



Governor's Proposals for the 2019-20 State Budget and K-12 Education

Berkeley Unified School District



Themes for the 2019-20 Governor's Budget

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- **Governor Gavin Newsom's first State Budget lays the groundwork and signals his governing philosophy and outlook for the next four years**
- **The economy continues to outperform expectations, but the recovery from the Great Recession is in its tenth year and some fear a downturn is looming**
- **The growth in Proposition 98 for 2019-20 is meager even though state revenues are outpacing the forecast**
- **Local educational agencies (LEAs) will continue to face budget challenges as Local Control Funding Formula (LCFF) funding flattens and costs rise**
- **The education budget contains some new proposals, but Governor Newsom's early childhood education initiative will take center stage**
- **Accountability remains a priority as the California School Dashboard (Dashboard) and other metrics continue to evolve**



Legislative Landscape

- **Former Governor Jerry Brown's position on funding and legislation was well known, so legislators have waited him out on certain hot topics, expecting more receptive perspectives from Governor Newsom on:**
 - **Charter schools**
 - **Early childhood education**
 - **Facilities**
- **And while Democrats control both houses and the Governor's office, they are not all the same shade of blue**
 - **The wave election brought in Democrats from historically conservative areas, making them less likely to be progressive**
- **Governor Newsom encounters a seasoned Legislature with term limits longer than his own and leaders that have been through State Budget negotiations before**
 - **These dynamics could make for more interesting State Budget dynamics than under former Governor Brown**



Accountability in 2019

- **Governor Newsom has indicated that he intends to continue former Governor Brown's signature school funding program and believes that continued successful implementation of the LCFF and its accountability and continuous improvement system are key next steps for the state's public education system**
- **With the Dashboard now in place and the LCFF officially meeting its funding targets in fiscal year 2018-19, there will be a much larger emphasis on outputs and accountability for the K-12 system moving forward**
 - **Policymakers and stakeholders will become increasingly interested in the LCFF's efficacy**
 - **How and when will we know if it is working?**
- **New transparency requirements and 2018-19 State Budget investments in technical assistance, community engagement, and Multitiered Systems of Support bring us one step closer to reaching the state's aspirational goal of a single coherent system of support**



The California Economy

- The California economy continues to grow but at a slower rate than the immediate years following the Great Recession
- Continued growth of the economy will rely on three major factors, which may be difficult to achieve
- The Budget assumes steady job growth and a more balanced distribution of wage increases across all workers

Job growth

**Increasing
wages**

**Contained
inflation**



Risks to the California Economy and the State Budget

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- Governor Newsom and the UCLA economists identify a different set of key risks to California's economy – they aren't mutually exclusive

Governor

- Policy conflicts with the federal government
- Volatile stock market
- An aging population
- Housing crisis

UCLA

- Unratified tri-party trade agreement between California, Mexico, and Canada
- Continued trade tensions between the U.S. and China

