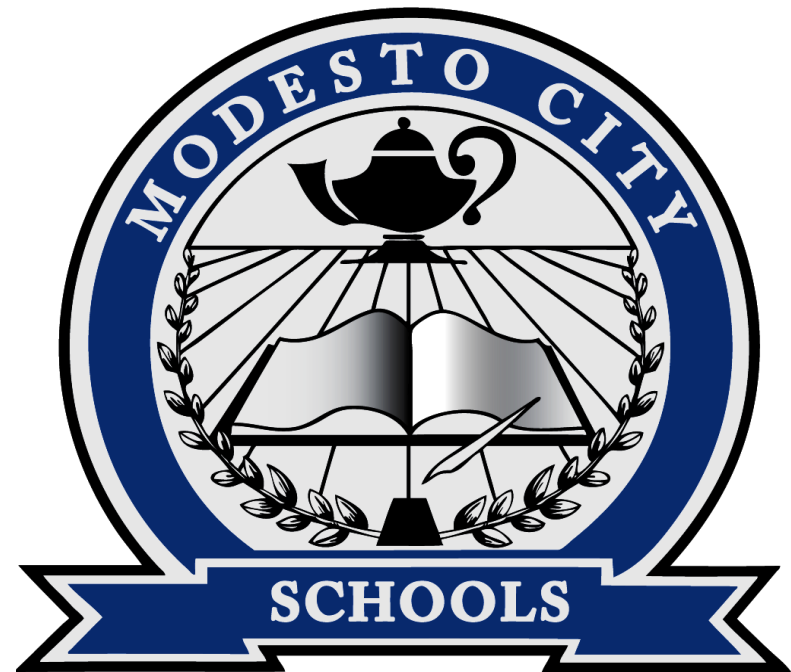


2021-22 Governor's Budget Proposal

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February 9, 2021



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Purpose of Presentation

- State Budget and Economy
- Governor's 2021-22 Budget Proposal Highlights
- Pandemic Funding
- Average Daily Attendance (ADA) Funding
- Reserves
- Next Steps for Budget Development



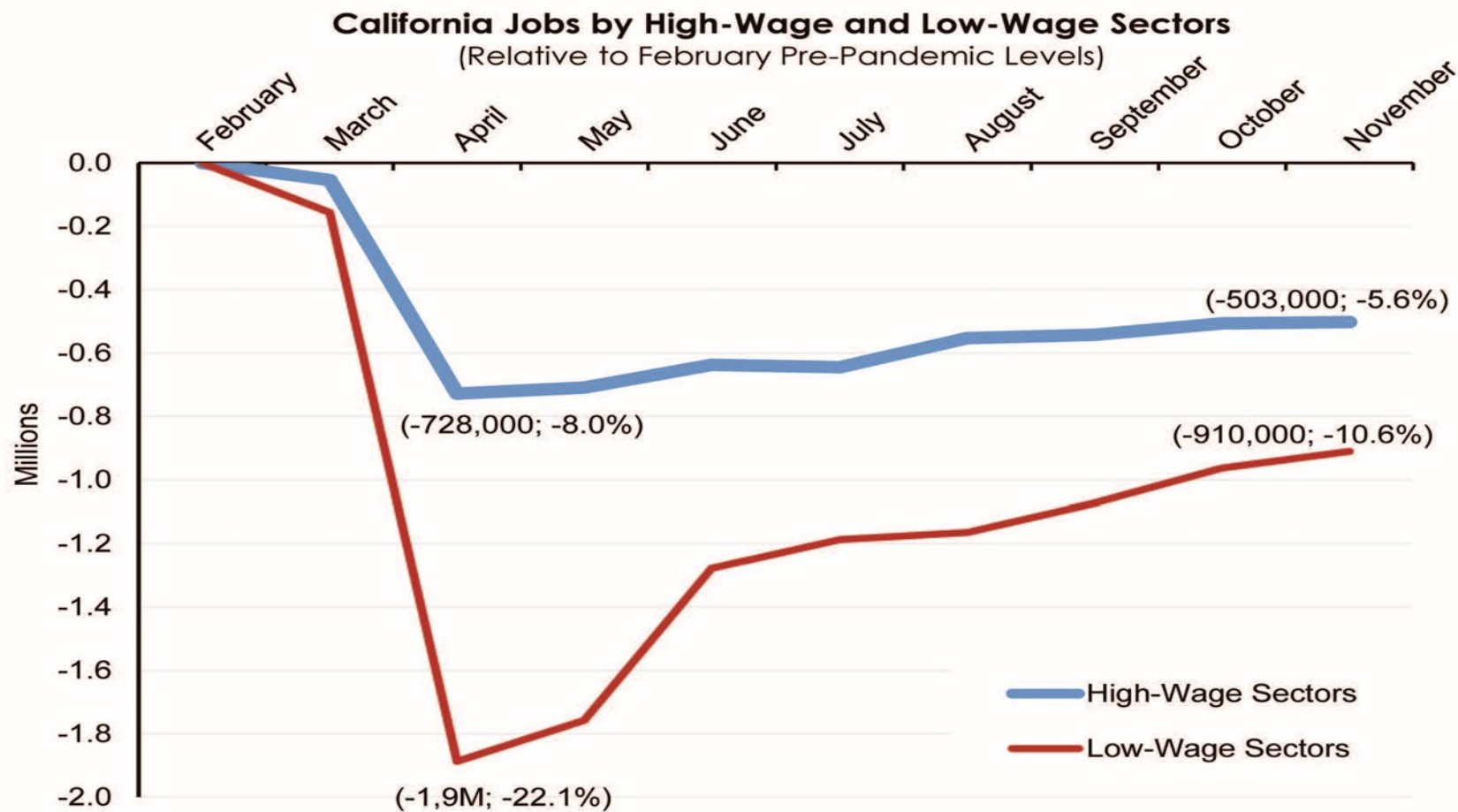
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State Budget and Economy

