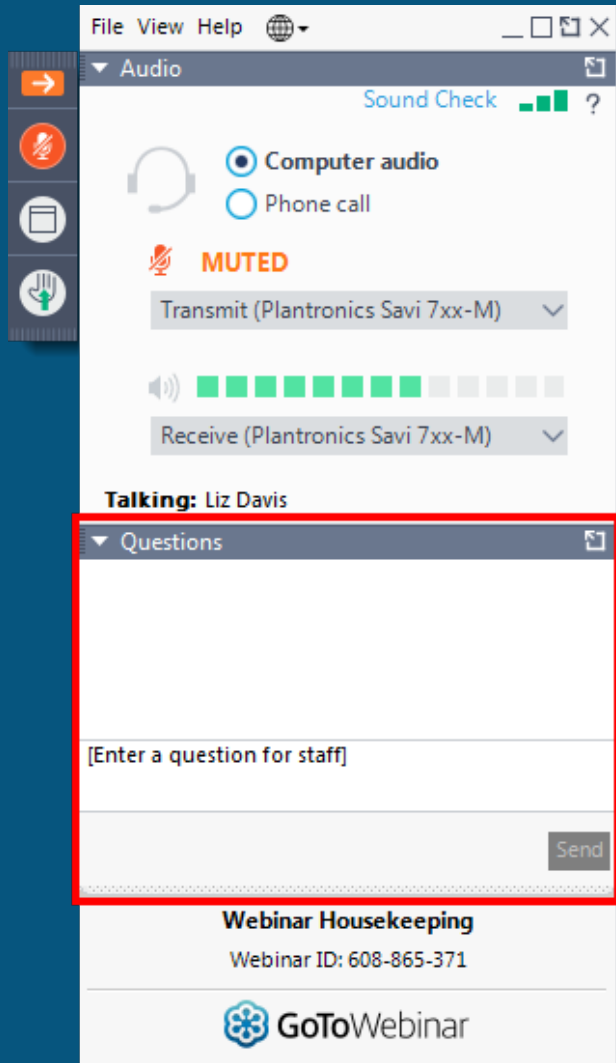


May Budget Revision Update

Implications for Schools



Housekeeping



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Today's Presenters

- ▶ **Michael Fine**, Chief Executive Officer, FCMAT
- ▶ **Brett McFadden**, Superintendent, Nevada Joint Union HSD
- ▶ **Dr. Daryl Camp**, Superintendent, San Lorenzo USD
- ▶ **Vernon M. Billy**, CEO & Executive Director
- ▶ **Dennis Meyers**, Assistant Executive Director, Governmental Relations
- ▶ **Erika Hoffman**, Legislative Advocate
- ▶ **Cheryl Ide**, Legislative Advocate

- ▶ Moderator:
 - ▶ **Troy Flint**, Chief Information Officer, California School Boards Association

Statement from CSBA's
CEO / Executive Director,
Vernon M. Billy



Dennis Meyers

Assistant Executive Director, Governmental Relations



Proposition 98 Overview

- Prop 98 in 2021-22 increased from \$85.8 billion in the Governor's Budget to \$93.7 billion in May Revision.
- K-12 share of Prop 98 increased from \$76.36 billion in Governor's Budget to \$83.39 billion in May Revision.
Difference in the Prop 98 guarantee since January: \$7.9 billion
Difference in K-12 share of guarantee since January: \$7 billion
- \$13,977 in Per Pupil funding

Prop 98 remains in Test 1 in all 3 years through 2021-22 (38% of state General Fund)

Proposition 98	Governor's Budget	May Revision	Difference
K-14	\$85.8	\$93.7	+\$7.9
K-12	\$76.4	\$83.4	+\$7.0



Proposition 98 Overview

Proposition 98 Issues - Cash Receipts

- May Revision adjustments to prior year and current year add to available cash:
 - 2019-20
 - Governor's Budget increased Prop 98 \$1.9
 - 2020-21
 - Governor's Budget increased Prop 98 \$12 billion

Total available cash available over three-year period
\$17.7 billion one-time (\$15.75 billion K-12)



Proposition 98 Overview

- Excess revenues above the State Appropriations Limit in 2020-21 and 2021-22 creates a Constitutional obligation for the state to make a one-time payment to K-14 schools, supplemental to the Proposition 98 Guarantee funding level, and allocated based on K-12 average daily attendance.
- Amount will not be finalized until the adoption of the 2023-24 budget, but anticipates that it will total approximately **\$8.1 billion**, and will be provided to K-14 schools in the 2022-23 fiscal year.



