



## The 2020-21 Governor's Budget

**San Marino Unified School District  
Board of Education Meeting  
January 28, 2020**

Presented by

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School Services of California Inc.

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## Themes for the 2020–21 Governor's Budget

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- Last year, Governor Gavin Newsom stirred excitement in the education community with the proposal to help reduce employer pension liability while school agencies faced mounting cost pressures in the new cost-of-living adjustment (COLA)-only environment of the Local Control Funding Formula (LCFF)
- This year, we embrace Governor Newsom's commitment to prudence in budgeting in case of an economic downturn
  - However, we must acknowledge that his 2020–21 State Budget (Budget) is bound to create challenges as we face increased demands on our resources with few new flexible resources to do so
- As we prepare to confront tomorrow's challenges it is more important than ever to ensure that local educational leaders are equipped with the resources and tools they need to maintain the commitments they made to their students, their families, and their communities



## UCLA Economic Outlook

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### Revised growth projections

- Was 3-2-1 Economy
- Now 3-2-2 Economy
  - 3% GDP\* growth in 2019
  - 2% GDP growth in 2020
  - 2% GDP growth in 2021



\*Gross domestic product (GDP)



## The California Economy

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### California economy is solid but future predictions point to slowing growth in GDP from 3.5% in 2018 to 2.6% currently

- Cargo traffic slowing as a result of trade war
- Risk of increased unemployment
- State tax revenues that fund education are the most volatile in history



- Economy continues to grow
- Housing sales volume remains strong
- Full employment

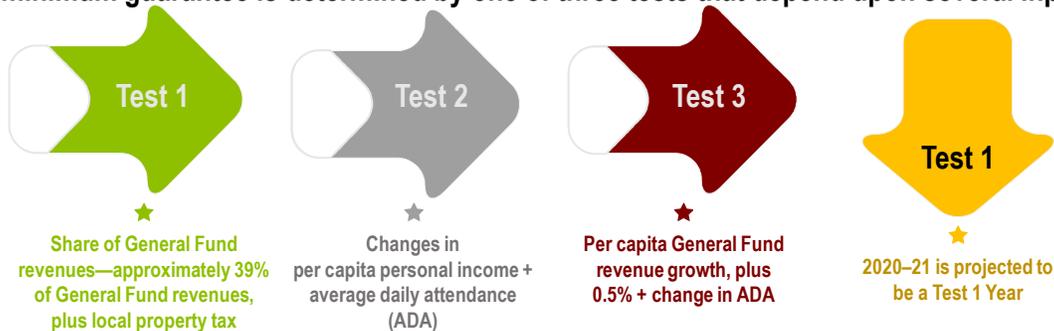


## Proposition 98

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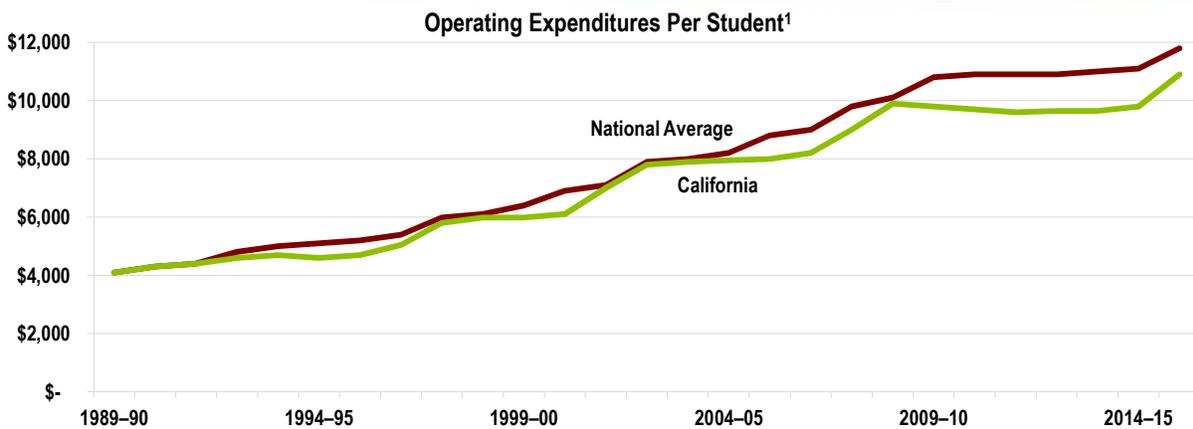
- With the enactment of Proposition 98 in 1988, voters amended the State Constitution to set a minimum funding level for K–12 education and community colleges
- Both state General Fund and local property tax revenues apply toward meeting the Proposition 98 minimum guarantee
- The minimum guarantee is determined by one of three tests that depend upon several inputs



