

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

Presented By:

School Services of
California Inc. Staff

School
Services
of CaliforniaTM
INC.
An Employee-Owned Company

Introduction



Themes for the 2021–22 Governor's Budget

© 2021 School Services of California Inc.

- 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

The Education Budget

© 2021 School Services of California Inc.

- 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

2021 Political Landscape—COVID-19 Rules the Day

© 2021 School Services of California Inc.

- 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



Budget Impacts on Local Agency Operations

© 2021 School Services of California Inc.

- Lastly, we will help you determine how the new and existing programs as well as ongoing and one-time funding sources will impact your local agency operations
 - Multiyear projections
 - 2021–22 cost-of-living-adjustment (COLA)
 - School Services of California Inc. Financial Projection Dartboard
 - Cap on district reserves
 - Cashflow and deferrals
 - California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS)
- You will not only understand what the Governor's Budget is proposing for education, but also what you need to ensure you are ready to tackle 2021–22 . . . come what may

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 with a light gradient behind the text.

Overview of the State Budget and the State Economy

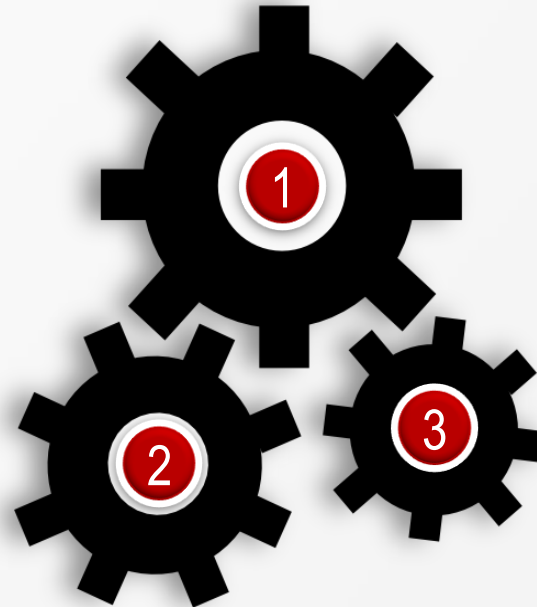
- The fundamentals of the U.S. economy paint a promising picture for continued economic growth post COVID-19

Employment

- 4.1 million more payroll jobs in December than in April

Housing

- Single-family permits increased by 8.5% over prior year
- Housing starts exceeded market expectations reaching 1.5 million units in November 2020, 12.8% above 2019
- Stock market set new all-time highs



Consumer Spending

- Remains positive
- Personal consumption expenditures were flat from October 2020 to November 2020 and are 1.1% greater than last year

Impacts to California Unemployment

© 2021 School Services of California Inc.

● California Unemployment

- March drop, and recovery through September, barely restored us to May 2015 employment numbers
- The state had second largest increases in claims for week of December 26
- Finance and insurance is the only industry that is net positive today

Job Losses Since February Erase All Jobs Added Since Mid 2015

Change in the number of jobs statewide since May 2015 (excluding farming)

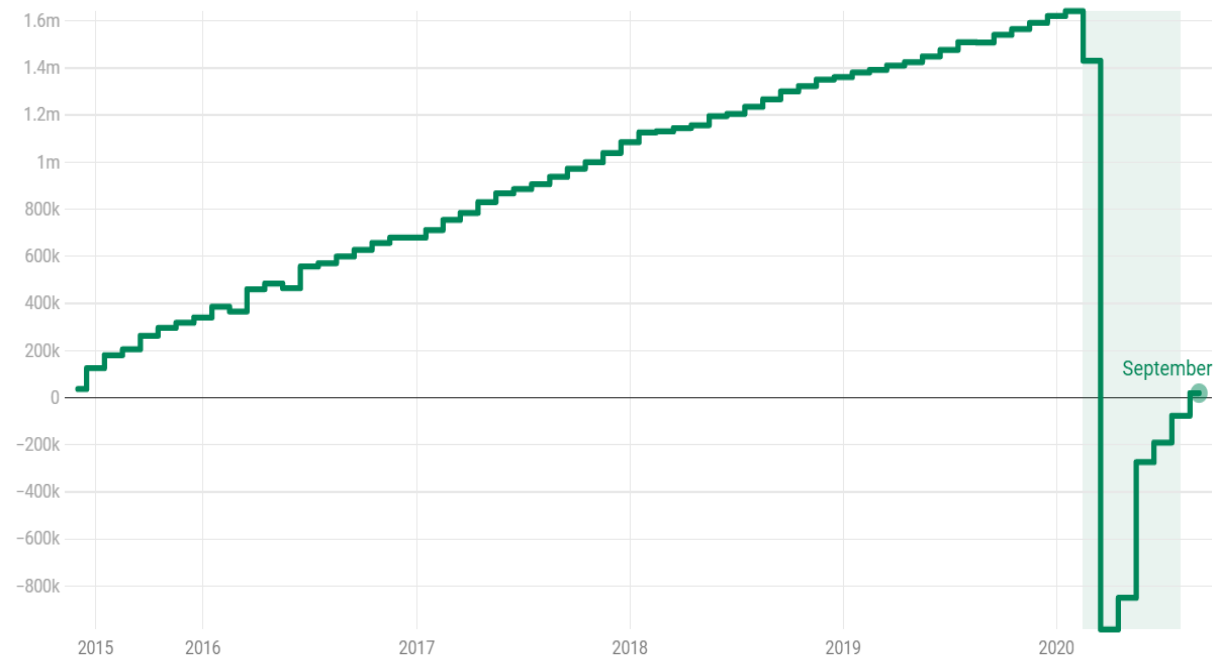


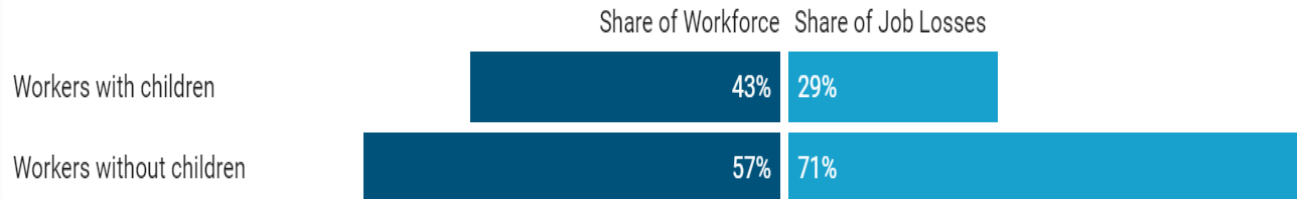
Chart: Legislative Analyst's Office • Source: Bureau of Labor Statistics • Created with [Datawrapper](#)

Impacts to California Unemployment

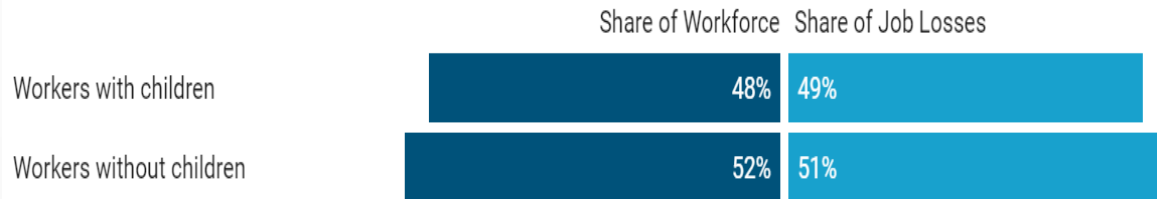
© 2021 School Services of California Inc.