- 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.
- 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 in stronger than estimated revenue from the “**Big Three**” taxes
 - **Personal Income Tax, Sales/Use Tax, Corporation Tax**
- 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

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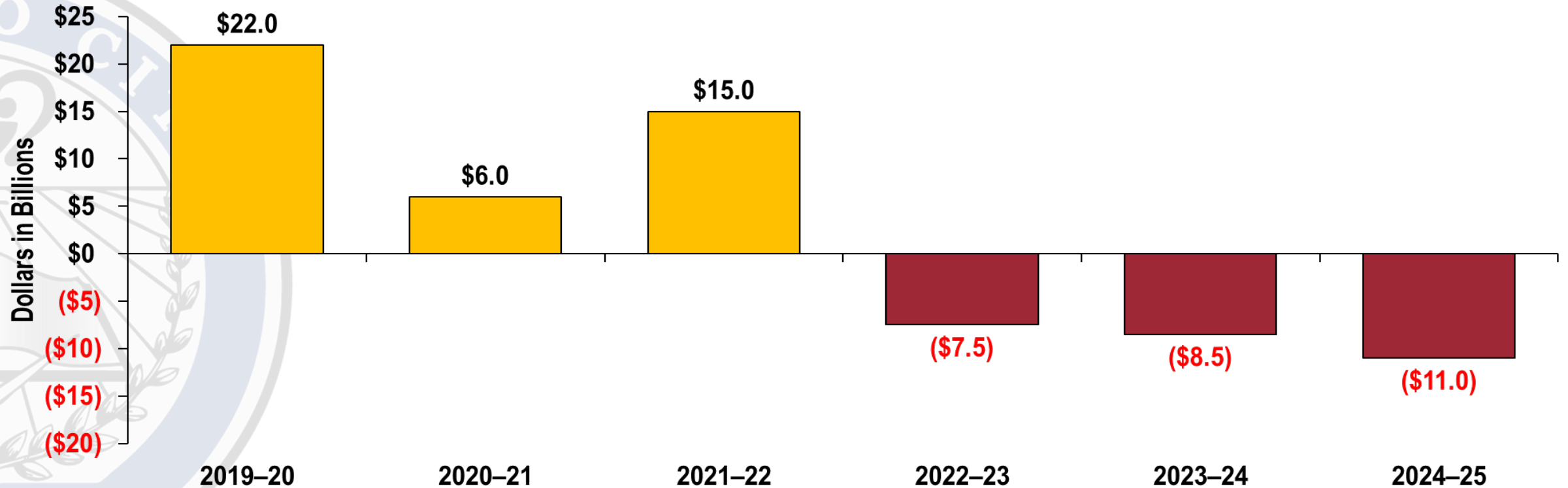
California Jobs by Wage Sector



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California Budget – Surplus and Shortfalls

Budget Projects Surplus and Future Shortfalls¹



¹Budget shortfalls or surplus, measured by the annual Governor's Budget

Source: 2021-22 Governor's Budget Summary, page 3

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The Education Budget

- 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

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What is Not in the Budget?