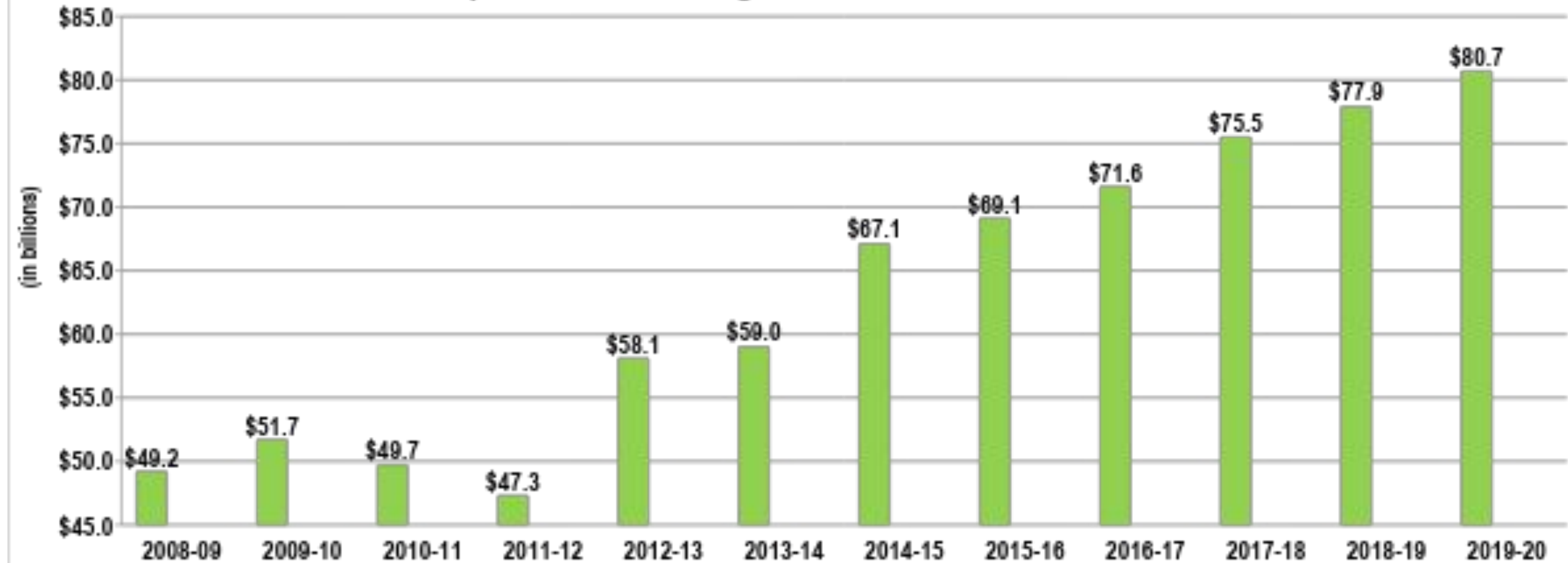
- The health of the economy drives state revenues and thus the State Budget



Proposition 98

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Proposition 98 Funding Over Time 2008-09 to 2019-20





2019-20 Local Control Funding Formula

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- The State Budget proposes \$2 billion towards LCFF to fund the 3.46% statutory COLA
 - This brings LCFF funding to \$63 billion (up from \$61 billion in 2018-19)
- 2019-20 LCFF growth provides an average increase in per-pupil funding of an estimated \$343 per ADA, or 3.37% (individual results will vary)
 - The lower 3.37% increase takes into consideration that no COLA is provided for Targeted Instructional Improvement Grant, Transportation, or Economic Recovery Target
 - For Berkeley USD it provides an increase of \$320 per ADA or 3.34%



2019-20 LCFF Funding Factors

- The K-12 COLA is 3.46% for 2019-20 and is applied to the LCFF base grants for each grade span

Grade Span	2018-19 Base Grant Per ADA	3.46% COLA	2019-20 Base Grant Per ADA
K-3	\$7,459	\$258	\$7,717
4-6	\$7,571	\$262	\$7,833
7-8	\$7,796	\$270	\$8,066
9-12	\$9,034	\$313	\$9,347



2019-20 LCFF Funding Factors

- Two grade span adjustments (GSAs) are applied as percentage increases against the adjusted base grant, also receiving the benefit of a 3.46% COLA in 2019-20
 - Grade K-3 – 10.4% increase for smaller average class sizes
 - Grades 9-12 – 2.6% increase in recognition of the costs of Career Technical Education coursework

Grade Span	2019-20 Base Grant Per ADA	GSA	2019-20 Adjusted Base Grant
K-3	\$7,717	\$803	\$8,520
4-6	\$7,833	–	\$7,833
7-8	\$8,066	–	\$8,066
9-12	\$9,347	\$243	\$9,590



2019-20 LCFF Funding Factors

- 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	2019-20 Adjusted Grants Per ADA	20% Supplemental Grant – Total UPP	50% Concentration Grant – UPP Above 55%
K-3	\$8,520	\$1,704	\$4,260
4-6	\$7,833	\$1,567	\$3,917
7-8	\$8,066	\$1,613	\$4,033
9-12	\$9,590	\$1,918	\$4,795



What Does the LCFF Mean for Berkeley USD?