- Not all recessions are created equal
 - COVID-19 job losses concentrated among workers without children
 - Demonstrates disparate impact to younger workers in service sectors with leisure and hospitality being impacted the most

COVID-19



Great Recession

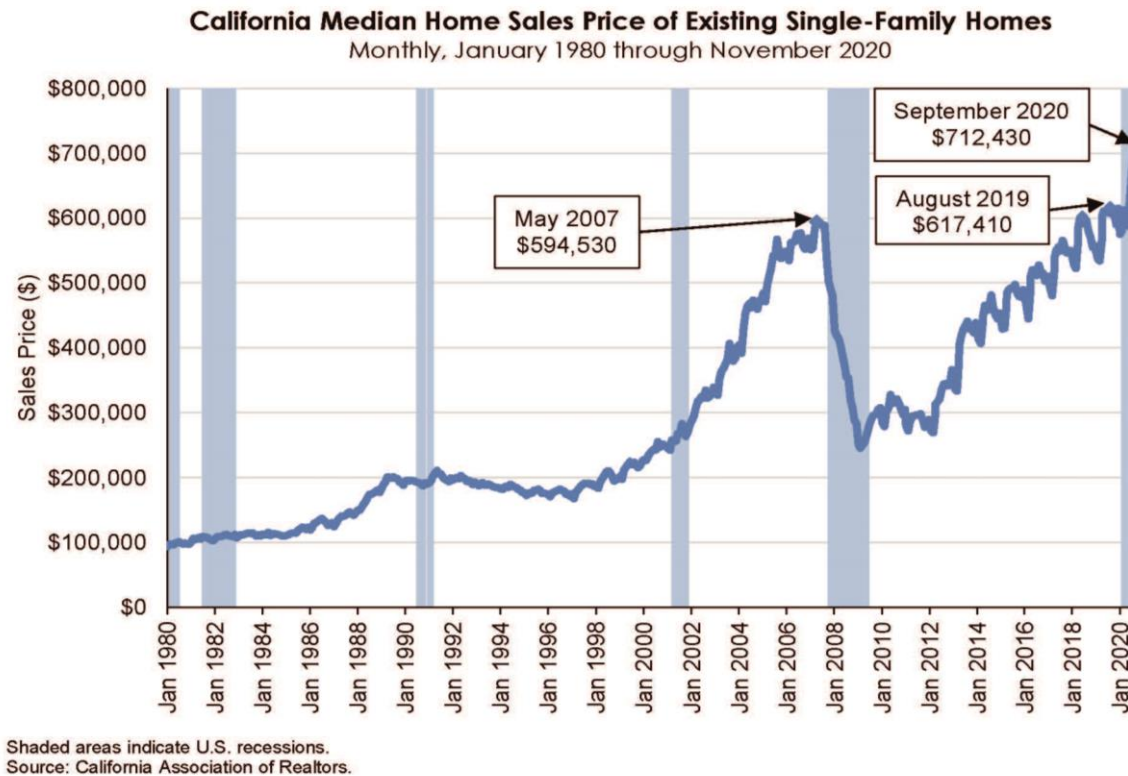


COVID-19: Share of workforce as of February 2020 and share of job losses as of September 2020. Great Recession: Share of workforce summer 2007 and share of job losses as of winter 2009/2010.

Chart: Legislative Analyst's Office • Source: Current Population Survey • Created with [Datawrapper](#)

California Median Home Prices

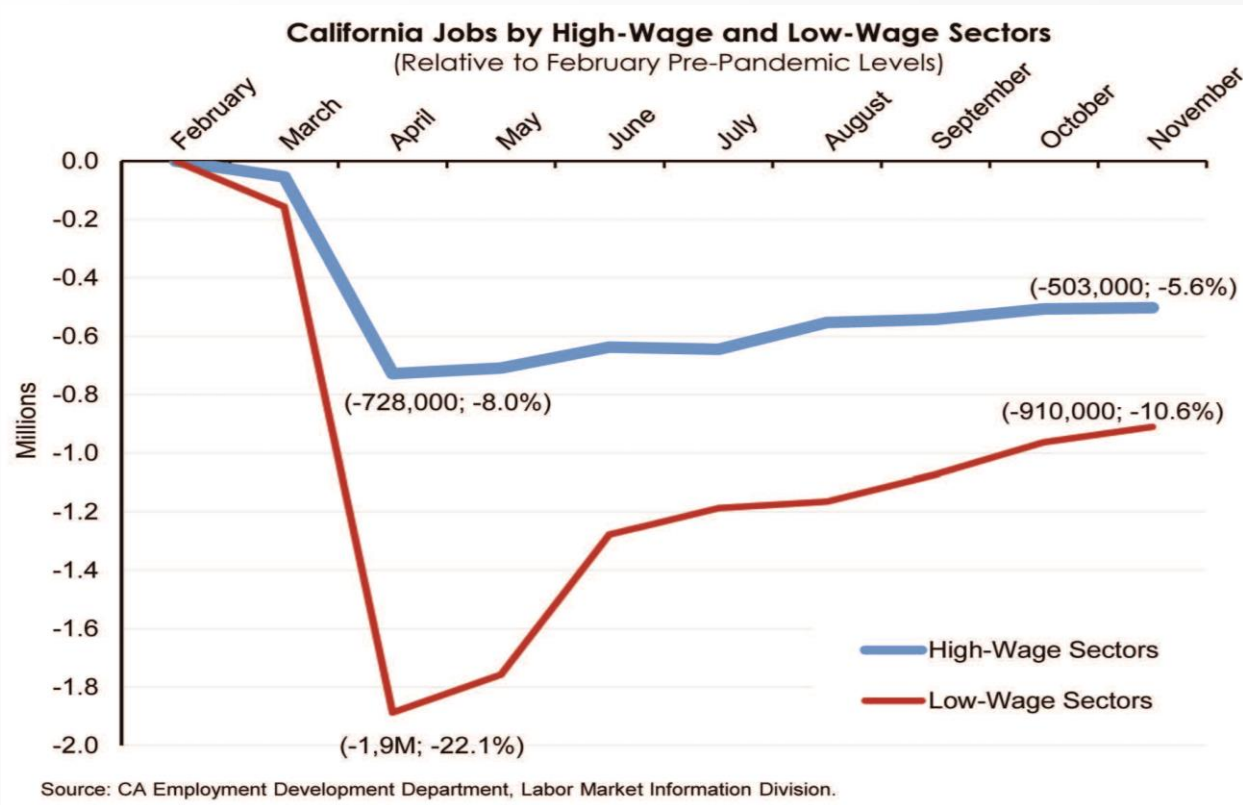
© 2021 School Services of California Inc.