Cost of Living Adjustment (COLA)

- No COLA provided in the Budget Act of 2020
- Governor's January Budget included a compounded COLA in 2021-22 of 3.84%; comprised of 2020-21 COLA (2.31%) and 2021-22 COLA (1.5%) for LCFF
- May Revision updates compounded COLA to 4.05% for LCFF and Special Education (2021-22 COLA increases to 1.7%)
- May Revision proposes and additional 1% to the **LCFF COLA for total of 5.07%**
- **1.7% COLA for categorical programs (not including transportation)**

	Budget Act of 2020	Governor's Budget	May Revision	
2020-21	0%	2.31%	2.31%	
2021-22		1.5%	1.74%	
Subtotal		3.84	4.05%	4.05% for SPED
Additional for LCFF			1.02%	
TOTAL			5.07%	5.07% for LCFF



Apportionment Deferrals

Current Year (2020-21) - \$11.06 billion total

- \$1.54 billion from Feb. 2021 apportionment to Nov. 2021
Equals about 46% of February apportionment **TO BE PAID**
- \$2.375 billion from March 2021 apportionment to Oct. 2021
Equals about 71% of March apportionment **TO BE PAID**
- \$2.375 billion from April 2021 apportionment to Sept. 2021
Equals about 71% of April apportionment **TO BE PAID**
- \$2.375 billion from May 2021 apportionments to Aug. 2021
Equals about 71% of May apportionment **TO BE PAID**
- Up from \$2.375 billion to \$2.6 billion in May Revision from June 2021 apportionment to July 2021
Now equals about 78% of June apportionment **NOT PAID**



Proposition 98 Issues

- **Supplemental Payment:** The Budget Act of 2020 includes a “promise” known as the supplemental payment to increase state General Fund contribution to the Prop 98 guarantee to bring the Test 1 amount up from 38 percent of General Fund revenues to 40 percent. Equal to \$12.4 billion!
- Governor's January Budget included a repeal of all but the first year "supplemental payment" of \$2.3 billion.
- May Revision pulls back the \$2.3 billion supplemental payment reportedly in favor of re-benching the guarantee for TK expansion.



Public School System Stabilization Account – Prop 98 Reserve

- The Budget Act of 2020 makes no deposits to the reserve
- However, increased capital gains revenues since Budget Act and the Governor's January Budget requires additional deposits in 2020-21 and 2021-22 in the May Revision:

	Governor's Budget	May Revision	Difference
Current Year (2020-21)	\$747 million	\$2 billion	+\$1.25 billion
Budget Year (2021-22)	\$2.2 billion	\$2.6 billion	+\$400 million
TOTAL	\$2.95 billion	\$4.6 billion	

School district reserve caps will be triggered.

- Local reserve cap triggered when PSSSA balance is at least 3% of the K-12 share of Prop 98
- Medium and large districts will generally need to limit their reserves to no more than 10% of annual expenditures – applies only to assigned and unassigned funds
- Small and basic aid districts are exempt



Cheryl Ide

Legislative Advocate



May Revision Proposals



Transitional Kindergarten Expansion

- May Revision proposes expanding TK to ALL 4-year-olds over a three-year period (**2022-23**, 2023-24, and 2024-2025) with increments of 3 months of age per year.
- \$250 million in 2021-22 for planning and implementation grants and time necessary for infrastructure development. (Redirected from Gov's Budget)
- Proposal includes a re-bench of Prop 98 guarantee:
 - \$900 million in each of the three years for a total re-bench of \$2.7 billion.
- \$380 million in 2022-23, increasing to \$740 million in 2024-25, to reduce class-size ratios for teachers to students from 1:24 to 1:12, and to provide a minimum of 3-hours of instruction.
- Does not provide detail or additional resources for facilities or transportation.



Expanded Learning Opportunities

- The May Revision builds upon the framework of AB 86's Expanded Learning grants and proposes additional funding for LEAs that receive concentration grants to allow greater access to comprehensive after school programs, summer school, enrichment and supports.
- \$1 billion in 2021-22 and then increasing by one billion annually into 2025-26 to reach \$5 billion to expand after school and before school programs, and summer school activities.
- \$2.6 billion one-time funding (FF and P98 GF) to accelerate learning and for "high-dose tutoring".
- Does not include eligibility for non-concentration grant LEAs



Concentration Grant Increase

- \$1.1 billion in ongoing funding to increase the value of the LCFF concentration grant from the current level of 50% of the LCFF base grants to 65% of the LCFF base grants.
- LEAs will be required include in their LCAPs how they plan to use this increased funding BUT the intent will be to hire staff (teachers, counselors, nurses, paraprofessionals, principals, etc.) to reduce the staff-to-student ratio.



Distance Learning

- May Revision contains no extension of the SB 98 distance learning provisions as the Administration believes current Independent Study (IS) program statutes are sufficient with some proposed changes/requirements to:
 - Increase student access to technology/connectivity
 - Develop framework and implement re-engagement strategy
 - Track and record daily student participation and interaction with teachers



School Nutrition

- \$150 million ongoing Prop 98 for school nutrition to increase the state reimbursement rate for those enrolled in the federal universal meals program. (Approx. +25 cents per meal)
- \$100 million one-time Prop 98 for school kitchen infrastructure upgrades and training for cafeteria staff.
- \$30 million one-time General Fund for the Farm to School initiative



Teacher Pipeline & Professional Development

- The Governor's January Budget included \$540 million between 8 different teacher pipeline and training grant programs.
- The May Revision proposes to increase the amount to \$3.3 billion for expenditure over 3-5 years, of which, among other programs, will include:
 - \$500 million in grants for teachers who commit to high-need schools
 - \$250 million to attract more teachers to high-poverty schools



Erika Hoffman

Legislative Advocate



Expand Community Schools & Wrap Around Services

- Governor's January Budget included approximately \$265 million to establish new and expand existing Community School programs to provide additional health and mental health services to students.
- The May Revision increases this proposal to \$3 billion to be utilized over a three-year period to expand up to 1,400 (60%) of all LEAs.
- \$4 billion over 5 years to identify and treat behavioral health needs of students – as part of the Children and Youth Behavioral Health Initiative.
- \$30 million one-time to COEs for local partnerships to provide direct services to students.



