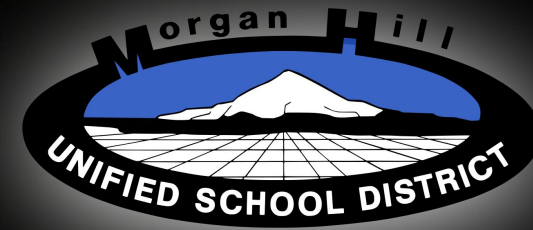


Governor's Proposals for the 2021–22 State Budget and K–12 Education



Presented to the Board of Education on:
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Deputy Superintendent and Chief Financial Officer

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The Education Budget

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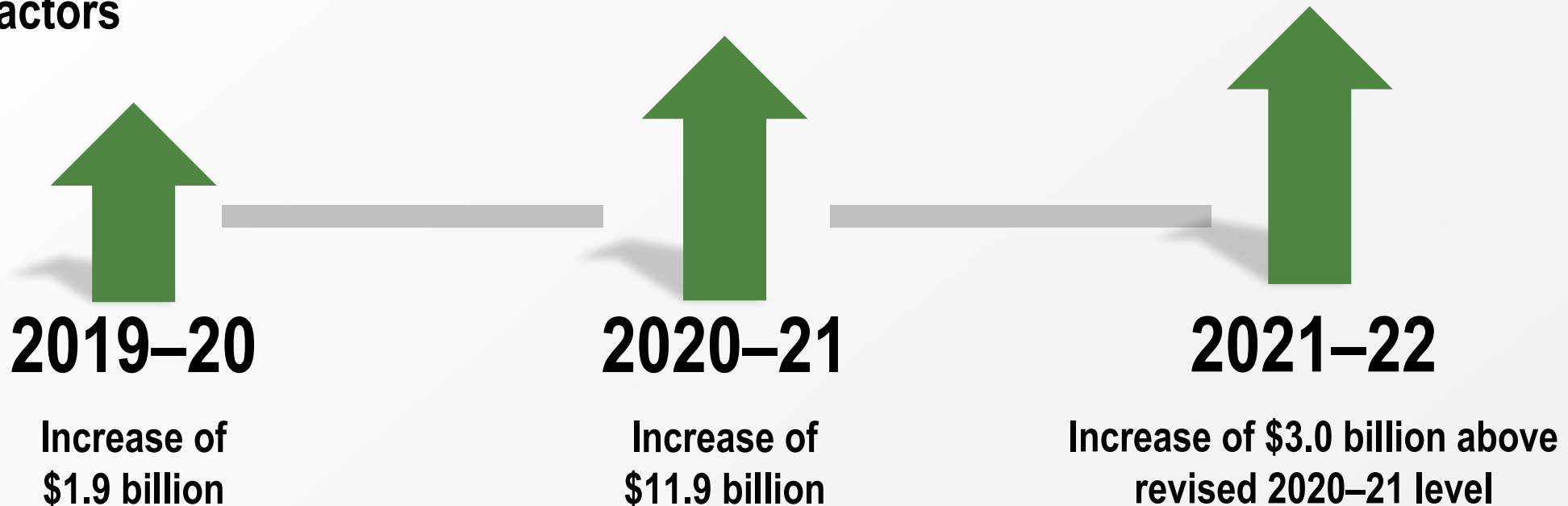
- There is much to celebrate in the education budget proposal, especially compared to the 2020–21 May Revision
- And when you compare it to Governor Newsom’s 2020–21 Budget proposal from January 2020—a lifetime ago—you see a lot of similarities
 - The 2021–22 Governor’s Budget clearly addresses the current 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