Source: 2021–22 Governor’s Budget Summary, page 224

California Jobs by Wage Sector

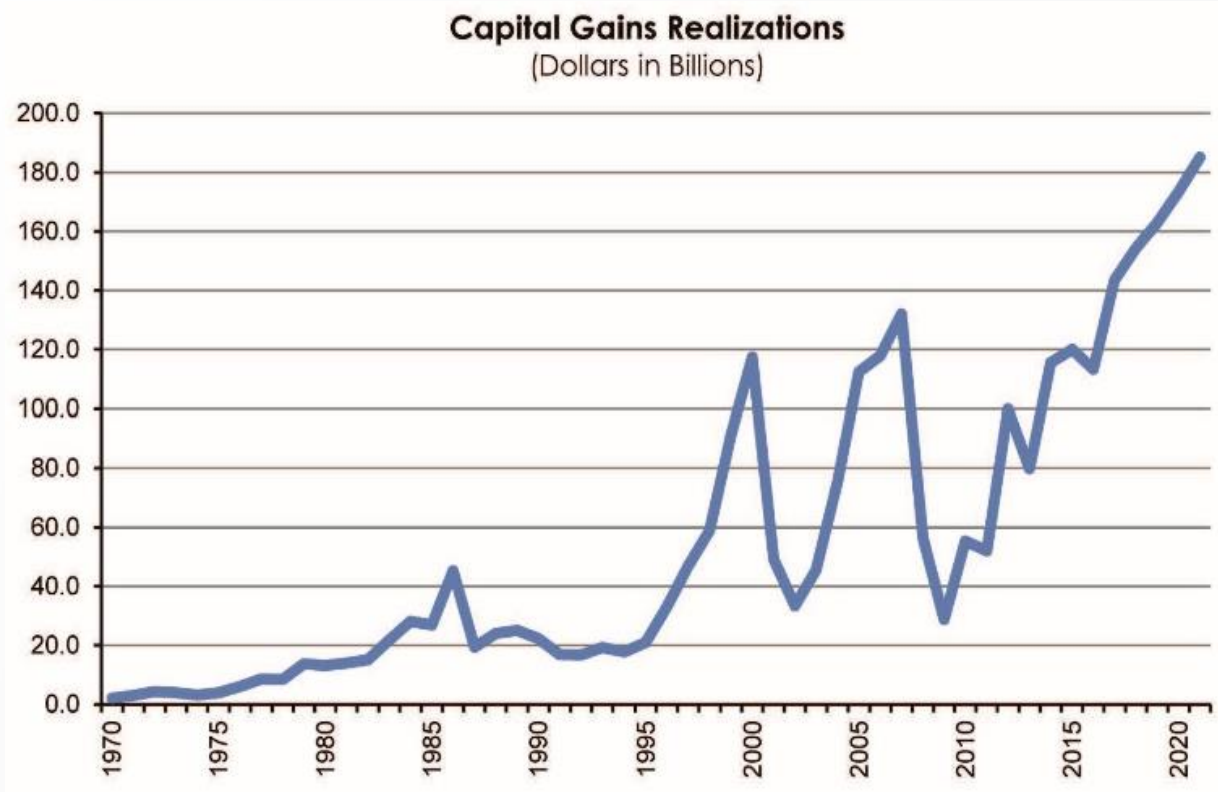
© 2021 School Services of California Inc.



Source: 2021–22 Governor’s Budget Summary, page 229

Capital Gains—California

© 2021 School Services of California Inc.



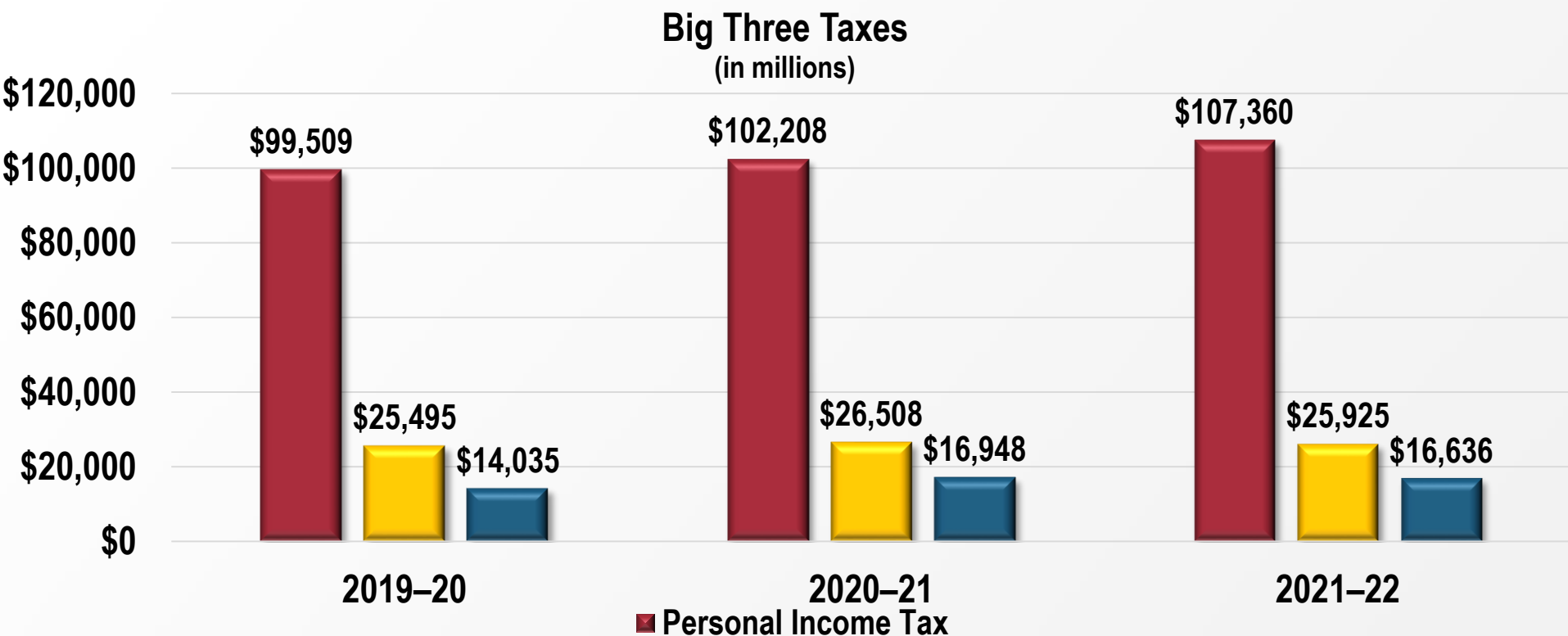
Source: 2021–22 Governor’s Budget Summary, page 240

Risks to the California Economy and the State Budget

© 2021 School Services of California Inc.

