

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

Presented By:

School Services of
California Inc. Staff

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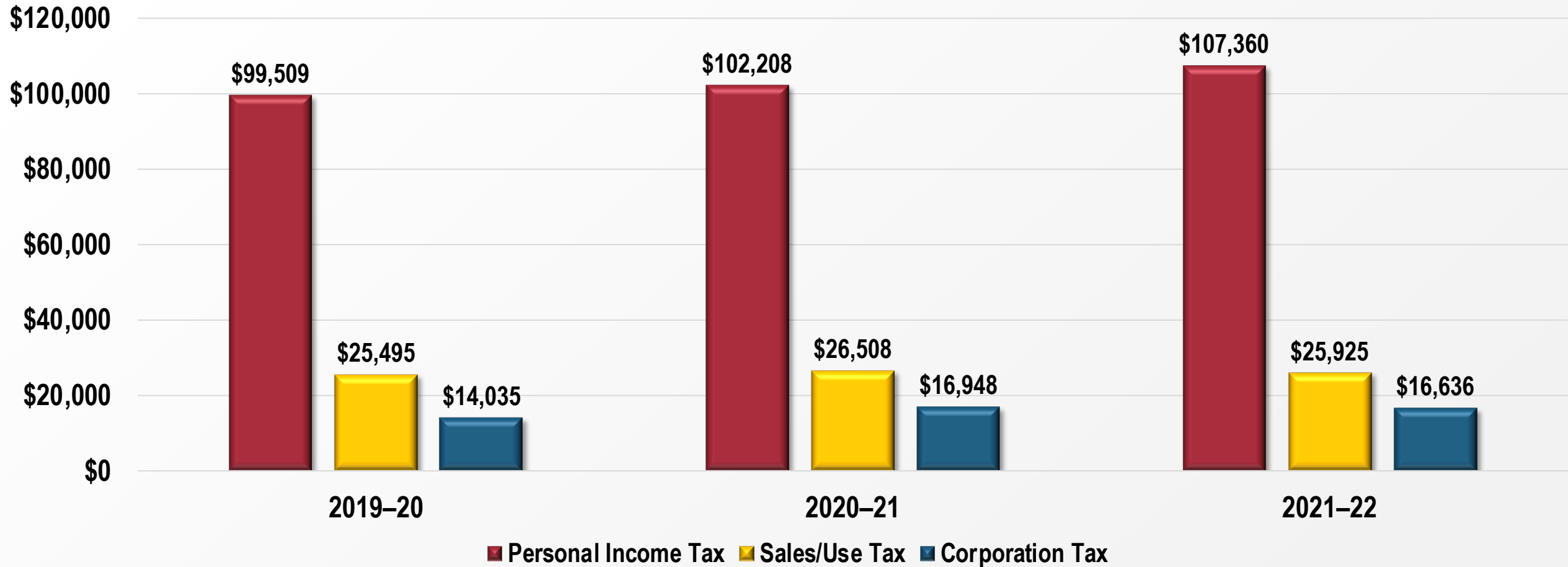


1

Estimate for the Big Three Revenues

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Big Three Taxes (in millions)



Source: 2021-22 Governor's Budget Summary

Current Federal and State Pandemic Funding

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- 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

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Adds an additional \$0.75 per meal

**\$112.2 million
for meal
reimbursement**



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

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 (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

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- 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

- 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

Sample Timeline for Implementation of the Safe Schools for All Grant Program

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- The Safe Schools for All grant program has been presented to the Legislature as an urgency measure
 - Requires a two-thirds vote for passage
 - An urgency bill becomes effective immediately upon enactment
- The timeline for implementation leaves little room for delay and LEAs interested in receiving grants will need to begin planning before knowing if the measure is enacted

Sample Timeline for TK–Grade 2 Reopening on February 16

Wednesday, January 20



Consult with labor, parents, and community organizations in the development of the CSP

Develop COVID-19 Testing Plan

Friday, January 22



Reach tentative agreement on MOU conforming with COVID-19 Safety Plan with certificated and classified bargaining units