## California's Proposition 98 vs. the Rest of the Nation

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<sup>1</sup>Reflects spending data reported by the U.S. Census Bureau. Amounts for 1988–89 to 1990–91 have been adjusted for comparability with subsequent years. Amounts shown for 2014–15 reflect an Legislative Analyst's Office (LAO) estimate.  
Source: LAO, *A Historical Review of Proposition 98*, page 27, January 2017

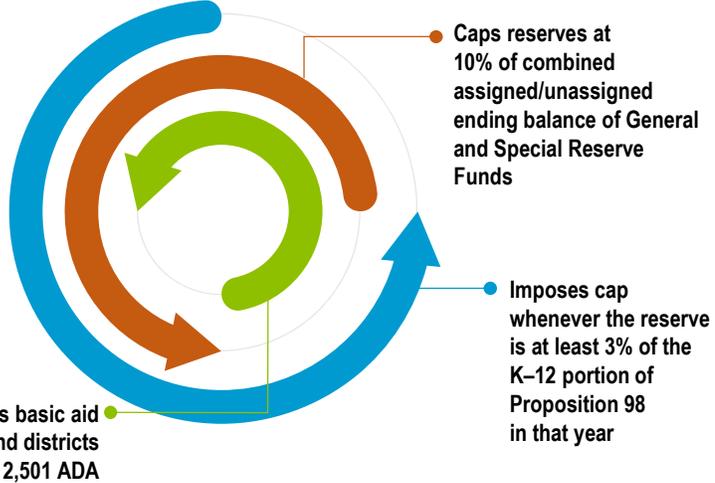


## Cap on District Reserves

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- When the four conditions are met, a state deposit into the Proposition 98 reserve is required
- Senate Bill (SB) 751 (Chapter 674/2017) maintained the criteria for making a deposit, but changed the threshold for triggering the cap on district reserves and the limits of how much school districts can maintain in their local reserves





## Cap on District Reserves

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- Fortunately, the enactment of SB 751 (Chapter 674/2017) amended the triggering threshold to require the deposit into the Proposition 98 reserve to reach 3% of the Proposition 98 funding level rather than a deposit, regardless of size, into the reserve


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<u>Criteria</u>	<u>Deposit</u>	<u>Not Enough</u>	<u>THE CAP ON RESERVES IS NOT TRIGGERED!</u>
All four criteria were met in 2019–20; therefore, a deposit was made	Budget allocates \$524.2 million in 2019–20 and a withdrawal of \$37.6 million in 2020–21—total balance \$486.6 million	This is significantly less than the 3% level needed (estimated at \$2.2 billion)	



## Statewide Average Reserves

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- 2017–18 statewide average reserve levels are slightly down from the prior year
  - Close to the 17%, or two months of expenditures, as recommended by the Governmental Finance Officers Association

2017–18 Average Unrestricted Net Ending Fund Balance	Change From Prior Year
Unified School Districts	16.98%
Elementary School Districts	20.20%
High School Districts	15.63%

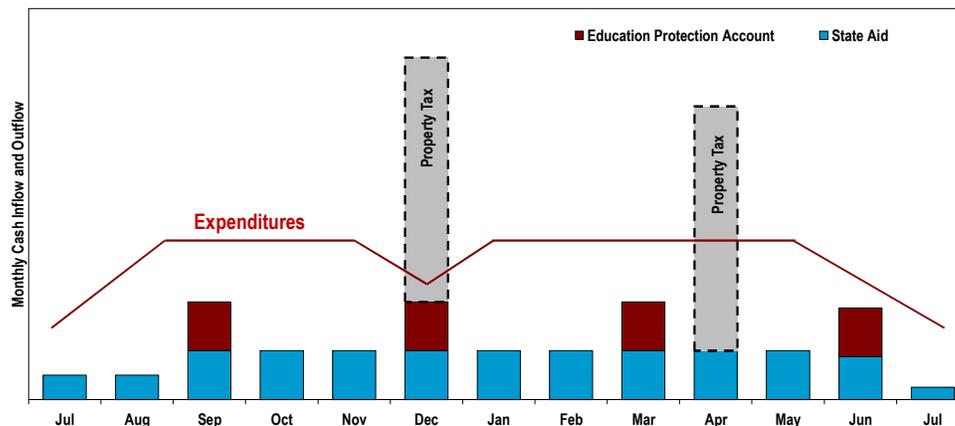
- Average unrestricted net ending balance is based on ending fund balance for the General Fund, plus the ending balance for Fund 17 (Special Reserve Fund for Other Than Capital Outlay) as a percentage of total General Fund (including restricted programs) expenditures, transfers, and other uses