- **Commercial real estate market collapse**
 - **Commercial real estate (office and retail) vacancy rates rising and work from home could be the start of a fundamental shift in how business gets done**
 - **Residential rental real estate in high-cost city centers**
 - **San Francisco rents down 25% since start of COVID-19**
 - **Fresno, Bakersfield, Chula Vista, and San Diego suburbs are beneficiary communities where rents are raising**
- **Ability of small businesses to endure pandemic economy**
- **Lower-than-expected roll out or efficacy of vaccination**
- **Many left the workforce due to lack of affordable childcare and the slower-than-expected reopening of schools**

Estimate for the Big Three Revenues



Source: 2021-22 Governor's Budget

General Fund Budget Summary

© 2021 School Services of California Inc.

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
Total Resources Available	\$168,101	\$170,573
Non-Proposition 98 Expenditures	\$98,956	\$103,681
Proposition 98 Expenditures	\$56,942	\$60,834
Total Expenditures	\$155,898	\$164,515
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
Budget Stabilization Account/Rainy Day Fund	\$12,536	\$15,574

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 with a light gradient behind the text.

The Education Budget

Proposition 98

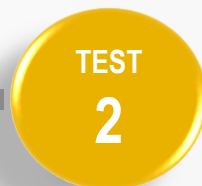
© 2021 School Services of California Inc.

- 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



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



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

This test is usually operative in a strong economy



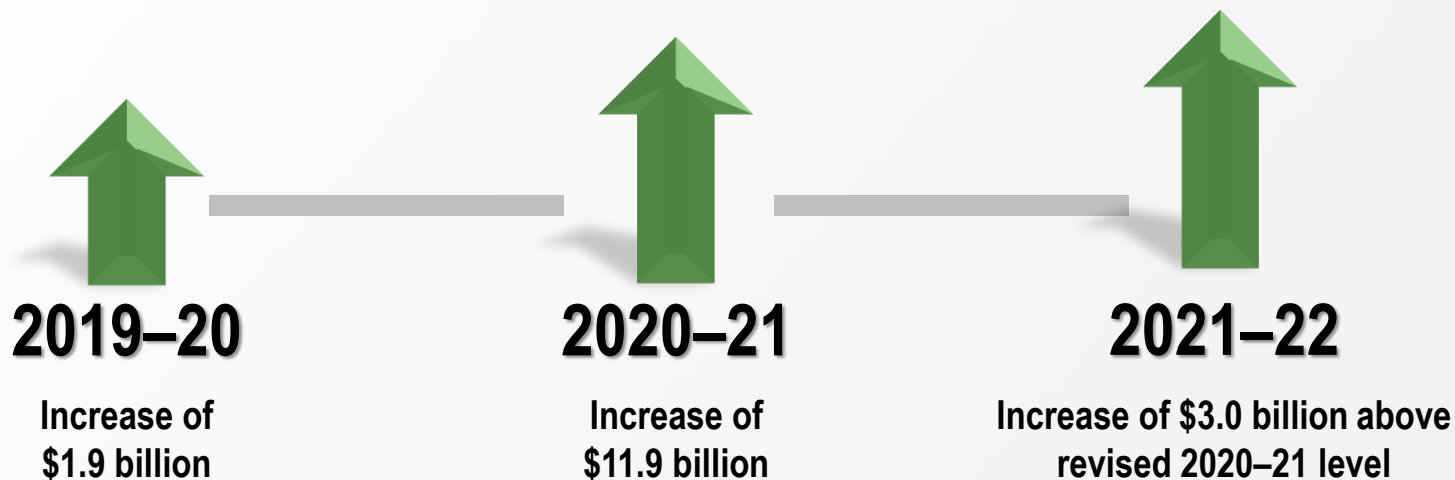
Prior-year funding adjusted for average daily attendance (ADA) and changes in per capita General Fund revenue + 0.5%

This test is usually operative in a weak economy

Proposition 98

© 2021 School Services of California Inc.

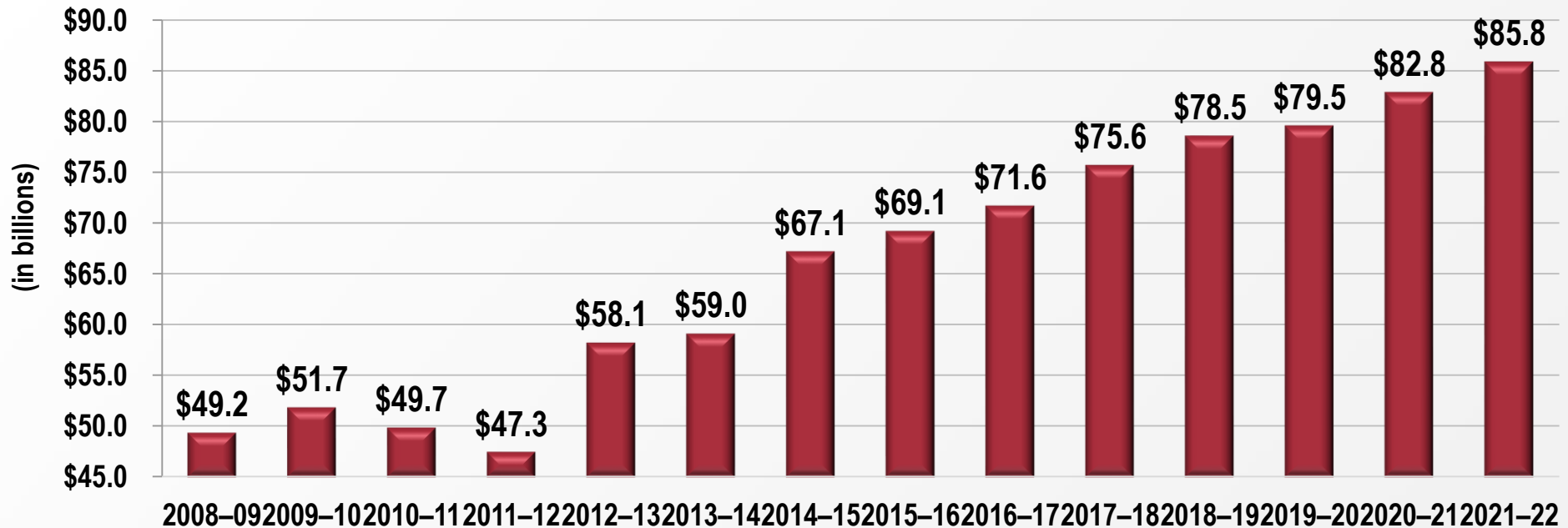
- The K–14 education budget covers a period of three fiscal years
 - The Minimum Guarantee for the prior- and current-fiscal years is adjusted as part of the annual budget process—referred to as the “true up”—to ensure the state meets its annual constitutional obligation
 - The budget year Minimum Guarantee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



Proposition 98

© 2021 School Services of California Inc.

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



Proposition 98 Supplemental Payment

© 2021 School Services of California Inc.

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

Proposition 98 Reserve Deposit

© 2021 School Services of California Inc.