Sample Timeline for Implementation of the Safe Schools for All Grant Program

7

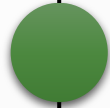
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Monday, January 25



MOUs ratified by bargaining units
Board agenda posted

Friday, January 29



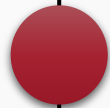
Board Meeting held to adopt CSP and COVID-19 Testing Plan and ratify MOUs with bargaining units

Monday, February 1



Deadline to submit CSP, COVID-19 Testing Plan to the COE

Wednesday, February 10



Submission of grant application to the state

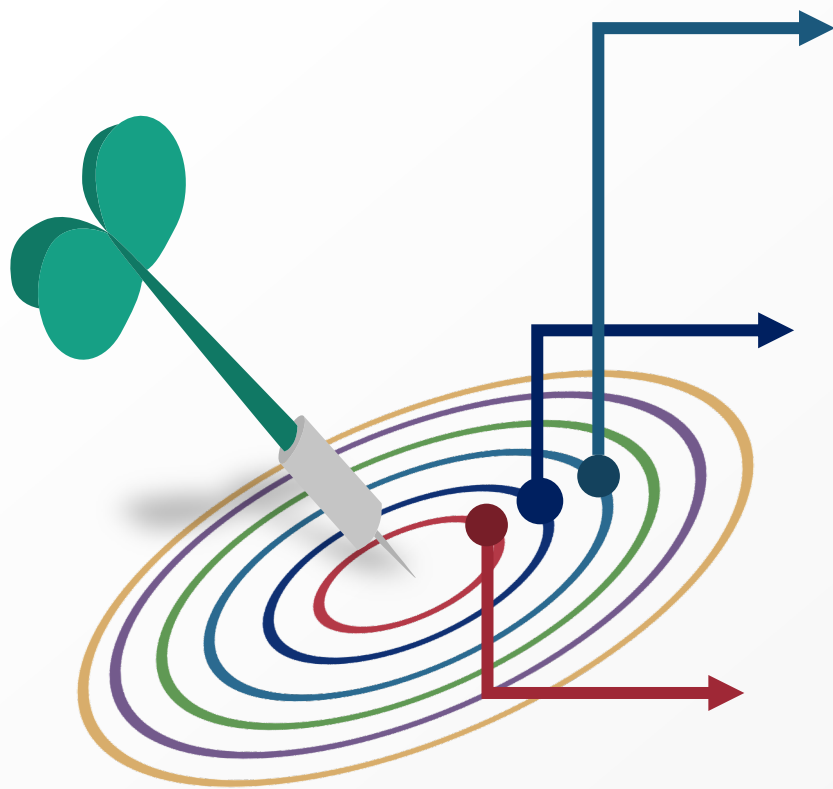
Tuesday, February 16



Schools reopen for in-person instruction

Multiyear Projections

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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

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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**

Collective Bargaining

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- 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