Proposition 98

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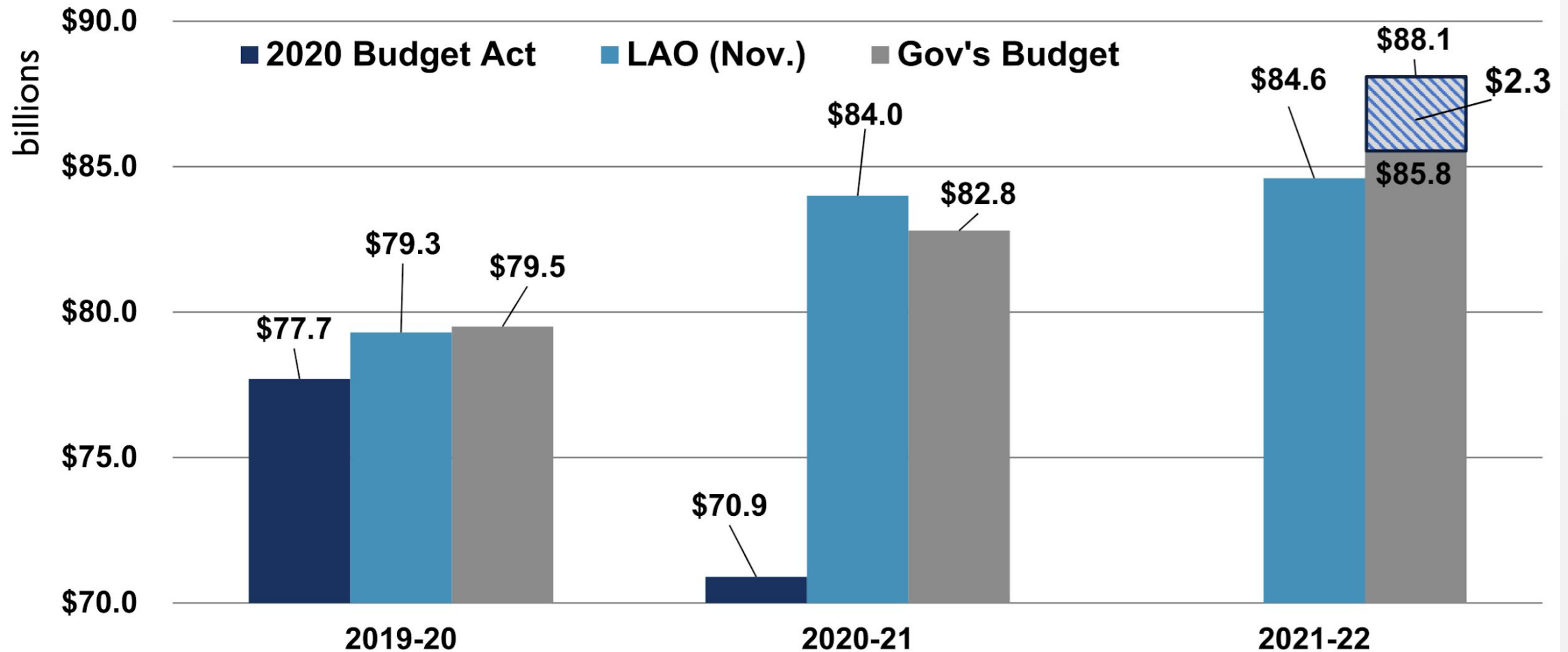
- The K–14 education budget covers a period of three fiscal years
 - The Minimum Guarantee for the prior- and current-fiscal years is adjusted as part of the annual budget process—referred to as the “true up”—to ensure the state meets its annual constitutional obligation
 - The budget year Minimum Guarantee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



Proposition 98 Continued

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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

Surplus and Shortfalls—California Budget

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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

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)





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 school districts 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%	



Special Education 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
- 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 as “one-time” funds
 - Utilizing the same funding methodology as in 2019–20, the District anticipates receiving approximately \$348,000

Expanded Learning Time Grant

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- Governor Newsom proposes using \$4.6 billion one-time Proposition 98 funds to support academic achievement by expanding instructional time and providing targeted academic intervention, with priority for vulnerable students
- Allocation based on: 1) number of homeless students and 2) proportion to Local Control Funding Formula entitlement
- Utilizing the funding methodology above, the District anticipates receiving approximately \$5.8 million





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 county office of education will be chosen to assist school districts 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

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 = \$450.00 (February reopening)
= \$337.50 (March reopening)