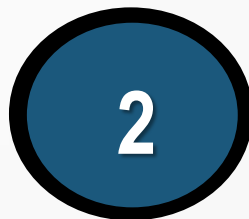
- When voters passed Proposition 2 (2014), the state created the Public School System Stabilization Account (PSSSA) that requires the state to make a deposit into education's rainy day fund when four conditions are met
- The Governor proposes deposits of \$747 million for 2020–21 and \$2.2 billion for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

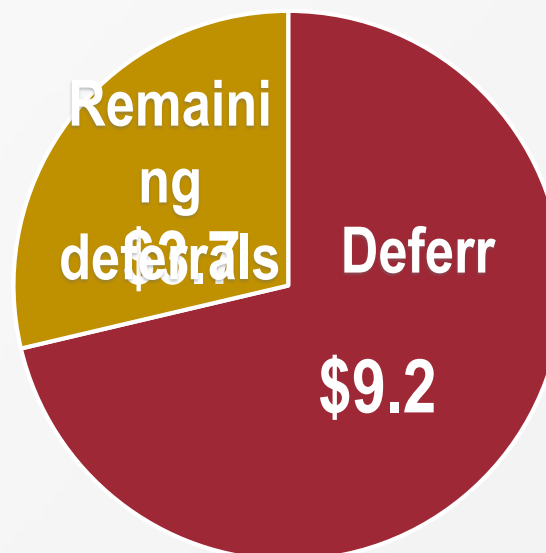
© 2021 School Services of California Inc.

- 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



- 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 Funding Factors

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

- 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

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>
<p>*Assembly Bill (AB)</p>			

Transitional Kindergarten and Full-Day Incentive Funding

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

- 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">75th percentile of the 2016 RMR surveyRMR ceiling as of December 31, 2017
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

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

- **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

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

**\$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

© 2021 School Services of California Inc.

- 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 Governor's Budget includes only \$900 million in 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

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

64

- 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 Office of Education Policy (OEP) has approved the MBG rates 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

FAFSA and Dream Act Application

According to data from the California Student Aid Commission, completion rates for the Free Application for Federal Student Aid (FAFSA) and California Dream Act application are down roughly 10% and 45%, respectively

- Many underrepresented students are foregoing available state and federal financial aid funding for college

The Governor's Budget proposal requires LEAs to confirm that all high school seniors complete a FAFSA or California Dream Act Application beginning with the 2021–22 academic year

What's Not in the Budget?

© 2021 School Services of California Inc.

- 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 coins on a red surface. The tallest stack is on the left, followed by a medium-height stack in the center, and a short stack of three coins on the right. The coins are gold-colored with a textured, ridged edge. A semi-transparent black horizontal band is positioned across the middle of the image, containing the title text in white. The background is dark and out of focus.

Pandemic Funding—Past, Present, and Future

Current Federal and State Pandemic Funding

© 2021 School Services of California Inc.

- 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 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

- 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

© 2021 School Services of California Inc.

- 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)

CARES Act—Child Nutrition Reimbursements



Adds an additional \$0.75 per meal



Eligible LEAs 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

**\$112.2 million
for meal
reimbursemen
t**

Coronavirus Relief Funds Deadline Update

© 2021 School Services of California Inc.

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

© 2021 School Services of California Inc.

- 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

Funding for Reopening Schools

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

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

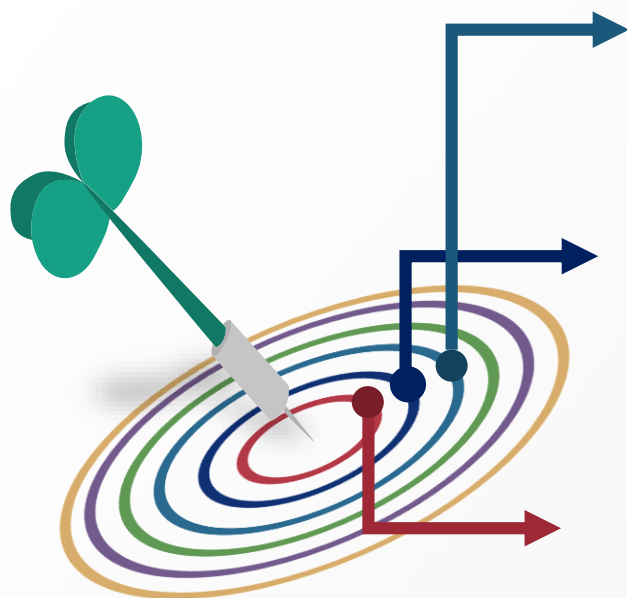
COVID-19 Safety Plan	<ul style="list-style-type: none">• Conforms with California Department of Public Health (CDPH) school guidance• Incorporates Cal/OSHA Emergency Standards
Labor Agreement	<ul style="list-style-type: none">• Documentation of collective bargaining agreement or memorandum of understanding (MOU) conforming with COVID-19 Safety Plan
Offer In-Person Instruction	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• All students and staff of in-person instruction• In accordance with CDPH testing cadence
Certify Technology	<ul style="list-style-type: none">• Verify that all students in distance learning have access to a computing device, software, and high-speed internet to participate in online learning

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 with a light gradient behind the text.

Budget Impacts on Local Agency Operations

Multiyear Projections

© 2021 School Services of California Inc.



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

© 2021 School Services of California Inc.

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%

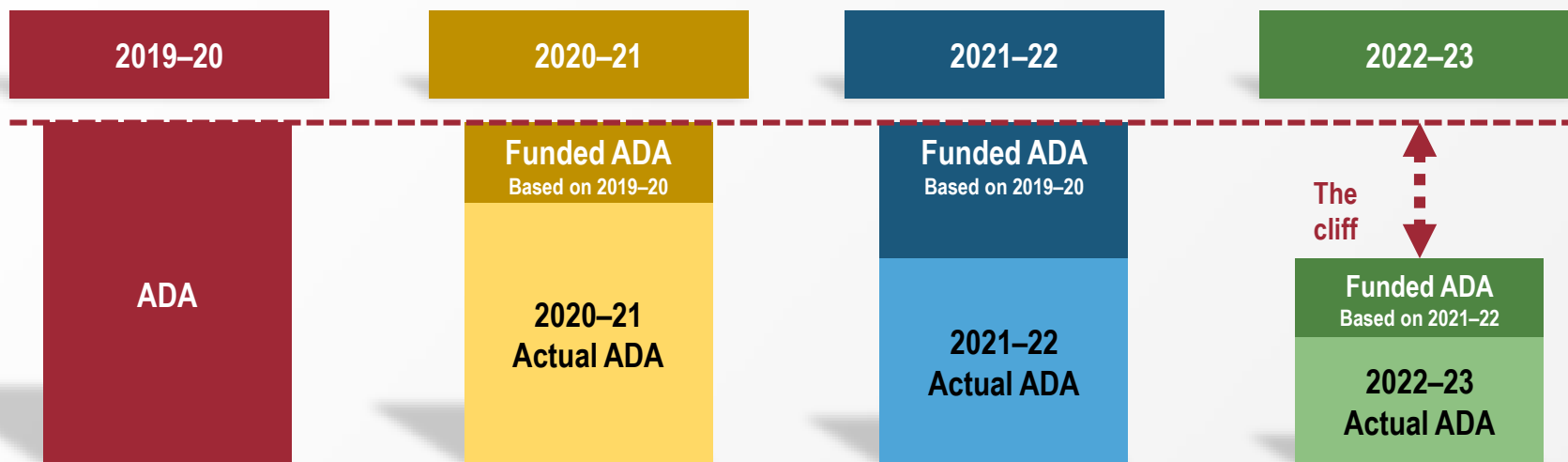
*Calculated by compounding the unfunded COLA of 2.31% from 2020–21 and the estimated statutory COLA of 1.50% in 2021–22

- **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**

2021–22 ADA Impacts

© 2021 School Services of California Inc.