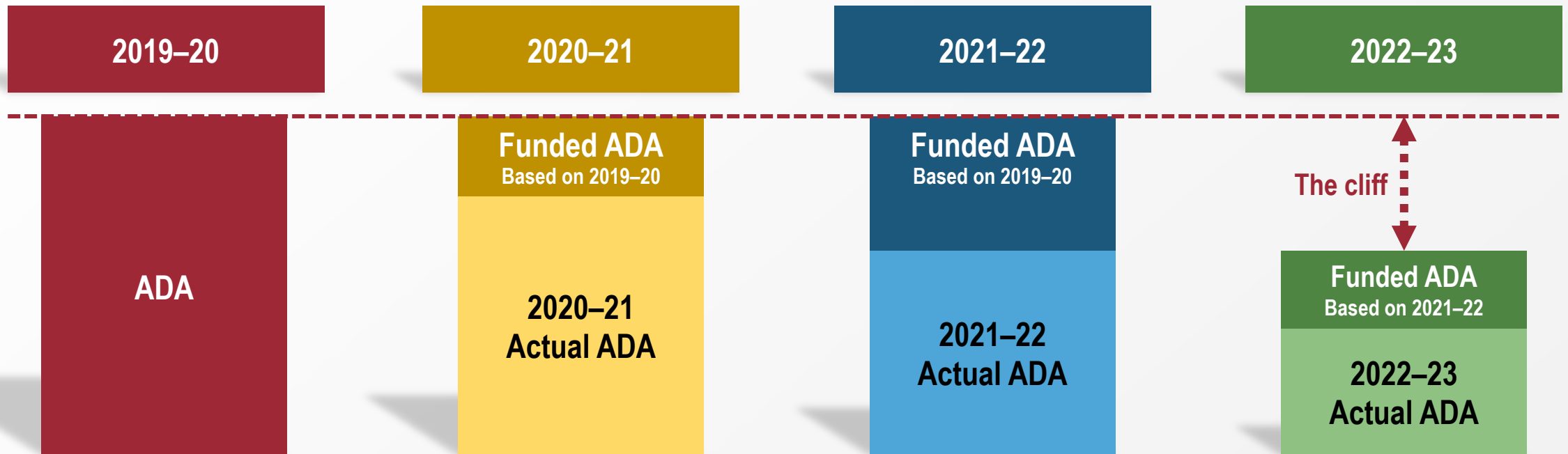
? Deficit spending

? Increased contributions to special education and other restricted programs

2021–22 ADA Impacts

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- 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

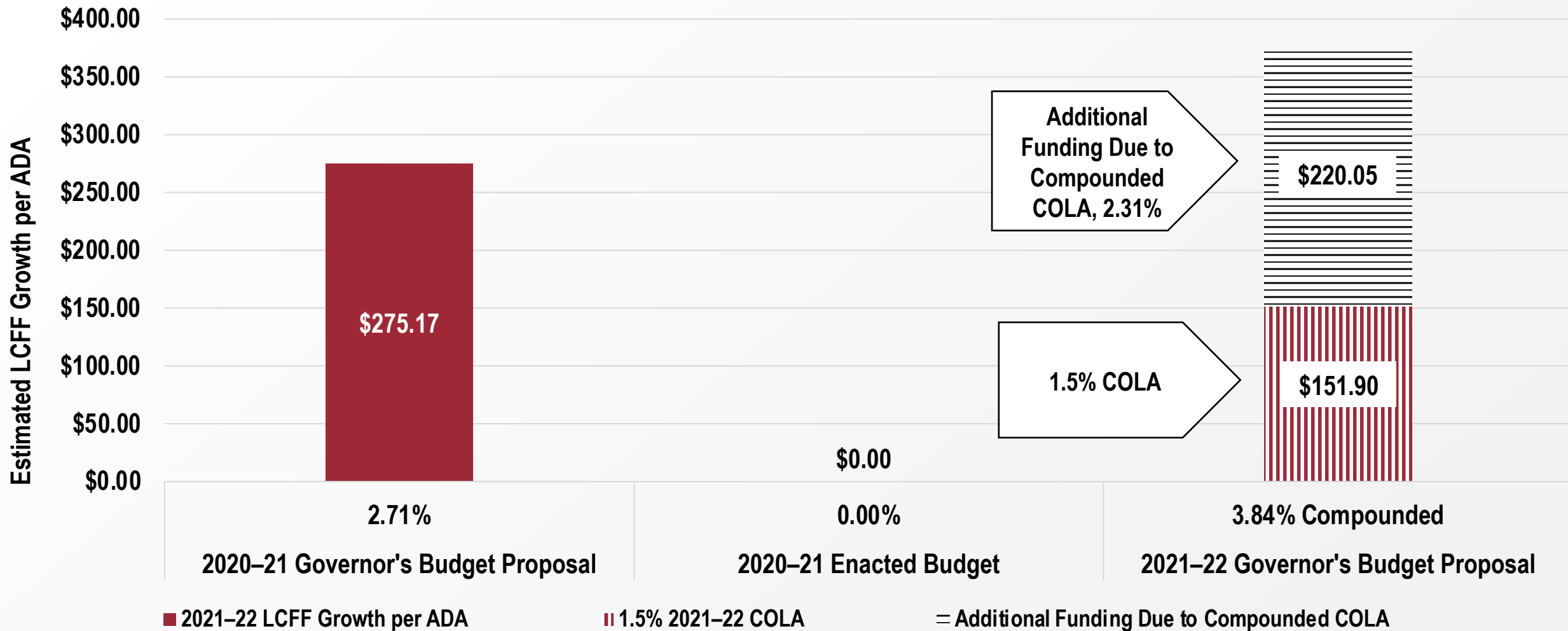


12

COLA Volatility

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2021–22 LCFF COLA Volatility



CalPERS Employer Contribution Rates

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- 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

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- **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

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

See *Fiscal Report* article “2018–19 Reserve Levels” in the Workshop Resources.