## Maintain Reserves for Cash Flow

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## 2020–21 Local Control Funding Formula

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- The State Budget proposes \$1.2 billion towards the LCFF to fund the 2.29% statutory COLA
  - Which brings LCFF funding to \$64.2 billion (up from \$63 billion in 2019–20)
  - This is lower than the 3% COLA projected at adoption of the 2019-20 State Budget, but higher than the LAO’s estimate of 1.79%
- 2020–21 LCFF growth provides an average increase in per-pupil funding of an estimated \$231 per ADA, or 2.14% (individual results will vary)
  - The lower 2.14% increase takes into consideration that no COLA is provided for Targeted Instructional Improvement Grant, Transportation, or Economic Recovery Target funds



## 2020–21 LCFF Funding Factors

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- The K–12 COLA is 2.29% for 2020–21 and is applied to the LCFF base grants for each grade span

Grade Span	2019–20 Base Grant per ADA	2.29% COLA	2020–21 Base Grant per ADA
K–3	\$7,702	\$176	\$7,878
4–6	\$7,818	\$179	\$7,997
7–8	\$8,050	\$184	\$8,234
9–12	\$9,329	\$214	\$9,543



## 2020–21 LCFF Funding Factors

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- Two grade span adjustments (GSAs) are applied as percentage increases against the adjusted base grant, also receiving the benefit of a 2.29% COLA in 2020–21
  - 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 coursework

Grade Span	2020–21 Base Grant per ADA	GSA	2020–21 Adjusted Base Grant
K–3	\$7,878	\$819	\$8,697
4–6	\$7,997	–	\$7,997
7–8	\$8,234	–	\$8,234
9–12	\$9,543	\$248	\$9,791