- The adage “There is no such thing as a free lunch” applies to the current-year ADA hold harmless provision—that is to say, 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



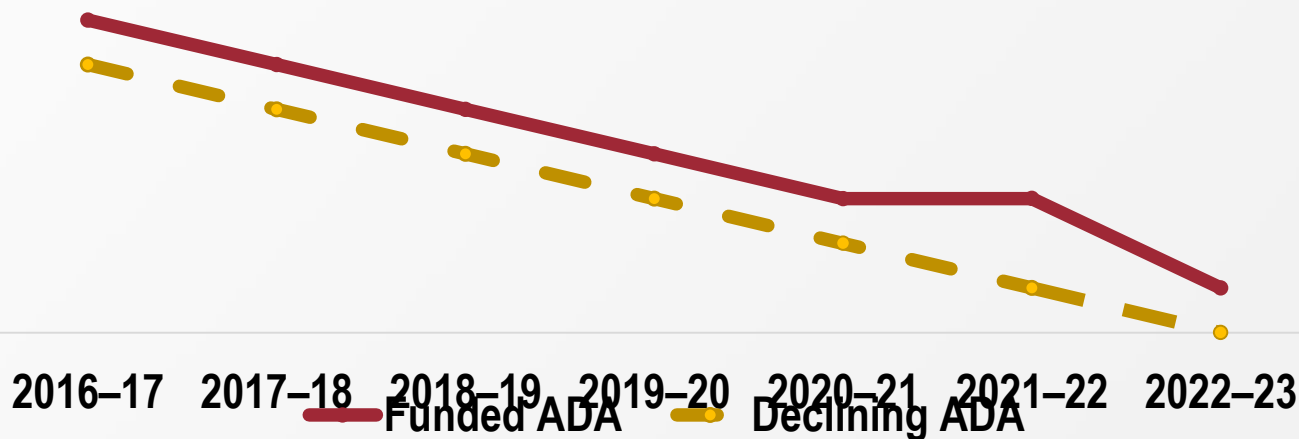
- Significant drops in LEAs' LCFF unduplicated pupil counts, which were not held harmless, and enrollment loss from COVID-19 will determine the full cliff effect

2021–22 ADA Impacts

© 2021 School Services of California Inc.

- 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



CalPERS Employer Contribution Rates

© 2021 School Services of California Inc.

- 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

© 2021 School Services of California Inc.

- 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

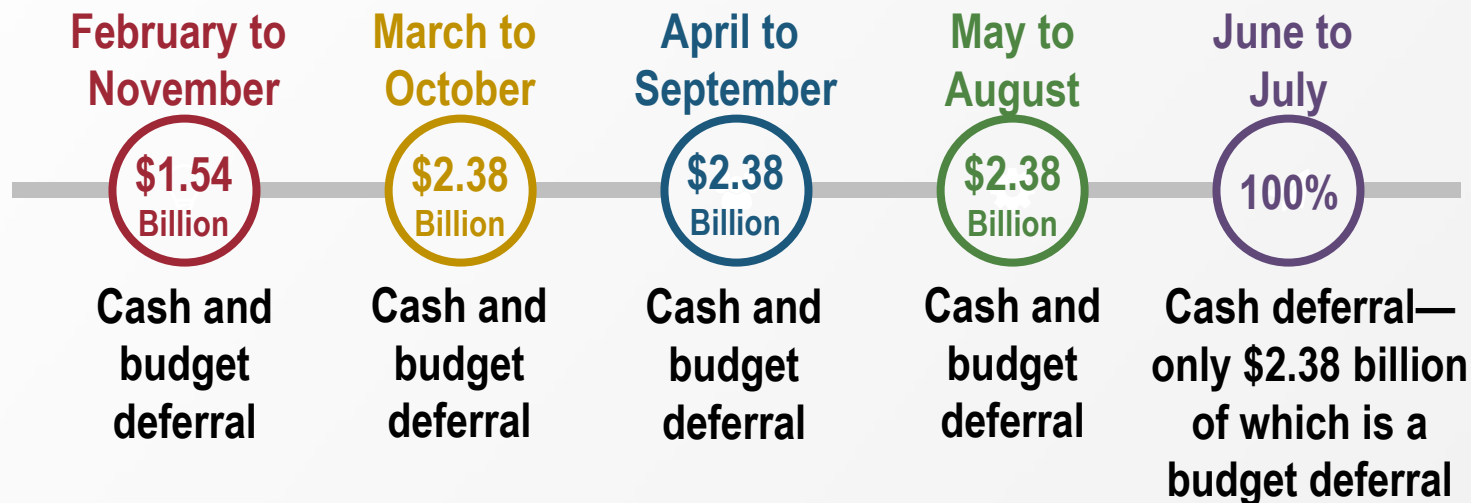
Effective Date	CalSTRS Funding Plan Increases	
	Rate	Year-over-year change
July 1, 2013	8.25%	No increase since 1986
July 1, 2014	8.88%	0.63%
July 1, 2015	10.73%	1.85%
July 1, 2016	12.58%	1.85%
July 1, 2017	14.43%	1.85%
July 1, 2018	16.28%	1.85%
July 1, 2019	17.10%	0.82%
July 1, 2020	16.15%	- 0.95%
July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

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

Cash Flow and Deferrals

© 2021 School Services of California Inc.

- Next month, the deferrals called for in the 2020–21 Enacted Budget begin in earnest
- The pay down included in the Governor's Budget proposal, does NOT impact these deferrals
 - However, if the proposal is enacted, the February through May deferrals would be one time, leaving only the June to July deferral as ongoing



Cash Flow and Deferrals

© 2021 School Services of California Inc.

- The following illustrates the effects of these cash deferrals on the typical apportionment schedule for February through June 2021:

Month	Normal Share of Annual Apportionment ¹	Proportion Deferred	Resulting Share of Annual Apportionment
February 2021	9%	53%	4.23%
March 2021	9%	82%	1.62%
April 2021	9%	82%	1.62%
May 2021	9%	82%	1.62%
June 2021	Balance	100%	0%

- Therefore, LEAs will receive only about 64% of the state aid apportionment during the year

Estimated based on the 2020–21 Principal Apportionment amounts

¹Per EC § 14041(a)(2)-(4)

Cash Flow and Deferrals

© 2021 School Services of California Inc.