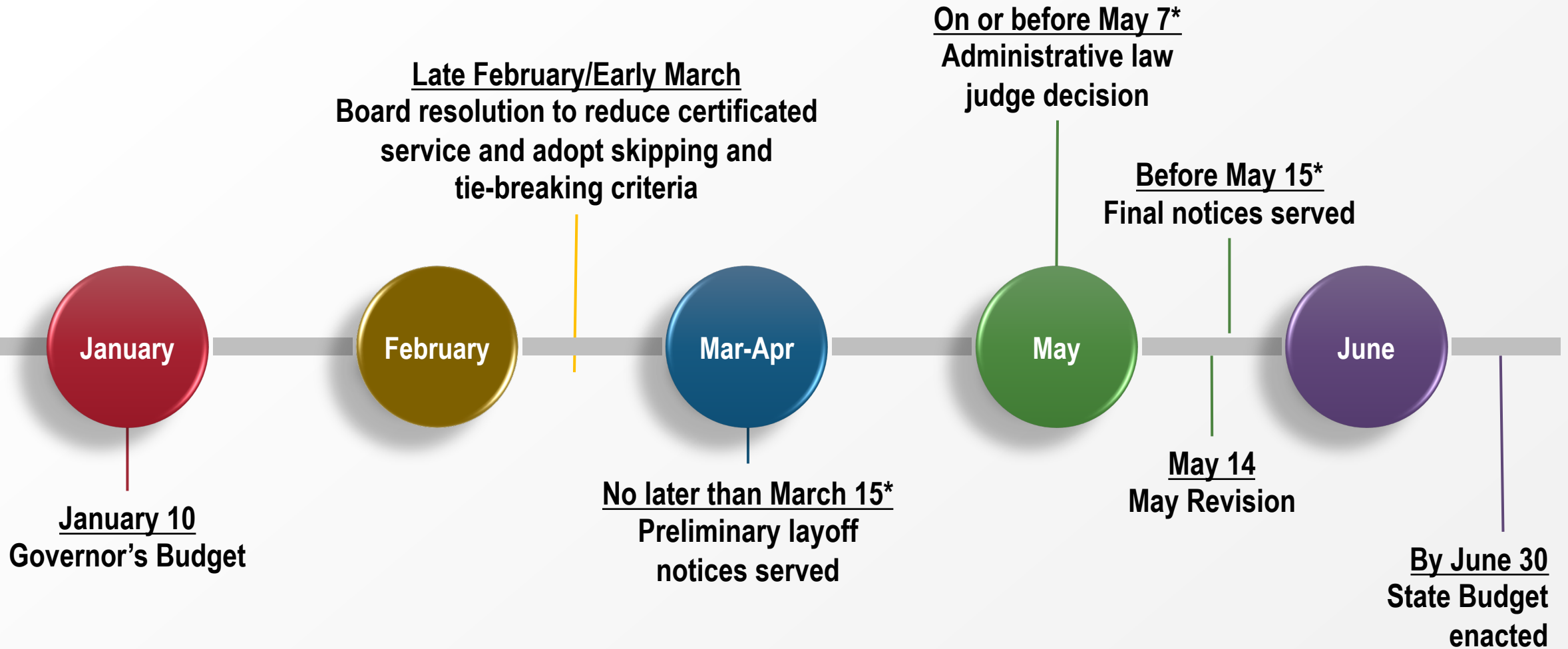
Stockton Unified 2020-21 1st Interim % at the 3rd year (2022-23) = 6.32%