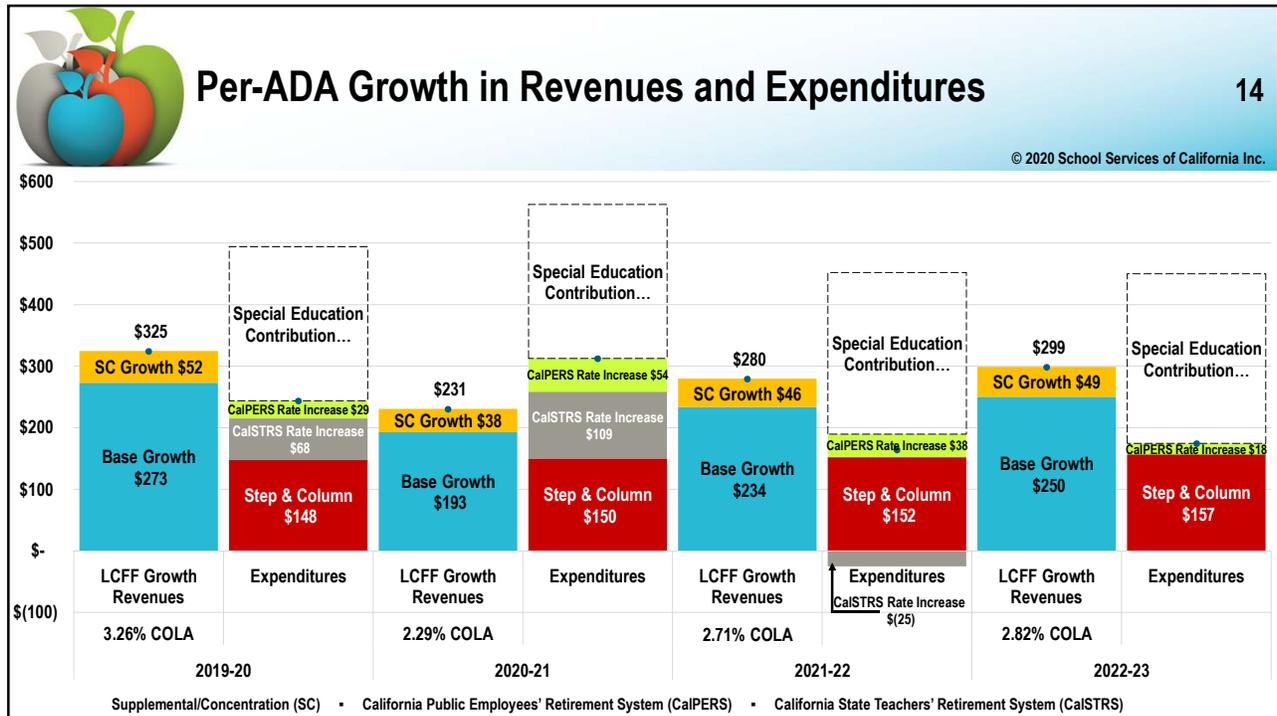
## 2020–21 LCFF Funding Factors

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

Grade Span	2020–21 Adjusted Grants Per ADA	20% Supplemental Grant—Total UPP	50% Concentration Grant—UPP Above 5%
K–3	\$8,697	\$1,739	\$4,349
4–6	\$7,997	\$1,599	\$3,999
7–8	\$8,234	\$1,647	\$4,117
9–12	\$9,791	\$1,958	\$4,896



**Special Education—Base Rates** 15

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- For the 2020–21 fiscal year, the Budget proposes to use the \$645 million from the 2019–20 State Budget to add to the existing Assembly Bill (AB) 602 base funding for a new special education base formula that uses a three-year rolling average of LEA ADA (but still allocated to SELPAs)
  - While future formula discussions may include other factors, this formula is strictly based on a statewide per-ADA amount
    - With the information currently available, we estimate this would equal between \$640 and \$680 per ADA
  - Most LEAs will see an increase in base funding
    - Approximately 100 LEAs with base rates higher than the proposed base rate will be held harmless
      - It is unknown whether these hold harmless LEAs will receive a COLA
  - The proposed repeal of AB 602's base formula would also eliminate the approximate \$65 million special education deficit



## Special Education—Funding Based on Preschoolers with Disabilities

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- Like the 2019–20 State Budget, Governor Newsom proposes to provide funding to school districts based on the three-, four-, and five-year-old preschoolers with disabilities that they serve
  - The 2020–21 allocation of \$250 million would be one time
    - Based on the latest data, we would estimate the per-pupil rate at \$4,570
- Unlike the 2019-20 State Budget, the Administration specifies that districts will be required to allocate these funds to increased or improved services
  - In the current year, while the dollars were apportioned based on pupil count, they were not required to be used for any specific purpose



## Addressing California's Educator Shortage

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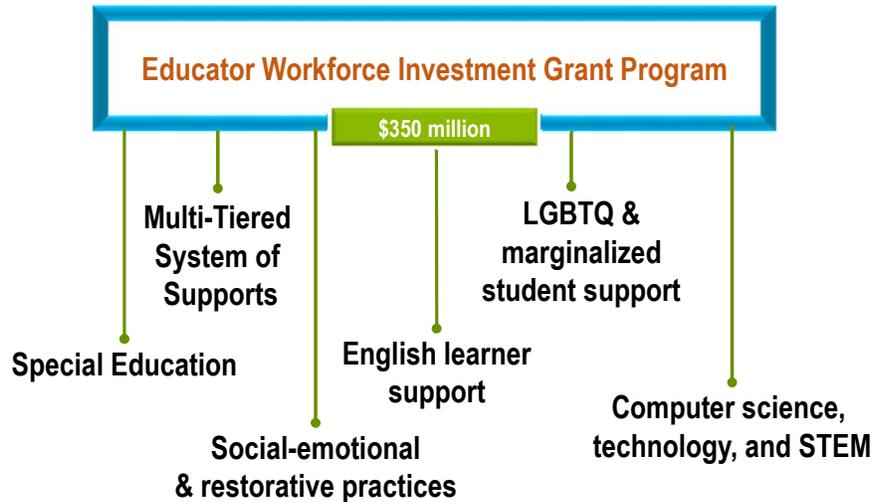
- Governor Newsom highlighted that the most impactful way of improving student achievement is by improving the skills and abilities of educators who interact with them every day
- He supports this belief by proposing a \$900 million one-time Proposition 98 investment in the educator workforce
  - Professional development
  - Recruitment and retention
  - Preparation, including expanding the Classified School Employees Credentialing Program by \$64.1 million



## Addressing California's Educator Shortage

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## Community Schools

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- \$300 million to establish competitive Community School grants for LEAs that support innovative community school models

Student wrap-around services, including mental health, social services, early screening and intervention for learning and other needs

Professional development in student mental and behavioral health, trauma-informed care, social-emotional learning, restorative justice, and other key areas



Increased family and community engagement, such as home visits and school climate surveys

Extended learning time and expanded learning opportunities



## Computer Science

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**Governor continues to prioritize access to computer science education**