While the Governor's Budget proposal seems to have everything plus the kitchen sink, there are **several items** that education would have liked to see proposed:

- **COVID-19 liability coverage**
- UPP **hold harmless** for those 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

COLA – What a Difference a Year Makes

- The pandemic did **not** have the **draconian** financial impacts projected in June 2020, but local educational agencies (LEAs) still have not been made whole
 - The **zero** cost-of-living adjustment (COLA) in **2020–21** has likely fallen into a black hole as a **one-time loss** for the Local Control Funding Formula (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
Statutory COLA	2.31%	1.50%	• 3.84% applied to LCFF • 1.50% applied to special education and other categorical programs (e.g., Mandate Block Grant)
Funded COLA	0.00	3.84%	

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2021-22 LCFF Funding Factors

- The budget proposes a **3.84% compounded COLA** for 2021-22, applied to the LCFF base grants for each grade span
- Two grade span adjustments (GSA) 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 for **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

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2021-22 LCFF Funding Factors

- Supplemental & Concentration (S/C) grants are calculated based on the percentage of 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

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CalSTRS Employer Contribution Rates

- The Governor does **not** include any new funding towards the California State Teachers' Retirement System (CalSTRS)
- However, previous investments **reduce** the employer contribution rate from 18.1% to 15.92%

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

CalPERS Employer Contribution Rates

- The Governor does **not** include any new funding towards the California Public Employers' Retirement (CalPERS)
- However, previous investments **reduce** the employer rate from 24.9% to 23.00% in 2021-22

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

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Transitional Kindergarten & Full Day Incentive Funding

- The 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

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Special Education Base Funding

- 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 **will receive** the estimated statutory COLA of 1.5%
 - Brings the new base funding rate to \$634.38
- **Unfortunately, the Governor is not proposing to make up for the 0% COLA in 2020-21**
- **No further proposals** to modify the Assembly Bill 602 funding formula

Funding for Reopening Schools

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

Funding Formula (per ADA)

**Base Grants = \$450.00 (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



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Safe Schools for All – What's Required



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

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Proposed State Expanded Learning Time and Academic Intervention Grants

- The Governor is requesting **early action** to address **learning loss** with a one-time Proposition 98 infusion of \$4.6 billion
- **Few details** were included in the budget proposal
- **Estimated funding is \$22,739,084**

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**

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Meal Service Flexibility

- Under normal circumstances, the Summer Food Service Program and Seamless Summer Option programs allowed the serving of meals to students **outside** of the typically required group times
 - Meals were available during periods of school closure (e.g., summer recess)
- The USDA has provided flexibility twice during the 2020 calendar year
 - Current flexibility is now extended **through June 30, 2021**
- Allows the following **flexibilities** in participating programs
 - Serve meals in **non-congregate** setting (grab-and-go, drive up meal service)
 - Meal service **times**
 - Allows parents and guardians to pick up meals for children

Current Federal and State Pandemic Funding

- 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

	ESSER ¹	GEER ²	CR ³	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

¹Elementary and Secondary School Emergency Relief (ESSER)

²Governor's Emergency Education Relief (GEER)

³Coronavirus Relief

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New COVID 19 Federal Stimulus Package

- On December 27, 2020, President Trump signed the **\$2.3 trillion Consolidated Appropriations Act, 2021** into law
- The COVID-19 relief package earmarked **\$82 billion** for education, and **continued funding for school meal programs**
- The bill also included an **extension** of the CARES Act expenditure deadline from **December 30, 2020 to December 31, 2021**

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New COVID 19 Federal Stimulus Package

- At least 90% of ESSER funding needs to be allocated in proportion to the 2020-21 Title I, Part A funding, expiring September 30, 2023
 - Governor's proposal does not state how the remaining 10% will be spent
 - Governor has not detailed how he plans to spend this round of GEER funds

Funding Source	Total Amount	California's Estimated Share
ESSER Fund	\$54.3 billion	\$6.8 billion
Higher Education Emergency Relief Fund	\$22.7 billion	\$2.9 billion
GEER Fund	\$4.1 billion (\$2.75 billion for private schools)	\$341.4 million (\$187.5 million for private schools)