Child Savings Accounts for Higher Education

- \$2 billion (Non-Prop 98) to create college savings accounts for students enrolled in K-12 public schools, including a \$500 base deposit for students from low-income families, English learners and foster youth, and a \$500 supplemental deposit for foster and homeless youth to save for college or start their own business.
- \$170 million (Non-Prop 98) ongoing annual funding for incoming first-graders who fit the same criteria.



Special Education

The Administration provides increased funding to improve instruction and services for students with exceptional needs. Specifically, the May Revision includes:

- \$117.7 million in Prop. 98 funding to increase the COLA for special education from 1.5% proposed in January to the 4.05% combined COLA.
- \$277.7 million in one-time federal funding to LEAs to increase general special education resources.
- \$15 million in one-time IDEA funds to provide technical assistance and support to LEAs in developing and administering comprehensive IEPs and providing additional assistance to students impact by COVID-19.



Mental Health

The May Revision increases funding for the “*Children and Youth Behavioral Health Initiative*” from \$400 million in January to \$1 billion. Specifics of the Initiative include:

- Better connecting children and youth to behavioral health care services
- Increasing schools’ ability to deliver care directly to students and to partner with Managed Care Plans under Medi-Cal
- Provide for screening and early identification of students
- Connecting students to services for substance abuse, trauma, grief and mental health needs



Broadband

- \$7 Billion, over three years for Broadband for All to close the digital divide. The Broadband for All plan will expand broadband infrastructure, increase affordability and enhance access. Funding will be used to:
 - Close the “Middle Mile”
 - Support the “Last Mile”
 - Allow local governments and tribes the opportunity to provide services
 - Make broadband more accessible for all



Remaining Issues

Dennis Meyers

Assistant Executive Director, Governmental Relations

Cheryl Ide

Legislative Advocate



Remaining Unresolved Issues

- All deferrals must be retired in the current year as a priority before creating new programs.
- Unemployment insurance rate increase from .05% to 1.23% (\$600 million increase) not covered by state.
- Excess ERAF issue not addressed. Cost to Prop 98 approximately \$350–500 million annually being steered to five Bay Area county governments.
- Funding for growing enrollments in current year not addressed.
- Increasing pension costs covered through 2021-22 but there is no plan to continue to cover those increases after June 30, 2022.
- Potential loss of \$12.5 billion supplemental payments



Michael Fine

Chief Executive Officer
FCMAT



Reviewing Budgets

- Ask staff for two multiyear financial projections (MYP)
 - One that shows existing conditions with one-time funds
 - One that excludes the one-time funds (structural condition)
 - Focus on your structural finances, don't let the large amount of one-time funds mask a problem
- Financial cliff in 2022-23
 - Declining enrollment, ADA hold harmless catch-up
 - Employer pension contribution relief expires

Budget Basic Reminders

- Budgets should be driven by plan – LCAP+
- Look at all funds and sources in developing a financial plan that supports the LCAP+
 - The puzzle needs to account for all its pieces to be complete
- Use most restricted funds first
 - Restrictions come in a variety of flavors – eligible uses, time
- Use one-time funds on one-time needs
 - Look for opportunities to invest one-time resources now that produce savings in the outyears to meet continuing student needs

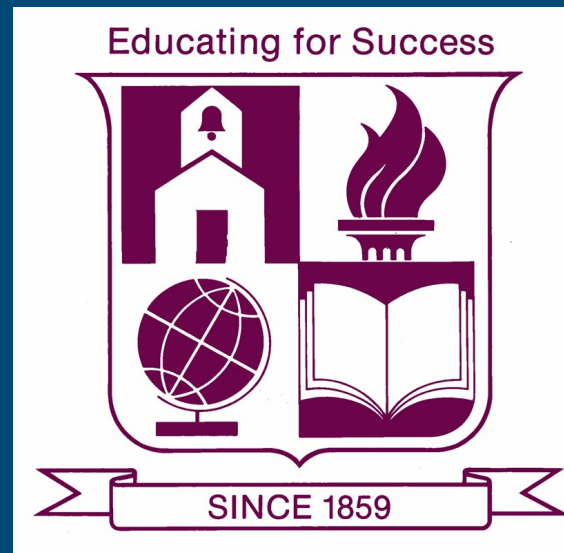
Local Perspective

Brett McFadden
Superintendent
Nevada Joint Union HSD



Local Perspective

Dr. Daryl Camp
Superintendent
San Lorenzo USD



Questions?

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Thank you



California School Boards Association

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