-  \$15 million for LEA grants to help 10,000 teachers earn a supplementary computer science authorization on their credential
-  \$2.5 million for a county office of education (COE) to serve as a repository for computer science resources for professional development, curriculum, and best practices
-  \$1.6 million to develop a new UC Subject Matter Project in computer science and to fund one cohort of 1,200 educators to participate in the new project



## School Nutrition

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-  Increases funding for school nutrition by an ongoing \$60 million
-  \$10 million one-time to train school food service workers to promote healthier and more nutritious meals
-  New Farm to School Grant Program housed in the Department of Food and Agriculture to support California farmers and expand healthy food access



## 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
- The rates for 2020–21, inclusive of the 2.29% COLA, are as follows:

Grade Span	School Districts	Charter Schools	COEs
K–8	\$32.92	\$17.25	\$34.02
9–12	\$63.36	\$47.94	\$64.46

- The Governor’s Budget makes no changes to the mandates recognized for funding under MBG



## Early Care and Education

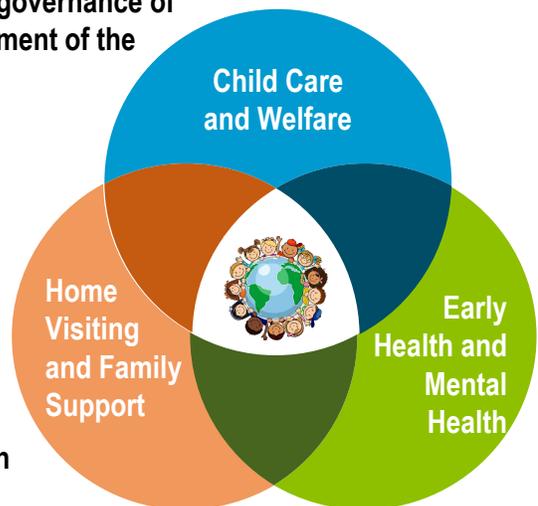
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- The Governor’s Budget proposes a major shift in the governance of child care and preschool programs with the establishment of the Department of Early Childhood Development

### Whole Child, Whole Family

- Within the California Health & Human Services Agency, effective July 1, 2021
- To improve program integration and coordination to promote high-quality, affordable care
- To consolidate child care funding streams and programs
- Partnerships with Department of Education, which will retain administration of State Preschool





## Early Care and Education—Facilities

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- Last year, the Budget appropriated \$263 million in one-time funds for grants to non-LEAs to build new or renovate existing child care and preschool facilities
- This year, the Governor proposes investment in preschool facilities for LEAs

\$75 million one-time Proposition 98 funds for the **Inclusive Early Education Expansion Program**

Governor's Budget proposes to repurpose **Full-Day Kindergarten Facility Grants** for preschool

If the bond passes, the Governor will propose to provide **enhancement grants** for preschool facilities



## What's Not in the Budget?

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~~Increased LCFF Targets~~

~~Payments to Reduce CalSTRS and CalPERS Costs~~

~~One-Time Discretionary Grants~~



## Improving Fiscal Accountability

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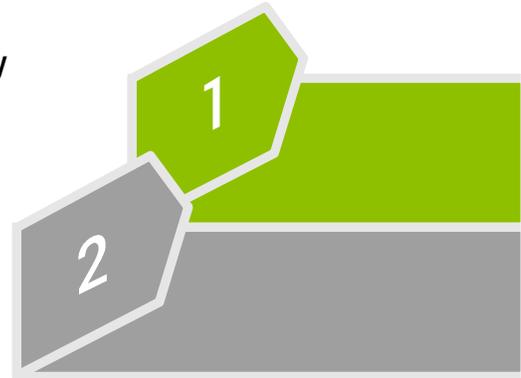
- The Governor proposes further improvements to strengthen LCFF fiscal accountability



Develop online Local Control and Accountability Plan (LCAP) portal to collect information from LEAs using the revised LCAP template



Co-locate the School Accountability Report Card and the LCAP online so the public can access and compare both accountability tools



## Collective Bargaining Continues to be Challenging

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### Major Factors Contributing to Challenges at the Bargaining Table



The cost of servicing the salary schedule of employees will exceed the new dollars that are available

- New dollars = \$231 per ADA
- Dollars needed to cover step and column increases and increased pension costs = \$313 per ADA



- The percentage of mediations that resulted in factfinding request increased in 2018-19 according to the 2018–19 Public Employment Relations Board annual report
- Recent teacher strikes have rippling effects which intensify bargaining and labor relations