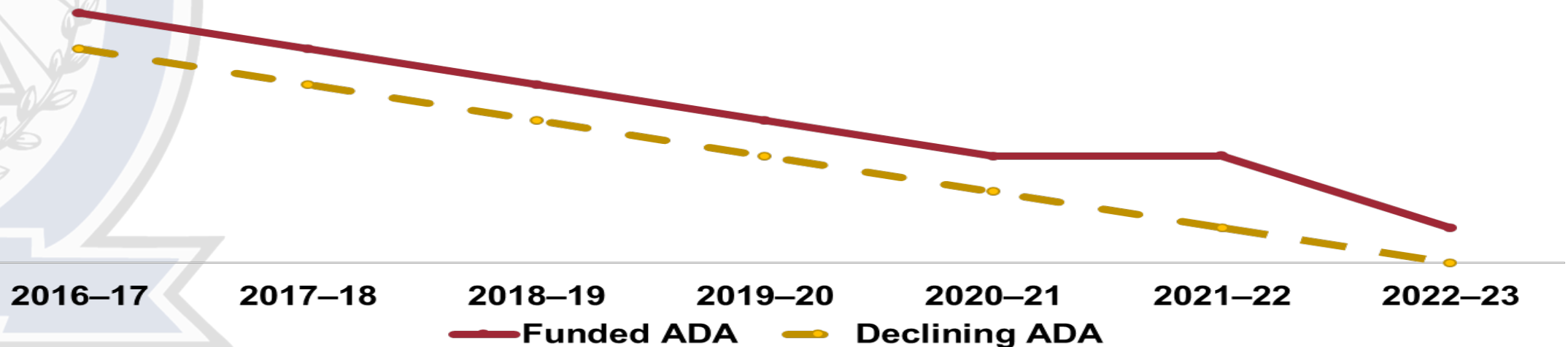
- New ESSER funding is estimated to be \$33,386,500

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2021-22 ADA Impacts

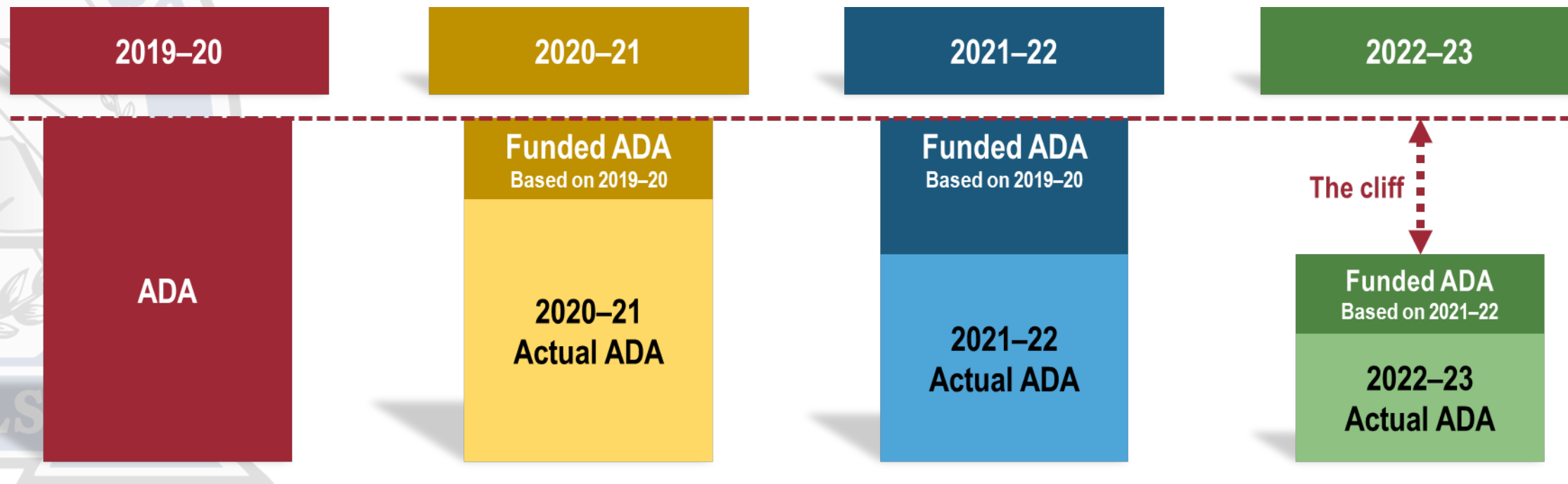
- The budget proposal does **not** include an **ADA hold harmless** provision for 2021-22
- However, since the state is not collecting attendance for 2020-21, we will be able to use the **higher** of 2019-20 or 2021-22 ADA in 2021-22