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Berkeley USD – LCFF Projections vs. 2018-19 Enacted Budget				
Fiscal Year	*LCFF Projected Total Revenue	2018-19 Projection Governor Enacted Budget	Difference	LCFF Per ADA Funding
2019-20	\$92,800,952	\$92,056,756	\$744,197	\$9,910
2020-21	\$95,123,342	\$94,190,286	\$933,056	\$10,158

**The projected LCFF revenues are based on First Interim enrollment projections and Average Daily Attendance (ADA) of 9,364.72, the projections will be adjusted for the Second Interim report.*



CalSTRS – Employer Contributions

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- The State Budget recognizes the cost pressures LEAs face with rising the California State Teachers' Retirement System (CalSTRS) employer contribution rates

**\$3 billion
one-time
non-Proposition
98 to reduce
liabilities for
employers**

**\$700 million to reduce the
employer contribution rate in
both 2019-20 and 2020-21**

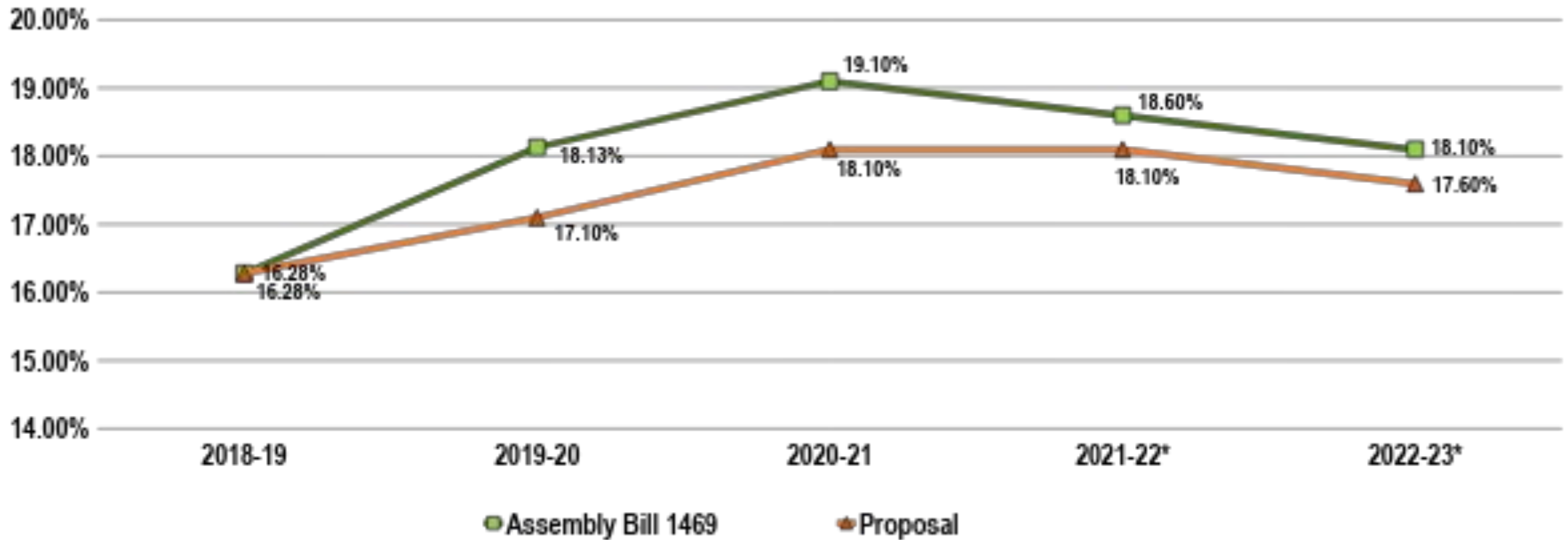
**\$2.3 billion towards employers'
liability, which is expected to
reduce the out-year employer
contribution rate by
approximately 0.5%**



CalSTRS Employer Contribution Rates – Current Law Versus Governor's Proposal

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*Beginning in 2021-22, the CalSTRS Board has authority to increase/decrease the employer contribution rate (with some restrictions) to fully fund the unfunded liability by 2046



Governor's CalSTRS Employer Contribution Rates Proposal

– What it means for Berkeley USD?