- 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



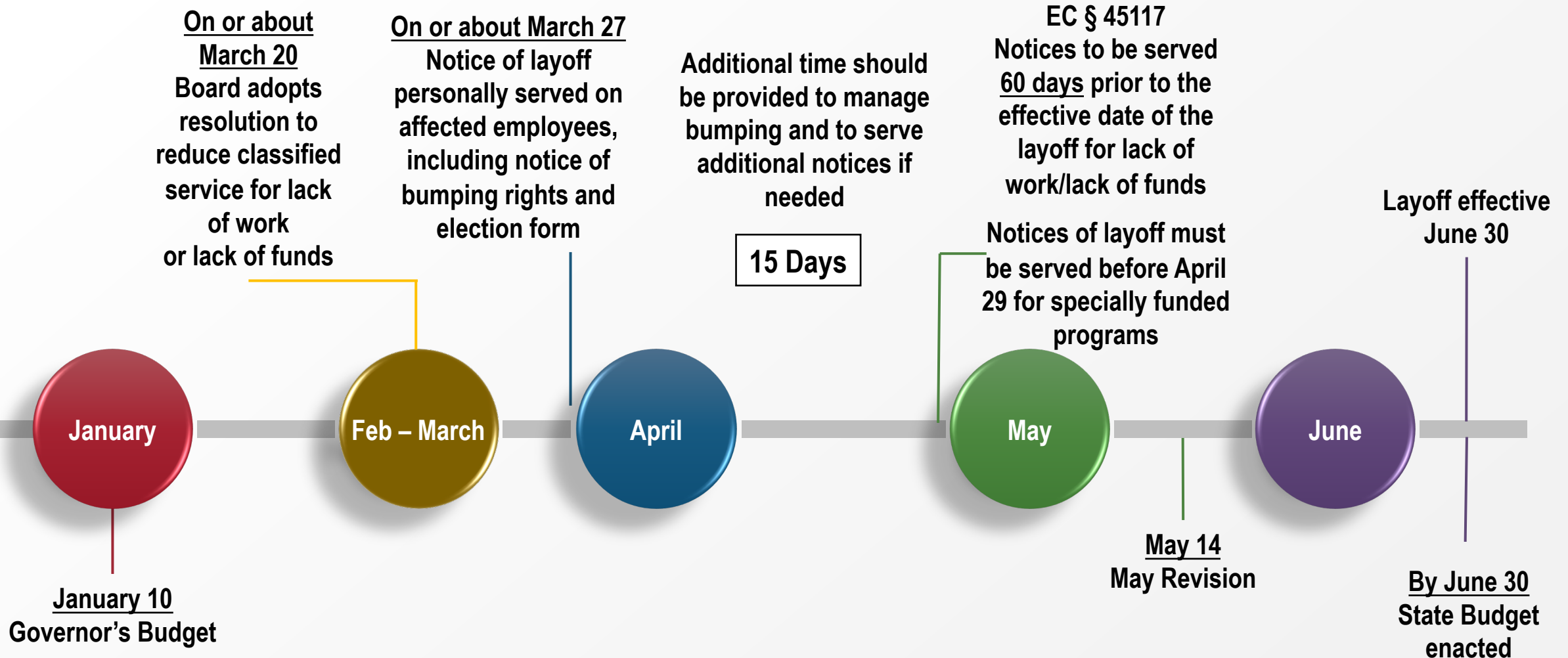
Certificated Layoffs and State Budget Timelines

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*Statutory deadlines per EC § 44949 and 44955

Classified Layoffs and State Budget Timelines



NEXT STEPS

- Prepare 2020-21 2nd Interim, per Governor's January Budget Proposals. Submit Second Interim to San Joaquin County Office of Education by March 15, 2021
- Plan for proposed budget reductions for Fiscal Year 2021-22 Adopted Budget – February 9th Board Meeting.
- Certificated reductions that “May” be reduced will be identified and go to the board on or before March 15, 2021
- Certificated reductions that “Will” be reduced will be identified and go to the board on or before May 15, 2021
- Governor's May Revise budget announced May 2021
- Classified reductions will be identified 60 days prior to June 30, 2021