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

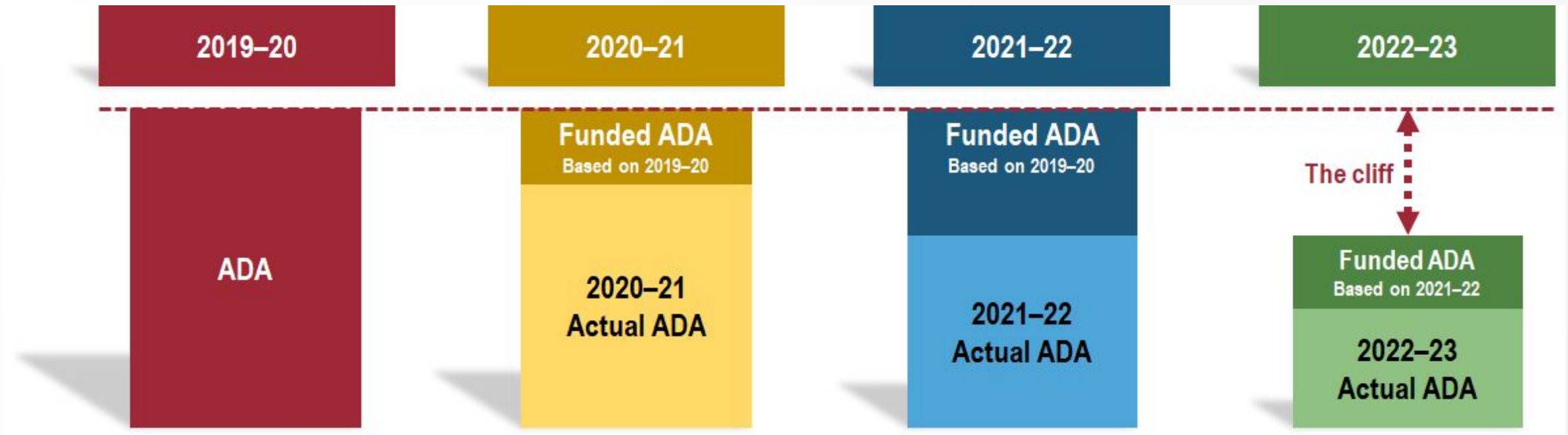
Funding based on TOTAL ADA less students enrolled in independent study



2021–22 Average Daily Attendance (ADA) Impacts

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- Many school districts will experience a funding cliff at some point in the future if they are experiencing natural attendance declines exacerbated by COVID-19



- Significant drops in LCFF unduplicated pupil counts, which were not held harmless, and enrollment loss from COVID-19 will determine the full cliff effect



New COVID-19 Federal Stimulus Package

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Funding Source	Total Amount	California's Estimated Share
ESSER ¹ Fund	\$54.3 billion	\$6.8 billion - District \$2.5M estimate
Higher Education Emergency Relief Fund	\$22.7 billion	\$2.9 billion
GEER ² Fund	\$4.1 billion (\$2.75 billion for private schools)	\$341.4 million (\$187.5 million for private schools)

- At least 90% of the ESSER funding needs to be allocated to districts in proportion to their 2020–21 Title I, Part A funding, expiring September 30, 2023
 - The Governor's Budget proposal does not specify how the state will spend the remaining 10%
- Governor Newsom has the discretion to spend GEER dollars on districts or institutions of higher education that have been “most significantly impacted by coronavirus”
 - The Governor has not yet detailed how he plans to spend this round of GEER funding

¹Elementary and Secondary School Emergency Relief

²Governor's Emergency Education Relief

CARES* Act—Child Nutrition Reimbursements

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Adds an additional \$0.75 per meal

**\$112.2 million
for meal
reimbursement**

Eligible school districts are those who participated in the National School Lunch Program (NSLP), School Breakfast Program (SBP), Seamless Summer Option, or Summer Food Service Program

Increased reimbursement rate was in place for meals served starting March 13, 2020, through August 2020

*Coronavirus Aid, Relief, and Economic Security



What's Not in the Budget?

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While the Governor's Budget proposal seems robust, there are several items that districts would have liked to see proposed:

- **A COLA for 2020-21**
 - **Suspended the 2.31% COLA**
- **COVID-19 liability coverage for districts**
- **Hold harmless for those districts experiencing a decline in enrollment and/or a drop in their official number of unduplicated students**
- **Additional CalSTRS and CalPERS employer rate reductions**
- **More discretionary dollars and less tied up in restrictive programs**



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 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

- 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

Local Agency Reserves

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- Reserves provide local school agency governance teams with the ability to be more strategic in reducing expenditures when faced with a financial crisis
 - Reserves protect students, employees, and the public
- Current state financial projections show a deficit beginning in 2022–23, and the Public School System Stabilization Account balance will not last long
 - Districts with higher reserves are better equipped to protect the community they serve



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 of three coins on the right. The background is dark with a subtle gradient.

Questions?
Thank you!

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