MYP for Declining Enrollment Districts



2021-22 ADA Impacts

- Many districts will experience a **funding cliff** at some point in the future due to natural attendance **declines** and **enrollment loss** from COVID-19

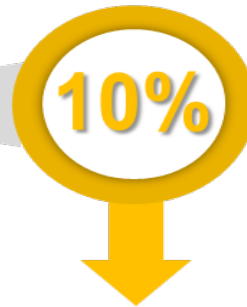


Cap on District Reserves

- The proposed deposits into the education rainy day fund **will 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

Statewide Average Reserve Levels

- The statewide data on school district reserves from **2018-19**:

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

¹As a percentage of total General Fund expenditures, transfers, and other uses

- The Government Finance Officers Association **recommends 17%, or two months of expenditures**
- **2019-20** reserve level **16.14%**

SSC Financial Dashboard

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

- In most years, the SSC estimates and the Department of Finance (DOF) estimates are very **close**
- Due to the large difference, SSC has included their estimate for **consideration**

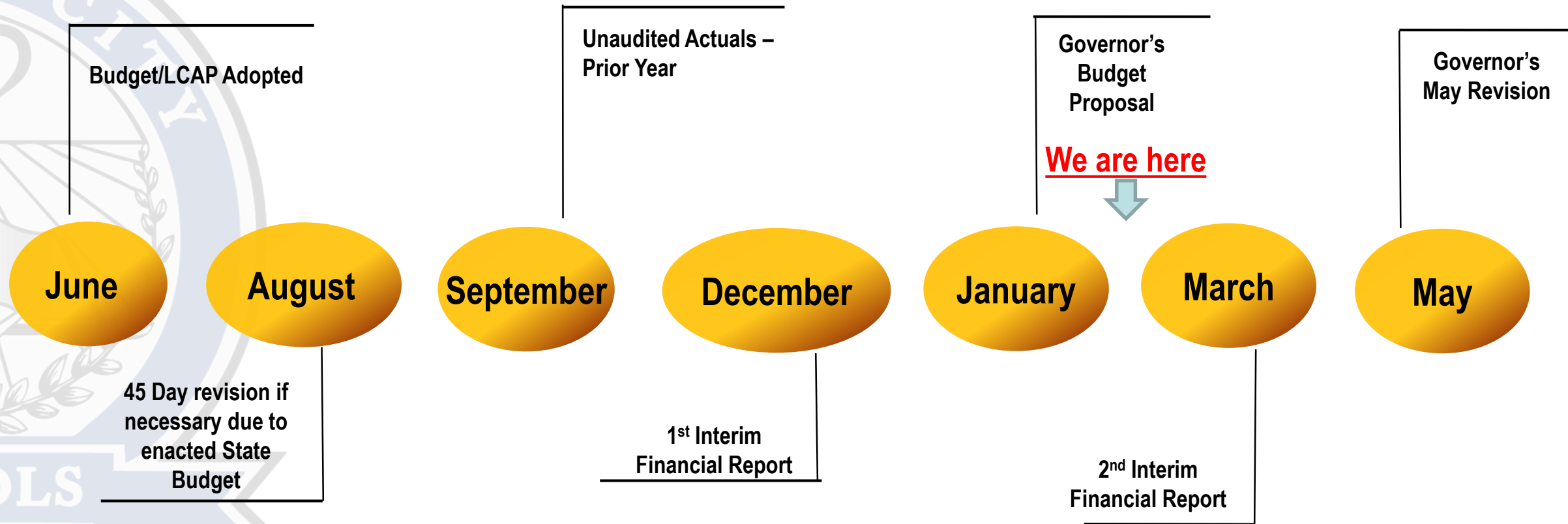
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Next Steps for Budget Development

- Budget meetings **with school sites and departments**
- **Include** Governor's Budget Proposal into Multi Year Projection (MYP) for the **2020-21 Second Interim Report**
- Update **revenue** projections from **Governor's May Revision**
- **Public Hearing to adopt** the Local Control Accountability Plan (LCAP) and the budget

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Budget Reporting Cycle



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Questions



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