LEAs can still apply for exemption from the June deferral

The deadline is April 1, 2021 (Deadline for February through May deferrals has already passed)

Application can be found at
<https://www.cde.ca.gov/fg/fi/ad/>

California School Finance Authority is issuing Tax and Revenue Anticipation Notes

Low issuance costs with oversight provided by the State Treasurer's Office

K-14 Districts Pool

<https://www.treasurer.ca.gov/csfa/k-14-trans/index.asp>

Open to
 California school districts, community college districts, and COEs
Issuances planned for March
 (deadline already passed); contact by mid-January if interested in additional issuance

Charter Schools Pool (ASAP Program)

<https://www.treasurer.ca.gov/csfa/charter-trans/index.asp>

Open to
 California nonprofit charter schools open in fiscal year 2019-20
Issuances planned for March
 (deadline already passed) and May/June

Statewide Average Reserve Levels

© 2021 School Services of California Inc.

- 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%

- Local school agencies were prepared coming into this recession

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

- 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.

Local Agency Reserves

© 2021 School Services of California Inc.

- 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
 - LEAs with higher reserves are better equipped to protect the community they serve



Collective Bargaining

© 2021 School Services of California Inc.

- The proposed Governor's Budget provides some bargaining opportunities and challenges
 - The 3.84% compounded COLA will assist LEAs in meeting existing obligations—but not much else
 - The annual increased cost of maintaining existing salary schedules, and related benefits, leaves few dollars on the table

Base Grant	3.84%
Minus cost increase as a percent of an LEA budget	
Step and Column	-1.50%
Health and Welfare Benefit	-0.50%
CalPERS Employer Contribution Change (2021–22)	-2.30%

? Declining enrollment

? Deficit spending

? Increased contributions to special education and other restricted programs

Impacts of 2020–21 Layoff Restrictions

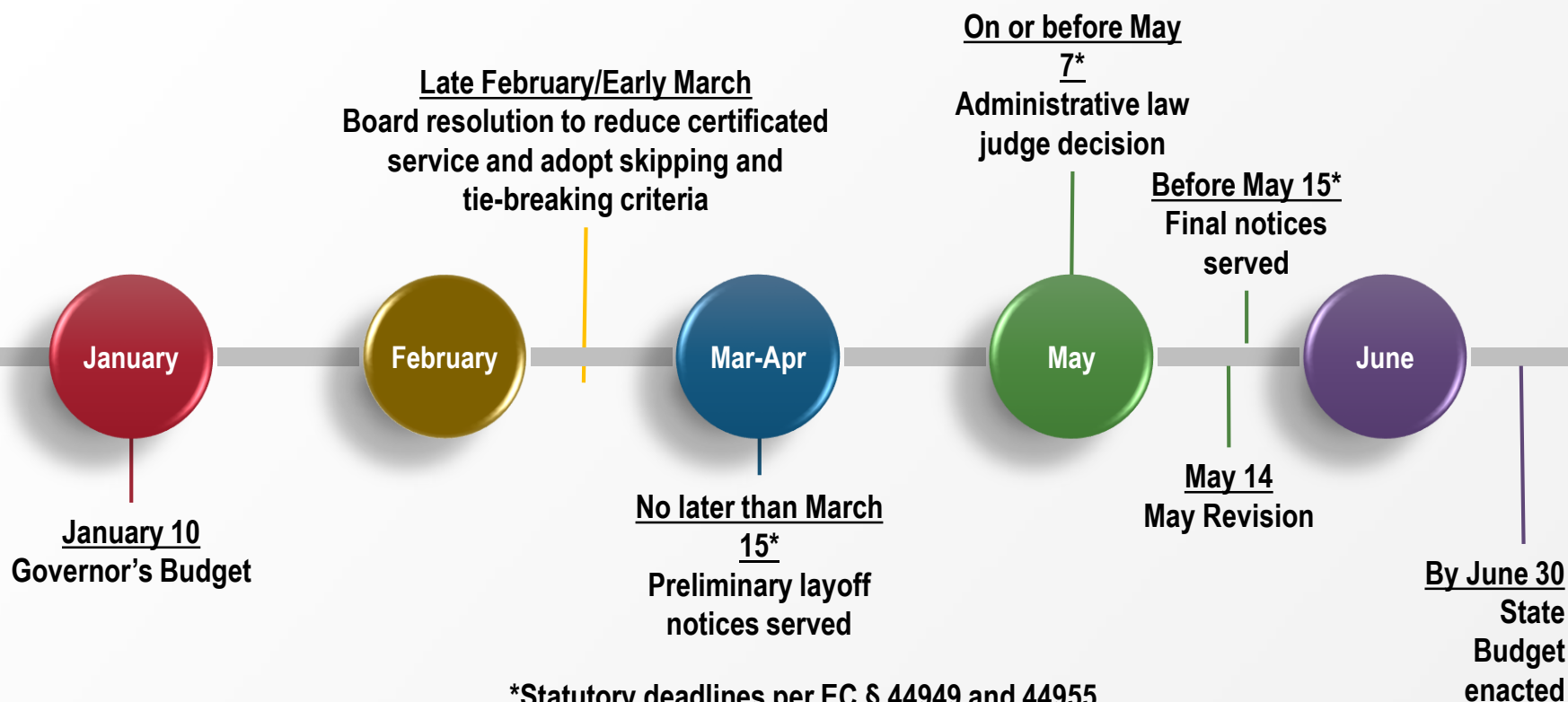
© 2021 School Services of California Inc.

- SB 98 (Chapter 24/2020) closed the certificated summer layoff window and protects certain classified job families from layoff—nutrition, transportation, and custodial employees
- Layoff restrictions are in place through July 1, 2021, for certificated, and June 30, 2021, for classified employees