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2019-20 Proj 1st Interim	18.13%	\$ 875,268.66
2019-20 Proj 2nd Interim	17.10%	\$ 387,956.92
Projected change		\$ 487,311.74

**With the Governor's proposal, the change in the STRS percentage is projecting to go from a difference of 1.85% at First Interim to 0.82%.*



Early Care and Education

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- One of Governor Newsom's most aggressive budget investments is made in the early care and education sector
- In total, the 2019-20 Budget includes over \$2.4 billion in programs and services to children and families
 - Most are one-time investments
 - Nearly all of them are funded with non-Proposition 98 dollars





What's Not in the Budget?

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- Not surprisingly when a new Administration takes office, there is little time to flush out the details of all the proposals contained in the Governor's Budget
- Over the course of the legislative hearings, additional specificity is expected for:
 - The \$576 million funding various Special Education proposals
 - The Early Childhood Education proposals
- While new funding is provided for Special Education, funding for equalization of rates is not included in the Budget
- The LCFF targets have been achieved, but this is a modest goal; higher LCFF aspirational targets are not included in the Budget
- The Budget does not provide any funds for one-time discretionary grants





Discretionary Grant Funding

- **During the last four years of the economic recovery, school districts have experienced major upward revisions of the current-year Proposition 98 guarantee, providing huge one-time discretionary grants in the following year**
 - **2018-19: \$1.1 billion or \$184 per ADA**
 - **2017-18: \$877 million or \$147 per ADA**
 - **2016-17: \$1.3 billion or \$214 per ADA**
 - **2015-16: \$3.2 billion or \$530 per ADA**
- **In contrast, the Governor's Budget indicates that Proposition 98 has been revised downward in the current year and therefore no discretionary grant funding is proposed for 2019-20**
 - **Nor does Governor Newsom use other one-time funds for discretionary grant funding**



Governor's 2019-20 January Budget COLA & CalSTRS Proposal on Berkeley USD Multi Year Projections

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Unrestricted General Fund (in millions)	2018-19	2019-20	2020-21
REVENUE			
Total COLA - 2018-19 First Interim	3.70%	2.57%	2.67%
Governor's 2019-20 January Budget Proposal	3.70%	3.46%	2.86%
Gap %	100.00%	100.00%	100.00%
LCFF Funding			
Base Funding	84.3	86.6	88.7
Base Funding - Governor's 2019-20 January Budget Proposal	0.0	0.7	0.9
Supplemental Funding	5.5	5.5	5.5
Total LCFF Funding	89.8	92.8	95.1
Other State Funding	3.6	2.1	2.1
Local Funding	2.1	2.0	2.0
TOTAL REVENUE	95.5	96.9	99.2
Sub-Total Expenditures	-91.8	-92.0	-94.2
Board Approved Budget Reductions FY 19-20		2.0	2.0
Governor's CalSTRS Buydown Proposal		0.5	0.5
TOTAL EXPENDITURES	-91.8	-89.5	-91.7
TOTAL SOURCES AND USES	-4.8	-4.8	-4.8



Governor's 2019-20 January Budget COLA & CalSTRS Proposal on Berkeley USD Multi Year Projections

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Unrestricted General Fund (in millions)	2018-19	2019-20	2020-21
Change in Fund Balance	-1.2	2.6	2.7
Beginning Fund Balance	3.9	2.7	5.3
Ending Fund Balance	2.7	5.3	8.0
Revolving Cash	-0.1	-0.1	-0.1
Assignment for Supplemental Grant LCAP	-1.0	-1.0	-1.0
Fund 01 share of 3% reserve	-0.1	0.0	0.0
Ending Fund Balance - Undesignated	1.5	4.2	6.9



Next Steps

- **State level**
 - **Budget committee hearings**
 - **Next update – May Revision**
- **Local level**
 - **January 22 & 29, 2019 – Superintendent’s Budget Advisory Committee (SBAC) Meetings**
 - **February 13, 2019 – Board Discussion on SBAC recommendations**
 - **February 27, 2019 – Board Discussion on SBAC recommendations**
 - **March 13, 2019 – Board Action on SBAC recommendations**
 - **March 13, 2019 – Second Interim report**



Thank you