanded learning time or summer school
- Targeted strategies and academic interventions to address learning loss

# President-Elect Biden's Education Agenda

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**Triple Title I funding  
for schools**

**Increase funding for  
teacher mentoring,  
leadership, and  
professional  
development**

**Strengthen the Public  
Service Loan  
Forgiveness Program  
for teachers**

**Provide “full funding”  
for special education**

**Double the number of  
psychologists,  
counselors, nurses,  
and social workers in  
schools**

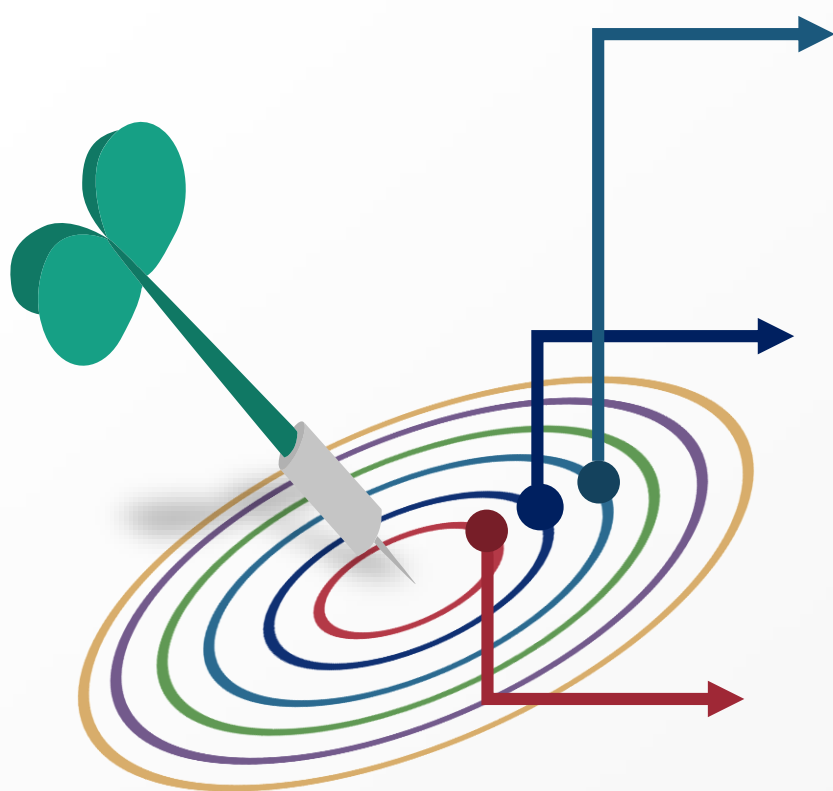
**Invest \$775 billion in  
early education  
initiatives including  
universal preschool**

The image features three stacks of gold coins on a red surface. The tallest stack is on the left, followed by a medium stack in the center, and a short stack on the right. The background is dark and out of focus. The text 'Budget Impacts on Local Agency Operations' is overlaid in white, bold font on the right side of the image.

# Budget Impacts on Local Agency Operations

# Multiyear Projections

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**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 Dartboard

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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 dartboard**
- **Due to the large difference in the estimates, we have included our estimate for your consideration**

# CalPERS Employer Contribution Rates

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- The Governor does not include any new funding towards CalPERS for LEAs
  - However, previous investments reduce the employer contribution rate for CalPERS from 24.9% to 23.00% in 2021–22
- The employer contribution rates to CalPERS were modified a few times since the 2020–21 Enacted State Budget, as follows:

Year	Prior Projections per Dartboard	Adjusted by CalPERS Investment Returns	Projected Rates per Actuarial Report
2020–21*	20.70%	20.70%	20.70%
2021–22	22.84%	23.01%	23.00%**
2022–23	25.50%	26.24%	26.30%
2023–24	26.20%	27.14%	27.30%
2024–25	26.20%	27.14%	27.80%
2025–26	26.20%	27.14%	27.80%
2026–27	N/A	N/A	27.60%

\*Actual for 2020–21 and estimated for future years

\*\*Governor's Budget Summary, pgs. 64-65

# CalSTRS Employer Contribution Rates

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- Similar to CalPERS, the Governor does not include any new funding towards CalSTRS for LEAs
  - However, previous investments reduce the employer contribution rate for CalSTRS from 18.1% to 15.92%
- Reminder: On-Behalf Payments (expenditures in Resource Code 7690) have been excluded from the calculation for the Routine Restricted Maintenance Account contribution

Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year-over-year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10%	0.82%
July 1, 2020	16.15%	- 0.95%
July 1, 2021*	~ 15.92%	~ - 0.23%

\*Governor's Budget Summary, pgs. 64-65

# Statewide Average Reserve Levels

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- The latest statewide data available on school district reserves is from 2018–19:

2018–19 Average Unrestricted General Fund, Plus Fund 17; Net Ending Balances <sup>1</sup>	
Unified School Districts	17.26%
Elementary School Districts	20.47%
High School Districts	15.64%

<sup>1</sup>As a percentage of total General Fund expenditures, transfers, and other uses

- Local school agencies were prepared coming into this recession
  - Almost all school types were at the percentage of reserves recommended by the Government Finance Officers Association of 17%—or two months—of expenditures

See *Fiscal Report* article “2018–19 Reserve Levels” in the Workshop Resources.