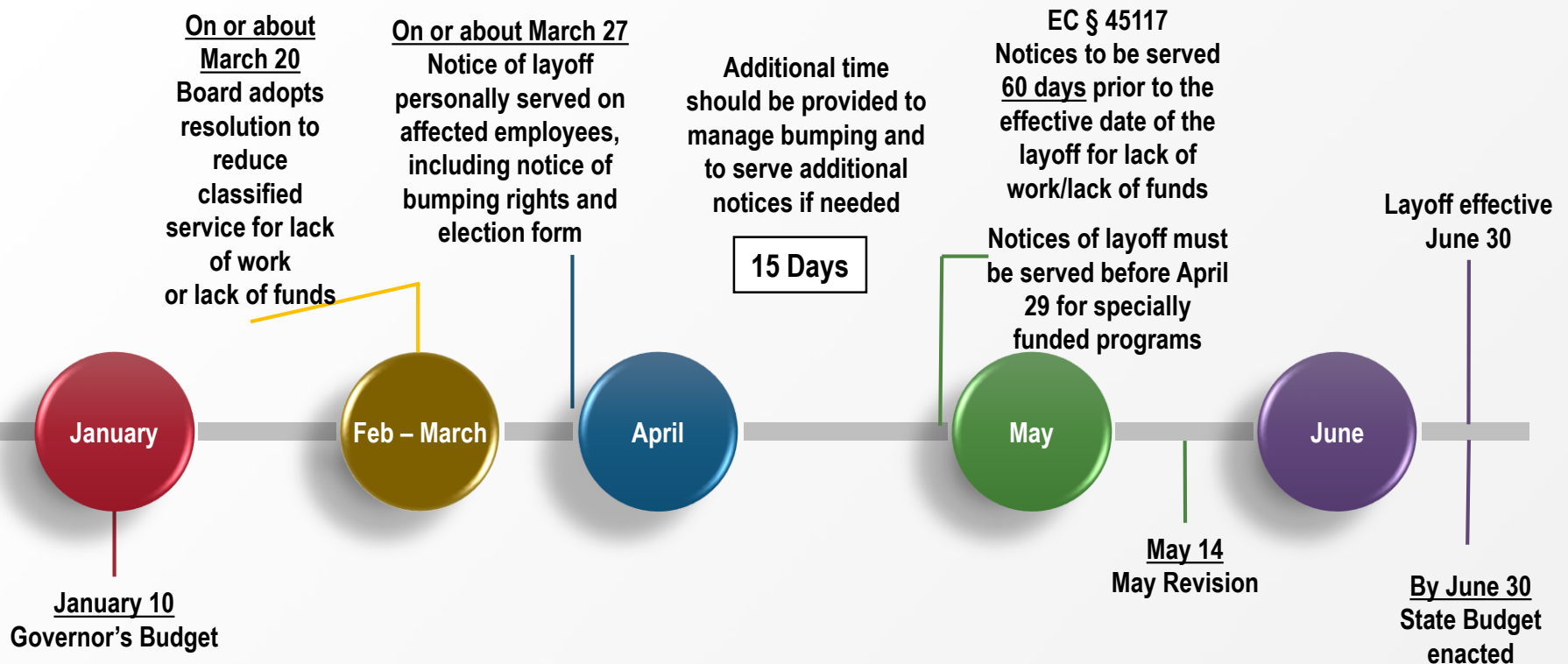
Certificated Employee Protections	Classified Employee Protections
<ul style="list-style-type: none"> • The intent of the language is to protect employees from the summer layoff window—the March certificated layoff process still applies 	<ul style="list-style-type: none"> • SB 98 protects classified employees—not vacant positions • LEAs are not required to fill vacant positions in the protected classifications and still retain the right to staff according to student need

process can be initiated prior to June 30 or July 1, as long as the effective date of layoff is not prior to those dates

Certificated Layoffs and State Budget Timelines

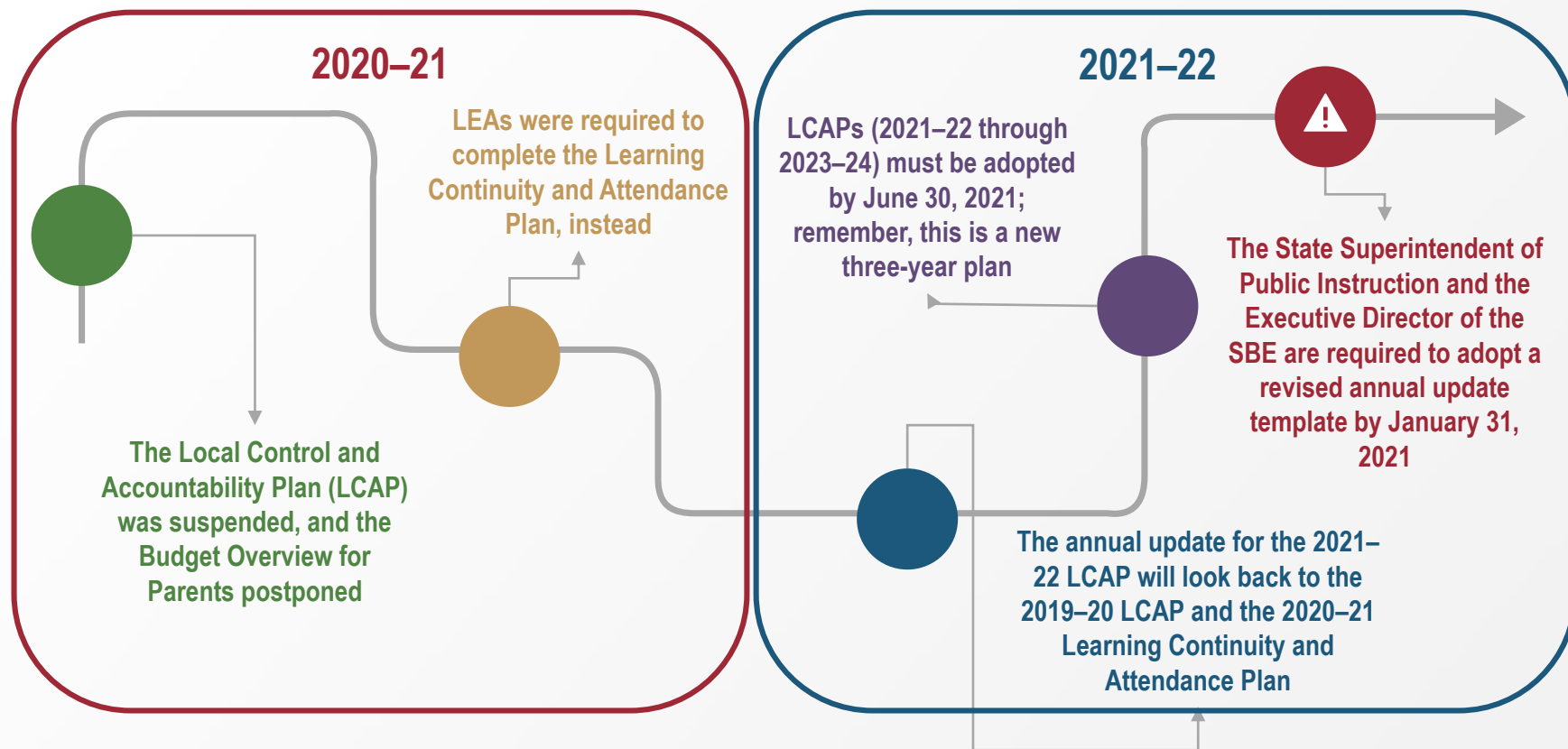


Classified Layoffs and State Budget Timelines



Status of the LCAP for 2021–22

© 2021 School Services of California Inc.



Meal Service Flexibility

© 2021 School Services of California Inc.

- Under normal circumstances, the Summer Food Service Program and Seamless Summer Option programs allowed LEAs to serve meals to students outside of the typically required group times
 - Programs 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
 - Flexibility also applies to NSLP, SBP, Child and Adult Care Food Program, and Fresh Fruit and Vegetable Program
- Allows the following flexibilities for LEAs in participating programs
 - Serve meals in noncongregate setting
 - Meal service times
 - Allows parent and guardians to pick up meals for children

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 small stack on the right. The background is dark with a subtle gradient.

Thank you!

School
Services
of California
INC.™

An Employee-Owned Company

www.schoolservicesca.com

(916) 446-7500